

Appendix C1: Tab 1 - Threshold Requirements for Housing Recipients

- 1-1. Previous Housing Participation Information
- 1-2. Affirmatively Furthering Fair Housing Threshold
- 1-3. Capacity Threshold
 - 1-3.1. Background Program Experience (No Attachment)
 - 1-3.2. Personnel Staff Capacity
 - a. HCDD Organizational Chart
 - b. Affirmative Action Plan
 - c. City of Houston Ordinance Chapter 14
 - 1-3.3. Financial Capacity
 - a. HCDD Contract Payables Policy & Procedures
 - b. HCDD Indirect Cost Allocation Policy
 - c. HCDD Procurement Policy & Procedures
 - d. HCDD Internal Audit
 - e. HCDD Records Management Policy & Procedures
 - f. HCDD Records Control Schedule
 - g. HCDD Records Control Schedule Abbreviations
 - 1-3.4 Monitoring Program Goals & Objectives
 - 1-3.5 Audit Requirements
 - 1-3.6 Insurance Bonding Workers Compensation (No Attachment)
- 1-4. Benchmark Requirements (No Attachment)

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AMENDED AND RESTATED

Fair Housing Activity Statement – Texas

Recognizing that each jurisdiction is unique, this Fair Housing Activity Statement - Texas is intended to be used in conjunction with the Analysis of Impediments, Phase I as a form to help the applying jurisdictions perform assessments of their impediments to fair housing choice, plan actions to address identified impediments, and communicate their plans to the State of Texas and HUD.

BEFORE beginning to fill out this form, each jurisdiction should:

- (1) Participate in the regional FFAST Form training.
- (2) Review the 2010 Texas Interim Phase I AI in detail;
- (3) Gather relevant information (see instructions in Appendix A);
- (4) Convene a FFAST Working Group to assess the data collected in #2 and fill out the FFAST form (see instructions in Appendix A.)

<u>Impediment #1</u>	Protected classes may experience disparities in home mortgage lending and high cost loans.
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No local action is required at this time.

<u>Impediment #2</u>	There is inadequate information available to the real estate community, governments and the public about fair housing requirements and enforcement procedures.
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No local action is required at this time.

<u>Impediment #3</u>	The public is not sufficiently aware of their Fair Housing rights and how to obtain the assistance necessary to protect those rights.
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1. Consistent with the Fair Housing Act, the State of Texas, and funded sub-recipients should continue to promote and conduct events to celebrate April as Fair Housing Month, and direct sub-recipients to do the same. These events can demonstrate support for fair housing and build awareness.

- ✓ We will commit to undertake Fair Housing Month activities. (Check all that apply.)
- ✓ Passage of a resolution by our governing body.

HCDD will seek passage of such a resolution of support of Fair Housing by the City of Houston City Council, starting with April 2012.

Activities in schools.

- ✓ Placing posters in public buildings.
- Governing body will hold a special hearing to solicit input from the community.
 - ✓ Other. Please specify.

Create a Fair Housing Subcommittee of the Department’s Advisory Task Force—allow monthly meetings to manage a timeline of activities to address Fair Housing for the City of Houston including for City Fiscal Years 2012 and 2013:

- **A list of activities for Fair Housing Month**
- **A review of current fair housing information/marketing materials and make recommendations to improve outreach regarding Fair Housing rights in multiple languages**
- **Review the status of the Sustainable Communities affordable housing study outcomes and make additional recommendations to address Not In My Backyard (NIMBY) resistance**
- **Review of Chapter 19, City of Houston Floodplain Ordinance**

✓ Other. Please specify.

When will you undertake these activities? 2011 ✓ 2012 ✓ 2013

Not Applicable (Explain)

2. Consistent with the Fair Housing Act, the State of Texas and funded sub-recipients have historically conducted fair housing activities at various times of the year and should continue to fund, depending on sufficient appropriations, or collaborate with public and private agencies, organizations and groups to plan and conduct fair housing activities.

- ✓ We will conduct/sponsor/fund in fair housing activities at various times of the year other than “April as Fair Housing Month”. Attach a description of these activities and identify the organizations and agencies you have worked with.

HCDD will endeavor to conduct various Fair Housing workshops twice a year. HCDD can increase efforts to create awareness of Fair Housing regulations by providing guidance to the community. Planning for these activities is scheduled to occur in 2012 and 2013.

When will you do this? 2011 ✓ 2012 ✓ 2013

Not Applicable (Explain)

Impediment #4

"Not in my Backyard" (NIMBY) may be an impediment to fair housing in Texas communities.

1. NIMBY opposition needs to be anticipated and planning and outreach should occur on the front end of projects. To mitigate defensive and reactive responses, planning should include strategies for education, outreach and marketing that provide accurate information and promote the positive aspects and benefits of affordable housing to build support among community residents.^[1]
 2. The Department of Housing and Urban Development (HUD) provides extensive information about Fair Housing and examples at www.hud.gov. Generally communities should consider:
 - Working with local officials, editorial boards, religious and civic organizations and other community leaders to initiate education programs.
 - Seeking opportunities to present information to community organizations by requesting to be placed on their meeting agendas.
 - Including a visit to the Group Home residence as part of an education program.
 - Answering all questions.
 - Talking with local neighborhood leaders, including elected representatives, and setting up a neighborhood meeting.
 - Setting up a liaison committee consisting of advocates, group residents, and neighborhood residents to discuss issues.
 - Identifying areas that meet AFFH targets where the community supports development, has worked with community groups and potentially uses funds to assist the development of multi-family affordable housing.
- We have developed an anti-NIMBYism action plan. [Attach a copy or description]
- We will develop an anti-NIMBYism action plan. [Designate who will be responsible for developing this plan.]

HCDD will implement strategies by incorporating additional community-based focus groups to promote the positive aspects and benefits of affordable housing. HCDD will research best practices to find the most effective strategies for the City of Houston. HCDD, with its Fair Housing unit, will work with local and federal Fair Housing groups and its Advisory Task Force. Planning and research is scheduled to begin in 2012.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

<u>Impediment #5</u>	Certain governmental policies and practices may not meet current HUD policy concerning affirmatively furthering fair housing. Jurisdictions should act to ensure that their policies and procedures affirmatively further fair housing, address mal-distribution of resources, and that they do not unnecessarily impact housing choice.
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1. As part of certifying that a community is affirmatively furthering fair housing, jurisdictions that have long-term infrastructure plans should review them to determine if the plan promotes racial concentrations or otherwise inadvertently results in disparate treatment of members of protected classes. While not intended to direct a community to hire a consultant, it is anticipated that a community will review its long-term infrastructure plans as part of this recommended action. In reviewing the project list (Appendix F of the Phase 1 AI) there are many projects that are listed as being of community-wide benefit. The records do not indicate the actual location of projects or provide adequate discussion of how the projects benefit the entire community.

- ✓ We have a long-term infrastructure plan and will review the plan to determine if it promotes racial concentrations or otherwise inadvertently results in disparate treatment of members of protected classes as it relates to the availability of housing.

When will you do this? ✓ 2012

Note: due to the magnitude and complexity of the City of Houston's infrastructure plans, such review could not reasonably be completed within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

- We have already collected information on the locations of protected populations and have adequate information for insuring that new projects with "citywide benefits" will not perpetuate illegal differences in treatment.

- ✓ We will use the information in the AI to ensure that proposed projects do not perpetuate illegal differences in treatment.

When will you do this? ✓ 2012

Not Applicable (Explain)

2. As it has been determined under federal law that Fair Housing applies to all federal housing and community development funds, to reduce "siloing" the fair housing component into only housing-related programs, fair housing should be considered in all activities for all local community planning staff.

- We have determined that consideration of Fair Housing implications has already been incorporated into all aspects of planning in this jurisdiction. [Please attach supporting documentation.]

- ✓ We will review and insure that Fair Housing implications are addressed in all aspects of planning in this jurisdiction in a manner consistent with the guidelines provided by the state at the FFAST form training and maintain documentation of that review.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

3. It would be beneficial for local elected officials to require senior staff of any subrecipient such as a city or county—including managers and attorneys—to receive available Fair Housing training within the first 12 months of their employment or engagement.

We have a policy in place providing for all senior staff – including managers and attorneys – to receive Fair Housing training within their first 12 months on the job, and for long-term senior staff to receive regular updated training. [Attach copy of policy]

We do not have such a policy and will develop and implement one.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

4. As part of what is usually a common initial training by the associations that provide education opportunities for newly-appointed board members or newly-elected council or commissioners court members of cities and counties, the state should request that training include specific information on the Fair Housing Act—with a discussion of affirmatively furthering fair housing obligations.

No local action is required at this time.

5. Local communities should consider limiting the concentration of infrastructure improvements like wastewater treatment, solid waste disposal, or similar necessary but not desirable infrastructure projects in residential areas where there are concentrations of protected classes.

We have an official policy that limits the concentration of certain infrastructure improvements. [Attach a copy.]

We have official policies and procedures that take the location of protected classes into account when deciding where to locate undesirable infrastructure improvements. [Attach a copy.]

We do NOT have limits on the concentration of undesirable infrastructure improvements or policies and procedures that take the residential location of members of protected classes into account, but will develop formal limits or official policies and procedures.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

6. Communities electing to provide publicly financed housing incentives should be requested to call for recipients to engage in affirmative marketing.

We have a policy requiring Affirmative Marketing Plans from developers seeking tax abatements or other supports for new housing.

Note: the City of Houston has such a policy for financial support for affordable housing but such support normally does not include tax abatements.

We do not have such a policy and will develop and implement one.

When will you do this? 2011

Not Applicable (Explain)

7. If a jurisdiction is a non-entitlement community, when working in LMI areas to replace roads or other infrastructure, the jurisdiction should consider making application for additional sources of funding to provide assistance to repair substandard housing associated with the project (i.e., TDHCA or HUD.)

We formally consider accessing supplementary funds when infrastructure proposals are developed. [Attach policies.]

We have not consistently done this in the past and we will develop a process to formally consider making housing funding applications when funds for infrastructure projects are sought.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

The City of Houston is an entitlement community.

8. Most infrastructure projects take into account items like curb cuts, sidewalks, hearing and visually impaired indicators at intersections. When approving non-federally funded projects, similar special needs construction should be required for infrastructure improvements. Projects should also address other legacy discrimination issues, such as accessibility in public areas like courthouses, community centers and other high traffic areas.

We currently require that applications for non-federally-funded infrastructure projects are ADA compliant and address other legacy discrimination issues.

We do not have such a requirement. We will develop one.

When will you do this? 2012

Note: due to the magnitude and complexity of the City of Houston's infrastructure projects, such review could not reasonably be completed within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

9. Each jurisdiction applying for Community Development Block Grant funds or other federal housing and community development funds should submit a Fair Housing Activities Statement – Texas (FHAST) with their application, reviewing their infrastructure needs and housing needs and how the proposed activity promotes fair housing or results in more equitable treatment of protected classes. Projects with community-wide benefits should be accompanied by explicit commitments on the part of the local jurisdictions to undertake additional activities to affirmatively further fair housing along with a monitoring and reporting process.

✓ We submit a FHAST form.

This is the FHAST form.

When will you begin to do this? ✓2011

Not Applicable (Explain)

10. As part of the non-housing disaster recovery program, jurisdictions should consider low-income areas and areas populated principally by members of protected classes to determine the potential for flooding and consider making infrastructure expenditures to help protect the impacted communities—including colonias.

We have reviewed LMI areas and areas populated principally by members of protected classes, and prioritized infrastructure expenditures to help protect the impacted communities—including colonias.

✓We have not done this in the past but will conduct such a review and consider these infrastructure projects in the future.

When will you do this? ✓2012

Note: due to the magnitude and complexity of the City of Houston's infrastructure system devoted to mitigating flooding, such review could not reasonably be completed within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

11. If applicable, all policies should be reviewed regarding denying applicants' access to disaster recovery CDBG funds if their residence is located in the flood plain. If the

policy does not allow participation by restricting building in flood plains, then the policy should be assessed to see if alternative housing programs could be implemented for the residents. Local jurisdictions should analyze the results and see if protected classes are more frequently harmed by flood plain restrictions. This action does not apply to the GLO CDBG Disaster Relief Fund that limits property purchase “unless TXCDBG receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain.”

- We have completed this review and analysis and will take action on our findings.
- ✓ We have not completed this review and analysis. We will do so and take appropriate actions based on our findings for Round 2 programs.

When will you do this? ✓2012

Note: due to the magnitude and complexity of the City of Houston’s policies pertaining to this subject, such review could not reasonably be completed within 2011. The City will endeavor to complete this exercise by the end of 2012.

- Not Applicable (Explain)

12. When an entire community is in a flood plain, the community should establish clear standards that allow for proper elevation or relocation, and that also allows for visitability/special needs considerations consistent with state^[3] and federal law.

- We have established clear standards that allow for proper elevation of homes or for relocation, and also allow for visitability/special needs considerations consistent with state and federal law. [Attach documentation.]
- We have not developed these standards but will do so for Round 2 programs.

When will you do this? 2011

- ✓ Not Applicable (Explain)

The City of Houston is not entirely in a flood plain.

13. Local jurisdictions that accommodated the relocation of disaster survivors resulting in concentrations of protected class survivors in specific areas should establish Moving to Opportunity Programs and include renters in their Moving to Opportunity Programs as defined under Round 2.

- ✓ This action step applies to our jurisdiction. We will establish a Moving to Opportunity Program for disaster survivors as part of our Round 2 housing recovery program.

^[3] Texas Government Code Section 2306.514

When will you do this? ✓2012

Note: due to the magnitude and complexity of this issue, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

14. Consistent with the process established in the Conciliation Agreement, local jurisdictions and state agencies should work together to determine a demographic and economic profile of victims of the natural disaster and establish goals for assisting these populations in no less that the proportions they were impacted by the disaster. These goals should be performance goals and disaster recovery funds should be extended incrementally in a manner to ensure that these populations are equitably assisted with benefits.

✓We will cooperate with state agencies to carry out this action step.

When will you do this? ✓2012

Note: due to the magnitude and complexity of this issue, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

15. All infrastructure programs funded with disaster recovery funds should be designed so that any publicly accessible infrastructure projects and associated facilities are fully accessible to persons with disabilities.

We have established clear policies and procedures to insure that all infrastructure programs funded with disaster recovery funds will be designed so that any publicly accessible infrastructure projects and associated facilities are fully accessible to persons with disabilities. [Attach documentation.]

✓ We have not developed these standards and policies; we will do so for Round 2 infrastructure projects. The person or entity responsible for developing these standards will be determined by the City's Public Works Department.

When will you do this? ✓2012

Note: due to the magnitude and complexity of this issue, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

16. Consistent with the Conciliation Agreement, family and elderly public housing units damaged or destroyed by the disaster should be reconstructed or repaired in a manner that affirmatively furthers fair housing utilizing disaster recovery funds within 24 months of approval of the initial application for disaster recovery assistance for the local jurisdiction.

We affirm that family and elderly public housing units damaged or destroyed by the disaster will be reconstructed or repaired in a manner that affirmatively furthers fair housing utilizing disaster recovery funds within 24 months of submission of the initial application for disaster recovery assistance by the local jurisdiction.

✓ Not Applicable (Explain)

City of Houston , HCDD does not own or operate public housing units within the City of Houston. Such units are operated by the Houston Housing Authority. However, HCDD will explore opportunities for assisting the Houston Housing Authority in obtaining funding to reconstruct or repair public housing units damaged or destroyed by the disaster.

Impediment #6

Governmental entities at all levels do not appear to have been proactive in the enforcement of both the Fair Housing Act and the obligation to affirmatively further fair housing. The State and subrecipients should implement a robust and effective structure for identifying and pursuing suspected violations.

1. Given the potential for increase in Fair Housing enforcement action by federal and state agencies and private organizations, an ongoing fair housing testing program for areas that receive federal housing and community development funds could be beneficial to protect state agencies and sub-recipients from potential repayment. Fair housing enforcement is a valid use of CDBG funding and can be used to establish testing programs by agencies trained in HUD testing procedures. The state, or local jurisdictions combining together, should consider conducting tests in areas that include the following: steering in sales and rental; the denial of and different terms and conditions based on race, national origin, familial status, and disability in sales and rental; predatory and disparate terms and conditions in lending and insurance; and foreclosure modification schemes targeting minority neighborhoods. The state should also consider education to applicable entities on self-testing and self-correction.

We currently have a testing program for Fair Housing violations. For more information.

We do not have a testing program for Fair Housing violations and plan to establish one.

When will you do this? 2011 2012 2013

Note: in the past, the City of Houston has partnered with non-profit fair housing organizations to conduct such testing and anticipates doing so in the future.

Not Applicable (Explain)

The City of Houston applied in 2006 to become a substantially equivalent Fair Housing entity in order to more proactively enforce Fair Housing laws. HUD did not grant the City such status. HCDD works with the Greater Houston Fair Housing Center (GHFHC) as well as the local and regional HUD Fair Housing and Economic Opportunity office to ensure that Houstonians know how to voice their Fair Housing concerns to the proper authorities.

2. TDHCA should, as a pilot program, allocate funds to independent third parties or a combined jurisdiction team identified in point 1 of this section to provide similar testing to determine if additional enforcement is necessary.

No local action is required at this time.

3. Impacted agencies that provide certification that they are affirmatively furthering fair housing as required by federal law, should consider publishing a public document on enforcement that provides the public and communities with a clear description (and chart) of the state and Federal Fair Housing Act.

- On documents concerning housing and community development programs that are provided to the public, we will list fair housing enforcement contacts and procedures consistent with the State suggested language when it is provided in 2011.

When will you do this? 2012

Note: the City of Houston understands that such guidelines have not yet been provided and will comply when they are available.

Not Applicable (Explain)

The City of Houston will review the language when it is provided by the State.

4. Each community should place on its website (if one is available) the contact, at the local, state, and federal levels, for reporting a Fair Housing complaint, if citizens believe they were victims of housing discrimination.

- ✓ We have published the contact information – at the local, state and federal levels – for reporting a Fair Housing complaint. [Attach a copy or URL.]
<http://www.houstontx.gov/housing/fairhousing.html>
<http://www.houstontx.gov/housing/tenantlaw.html>

We have not done so but will do so.

When will you do this? 2011

Not Applicable (Explain)

5. Each local jurisdiction should publish on its website a clear statement, approved jointly by TDHCA, expressing the jurisdiction's obligation to affirmatively further fair housing and providing a method for reporting suspected noncompliance to the state and to HUD. The jurisdiction's contact person should be able to refer to clear local Fair Housing procedures for the complaint process, keep logs and records of all inquiries, allegations, complaints and referrals. These reports should be sent to the appropriate funding agency. Where these reports show that a jurisdiction has administered programs inconsistently with the AI and had the effect of discouraging applications from members of protected classes who are deemed eligible under the plan for assistance, affirmative marketing plans should be developed and submitted to the appropriate agency.

- ✓ We have published a policy statement expressing our jurisdiction's obligation to Affirmatively Further Fair Housing. [Attach a copy or URL.]
<http://www.houstontx.gov/housing/ikerecovery.html>
<http://www.houstontx.gov/housing/consolidated.html>

We will publish a policy statement consistent with the language the State provides in 2011.

When will you do this? 2011

Not Applicable (Explain)

- ✓ We have developed clear procedures for the Fair Housing complaint process. [Attach a copy]
<http://www.houstontx.gov/housing/fairhousing.html>
<http://www.houstontx.gov/housing/tenantlaw.html>

We will develop clear procedures for the Fair Housing complaint process once more guidance is given by the State in 2011.

When will you do this? 2011

Not Applicable (Explain)

We keep complete logs and records of all Fair Housing inquiries, allegations, complaints and referrals and have a policy statement about these legal records.

✓ We will begin keeping required logs and records.

When will you do this? 2012

Note: The City will endeavor to complete this exercise by the end of 2012.

✓ Not Applicable (Explain)

We have remedial procedures for developers, landlords, home sellers and others whose actions may be inconsistent with Fair Housing laws and regulations.

We do not have remedial procedures but will develop them. The agency or person who will be responsible for developing these procedures is _____.

When will you do this? 2011

✓ Not Applicable (Explain)

The City of Houston, HCDD, provides statements in released Requests for Proposals about Fair Housing laws and regulations and the need for developers and lenders to comply with them. This information is to be provided in pre-bid conferences, application workshops, and contracts.

Impediment #7

Many local jurisdictions have zoning codes, land use controls, and administrative practices that may impede fair housing choice and fail to affirmatively further fair housing.

1. The law anticipates that ordinances creating disparate impact should also be reviewed for change. If a disparate impact is determined to exist by the local jurisdiction, it could repeal or amend the restriction, use public funds to offset the cost through homebuyer assistance programs, or waive fees or other offsets to make the home more affordable.

We recently conducted or updated a Fair Housing Review of our ordinances and codes.

✓ We have not done so but will conduct a review

We have a policy statement/guidance for those responsible for developing codes/ordinances that reminds them to consider and document the Fair Housing/AFFH implications of any new rule.

We do not have such a policy/guidance but will develop one when suggested guidelines are provided by the State in 2011.

When will you do this? ✓2012

Note: due to the magnitude and complexity of this issue, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

2. To help limit concentrations that could be considered impediments to affirmatively furthering fair housing, jurisdictions that have long term planning documents for housing growth or redevelopment, or revitalization plans, should consider allowing or encouraging mixed income affordable housing in the plan and provide incentives for development of this type of housing in areas that are not concentrated.

We recently conducted a Fair Housing Review and took/are taking appropriate action concerning our planning documents. [Attach a list of plans reviewed, a summary of findings, and actions you will take to remove impediments]

✓ We have not done so but will conduct a Fair Housing Review after the State provides suggested guidelines in 2011.

When will you do this? ✓2012

Note: due to the magnitude and complexity of this issue, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

Not Applicable (Explain)

✓ We have identified residential areas that show concentrations or underrepresentation of protected groups, and we encourage mixed-income affordable housing and other strategies to widen housing choice throughout our jurisdiction.

We have not done so but will include this in our FFAST plan once guidelines are provided by the State in 2011.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

3. Local jurisdictions seeking CDBG Disaster Recovery funds from the state should consider offering expedited permitting and review processes for affordable housing projects within high opportunity target zones.

- We currently offer incentives to developers to locate affordable housing projects in high opportunity neighborhoods and prevent overconcentration.

✓We have not done so but will.

When will you do this? 2011 ✓2012 2013

- Not Applicable (Explain)

<u>Impediment #8</u>	Inadequate planning for re-housing after an emergency situation creates a situation where persons who are uninsured or under-insured, low income, or special needs can be displaced for long periods of time.
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1. Some legislators, the Sunset Commission, and communities acknowledge that while temporary disaster housing is a federal program, Texas should continue to provide guidance to local governments on additional planning that needs to be done as part of the emergency preparedness planning to most efficiently work with FEMA.

No local action is required at this time.

2. As much of what FEMA has previously offered is travel trailers or manufactured housing, local governments should review their zoning requirements or other land use provisions that restrict temporary housing or housing on an existing lot during the building process and look at potential waivers that do not risk or negatively impact health, safety, and welfare during a period after disasters so that low income persons can move back to their existing communities with temporary housing while waiting for redevelopment.

- We have reviewed our zoning requirements and other land use provisions and have provided waivers or other accommodations for post-disaster housing.

✓We have not done so but will review our zoning and look at potential waivers.

When will you do this? 2011 ✓2012 2013

- Not Applicable (Explain)

<u>Impediment #9</u>	There are impediments in public and private actions and private attitudes to housing choice for persons with disabilities.
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1. To meet federal Fair Housing requirements for zoning and neighborhood uses, jurisdictions should look to determine if there are direct or indirect limitations in codes that would prevent facilities or personal residences from providing assistance or communities of choice or service-enriched environments that directly impact special needs persons.

2. Local jurisdictions should work to ensure that zoning or code requirements do not unnecessarily impose stricter commercial building requirements, such as emergency access or protection services, on group homes, thereby dramatically increasing housing costs for persons with special needs.

- We have reviewed our codes and ordinances and have addressed/are addressing any impediments relating to special needs persons, including (1) rules that might prevent facilities or personal residences from providing assistance or communities of choice or service-enriched environments that directly impact special needs persons, and (2) rules that might unfairly increase the costs to special needs persons.

- ✓ We have not done so but will conduct a review and address any impediments identified once guidelines are provided by the State in 2011.

When will you do this? ✓2012

Note: due to the magnitude and complexity of this review, the City of Houston could not reasonably fulfill this commitment within 2011. The City will endeavor to complete this exercise by the end of 2012.

- Not Applicable (Explain)

3. Local jurisdictions should consider coordinating with the legislatively created Housing and Health Services Coordination Council for best practices on working with supportive services.

- ✓ We agree to coordinate with the legislatively created Housing and Health Services Coordination Council staffed by TDHCA for best practices on working with supportive services.

When will you do this? 2011 2012 ✓2013

- Not Applicable (Explain)

Impediment #10

There are barriers to mobility and free housing choice for Housing Choice Voucher holders including: inadequate tenant counseling services and mobility assistance, failure of PHAs to apply for the FMR pilot demonstration funds, and government policies, procedures, and regulations that tend to decrease participation by private housing providers and to restrict available housing to “racially or low-income populated neighborhoods” with little access to economic, educational, or other opportunity.

No local action beyond compliance with Round 2 Housing Guidelines is currently required but communities are encouraged to work with local public housing authorities to understand and overcome these impediments.

Impediment #11

Loss of housing stock in Hurricanes Dolly and Ike compounded the shortage of affordable housing in disaster recovery areas. This shortage is particularly acute in safe, low-poverty neighborhoods with access to standard public services, job opportunities and good schools.

No local action is required at this time. TDHCA will develop a statewide strategic plan including guidance for local jurisdictions on the following Action Steps in 2011.

1. To help offset the costs of developments that feature reduced rents without government support, local jurisdictions should consider establishing density bonuses to allow for higher levels of units per site for multifamily developments and single-family developments that propose increased affordability.
2. TDHCA and HUD have developed programs that preserve affordable housing. Continuing in this vein, the state and local jurisdictions should work to preserve existing affordable housing development and discourage them from converting to market rate housing. Requirements should be included in all publicly funded developments providing tenants with early and clear notification of the intention of management to convert to market rate housing and providing first right of refusal to nonprofit and public entities and organizations to purchase units to maintain affordability.
3. The state and local jurisdictions should consider using CDBG funds to buy down the cost of land in high-cost and high-opportunity development areas to increase affordable housing options in these areas.

Impediment #12

Lack of financial resources for both individuals and housing providers limits Fair Housing choice. Using an effective program under Section 3 of the Housing and Urban Development Act of 1968 may help members of protected classes gain economic opportunities necessary to allow them to exercise fair housing choice.

1. The state is maximizing its resources in Round 2 of the Ike/Dolly funding to affirmatively further fair housing in single family and multi-family developments. As called for in the Conciliation Agreement, the state is looking to provide more

integrated housing options for persons in racially concentrated or poverty concentrated neighborhood groups. In single-family programs, the state should require subrecipients to offer the opportunity to relocate out of floodplain areas, concentrations of racial minorities, or concentrations of poverty—through the Homeowner Opportunity Program. Any relocation should be into an area that does not result in simply relocating the high-concentration from one area to another.

Local jurisdictions will be responsible for complying with Section 3 as part of their contract with the state.

2. Jurisdictions receiving federal funds from HUD, directly or indirectly, should ensure they have a compliant Section 3 program to meet HUD requirements regarding notification to LMI eligible persons of potential job creation at the impacted neighborhood level with federal funds.
 - ✓ We have in place a Section 3 program that meets the requirements of federal law and regulations regarding potential job creation at the impacted neighborhood level and the use of federal funds to hire local LMI eligible persons. We confirm that appropriate staff persons in this jurisdiction have already received training on Section 3, regarding job creation for local LMI persons including members of protected classes. [Attach Section 3 plan and list of staff names and training dates]

<http://www.houstontx.gov/housing/sec3.html>

- We have not done so but will develop a Section 3 program that meets the requirements of federal law and regulations and that ensure appropriate staff receive training.

When will you do this? 2011

Impediment #13	Location and lack of housing accessibility and visitability standards within political jurisdictions limits fair housing choice for persons with disabilities.
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1. Local jurisdictions should consider establishing incentives for affordable housing applicants to create an increased set-aside of housing units for persons with disabilities or persons who are elderly without violating the existing TDHCA integrated housing rule.
2. TDHCA and local jurisdictions should consider adding proximity to medical facilities as a scoring incentive for competitive programs using federal funds for proximity to medical facilities.
3. TDHCA should require that all federally funded housing construction be built to accessibility standards found in Texas Government Code §2306.514.
 - We have formally considered: 1) establishing incentives for affordable housing developers to create an increased set-aside of housing units for persons with disabilities or persons who are elderly without violating the existing TDHCA Integrated Housing Rule; 2) providing point incentives for units in proximity to medical facilities for competitive programs using federal funds; and 3) requiring

new housing built with federal funds to be built with structures that allow for accessible features, regardless of whether the original occupant needs the features, as called for by state law. [Attach documentation of the review and resulting actions.]

- ✓ We have not undertaken the above review, but plan to do so.

When will you do this? 2011 ✓ 2012 2013

- Not Applicable (Explain)

Impediment #14	Many colonias residents live in developments that have insufficient infrastructure and protections against flooding and are impacted by flooding beyond events like Hurricanes Dolly and Ike.
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1. The state, COGs, and local jurisdictions should examine the infrastructure needs in colonias, in particular the use of CDBG disaster recovery funds to provide drainage improvements to correct flooding problems in the wake of Hurricane Dolly, and the historical provision of public infrastructure and housing assistance to meet those needs in border and non-border colonias.

- We have identified the unserved infrastructure needs of colonias within our jurisdiction and whether these infrastructure improvements are eligible for disaster recovery funding and, if so, whether those projects will be funded.
- We have not undertaken the above review, but plan to do so.

When will you do this? 2011

- ✓ Not Applicable (Explain)

The City of Houston does not have colonias within its boundaries.

Impediment #15	Minority neighborhoods in disaster areas are primarily served by non-regulated insurance companies that do not adhere to underwriting guidelines and may be discriminated against in the provision of insurance. Texas has passed aggressive statutes to prevent insurance "redlining." National research indicates that protected classes face unwarranted disparities in the cost of insurance, the amount of coverage, and cancellation of policies without notice to the homeowner.
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No local action is required at this time.

Impediment #16	Many jurisdictions do not have adequate Analysis of Impediments to Fair Housing or Fair Housing Plans, and do not keep sufficient records of their activities.
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1. Recipients of CDBG funds from HUD for housing should maintain records as required by the Fair Housing Act, HUD regulations, and the Conciliation Agreement in order to document that they are carrying out their commitments and affirmatively furthering fair housing.

- We currently maintain all required records to document our AFFH actions and compliance with Fair Housing laws, HUD and State regulations, and the Conciliation Agreement. [Attach details of the records now kept and identify the person or entity responsible for keeping these records.]

We have not done so but will do so in compliance with GLO guidance.

When will you do this? 2011 2012 2013

- Not Applicable (Explain)

Note: the City of Houston does maintain such records, however, the GLO guidance referenced above has not yet been issued, therefore, we cannot commit to compliance with such forthcoming standards. Additionally, the City of Houston is not a party to the Conciliation Agreement and is therefore unclear as to what strictures of that contract are applicable.

2. As required under the Conciliation Agreement, the State will conduct a new Statewide AI after HUD approval of the Phase 1 AI. Entitlement communities should conduct new AIs or update current AIs to ensure that they address all recommended data and issues and specifically address issues related to all protected classes under the Fair Housing Act. Race and national origin, as well as the other protected classes, must be identified independent of low and moderate-income categories in order to understand the impact of actions, practices, regulations, ordinances, and other factors on them.

- We recently completed a formal Analysis of Impediments, are currently updating an existing AI, or are conducting our first AI. [Attach most recent AI or draft.]
- We are using the FFAST form process to analyze our impediments to fair housing and plan how to address them.

When will you do this? 2011

- Not Applicable (Explain)

Alternative or additional Local Action Steps developed by this jurisdiction: To address unique impediments to fair housing within each community, local jurisdictions are encouraged to develop alternative action steps to be adopted in lieu of or in addition to those set out in the State of Texas Interim Analysis of Impediments to fair housing. If your jurisdiction elects to propose alternative or additional action steps, please describe them below.

- We plan to take additional Action Steps, described in an Attachment.

We will not take additional FH Action Steps at this time.

When will you do this? 2011 2012 2013

Not Applicable (Explain)

The information on this page was removed from public viewing.

Affirmative Action Advisory Commission
Affirmative Action and Contract Compliance Division/Mayor's Office
611 Walker Street, 7th Floor
Houston, TX 77002
Contact: Kelly Shreck
Phone: (713) 837-9023 Fax: (713) 837-9023
Email: Kelly.Shreck@HoustonTX.gov
Updated as of: 7/12/2010

LEGAL AUTHORITY FOR CREATION AND OPERATION(City)

City of Houston, City Council Resolution No. 74-33. Amended by City of Houston, City Council Resolution No. 81-2.

GENERAL POWER AND DUTIES

1. Monitors and evaluates equal employment and economic opportunity at every level of municipal government.
2. Reviewing quarterly progress reports on the Affirmative Action Program.
3. Advising the Director of the Affirmative Action Division on problems and program planning.
4. Evaluating and assessing on-going programs, such as annual departmental evaluation of goals, timetables, grant programs, and MBE/WBE programs.
5. Recommending program changes and new directions as needed.

MEETING TIME AND LOCATION

Fourth Monday of the month (possibly the third Monday in November and December), 1:00 p.m.; Affirmative Action and Contract Compliance Conference Room. The Advisory Commission shall meet at least once every three months.

COMPOSITION

TOTAL: 20 members, 7 voting, 13 nonvoting serving ex officio. The Commission shall reflect the population makeup of the City with respect to sex and ethnic origin.

Voting Positions

Positions 1 through 7: Appointed by the Mayor of Houston, the positions will be representing the community at large.

Non Voting Positions serving ex officio

Positions 8 through 20: Appointed by the Mayor of Houston, the positions will be representing all EEO categories of City of Houston employees (Non-voting).

NOTE: The Director of the Affirmative Action Division shall serve as an ex-officio member to the Affirmative Action Advisory Commission.

TERM: Two-year, staggered terms, half being appointed on April 1st of even numbered years and half being appointed on April 1st of odd numbered years.

CHAIRPERSON: The chairperson is selected by the commission's membership.

QUORUM: Not specified.

COMPENSATION: Not specified.

FINANCIAL ACCOUNTABILITY

Entity is NOT included in the financial reporting for the City of Houston.

MEMBER LIST

Member Name	Position #	Chair
Velma Laws	00	Ex-Officio
Trang Tran	01	Chair
Ronnie Sam Patel	02	
David Corpus	03	
Rodolfo Gonzales	04	
Joy Demark	05	
Paula Mendoza	06	
Todd Edwards	07	
Kathryn Haynes	08	
Harry Hayes	09	
Darien Helton	10	
Mary Case	11	
Annabelle Chen	12	
Rod Newman	13	
Victor Cordova	14	
Marilyn Owens	15	
Willie Dixon	16	
Royce Sells	17	
Patricia O'Gilvie	18	
Pamela McCoy-Taylor	19	
Brenda Bazan	20	

Source:

<http://cbtcws.cityofhouston.gov/BoardsCommApplicationForm/BoardDesc.aspx?boardid=41>

Affirmative Action Contract Compliance Commission
Affirmative Action Division, Mayor's Office
611 Walker St, 7th Floor
Houston, TX 77002
Contact: Velma Laws
Phone: (713)837-9015 Fax: (713)837-9015
Email: Velma.Laws@HoustonTX.gov
Updated as of: 6/4/2010

LEGAL AUTHORITY FOR CREATION AND OPERATION(City)

City of Houston, Code of Ordinances, Chapter 15, Article II, Sections 15-19 through 15-23.

GENERAL POWER AND DUTIES

1. Conduct public hearings upon proper request of aggrieved contractors on proposed recommendations of sanctions that have been issued by the Affirmative Action and Contract Compliance Division;
2. Make written findings and final orders pertaining to contractor violations of the Code of Ordinances related to affirmative action guidelines; and
3. Submit recommendations to the Mayor and City Council for final review and disposition.

MEETING TIME AND LOCATION

Time to be determined by membership; notice to be sent to membership with time and date; 611 Walker St, Conference Room, 20th floor.

COMPOSITION

TOTAL: 5 members

The commission shall be comprised of five members who are residents of the City of Houston. The members are appointed by the Mayor and confirmed by City Council.

- Position 1: One person from the construction industry.
- Positions 2 & 3: Two persons from the minority group containing the largest number of minority workers in industry in Houston.
- Position 4: One person from the minority group containing the second largest number of minority workers in industry in Houston.
- Position 5: One person from the public at large.

QUORUM: Not specified in ordinance.

COMPENSATION: Not specified in ordinance.

TERM: Terms of all members shall be for two years from the date of their appointment and confirmation.

CHAIRPERSON: The Mayor shall designate the chairperson of this commission.

FINANCIAL ACCOUNTABILITY

Entity is NOT included in the financial reporting for the City of Houston.

MEMBER LIST

Member Name	Position #	Chair
Isaiah Ike Allen	01	Chair
Elias De La Garza	02	
Alfonso Kennard, Jr.	03	
Billy Briscoe	04	
Cecil Fong	05	

Source:

<http://cbtcws.cityofhouston.gov/BoardsCommApplicationForm/BoardDesc.aspx?boardid=102>

Houston, Texas, Code of Ordinances >> - CODE OF ORDINANCES >> Chapter 14 - CIVIL SERVICE
>> ARTICLE I. - IN GENERAL >>

ARTICLE I. - IN GENERAL

- Sec. 14-1. - Commission members; appointments, terms, vacancies; organization; officers.
Sec. 14-1.1. - Human resources department—Established.
Sec. 14-2. - Same—Director.
Sec. 14-3. - Duty of commission to prepare and submit rules and regulations.
Sec. 14-4. - Classification of offices and positions.
Sec. 14-5. - Examination and minimum age of applicants; exclusion of applicants likely to impair service.
Sec. 14-6. - Appointments, promotions, etc., to be made in accordance with Charter, chapter and rules and regulations of commission.
Sec. 14-7. - Procedure when vacancy exists; suspension of employees.
Sec. 14-8. - Transfers from one department to another.
Sec. 14-9. - Duty of city officers and employees to assist commission.
Sec. 14-10. - Suspension of provisions requiring competition.
Sec. 14-11. - Offenses in regard to examinations.
Sec. 14-12. - Hearings and investigations by commission.
Sec. 14-13. - Compiling, checking, certifying and correcting payrolls.
Sec. 14-14. - Salaries and wages not to be approved or paid for improper employment.
Sec. 14-15. - Responsibility for irregularities or mistakes in payrolls.
Sec. 14-16. - Violation of Charter, this chapter or rules and regulations.
Sec. 14-17. - Soliciting compensation or offering compensation to hasten an employee's retirement or resignation.
Sec. 14-18. - Creation of § 401(a) plan authorized.
Secs. 14-19—14-26. - Reserved.

Sec. 14-1. - Commission members; appointments, terms, vacancies; organization; officers.

- (a) There are hereby re-established three civil service commission positions. Such positions shall be separately designated as "Position One," "Position Two," and "Position Three."
- (1) The mayor, when making an appointment to the civil service commission, and the city council, when confirming such appointment, shall specify the position for which such appointment or confirmation is made.
 - (2) The initial term of each position as hereby re-established shall commence on June 15, 1983. The initial term of Position One shall expire on June 14, 1986; the initial term of Position Two shall expire on June 14, 1985; and the initial term of Position Three shall expire on June 14, 1984.
 - (3) Following the aforesaid initial terms, the term of office for each position on the civil service commission shall be three years, to commence on June 15 and to expire on June 14.
 - (4) Any appointment to a vacancy on the commission caused by death, resignation or otherwise, or caused by the failure of an appointee to qualify within ten days after appointment, shall be for the unexpired term of the deceased or retiring member or of the appointee failing to qualify.
- (b) No sooner than June 15, and no later than June 30 of each year, the members of the commission shall meet to organize for the transaction of business. At such organizational meeting, the members shall take the constitutional oath of office and shall elect one member as chairman, and one member as vice-chairman.
- (1) It shall be the duty of the chairman to preside at all meetings of the commission; it shall be the duty of the vice-chairman to preside at such meetings in the absence of the chairman.
 - (2) The chairman and vice-chairman each shall be elected for a period of one year or until a successor is elected.
 - (3) The numerical positions established in subsection (a) of this section are for identification purposes only, and shall bear no relation whatsoever to the chairmanship or vice-chairmanship of the commission.

- (c) The mayor, subject to confirmation by city council, may appoint an alternate for each designated position on the civil service commission. Each alternate shall serve only when the regular member of the civil service commission in his position is absent and unable to attend meetings and perform commission duties for any reason. Alternates must have the same qualifications as regular members of the civil service commission and shall have all the powers and duties of a regular member but only when acting in the regular member's absence. An alternate shall be empowered to act as a regular member whenever the regular member notifies the secretary of the commission that the regular member is unable to attend a meeting of the commission or when the secretary of the commission is unable to secure the attendance of the regular member. The period of time during which an alternate may serve on the civil service commission shall expire at the end of the term of office of the regular member for which he serves as an alternate. An alternate shall not serve in any proceeding under Chapter 143 of the Local Government Code.

(Code 1968, § 12-1; Ord. No. 83-1140, § 1, 7-26-83; Ord. No. 95-1, § 1, 1-4-95)

Charter reference— Civil service commission created, Art. Va, § 1.

Sec. 14-1.1. - Human resources department—Established.

The human resources department, formerly known as the department of personnel and originally established as and formerly known as the department of civil service, is hereby continued. To the extent that this Code or any other ordinance or any motion, resolution, contract or other document devolves duties upon the former department of personnel or department of civil service or upon the employees or director thereof, then such references shall be construed to mean the human resources department or the employees or director thereof, respectively.

(Code 1968, § 12-1.1; Ord. No. 82-1594, § 1, 9-29-82; Ord. No. 96-1290, § 2, 12-4-96)

Sec. 14-2. - Same—Director.

- (a) The office of human resources director, formerly known as the director of the department of personnel and originally established as and formerly known as the director of civil service, is hereby continued. The director shall be appointed by the mayor, with the approval of the city council, shall be over 21 years of age, and shall receive such salary as the city council may allow. Before entering upon the discharge of the duties of his office, the director shall take the constitutional oath of office, and, if the mayor and council deem it advisable, he may be required to give bond in such sum and with such sureties and such conditions as the mayor may direct.
- (b) It shall be the responsibility of the director to keep the minutes of the meetings and proceedings and all the books, records, etc., of the civil service commission. Such director shall be the secretary and the chief examiner for such commission, and as such shall perform the duties provided in the rules and regulations of such commission. He shall perform all such other duties as are now or may be hereafter imposed upon him by the civil service commission or the mayor and council.
- (c) It shall be the responsibility of the director to supervise and administer the city's employee benefit programs, including but not limited to the city's pension programs (excluding those duties required to be performed by state law by the city treasurer), health benefits, long term disability, life insurance, sick and vacation, deferred compensation and to serve as the administrator of the city's "125 Plan."

(Code 1968, § 12-2; Ord. No. 82-1594, § 1, 9-29-82; Ord. No. 88-1312, § 1, 8-3-88; Ord. No. 96-1290, § 3, 12-4-96)

Sec. 14-3. - Duty of commission to prepare and submit rules and regulations.

It shall be the duty of the civil service commission to prepare, adopt and submit, as needed, to the city council for its approval such rules and regulations for the proper conduct of its business in carrying out the purpose of the Charter, and thereafter such amendments, alterations and changes of such rules and regulations as it may find necessary and expedient.

(Code 1968, § 12-3)

Charter reference— Rules of commission, Art. Va, §§ 2, 4.

Cross reference— Officers and employees generally, § 2-21 et seq.

Sec. 14-4. - Classification of offices and positions.

It shall be the duty of the civil service commission to classify all of the offices of, and places or positions of employment in the service of the city with reference to the examinations provided for in the Charter, in this chapter and in the rules and regulations of the civil service commission, except those exempt from civil service under the Charter. The offices, places and positions so classified shall constitute the classified civil service of the city, and no appointment, employment, promotion or reinstatement to any

position, office or place shall be made except in accordance with the Charter, this chapter and the rules and regulations of the civil service commission.

(Code 1968, § 12-4)

Charter reference—Duty to classify employees, Art. Va, § 2.

Sec. 14-5. - Examination and minimum age of applicants; exclusion of applicants likely to impair service.

- (a) It shall be the duty of the civil service commission to provide that all applicants for office, places or positions in such classified civil service shall be subject to examination, either written, oral or unassembled, which shall be public, competitive and free to the citizens of the United States of America, with specified limitations as to residence, age, health, habits and moral character; provided, however, that the minimum age of applicants for original employment in such classified civil service shall be 18 years and provided, further, that any applicant whose presence in the public service would likely create friction among the employees thereof and thereby impair such service shall be excluded therefrom. Such examinations shall be practical in their nature and character and shall relate to those matters which will fairly test the relative capacity of the person examined to discharge the duties of the office, position or place to which he seeks to be appointed. No question in any examination shall relate to political or religious opinions or affiliations. The commission shall have direct charge and control of all examinations of whatsoever character.
- (b) No applicant shall be entitled to take any examination hereinabove provided for unless the applicant shall have filed with the human resources director his application prior to the date of examination.

(Code 1968, § 12-5; Ord. No. 96-1290, § 4, 12-4-96)

Sec. 14-6. - Appointments, promotions, etc., to be made in accordance with Charter, chapter and rules and regulations of commission.

Appointments, employments, promotions and reinstatements in the classified civil service of the city shall be made only in accordance with the provisions of the Charter, this chapter and the rules and regulations of the civil service commission, and no officer or employee of the city having the power of appointment, employment, promotion or reinstatement of persons to offices, places or positions in such classified civil service shall appoint, employ, promote or reinstate any person to or in any office, employment, position or place in such service except in accordance with the Charter, this chapter and the rules and regulations of the civil service commission.

(Code 1968, § 12-6)

Sec. 14-7. - Procedure when vacancy exists; suspension of employees.

When any office, employment, place or position in the classified service is vacant, which is desired to be filled, the mayor or the director of the department shall notify the civil service commission that a certification is requested, and the human resources director shall certify to the department director concerned the names of the three persons standing highest on the eligible list or register for the class and grade to which such office, employment, place or position belongs, and the department director concerned shall select one of the three persons certified. Such appointment or employment from eligible lists derived from the original entrance examinations shall be on probation as provided by the Charter and rules and regulations of the commission, and such appointees shall not be removed or dismissed except as provided therein; provided, that nothing herein shall prevent the director of any department or office from temporarily suspending officers or employees for disciplinary purposes, for reasonable periods, not exceeding 15 days. It shall be the duty of the mayor to indefinitely suspend employees upon the recommendation of the respective department director. The commission shall be notified of any such suspension immediately and may, at its discretion or upon request of the mayor, investigate same and determine whether just cause therefor exists.

(Code 1968, § 12-7; Ord. No. 96-1290, § 5, 12-4-96; Ord. No. 05-91, §§ 1, 6, 1-25-05)

Charter reference—Suspension of employees, Art. Va, § 3.

Sec. 14-8. - Transfers from one department to another.

The civil service commission shall have the power to so amend its rules that any employee in the classified service in the city may be transferred by such commission from one department to another, for the good of the service, provided such transfer is satisfactory to the director of the department to which the employee is transferred, and to the director of the department from which he is transferred.

(Code 1968, § 12-8; Ord. No. 05-91, § 6, 1-25-05)

Sec. 14-9. - Duty of city officers and employees to assist commission.

It shall be the duty of all officers and employees of the city to aid and assist the civil service commission, and the members and officers and employees thereof, in all proper ways in carrying out the Charter provisions, this chapter and the rules and regulations of the commission, and it shall be an offense for any such officer or employee to willfully fail or refuse so to aid and assist, or to willfully hinder, obstruct or delay the civil service commission, or the members, officers or employees thereof, in any manner in carrying out such Charter provisions, this chapter and such rules and regulations.

(Code 1968, § 12-9)

Sec. 14-10. - Suspension of provisions requiring competition.

When an office, employment, place or position in the classified service, in which peculiar and exceptional qualifications of a scientific, professional or educational character are required, is vacant, upon satisfactory evidence that, for special reasons, competition in such special case is impracticable, and that the position, etc., can be best filled by the selection of some designated person of high and recognized attainments in such qualities, the commission may suspend all provisions requiring competition in such case, but no such suspension shall be general in its application to such place.

(Code 1968, § 12-10)

Sec. 14-11. - Offenses in regard to examinations.

No person or officer or employee shall willfully or corruptly, by himself or in cooperation with one or more other persons, defeat, deceive or obstruct any person in respect to his right of examination, or corruptly or falsely mark, grade, estimate or report upon the examination or proper standing of any person examined, or aid in so doing, or willfully or corruptly make any false representation concerning the same or concerning the person examined, or willfully or corruptly furnish to any person any special or secret information for the purpose of either improving or injuring the prospects or chances of any person so examined, being appointed, employed, promoted or reinstated.

(Code 1968, § 12-11)

Sec. 14-12. - Hearings and investigations by commission.

The civil service commission may hold hearings concerning all matters touching the enforcement and effect of the Charter provisions for civil service, this chapter and the rules and regulations of such commission concerning the action of any officer or employee of the city in respect to the execution of such Charter provision, this chapter or the rules and regulations of the commission; and in all cases of investigation under the preceding provision, or of an appeal of an officer or employee in the classified service from the action of any officer, director of department or employee of the city removing, discharging or finally suspending him from his office or employment, the commission, for the purpose of holding such hearing, investigation or inquiry, shall have the power to take testimony, administer oaths and affirmations, subpoena and require the attendance of witnesses and the production of books and papers pertinent thereto, and to examine such witnesses, books and papers, and it shall be the duty of all persons to obey such subpoenas, produce such books, records and papers, and to submit to examination and give their testimony, in all cases where such testimony, evidence, etc., could be required in a court of competent jurisdiction.

(Code 1968, § 12-12; Ord. No. 05-91, § 6, 1-25-05)

Sec. 14-13. - Compiling, checking, certifying and correcting payrolls.

- (a) It shall be the duty of every department director to compile all payrolls as promptly as possible, and to deliver same to the office of the civil service commission in good order, properly signed and ready for the city controller. It shall also be the duty of each department to furnish one employee to deliver such payrolls, which employee shall assist the civil service commission in the checking of that department's payroll at the time same is delivered.
- (b) It shall be the duty of the civil service commission to check all payrolls to determine the legality of employment. Each item shall conform to the civil service records.
- (c) Payrolls checked under this section shall be certified in writing by the human resources director and, when checked by another employee of the commission, shall bear the initials of the employee checking the same.

- (d) After payrolls have been checked and certified by the commission, they shall be delivered immediately to the city controller.
- (e) When items on any payroll are found to be incorrect and are red-lined, the same shall be corrected by the department responsible before the payroll is certified by the commission. No payroll shall be honored by the city controller which has not been first checked and found correct by the commission.
- (f) It shall be the duty of the civil service commission to notify the director of any city department if any irregularity, mistake or error is found in the names or in the amount of compensation on any payroll, and to refuse to certify to the correctness of such payroll until the mistake or error is rectified. All directors of departments, when notified of such irregularity or error, by telephone or otherwise, shall at once rectify same, in order to facilitate the work of certifying to the correctness of any such payrolls.

(Code 1968, § 12-13; Ord. No. 96-1290, § 6, 12-4-96; Ord. No. 05-91, §§ 1, 6, 1-25-05)

Sec. 14-14. - Salaries and wages not to be approved or paid for improper employment.

- (a) The city controller shall not approve the payment of, or be in any manner concerned in paying any salary or wages to any person for services as an officer or employee of the city unless such person is occupying an office or place of employment according to the provisions of the Charter and ordinances of the city and is entitled to payment therefor.
- (b) No paymaster, treasurer, director of administration and regulatory affairs, or other officer or agent of the city shall willfully pay, or be in any manner concerned in paying any person any salary or wages for services as an officer or employee of the city, unless such person is occupying an office or place of employment according to the provisions of the Charter and ordinances of the city and is entitled to payment therefor.

(Code 1968, § 12-14; Ord. No. 08-52, § 39, 1-16-08, eff. 1-26-08; Ord. No. 08-110, § 3, 2-13-08)

Sec. 14-15. - Responsibility for irregularities or mistakes in payrolls.

It is the object of this article to hold responsible the directors of departments furnishing the payrolls for all irregularities, mistakes and incorrectness appearing in the amount of compensation set opposite each name on each payroll.

(Code 1968, § 12-15)

Sec. 14-16. - Violation of Charter, this chapter or rules and regulations.

- (a) Whenever any person, officer or employee of the city has any positive duty imposed upon him, or any person or any officer or employee of the city is prohibited from the doing of any act by the Charter provisions for civil service, by this chapter or by the rules and regulations of the civil service commission, now or hereafter adopted and approved by the city council, and filed in the office of the city secretary, a willful failure, refusal or neglect to perform such duty, or the willful doing of any act prohibited, shall constitute an offense, and the officer or employee or person convicted thereof shall be punished as provided by [section 1-6](#) of this Code.
- (b) If any person, officer or employee shall be convicted under subsection (a) above, any office, place or position which he may hold with the city shall, by force of such conviction, be rendered vacant, and such person, officer or employee shall be incapable of holding any appointive office, or any office, place or position in the classified service of the city.

(Code 1968, § 12-16; Ord. No. 92-1449, § 30, 11-4-92)

Charter reference— Penalty for ordinance violation, Art. II, § 12.

State law reference— Assessment of fines against corporations, § 16-76; payment of fines, § 16-78; credit against fines for incarceration, § 35-6 et seq.

Sec. 14-17. - Soliciting compensation or offering compensation to hasten an employee's retirement or resignation.

- (a) A city employee commits an offense if the city employee pays or offers to pay anything of value to another city employee with the intent to hasten the retirement or resignation of the other city employee in order to gain a promotion in rank, classification or salary or an opportunity therefor.
- (b) A city employee commits an offense if the city employee solicits or accepts anything of value from another city employee upon the representation that such payment will hasten the retirement or resignation of the city employee making the solicitation or accepting the payment in order to gain a

promotion in rank, classification or salary for the city employee solicited or making the payment or an opportunity therefor.

- (c) The term "city employee" as used in this section includes any person employed by the city at the time of the offense whether holding a position that is classified under the Municipal Civil Service System created pursuant to Article Va of the City Charter, a position that is classified under the Firemen's and Policemen's Civil Service System created pursuant to Article 1269m, Tex. Rev. Civ. Stat. or a position that is not classified.
- (d) Any person who violates this section shall, upon conviction, be punished by a fine of exactly \$500.00.

(Ord. No. 85-837, § 1, 6-5-85; Ord. No. 92-1449, § 31, 11-4-92)

Sec. 14-18. - Creation of § 401(a) plan authorized.

- (a) This section applies to any employee of the city, other than a police officer or fire fighter classified under Chapter 143 of the Texas Local Government Code, who upon termination of city employment is entitled to a combined gross benefit amount exceeding \$5,000.00 under [section 14-170](#) and/or article III of this chapter for accumulated but unused vacation leave and sick leave benefits. This section shall not be applicable if the termination results from the death of an active city employee.
- (b) City council hereby authorizes the establishment of a retirement savings plan under 26 U.S.C. § 401 (a) and other applicable provisions of federal income tax laws and regulations. The plan shall be as established and amended from time to time by ordinance of the city, and it shall be administered by a third party administrator retained from time to time by contract with the city, as authorized by ordinance.
- (c) Notwithstanding any provision of [section 14-170](#) or article III of this chapter to the contrary, any terminating employee to whom this section applies shall forfeit his right to ordinary cash compensation for a portion of the combined gross termination benefit amount otherwise payable under [section 14-170](#) and/or article III of this chapter that is equal to the lesser of: (1) the combined gross termination benefit amount, or (2) the amount of any applicable contribution limit for the plan as established by federal income tax laws and regulations. The amount so forfeited shall be allocated to an account in the name of the employee within the plan established under subsection (b).

(Ord. No. 03-923, § 5, 10-1-03)

Secs. 14-19—14-26. - Reserved.

Houston, Texas, Code of Ordinances >> - CODE OF ORDINANCES >> Chapter 14 - CIVIL SERVICE
>> ARTICLE II. - RULES >> DIVISION 16. - RULE 16. APPEALS, HEARINGS AND INVESTIGATIONS
>>

DIVISION 16. - RULE 16. APPEALS, HEARINGS AND INVESTIGATIONS

[Sec. 14-188. - Right of appeal: correction of improper disciplinary action.](#)

[Sec. 14-189. - Investigations generally.](#)

[Sec. 14-190. - Right to counsel at hearings.](#)

[Sec. 14-191. - Power to administer oaths and require attendance of witnesses and production of records.](#)

[Sec. 14-192. - Refusal to testify.](#)

[Sec. 14-193. - Investigations on commission's own initiative.](#)

[Sec. 14-194. - Hearings to conform to Charter.](#)

[Secs. 14-195—14-199. - Reserved.](#)

Sec. 14-188. - Right of appeal; correction of improper disciplinary action.

- (a) Any regular, permanent employee in the classified service who believes he has been unjustly indefinitely suspended, retired, demoted, transferred, or reduced in any pay may file an appeal with the commission in the same manner as prescribed in section 3 of article Va of the City Charter pertaining to an appeal and hearing.
- (b) No disciplinary action shall be taken by the commission, the mayor, a supervisor, or department director against an employee because of membership in any political, religious, or fraternal organizations. And if the commission finds a disciplinary action has been taken for these reasons, the employee shall be reinstated immediately in his position and be reimbursed for any loss of pay occasioned by such action.

(Code 1968, § 12-188; Ord. No. 05-91, § 1, 1-25-05)

Sec. 14-189. - Investigations generally.

If, at any time, there is brought to the attention of the commission a condition whereby it appears that an injustice has been done an employee in the classified service with respect to his position or duties in the service of the city, the commission is vested with authority to investigate the facts, and if it finds the employee is entitled to relief, it shall make such appropriate order, after review, as will grant the relief to which the employee is entitled, and its finding thereon shall be final; provided, however, that in any instance herein mentioned the commission shall first direct, in writing, the attention of the mayor to the purported injustice and take no action thereon for a period of ten days following delivery of such notice, and only then in the event it finds that the injustice as to such employee has not been corrected by the mayor.

(Code 1968, § 12-189)

Sec. 14-190. - Right to counsel at hearings.

Any person appearing at a hearing as a party to the cause being heard shall be entitled to legal counsel, but this fact shall not be construed to mean that such representation is necessary.

(Code 1968, § 12-190)

Sec. 14-191. - Power to administer oaths and require attendance of witnesses and production of records.

In the course of any hearing, investigation, or tests of fitness conducted under the provisions of these rules and regulations, the commission and any other person authorized by it as its representative for such purposes shall have the power to administer oaths, to subpoena, and to require the attendance of witnesses within the county and the production by them of books and papers pertinent to any matter of inquiry, and to examine such witnesses under oath, in relation to any matters properly involved in such proceedings.

(Code 1968, § 12-191)

Sec. 14-192. - Refusal to testify.

If any officer or employee in the classified service shall wilfully refuse on any grounds to testify or to answer any question relative to the matter being heard by the commission, such refusal shall constitute sufficient grounds for either suspension or discharge, and the commission may recommend to the mayor the suspension or discharge if, in its judgment, such disciplinary measure is advisable. Any employee indefinitely suspended for refusing to testify before the civil service commission shall have no right of appeal.

(Code 1968, § 12-192)

Sec. 14-193. - Investigations on commission's own initiative.

The commission may, upon its own initiative, make such inquiries and investigations as it may deem to be warranted regarding the administration and effect of the provisions of article Va and of ordinances and rules adopted in accordance therewith and to make such recommendations to the mayor, or take such other action as in its judgment is warranted in the premises.

(Code 1968, § 12-193)

[Copy link to clipboard](#)

All hearings shall be held in conformity with Charter provisions covering civil service hearings.

(Code 1968, § 12-194)

Secs. 14-195—14-199. - Reserved.

HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT
 CONTRACT PAYABLES POLICY AND PROCEDURES

Policy No. 5-1-1
 (2nd Revised)

Effective Date:
 5-1-09

1) Purpose

To document procedures followed by the Payables Section to ensure timely processing of payments to subgrantees and contractors. Attachments are also included that describe at a high level the role of the Commercial and Retail Division Project Managers who are responsible for contract and regulatory compliance as it relates to Payment Requests.

2) Scope

All payments to subgrantees, contractors or title companies under contracts or agreements administered directly by the Housing and Community Development Department (HCD). Does not apply to miscellaneous/routine payments (rent, couriers, supplies, travel, etc.) initiated in the F&A Section.

3) Roles and Responsibilities

- a) Subgrantee/Contractor- Conducts activities and expends funds in accordance with contract and federal or other requirements; or, a title co. disbursing HCD funds. Presents Payment Request and operating documentation to HCD that demonstrates compliance with these requirements.
- b) Project Manager- HCD staff member (could be an Inspector, Project Manager/Relationship Manager, Division Manager, or Assistant Director, for instance) in the Commercial or Retail Product Groups designated to review Subgrantee/Contractor/Title Company documentation and certify Payment Requests on an ongoing basis. Ensures Payment Request timeliness, eligibility under contract provisions and federal or other regulations. Resolves payment issues with Subgrantee/Contractor/etc. as required.
- c) Payables Accountant (“Accountant”) – HCD Financial Services staff member designated to process Payment Requests received from Project Managers. Ensures that payment requests are approved by a Project Manager, including signing a certification, and checks for mathematical accuracy while data entering the Payment Request into the City’s accounting system.
- d) Payables Manager- HCD manager who directly supervises Accountants, distributes and reviews their work. Helps to resolve any Payables Section issues.
- e) Financial Services Manager- HCD manager designated by the Director, signature authority, and this procedure to give final departmental approval to payment vouchers (hard-copy of SAP screen/document initiating a payment) after reviews of the Payment Requests by the Project Manager, and preparation / review of the payment vouchers by the Payables Accountant and Payables Manager are complete. Provides oversight and procedural reviews of the Section.

Approved



Date Revised

5-1-09

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- f) **Payment Eligibility-** Payment request and submission dates are within (not more than) 45 days of the “subject” service period and/or invoice date. **Disallowed Payment Resubmissions (HOPWA only) -** Payment request and submission dates are within (not more than) 45 days of the date item was initially disallowed. (Effective FY 2010) Director exceptions ONLY.

4) Procedures

- a) A Subgrantee/Contractor will submit a Payment Request Package, which includes but is not limited to: Invoice/Bill, Payment Request form (Attachment A), supporting documentation demonstrating performance, contract compliance, payment and regulatory eligibility.
- b) Project Managers will review Payment Request Packages for compliance with the following items: contract requirements governing performance and service delivery, financial disbursements, reimbursement policies, budget availability, advance liquidations, types of expense, invoices not being duplicated or stale-dated, copies of the front and back of paid checks or bank statements showing invoice payments, and - where applicable - OMB Circulars A-87 and/or A-122 and/or A-110 (see Attachment B), before certifying (see Attachment C) and forwarding it to the Payables Section.
- c) **Submission of Payment Request Packets -** should include the following steps:
- i) Project Managers or the designee of the Product Group (Commercial and Retail) will log in Payment Request Packet in area designated by Accounts Payable (date, time, project name, section, Project Manager name printed) and clock stamp the package
 - ii) Project Managers or the designee will place Payment Request Packets in corresponding basket for processing
 - iii) Accounts Payable Manager will clear the processing basket twice daily (morning and afternoon)
 - iv) Accounts Payable Manager will distribute packets to Accountants and note on log sheet the initials of the Accountant to whom the packet has been assigned
 - v) Packets requiring special treatment should be brought to Accounts Payable Manager attention immediately
- d) Accountants will verify that the Payment Request has been Project Manager certified, data-enter the requested amounts into the City’s system, check the Payment Request for mathematical accuracy, and take one of these steps:
- i) If the Payment Request is accurate mathematically, and there are sufficient funds within specific contract budget lines in the financial system to pay the entire Payment Request or invoice, then the Accountant will prepare a paper payment voucher form (hard-copy of SAP screen/document initiating a payment) and submit it and Payment Request/documentation to the Payables Manager for review.

- ii) If the Payment Request is mathematically incorrect, payment is eligible due a lapse of time or there are insufficient funds within specific contract budget lines per the system to process the entire invoice, the Accountant will notify the Project Manager by telephone within 2 days of submission. Time and date of notification will be noted on top of the payment request form. If Accountant is unable to reach the Project Manager he/she will leave a message and send a corresponding email detailing their attempt to contact the Project Manager, and the problem. The Accountant will attach a copy of the email to the Request for Payment Packet and return the item to the Project Manager via interoffice mail immediately. The Accountant will note on the Payables Log that the Payment Request was returned via a check mark that the item was returned and the date that the item was returned.
 - iii) The Product Group may designate a central contact to receive communication that a Payment Request has been determined to have errors that prevent it being processed. This request should be made in writing to the Assistant Director of HCD Finance and the Financial Services Manager so that the procedures are updated. For example, the Commercial Group has all Payment Requests routed through a central point in the Assistant Director's office. Custom validations of other types should be agreed upon with the Assistant Director of HCD Finance and the Financial Services Manager. For example, the Retail Group has the requirement that the Division Manager sign the actual Payment Request.
- e) Accountant will submit entire package to the Payables Manager for payment voucher approval. Upon completion, items are forwarded to Financial Services Manager for final approval. The package is returned to the Accountant for system posting, copying and filing of the package. Within the next 3 days, the Payables Accountant will system-verify that payment has occurred.
 - f) Items requiring Controller office approval and posting, including vouchers that exceed the system-mandated \$75,000 threshold, or require payment by wire transfer, will be submitted via the Department's mail delivery service to 611 Walker and Accounts Payable will retain a copy of the Service request form noting the date and time of delivery. See Attachment G.
 - g) Processing Time
 - i) Accounts Payable will process items within 5 days from submission of completed and approved Payment Request Packages. Note: Extenuating circumstances may cause delays. Please allow for an additional 3 business days for payment request packages submitted during Holiday weeks. Items requiring Controller approval require an additional 5 business days.
 - ii) The Accounts Payable Manager or designee is responsible for assuring that all Payment Requests packages are assigned daily to Accountants and that the log is used to assure assignment and processing. The log will be retained as part of the records of the section for one year.
 - iii) The Accounts Payable Manager or designee will print out the SAP Parked Document report daily, and follow up on any document parked longer than 3 days. This is a means to ascertain that one or more requests have not been overlooked when a staff member is away for an extended period of time.

h) Advances

- i) As a general rule, advances are not given to Subgrantee Agencies or Contractors. Payments should normally be made on a reimbursement basis. Any exceptions to this rule are only allowed if the advance is in compliance with the regulations at 24 CFR Part 85.21-23 (see Attachment E), is specifically described in the contract for services, and is approved by the Department Director.
- ii) Subgrantee/Contractors must maintain procedures to minimize the time elapsing between the transfer of advanced funds and their disbursement, per the regulations cited at h.(1), above. Subgrantee/Contractors must submit to HCD their advance policies and procedures for review and approval prior to advance being awarded. This elapsed time should be 45 days or less. All advances must be fully disbursed or liquidated (receipts presented evidencing expenditures) or paid back within 45 days of the advance.
- iii) Accounts Payable will distribute a monthly advance aging report to managers.

i) Records Retention

- i) Individual payment voucher packages will be retained in the Financial Services working files for 60 days.
- ii) Accountants will box, label, and transport to Central Files payment voucher packages every 60 days. The Payables Supervisor will develop and maintain a schedule that requires approximately one-half of the outstanding payment voucher packages to be stored on a monthly basis.

ATTACHMENTS

ATTACHMENT A Request for Payment Form

ATTACHMENT B Web Site Links for OMB Circulars:

- A-87; Cost Principles for State, Local and Indian Tribal Governments
- A-122; Cost Principles for Non-Profit Organizations
- A-110; Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

ATTACHMENT C Project Manager/Inspector Certifications

ATTACHMENT D Web Site Link to 24 CFR Part 85.21-23 (Advances)

ATTACHMENT E Payment Request Log

ATTACHMENT F Payment Request Transmittal to Controller's

ATTACHMENT G List of Current Approvers

CITY OF HOUSTON

**HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT
INDIRECT COST ALLOCATION POLICY**

Policy No.
5-16

Effective Date:
12/15/08

1) Policy

Though federal grant awards to sub-recipients, HCDD pays on a reimbursement basis direct costs to support targeted grant funded activities.

2) Purpose

To set forth HCD policy regarding the payment of indirect costs.

3) Scope

All Contracts or Letter of Agreements between sub-recipients or other departments funded with federal dollars where more than one funding source supports the targeted activity of which the grant award funds.

4) Roles and Responsibilities

- a) Relationship Manager- a front office designee whose function is programmatic in nature and who interfaces with a Contract manager.
- b) Contract Manager- one who represents the Sub- recipient and manages the Contract or Letter of Agreement.
- c) Sub-recipient- an agency, City department or organization that has been awarded a federal grant
- d) Cost Allocation Plan- a document that identifies, accumulates and distributes allowable direct and indirect costs and declares methods used for distribution
- e) Cost allocation- measurement of allowable costs that are then allocated based on benefits received by each program/ agency.
- f) Indirect costs- costs incurred for common objectives that benefit more than one activity and cannot be readily identified with a particular final cost objective (i.e. salaries of executive officers, accounting and auditing, other costs of general administration.

Approved: *George Cannon, AD for*
Richard Ceeli, Director

Policy No. 5-16

Effective Date:
12/15/08

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- g) Direct costs- costs can be identified specifically with a particular final cost objective, i.e. particular award, project, service or other direct activity of an organization.
- h) Allowable costs- costs must be (1) reasonable and allocable, (2) conform to limitations and exclusions set for in cost principles or award, (3) consistent with policies and procedures afforded all activities of the organization, (4) in accordance with GAAP, (5) not already included in a cost sharing or matching requirement, and (5) adequately documented.
- i) Reasonable cost- cost that does not exceed that which would be incurred by a prudent person under similar circumstances incur when the decision was made.
- j) Allocable- costs which are consistent with other costs incurred for the same purpose in like circumstances if the costs incurred (1) are specifically for the award, (2) benefit the award and other work and can be distributed based on benefits received, or (3) are necessary for the overall operation of the organization, although a direct relationship to a particular cost objective cannot be shown.

5) Procedure

- a) Sub-recipients who have more than one funding source for targeted activities supported by grant awards must submit a Cost Allocation Plan to HCDD for approval. Plan submissions will be made through the contract and relationship manager.
- b) Recurring awards must submit Cost Allocation Plans no later than 6 months after the end of the sub-recipient's fiscal year and first time award recipients must submit Cost Allocation Plans within 3 months after the effective date of the award
- c) The Director will approve and sign all Cost Allocation Plans.
- d) Each Cost Allocation Plan must include: (1) an organizational chart, (2) cost policy statement, (3) financial reports, (4) personal cost worksheet, and (5) allocation of personnel costs
- e) Sub-recipients must show that indirect cost rate plan reconciles with its financial, audit and/or budget reports, a completed certificate of indirect costs must be signed and dated, and a listing of grants and contracts showing source, amounts and relevant dates
- f) Cost Allocation Plans must be in compliance with OMB Circular A-122: Cost Principles for Non Profits, and OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments, where applicable.



CITY OF HOUSTON

ADMINISTRATIVE PROCEDURE

Subject: **HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT
PROCUREMENT POLICY AND PROCEDURES**

Policy No.
5-8

Effective Date
10/30/2009 Revised

1 PURPOSE:

The following process outlines the method established by HCDD to purchase goods and services.

2 OBJECTIVE:

Provide an understanding and definition of the authorities, roles and responsibilities in the procurement of goods and services. Accept as Department policy the requirements detailed in Section 3.0, Authority.

3 AUTHORITY:

These policies and procedures are promulgated in adherence to applicable city, state and federal policies including but not limited to the following directives:

- 3.1 A.P.5-2: Procurement Procedures;
- 3.2 A.P. 5-4: MBE/WBE/PDBE Procurement Goals;
- 3.3 E.O.1-14; Procurement and Payment Policies;
- 3.4 E.O. 1-42: Purchasing Card Policy & Procedures;
- 3.5 Request for Proposal (RFP) Users Guide (Strategic Purchasing Division/ARA Department, COH);
- 3.6 24 CFR Parts 84.42-44; 85. 36;92.356; 750.611
- 3.7 COH Code of Ordinance Chapter : 14-183; 15-1; 18-3 and 18-88
- 3.8 Local Government Code Chapter 252
- 3.9 OMB A-87

The source of funds may affect the selection of the guidelines that will be followed and the method of procurement processes.

4 SCOPE:

All HCDD employees come under the authority of this policy in the procurement of goods and services.

5 DEFINITIONS:

5.1 DPU:

Department Purchasing Unit

5.2 Requisition:

Financial documents used to reserve funds for a particular purchase

5.3 Purchase Order

(PO) document used to buy goods and/or services for HCDD.

5.4 Receiving Clerk:

Clerk within the DPU responsible for receiving and documenting the receipt of goods and services within the financial system.

Approved:

Date Approved:

10/30/09

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5.5 Separation of Functions:

Staff of the DPU will not perform Receiving Clerk functions nor approval functions along with procurement (ordering) functions.

5.6 Small purchase/informal procurement:

Procurement using simple bid, RFP to procure goods or services that will cost less than the State sealed bid requirements (\$50,000).

5.7 Formal or sealed bid procurement:

Publically solicited through SPD for procurement of construction and goods with a price greater than the State sealed bid requirements. SPD also coordinates the issuance of RFP for professional services.

5.8 Non-Competitive Procurement: Procurement without competition exists if, goods or services are available from a single/sole source, emergency situations require immediate procurement; and insufficient response to solicitations.

5.9 Emergency/Contingency Purchasing:

Used when POs cannot be obtained from the system or emergency situations (health and safety) demand immediate authorization. Emergency POs are issued through SPD.

6 PROCUREMENT SPENDING AUTHORITY LIMITS:

6.1 **Spending limits:** HCDD has the following spending authority limits: Non-contract purchases costing \$25,000.00 or less may be totally processed from procurement to payment within the authority of the department. The City of Houston (COH) Controllers office retains the authority to approve/release for payment contract items that have been approved by City Council. Goods or services costing more than \$25,000.00 and less than \$49,999.00 must be processed through SPD after the DPU confirms funds availability and establishes a Requisition. Goods or services costing greater than \$49,999.00 must be approved by the COH City Council.

6.2 **Bid Splitting** is circumventing the dollar limitations in the competitive bidding process by soliciting multiple small quotes in order to not require City Council approval. Management processing or City Council approval is prohibited.

6.3 **Petty Cash Items** (goods and services costing \$100.00 or less) are covered in Administrative Procedure 5-3.

6.4 **Purchase Card (P-Card)** The maximum spending limit for individual P-Card usage for a single transaction is \$2,000.00 and the monthly maximum that must not be exceeded is \$5,000.00 unless prior approval has been received from the City Purchasing Agent.

6.5 **The procurement of goods or services** in excess of \$25,000 may be initiated by HCDD but must be processed and approved through SPD.

7 DETERMINE ELIGIBILITY:

7.1 Determine whether the request is eligible for purchase with the Grant funds. Evaluate the request to avoid the purchase of unnecessary or duplicate items or over-lapping services.

7.2 Determine the approximate/expected/ reasonable cost of the items or services to be procured.

7.3 Determine the appropriate procurement method that will provide the best value for the best price.

7.4 Refuse any further processing if the purchase is not eligible, the contractor is not eligible or if the price is not reasonable.

8 APPROVAL PROCESS:

- 8.1 Managers or their appointed representative will prepare paperwork for requests.
- 8.2 The ordering Division or Section obtains the required approvals and forwards the request to DPU for processing.
- 8.3 Approval of supplies and equipment orders totaling less than the HCDD maximum (\$25,000.00) falls at the Assistant Director (AD) level unless reserved by the Director or delegated to the Administrative Manager by the AD.
- 8.4 Items greater than the HCDD maximum level (\$25,000.00) must be approved by SPD and/or the City Council.
- 8.5 All requests are to be dated received by DPU personnel.
- 8.6 All requests must have the name and description of the item or services requested, quantity, expected delivery date, and if an emergency, a written justification to support the emergency request.
- 8.7 Requests should include the name and telephone number of the individual initiating the request in case questions arise.

9 DETERMINE PROCUREMENT METHOD:

DPU shall process requests for procurement using the most appropriate methods as follows:

9.1 Informal Bid (Small Purchase) Procurement of Goods and Services

- 9.1.1 DPU is to develop clear, concise bid specifications that will provide the greatest competition and opportunity for participation by vendors. Name brands should not be listed as required specifications for common products.
- 9.1.2 At least three (3) bids are to be solicited and at least 3 responses received. A "no bid" does not qualify as bid response.
- 9.1.3 Certified MBE/WBE/PDBE are to be contacted in an effort to meet participation goals when purchasing non-contract items. All bid request documents and receipt documents are to be filed.
- 9.1.4 Bids in excess of 90 days without action are considered over aged and the item must be re-bid.
- 9.1.5 When three bids cannot be obtained despite a reasonable effort, the effort must be documented to show all of the names and number of companies called or contacted and when possible the contact's name and response.
- 9.1.6 The lowest responsible bid is to be accepted. Documentation and justification must be provided if the lowest bid is not accepted.
- 9.1.7 Electronic bids or quotes are acceptable and may be used to confirm price reasonableness.

9.2 Formal Procurement/Sealed Bids

- 9.2.1 Sealed bid method is used to procure goods and services that are greater than the State sealed bid requirement of \$50,000.00 and is normally used for construction, and non-contract equipment and service procurement.
- 9.2.2 SPD receives an approved request for procurement from the department and determines that formal solicitation is warranted.
- 9.2.3 Solicitation documents, public posting of the solicitation, pre-bid conferences, releases, approvals, coordination through City Council are activities controlled by SPD that are completed in a manner consistent with federal procurement and COH regulations with the exception that there is no local preference in the evaluation and selection of vendors unless specified by federal regulations.

9.2.4 Awards are made to the lowest responsible bidder.

9.3 Procurement of Contract Items:

- 9.3.1 If the goods or services requested are available on COH or State of Texas cooperative contracts, no additional bid solicitation is required and procurement may continue by generating purchasing documents against the reference contracts.
- 9.3.2 If the cost of contract or non-contract goods or services requested is greater than HCDD purchase order limit (\$25,000) the DPU will submit a requisition to Strategic Purchasing office of the Administrative and Regulatory Affairs Department (ARA) for further processing.
- 9.3.3 All contracts entered into by COH shall incorporate an equal employment opportunity clause, that shall indicate a selection process will be used without prejudice to protected categories of the Equal Employment Opportunity regulations.
- 9.3.4 Awards are made based upon the negotiated contract price.

9.4 Services, Professional Services, Consultants, Request For Proposals (RFP):

- 9.4.1 Formal and informal procurement solicitation is used to provide opportunity to participate in providing goods, services and Professional Services funded by grant program funds and to purchase non-contract capital equipment.
- 9.4.2 All requests for procurement services will be coordinated through the DPU/Administrative Services. Specifications are developed to procure equipment and goods. Scope of Services are developed to procure services. The DPU will request technical clarifications and/or the submittal of specifications or scopes to begin the procurement process. These documents will be evaluated for eligibility and an appropriate procurement method will be proposed.
- 9.4.3 After specifications/scopes have been developed and approved by Managers; selection criteria defined; the availability of grant funds (for a specific purpose) confirmed; Managers send a request to the DPU to coordinate the issuance of the RFP or sealed bid through SPD.
- 9.4.4 A RFP is advertized in print media and/or posted on the COH/Department's web page. Proposals are delivered to the City Secretary's office. Selection of vendors or subrecipients is coordinated by a Division (AD). A panel of at least three people is required to score and evaluate proposals. Multiple vendors may be selected and negotiations may occur to determine a final price based on cost reasonableness. Evaluation documents become part of the procurement file.
- 9.4.5 Once the selection is complete, depending on the amount of funds awarded, contracts are developed and in most instances, approval is sought from the City Council. The RFP (formal and informal) method is to be used to procure professional and consultant services.
- 9.4.6 Local preferences will not be part of the selection criteria unless specifically allowed by HUD regulations.
- 9.4.7 If only one responsive proposal is received after adequate solicitation, approval will be requested from HUD to continue with the procurement.
- 9.4.8 HUD must be notified and permission given to purchase or sell capital items with grant funds.
- 9.4.9 Service and consultant contracts are subject to COH "Play or Pay" rules and MWBE goals depending on the amount of the contract.

9.5 Non-Competitive and Single/Sole Source Procurement:

- 9.5.1 The DPU must determine whether goods or services are exclusively available from only one Source by contacting the manufacturer/supplier. A letter is requested from the manufacturer, publisher, and/or patent office to confirm the sole source, patented, or copyrighted item. Processing of the procurement with approvals can continue if there is an emergency or health and safety issue within the spending authorities of the Department or through SPD.

9.5.2 If after sufficient solicitation has been made there is a single responsive proposal/bid submitted, the competitive procurement may either be discarded or turned into non-competitive procurement. HUD approval is required to complete non-competitive procurement.

10 CHECK/EXCLUDED PARTIES:

- 10.1 Prior to the authorization to spend federal funds, the "Excluded Party List" will be checked to determine whether the perspective vendor or contractor is listed as ineligible.
- 10.2 Excluded Parties List System can be located at: www.EPLS.GOV A copy of the results of the "Excluded Party List" search will become part of the procurement or project files.
- 10.3 If the party is not excluded, procurement may continue. If the party is excluded, no expenditure of funds may occur and the party will be given written notification of the reasons for not continuing the procurement process.

11 CONFLICT OF INTEREST AND RULES OF BEHAVIOR

- 11.1 No employee, officer, agent, consultant, elected official, or appointed official of the City of Houston shall participate in selection or in the award or administration of a contract if a conflict of interest, real or apparent would be involved. Such a conflict would arise when any of the persons listed above, his or her immediate family, his or her partner, or an organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for an award.
- 11.2 No person listed above or former city official having had decision making responsibilities or participated in decision making process, or access to inside information, may obtain a financial interest, or benefit, or have a financial interest in any contract, subcontract, or agreement, or proceeds, for themselves, immediate family, or business associate from a CDBG funded activity during their tenure or for a one year period following his or her end of employment/departure date from the City of Houston.
- 11.3 No former city official shall during the one year period following his departure date enter into a contractual relationship with the city or hold more than a 40 percent interest in any company that has a contractual relationship with the city.
- 11.4 A conflict exists if a firm, partnership or corporation, in which any employee of the City has any ownership interest in excess of one percent of the total ownership interest in such firm, partnership or corporation to bid on or to be awarded any contract being let by the city or to be peculiarly interested, directly or indirectly, in any contract let by the City, or in any work done by the City or in any matter wherein the rights or liabilities of the City are or may be involved.
- 11.5 No COH or sub-grantee's officers or employees, will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements. COH officers or employee will not engage in outside business activities that might tend to impair independent judgment.
- 11.6 COH officers or employees will not hold investments that conflict with the public trust.
- 11.7 Invoices submitted for payment for work authorized prior to the issuance of a PO or contract may be confirmed for payment only with acceptable justification and a compromise/settlement agreement resolving such claims.
- 11.8 COH officers or employee will not seek to enter into any contract or other transaction or business relationship that requires the expenditure of funds equal to or exceeding the amount that requires the taking of competitive sealed bids if the proposed contracting entity or any owner is indebted to the city.
- 11.9 It shall be unacceptable for two or more persons, directly or indirectly, to enter into any collusion or agreement of any kind, oral or otherwise, to seek to set the price for goods and services to gain an unfair advantage.

12 VIOLATIONS:

- 12.1 In the event that any contract or work, purchase or sale, is found to have been made in violation of the policy for COH Conflict of Interest, then the said contract or work, purchase or sale, shall be null and void and shall be discontinued, and new arrangements shall be entered into as in the case of the incipency of such contract of work, purchase or sale.
- 12.2 COH officers or employees, agents, contractors; or sub-grantees that violate procurement policies are subject to disciplinary actions up to and including indefinite suspension.
- 12.3 Suspected violations of conflict of interest and other provisions will be reported to the Office of Inspector General of the COH for investigation. If criminal actions are suspected, prosecution will be pursued and punishment sought consistent with the Local Government Code.
- 12.4 Any dispute between the Department and a contractor or vendor will first be mediated through a meeting with the Director. If the contractor or vendor is still not satisfied, the issue will be directed to SPD, Office of the Chief Purchasing Agent of the COH for resolution. The Department accepts the direction of the Chief Purchasing Agent and will proceed accordingly with the recommendation.

13 MONITORING:

- 13.1 A series of checks, and approvals will exist between Divisions to ensure that the procurement processes on various levels are regularly monitored and that the applicable policies are followed.
- 13.2 The performance of a provider of services shall be regularly monitored to ensure compliance with all of the provisions, terms, conditions and requirement of the contract; and no payments will be made there under without the prior written documentation by the assigned staff certifying the providers; full contract performance and compliance.
- 13.3 The procurement practices of subrecipients are to be monitored for consistency with federal procurement standards.
- 13.4 Non-performance on the part of a service provider means failing to fully perform and provide. HCDD with acceptable goods and/or services as contracted for; or in failing to fully adhere to all of the terms and conditions of the contract. Non-performance may result in withholding payment; suspension of the contract; partial or full termination of the contract; re-awarding the contract to another provider for the contracted services; and any other available legal remedies deemed to be in the best interest of the projector HCDD. At its option, the COH may refuse to award any future contracts to the defaulting service provider in accordance with Section 252.043 of the Local Government Code.

14 PROCESSING REQUEST:

- 14.1 DPU shall process approved request to purchase goods and services using the most appropriate method of procurement.
- 14.2 DPU reviews the request for accuracy and eligibility and forwards to HCDD budget office for funding source.
- 14.3 Create Requisition.
- 14.4 Once a requisition is completed, a financial system number is assigned and an e-mailed notification is received by a manager with authority to release the document for further processing.
- 14.5 The requisition is double checked for accuracy and forwarded for electronic approval and release by the Assistant Director.
- 14.6 Once the approval is acquired, a Purchase Order or other contractual documents are created.
- 14.7 Release and approval is by the Assistant Director or designee (as per 11.5).

- 14.8 The Department reserves the right to reject all bids and to re-bid if sufficient responses are not received, if scopes or specifications are not reasonable, or if another procurement method should have been used.
- 14.9 The Department may petition HUD to approve the purchase if insufficient bids are not received.

15 OFFICE SUPPLY PURCHASES (See P-Card procedure):

- 15.1 Use COH Office Supply contract online.
- 15.2 Print request for AD/Division Manager signature approval.
- 15.3 Transmit signed request to DPU.
- 15.4 DPU review request for reasonableness and edit when necessary.
- 15.5 After Administration Manager approval, the P-Card Coordinator or Assigned DPU electronically releases the office supply request documents.

16 RECEIVING GOODS:

- 16.1 Verify content.
- 16.2 File packing slip, containing staff signature that goods or services have been received consistent with the contract documents; annotate receipt date.
- 16.3 Input receiver report using purchase order document.
- 16.4 Receive invoice from HCDD Accounts Payable.
- 16.5 Request copy of final payable documents to update DPU file.

17 RECORDS MANAGEMENT

- 17.1 Sufficient documents to defend procurement processes must be kept for at least 5 years and be made available as required for audit purposes.
- 17.2 Records are subject to Open Records request and legal discovery disclosure.
- 17.3 Procurement documents will be scheduled according to HUD guidelines and will be subject to destruction in accordance with the State of Texas approved retention schedule.

HCCD PROCUREMENT TICKLER

CITY PROCUREMENT METHODS

Informal Bids-\$3K to \$50K-Min 3 Written/Fax Bids
Min 3 M/WBE participation bids. (AP 5-2)
Formal Bids-\$50K and above: Advertise
City Council action for expenditures of \$50,000 and above.
One time Formal Bids: Commodity Contracts; Service Contracts; Hi-tech; Professional Services.
Request for Proposal (RFP): Advertise
Professional Services; Hi-Tech Goods & Services; Health & Safety.
Best Value Proposals: Advertise/Open Bids in Public
The purchase of any items and services with the exception of construction.
Competitive Bids: Advertise/Award to lowest bidder
Supply Contracts; Fleet Purchases; One-time purchases; Construction Contracts; Service Contracts.
Procurement Exceptions: Health, safety or sole sources
Health and safety purchases are allowed when the citizens of Houston face an imminent threat to their health and safety. i.e. fires, floods, collapsed buildings, etc.

STATE PROCUREMENT REQUIREMENTS

Professional Services mean: accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, professional nursing or real estate appraising.
Professional Services Procurement
Expenditures of more than \$3K but less than \$50K require solicitation from at least 3 Historically Underutilized Businesses (HUB). (Chapter 252 of Local Government Code).

FEDERAL PROCUREMENT GUIDELINES

- (1). Some form of cost or price analysis shall be made and documented in the procurement files with every procurement action (84.45).
- (2). All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Sec. 85.36.
- (3). All purchases from \$0.01 require Informal Bids.
- (4). Noncompetitive proposals for products or services from a single source provider require a HUD permission letter. (85.36)
- (5). **Monitoring Sub-recipients** (OMB-A110) Recipients shall apply the provisions of this Circular to sub-recipients performing substantive work under grants and agreements that are passed through or awarded by the primary recipient.
- (6). **Conflicts of Interest** (CDBG 570.611); (All 84.42; 85.36): If in a position to participate in the decision making process or exercise any functions or responsibilities with grant activities.
(A) Obtain a financial interest or benefit (B) Have financial interest in any contract for themselves, businesses or family ties.
(C) During their tenure or for one year thereafter.
- (7). **Conflict of Interest Exception** (92.356)
Under HOME, COH employees are allowed to apply for down payment assistance. If employee has a conflict, a HUD waiver must be requested.
- (8). **Equipment Procurement**
The procurement of equipment, software, etc. requires the approval of HUD.

HCD DEPARTMENT PROCUREMENT PROCEDURES

All employees should read and understand the CPP.

HCD requires certain procedures for RFPs, RFQs, BIDs and NOFAs. These are things that must be done in the Pre-Posting, Posting and Post Selection phases.
(1) Pre-Posting: Assign a Subject Matter Expert (SME) to provide clear and specific details on the services or products required; provide details of what qualifications are wanted from vendor; provide the evaluation criteria for all submitted proposals; provide a suggested proposal schedule
(2) Posting: Solicitations shall be posted for a minimum period of 14 days over two weekends in the newspaper. In addition, posting on national websites is required for certain RFPs.
(3) Post Selection: If project/activity is not in Consolidated Action Plan, publish a notice for no less than 30 days of public comment in the newspaper and on the Internet. (NSF projects are an exception. Publish a shortened notice for no less than 15 days of public comment in the newspaper and on the Internet).
Contact the DPU at 713-868-8490 if there are questions or special situations.

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CITY PROCUREMENT METHODS

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STRATEGIC PURCHASING

Everything You Need
To Know About
Housing & Community Development's RFP Process



Ray DuRousseau, C.P.M.
Deputy Assistant Director
Phone: (832) 393-8724

Douglas Moore
Division Manager
Phone: (832) 393-8724

Requests For Proposals: What You Do

o Advertise	Y	
o Open/Public	N	
o Negotiate	Y	
o Negotiate w/ > one bidder	Y	
o Award to low bidder	N	



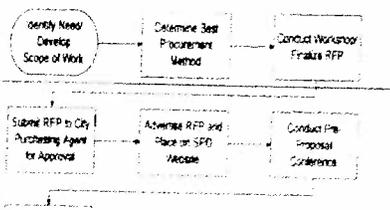
RFP Definition

- o The State of Texas defines RFP as a solicitation requesting submittal of a proposal in response to the required scope of services and usually includes some form of a cost proposal.
- o The RFP process allows for negotiations between a proposer and the issuing agency.

RFPs

- o Desired **outcome** is known, but not the step-by-step methodology.
- o Price is **one of many** factors in the decision and may not have the most weight.
- o Proposers have **flexibility** in their response which allows **creativity** and **innovative** approaches.
- o Price and result are **negotiable**.

Proposal Phase Process Flowchart



```

    graph TD
      A[Identify Need Develop Scope of Work] --> B[Determine Best Procurement Method]
      B --> C[Conduct Workshop Finalize RFP]
      C --> D[Submit RFP to City Purchasing Agent for Approval]
      D --> E[Advertise RFP and Place on SPD Website]
      E --> F[Conduct Pre-Proposal Conference]
      G[Issue if items of clarification as required] --> D
  
```

Com **nt**
S

HCD Need/Scope of Work Development Process

For Request for Proposals (RFPs), Request for Qualifications (RFQs), and Formal Competitive Bids (Bids)

- o This process is to assist in developing proposal and bid requests for Strategic Purchasing (SPC) and/or legal to provide procurement services in a timely and efficient manner.
- o The Department is required to develop and present clear, specific and detailed specification requirements in a form that meets the City Policies, Local Government Code 252 and Federal Rules and Regulations, along with price reasonableness figures.

HCD Need/Scope of Work Development Process

For RFPs, RFQs and Bids

Step 1

The Division/Section knows more about their needs than anyone else. Identify a person in your Division/Section that will be the lead and do the following:

- Act as a Liaison with HCD Purchasing
- Respond to all questions on RFPs, RFQs, or Bids
- Identify a Subject Matter Expert (SME) in your Division and coordinate developing the details of the services being requested, **INCLUDING** development of cost responsibility numbers.
- Coordinate with the SME in your Division that will be able to assist you in answering any and all questions from HCD Purchasing, SPD and the prospective Offerors.

HCD Need/Scope of Work Development Process

For RFPs, RFQs and Bids

Step 2

Develop the Introduction, Scope of Services, the Evaluation Process and Selection Criteria, Qualifications and Price Reasonableness.

- 1. Introduction:** Provide brief details of who you are seeking proposals from and what you want them to do. Detail the funding sources. Provide the address where copies of information can be obtained.
- 2. Scope of Services:** Provide clear and specific details on the services required. Make no assumptions. The more effort put into this task will decrease the amount of work you have to do on answering questions from Offerors. City Policies, Local Government Code and Federal Regulations do not provide an option for not answering all questions.

HCD Need/Scope of Work Development Process

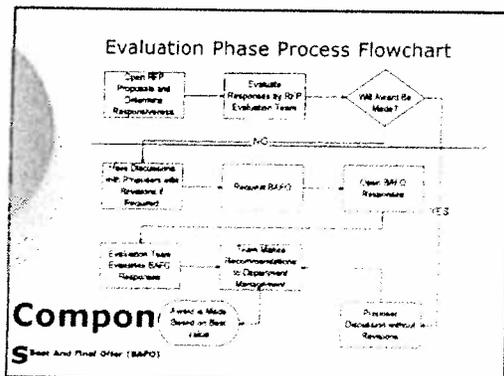
For RFPs, RFQs and Bids

Step 2 (continued)

- 3. Evaluation Process and Selection Criteria:** Develop and provide the evaluation criteria for all submitted proposals. This lets the Offeror know up front the basis on which they will be evaluated for selection. This information is developed from what you have provided on what service you want, the qualifications, scope of services, etc. (See EXAMPLE "A" AND "B" for Proposal Schedule and Evaluation Grid.)
- 4. Qualifications:** From the experience of the SME, provide details of what qualifications you want from the Offeror. List any other requirements you want from Offeror.
- 5. Price Reasonableness:** Conduct research and gather prices from others using the same services. This is critical in aiding SPD in the negotiations process.

Proposal Schedule Example "A"

Event	Week	Date
Deadline for Submission of Written Questions	Week 2	10/23/2009
Responses to RFP Questions	Week 4	11/06/2009
Proposal Due Date	Week 6	11/20/2009
Proposal Review and Ranking	Week 7	11/30/2009
Estimated Award and Council Date	Week 9	12/10/2009



Evaluation Criteria Example "B"

EVALUATION CRITERIA	Possible Points
1.0 Experience/Experience and Qualifications: Evidence of the Offeror's ability to complete expected volumes and agreements as compliance reviewer. Years in business	50
2.0 Professional References: Reference checks, Bank reference including deposit account, loan and type of credit information.	15
3.0 Reasonableness of Contract Price: Cost of Services based on requirements outlined in the Scope of Services, shall be submitted with the proposal. While the overall fee is a significant factor in the selection process, it is not the most important factor as the Authority desires to award the contract to the firm deemed best qualified.	20
4.0 Reporting and Communications	5
5.0 Gaining Participation	10

Potential Challenges

- o Time Consuming
- o Dedicated Resources
- o Political Environment
 - o Involve Council Committees when applicable.

Procurement Process and Scope of Work Writing

- o Research
- o Market Analysis
- o Networking
- o Clearly Written and Well-Defined Scope of Work should include the following:
 - Technical Requirements
 - Pricing Methods
 - Schedule
 - Contract Term

Illegal, Unethical Acts – Do Not:



- Violate Competitive Bid Laws
- Accept Benefits from Contractor
- Release Confidential Information
- Destroy/Tamper With Government Records
- Violate Section 15-1, Houston Code of Ordinances
- Execute Contracts on Behalf of the City

cc: Annie Hill
FYI

Internal Audit Libe

CITY OF HOUSTON

INTER OFFICE CORRESPONDENCE

To Paula M. Phillips, Director FROM Francis K. Duah, Actg Supervisor
Housing & Community Development Internal Audit Group
Department

DATE June 12, 1990

SUBJECT Recognition of the
Internal Audit Group

Attached are (1) Summary of Scope of Services for the Internal Audit Group, and (2) The Detailed Scope of Services for the Internal Audit Group for your review, comments and recommendations.

The scope of services is not conclusive. It will be continually reviewed and revised with passage of time.

In order for the internal audit function to be effective, management must evidence its support commitment. Management's commitment must be communicated to all members of the organization by the issuance of policy statements or memorandum outlining management's expectation of full cooperation with the auditors.

By this memo, I am seeking the recognition and the authority which the Internal Audit Group needs to initiate its responsibilities.

Should you have any questions about this, feel free to contact me at 71244.

Sincerely,

 6-13-90
Francis K. Duah

FKD:CCW

Attachments

cc: Earl Travis, Asst. Director
Housing & Community Development Dept.

**INTERNAL AUDIT SECTION
MONITORING DIVISION**

Historically, the Community Development Block Grant Program has been plagued with problems relating to operational inefficiency.

To enhance the overall operational efficiency of the Community Development Block Grant program, we have created an Internal Audit Section in our reorganization effort.

The scope of the Internal Audit Section will encompass the examination and evaluation of the adequacy and effectiveness of the Housing and Community Development Department's system of internal control and the quality of performance in carrying out assigned responsibilities.

1. The Internal Audit Section will determine the financial and operational information needs of the department, and review the reliability and integrity of such financial and operating information, as well as the means used to identify, measure, classify and report such information.
2. The Internal Audit Section will review the systems established to ensure **compliance** with the Department of Housing and Urban Development's regulations, procedures, and laws; the Office of Management and Budget circulars: A-87 - Cost Principles applicable to State and Local Governments, and 24 CFR part 85 - Administrative Requirements for Grants to State and Local Governments; the City's policies and guidelines which will have a significant impact on operations and reports; and will determine whether the department is in compliance with the applicable regulations, laws, procedures, policies, etc.
3. The Internal Auditors will review the means of safeguarding the departments's assets and, as appropriate, verify the existence of such assets.
4. The Internal Auditors will appraise the economy and efficiency with which human and material resources are employed, design systems for continuous evaluation, and develop procedures to attain desired objectives and goals.
5. The Internal Audit Section will review operations and programs to ascertain whether results are consistent with established objective and goals and whether the operations and/or programs are being carried out as planned.

In effect, the creation of the Internal Audit Section will provide the Department of Housing and Community Development with checks and balances, which will ensure operational efficiency.

Francis Duah
Internal Audit Section

**INTERNAL AUDIT
DETAILED SCOPE OF SERVICES**

- I. Familiarization with the physical operations and basic objectives of the divisions/sections.
1. Determine responsibilities of the divisions/sections. Identify number of employees, their titles, job descriptions, and/or responsibilities.
 2. Director's Office
 - A. Public Information
 - B. Monitoring Division
 - Fiscal Compliance and program monitoring
 - Internal Audit
 - J.T.P.A
 3. Finance and Administration Division
 - A. Financial Services Section
 - B. Administration Services Section
 4. Program Management Division
 - A. Redevelopment Section
 - B. Program Operations Section
 - C. Grants Management Section
 5. Housing Division
 - A. Dangerous Building Section
 - B. Housing Code Enforcement Section
 - C. Housing Rehabilitation Section
 - D. Housing Planning Section
- II. Review of procedures for carrying out assigned responsibilities and achieve objectives
- All divisions/sections and individuals; Appraisal and evaluation of the adequacy and effectiveness of the procedures.
- Recommendations for improvement.
- III. Identification of fixed assets and inventory - Department of Housing and Community Development, all other City Department and subrecipients. Updating of fixed assets and inventories.
- IV. Familiarization with programs; conduct interviews, and obtain guidelines.

HOUSING PROGRAMS

- o Dangerous Buildings - Demolition Services
- o Housing Code Enforcement
- o Housing Rehabilitation - Housing Improvement, Section 312 Programs
- o Housing Planning, Public/Private Partnership, Neighborhood Initiatives
- o Rental Rehabilitation Administration
- o Urban Homesteading
- o Relocation - Payments and Assistance

ECONOMIC DEVELOPMENT PROGRAMS

- o Small Business Loans
- o Target of Opportunity Loans

PUBLIC SERVICE PROGRAMS

- o Daycare
- o Elderly
- o Juvenile
- o Other Public Service

CAPITAL IMPROVEMENT

ADMINISTRATION

EMERGENCY SHELTER GRANTS

RENTAL REHABILITATION GRANT

J.T.P.A.

V. **Legal and Regulatory Requirements**

1. Review compliance with applicable laws and regulations.

For Economy and Efficiency

Review laws and regulation that could significantly affect the acquisition, management and utilization of the Department's resources.

Program Results

Review the laws and regulations pertaining to the objectives of the Department's programs or activities to gain an understanding of the results expected from the programs or activities.

Do sufficient testing to determine whether programs or activities are being carried out in conformity with the laws and regulations.

Review laws and regulations that have a direct bearing or a significant impact upon the Department's operation.

Sources of Information - Legal or Legislative Data Including

- A. Basic Legislation
- B. Reports on hearings
- C. Legislative Committee Reports
- D. Historical Data relating to the legislative history of authorizing legislation.
- E. State constitution, status, resolution and legislative orders.
- F. Local charters, ordinances, and resolutions.

External Administrative Requirements including

- A. Memorandums from Federal, State, or Local administrative agencies
- B. Federal, State, or Local guidelines and other administrative regulations affecting program operations.

Grant and Contract Arrangements including

- A. Proposals from grantees
- B. Correspondence from grantors and grantees
- C. Memorandums of meetings held to discuss the grants and contracts
- D. Grant and contract regulations and OMB management circulars
- E. Grant and contract documents including amendments
- F. Grant budgets and supporting schedules

Obtain guidelines, procedures for carrying out programs for review and evaluation and make recommendations for enhancements.

INTERNAL CONTROL STRUCTURE**OPERATIONS**

Obtain and document understanding of the existing internal control structure through experience, inquiries, inspection of records and observation of activities.

1. The Control Environment
 - Organizational Structure
 - Communication Methods
 - Philosophy and operating style
 - Control Methods
 - Personnel Policies and Procedures
 - External Influences

2. The Accounting System

The methods and records established to identify, assemble, analyze, classify record, and report transactions and maintain accountability.

Evaluate the effectiveness of the system by verifying whether the following goals are accomplished for transactions.

1. Identify and record
2. Measure value properly
3. Record in the proper time period
4. Properly present and disclose

3. Control Procedures
 - Independent checks on performance and proper valuation of amounts.
 - Segregation of duties (separate authorization, record keeping and custody)
 - Safeguards over access to assets and records
 - Authorization of transactions and activities
 - Documents that are adequate and records to ensure proper recording.

EVALUATE OPERATING EFFECTIVENESS

1. How the policy, procedures, or records are applied.
2. The consistency with which it was applied, and
3. By whom.

EVALUATE CONTROLS ON DEPARTMENT'S

- o Purchases
- o Accounts Payable
- o Cash Disbursements
- o Cash Receipts
- o Cash Funds Imprest/Petty Cash
- o Fixed Assets

INTERNAL CONTROL**PROGRAMS**

Study and evaluate the internal control system applicable to program, activity or functions.

Economy and Efficiency Review policies/procedures, practices, and controls applicable to the activities programs and determine whether the Department is managing or using its resources economically and efficiently.

Program Results Review policies/procedures, practices, and controls which have specific bearing on the attainment of the goals and objectives specified by the law or regulations for the Department's Programs, activities or functions.

Identify problem areas first and then review controls that relate to the area in which the problems exist.

VII.

FINANCIAL REPORTS

1. Review all in house financial reports for reliability and integrity of data.
2. Identify all Financial and Operating reports to Regulatory Agencies.
3. Review time/table for financial and operating reports to Regulatory Agencies and alert personnel to present reports timely. Review also for accuracy. Make recommendations for corrections.
4. Monitor Expenditures and Drawdowns and note deficiencies. Make recommendations for enhancements.
5. Monitor Grant Budgets: Budgeted vs. Actual - Identify variances, make recommendations for timely implementations of programs, activities, etc.
6. Monitor cash Management.
7. Emphasize on full documentation of transactions.
8. Centralize cash transactions.

VIII.

FINANCIAL RECORDS

- o Review financial records for compliance with (OMB) Circular A-87, Cost Principles for State and Local Governments and A-128, Audits for State and Local Governments, and with 24 CFR 570, subpart J, Grant Administrative Requirements for State and Local Governments.
- o Financial reporting, accounting records, cost allowability and source documentation.

IX.

**SUBRECIPIENT FISCAL AND PROGRAM
MONITORING AND MONITORING SCHEDULES**

1. Ascertain whether subrecipients monitoring schedule is being adhered to.
2. Ascertain whether monitoring visits are timely and adequate.
3. Ensure monitoring of progress of each individual activity.
4. Ensure monitoring reports are timely and properly documented.
5. Ensure subrecipient monitoring findings are resolved on a timely basis.
6. Ensure subrecipients' independent audit reports are presented on timely basis.
7. Establish a system to identify independent audit reports received.
8. Ensure subrecipient independent reports are properly reviewed for compliance with generally accepted accounting principles, generally accepted auditing standards, single audit Act of 1984 A-128 and all applicable CDBG guidelines and regulations.

X.

HUD MONITORING FINDINGS

- o Periodically review the status of outstanding HUD monitoring findings.
- o Ensure that monitoring findings are adequately resolved on a timely basis.

XI.

REPROGRAMMING

- o Ensure that unused funds from closed-out projects are deobligated on a timely basis.
- o Ensure that deobligated funds are reprogrammed on a timely basis.
- o Ascertain that funds from dormant activities are reprogrammed on a timely basis.

XII.

FMS/GFS

- o Review Periodically General, Expenditure, Appropriation, Revenue, etc., Ledger Reports
- o Identify Deviations
- o Recommend corrective actions

XIII.

PROGRAM INCOME

- o Ensure that written procedures on program income are established.
- o Ensure that program income is accounted for on a weekly basis.
- o Ensure that program income funds are properly computed.
- o Ensure that program income funds are disbursed before making a letter of credit withdrawals.

XIV.

OPERATIONAL AREAS TO BE AUDITED

- o Purchases
- o Cash Receipts
- o Cash Disbursement
- o Cash Funds
- o Fixed Assets
- o Voucher Processing
- o Flow of Documents

XV.

OTHER AREAS TO BE AUDITED

- o Programs
 1. Small Business Loans
 2. Target of Opportunity Loans
 3. Dangerous Buildings Demolition Services
 4. Code Enforcement
 5. Housing Improvement Program
 6. Section 312 Programs
 7. Housing Public/Private Partnership
 8. Neighborhood Initiations
 9. Rental Rehabilitation
 10. Urban Homesteading
 11. Replacement Housing
 12. Relocation Payments and Assistance
 13. Daycare Programs
 14. Elderly Transportation
 15. Juvenile Programs
 16. Emergency Shelter Programs

- o Divisions/Sections
 1. Financial Management Service Section
 2. Administration Services Section
 3. Redevelopment Section
 4. Program Operations Section
 5. Grants Management Section
 6. Housing Code Enforcement Section
 7. Housing Rehabilitation Section
 8. Housing Planning Section
 9. Monitoring Division
 - a. Subrecipient Fiscal Compliance and Program Monitoring
 - b. Internal Audit
 - c. JTPA, etc.

- o Sample of subrecipients

Areas where controls are considered inadequate.

Areas with material fluctuations.

Management will ultimately make the final decisions as to which areas are to be prioritised based upon recommendations from the Internal Audit Section.

Contact Person:
Francis K. Duah

Internal Audit Section
Monitoring Division
Department of Housing and
Community Development



CITY OF HOUSTON

HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT RECORDS MANAGEMENT POLICY AND PROCEDURES	Policy No. 21.18 Revision 3	
	Effective Date 11/24/2008	
<p>1. <u>PURPOSE and INTRODUCTION</u></p> <p>The purpose of this document is to establish Housing and Community Development Department (HCDD) Records Management policy and to outline responsibilities and major procedures.</p> <p>HCDD manages a variety of documents both project specific and administrative. The department is required to provide proof that federal grant funds are administered in accordance with HUD regulations. This proof takes the form of various documents produced or acquired by the department. Each grant has a unique list of project and program records to be maintained and specific access and retention requirements for documents. The following policy and procedures are designed to provide a framework of how various files are developed, maintained, reviewed, and managed to provide the compliance proof required by HUD, in accordance with Federal, City of Houston (COH) and State of Texas Records Management regulations.</p> <p>2. <u>RECORDS MANAGEMENT POLICY</u></p> <p>COH, HCDD strives to efficiently maintain information and records to meet its operational needs and its obligations under local, state, and federal regulations. Information, including personal information, will be collected, created, and used in operating the department. All records, created, received, or maintained by HCDD officers or employees in the course of their duties on behalf of HCDD are the property of HCDD and subject to its overall control. HCDD will retain records based on legal, operational, financial, administrative and other considerations through the development of classification systems and schedules. Management of records and information will include the systematic destruction of records after the retention periods have expired.</p> <p>3. <u>AUTHORITY</u></p> <p>3.1 COH Code of Regulations, Division 5, Sec. 2-111; 3.2 24 CFR 92.508; & 24 CFR 570. 3.2 COH Legal Opinion No. 2008002A, Dated 5/5/2008 3.3 City of Houston Code of Ordinances (Ch.2, Article III, Div.5) 3.4 Texas State Library and Archives Commission, Local Schedule GR (4th Edition) 3.5 Texas Open Records Law based of the Freedom of Information Act</p>		
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4. DEFINITIONS

4.1 **City Record:** A record means any document, paper, letter, book, map, photograph, sound or video recording, microfilm, magnetic tape, electronic medium or other information recording medium, regardless of physical form or characteristic and regardless of whether public access to it is open or restricted under the laws of the state, created or received by HCDD or any of its officers or employees pursuant to law, including an ordinance, or in the transaction of public business.

4.1.1 The term does not include:

- 4.1.1.1 Drafts and extra identical copies of documents created only for convenience of reference or research by officers or employees of HCDD.
- 4.1.1.2 Notes, journals, diaries, and similar documents created by an officer or employee of HCDD for the officer's or employee's personal convenience.
- 4.1.1.3 Blank forms.
- 4.1.1.4 Stocks of publications.
- 4.1.1.5 Library and museum materials acquired solely for the purposes of reference or display.
- 4.1.1.6 Copies of documents in any media furnished to members of the public to which they are entitled under Chapter 424, Acts of the 63rd Legislature

4.2 **Categories of records:** City Records include the following categories of records:

- 4.2.1 **Active records:** Records which are required and referred to constantly for current use, and which may be retained and maintained in office spaces or in a central file facility.
- 4.2.2 **Semi-active records:** Records that are referred to infrequently and are not required constantly for current use. Semi-active records are removed to a suitable storage area until they are no longer needed.
- 4.2.3 **Inactive records:** Records for which the active and semi-active retention periods have lapsed and which are no longer required to carry out the functions for which they were created.
- 4.2.4 **Permanently valuable:** Records with cultural, social, scientific, administrative, financial, historical, or legal significance beyond their active or semi-active use period.
- 4.2.5 **Vital records:** Records that are essential to the resumption or continuation of the departments or section's business, those records that are necessary to recreate the department's legal and financial positions, and those records that are necessary to preserve the rights of the department, its employees and its clients.

- 4.3 **Personal records and information:** Personal records and information are those records that contain specific identification data normally considered private or privileged that if disseminated would subject an individual to thief of identity or result in what would normally be considered an invasion of privacy. Such information might include social security numbers, medical diagnosis, address, and telephone numbers.
- 4.4 **Consistent use of personal information:** A use that has a reasonable and direct connection to the purpose for which it was collected and is necessary for performing the statutory duties or for operating HCDD programs.
- 4.5 **Records Custodian:** Records Custodian is the appointed or elected public officer who by the City charter, state law, ordinances or administrative policy is in charge of an office that creates or receives City Records.
- 4.6 **Records Management:** Records management means the application of management techniques to the creation, use, maintenance, retention, preservation, and disposal of records for the purposes of reducing the risk, costs and improving the efficiency of record keeping. The term includes the development of records control schedules, the management of filing and information retrieval systems, the protection of essential and permanent records, the economical and space-effective storage of inactive records, control over the creation and distribution of forms, reports, and correspondence, and the management of micrographic, electronic and other records storage systems.
- 4.7 **Records Management Officer:** The Records Management Officer is that person so designated in section 2-114 pursuant to section 203.025 of the Texas Local Government Code as the Records Management Officer for the COH. The Records Management Officer of the COH is a member of the Finance and Administration Department.
- 4.8 **Records retention schedule:** An established timetable for maintaining HCDD records, transferring inactive records to storage, transferring permanently valuable records to the archives; and destroying records which have reached the destruction date.
- 4.9 **State Director and Librarian:** The executive and administrative officer of the Texas State Library and Archives Commission.

5 RESPONSIBILITIES

- 5.1. **HCDD Department Director:** The HCDD Department Director is responsible for the staffing and management oversight of a records management program consistent with the responsibilities and obligations of the department, and in accordance with COH, State, and Federal regulations and ordinances. The HCDD Director is to serve as custodian of records created or received by HCDD unless this duty is delegated to someone else.
 - 5.1.1 The HCDD Director will designate the Records Officer of the department and provide the name of this individual to the Records Management Officer of the COH.
 - 5.1.2 The HCDD Director will approve destruction request and request to amend the retention schedule.

- 5.1.3 The HCDD Director is responsible for insuring that records are preserved and recovered in the event of a disaster.
- 5.2 **HCDD Records Officer:** The HCDD Records Officer is responsible for coordinating the records management program within the department. The Records Officer has full access to all files in the department for the purpose of implementing records management operations.
- 5.2.1 The Records Officer is responsible for providing coordination between the Records Management Officer, Administration Regulatory Affairs Department (AFA) and HCDD.
- 5.2.2 The Records Officer is responsible for overseeing the application of records control schedules within the department, requesting amendments to the schedule and to recommend procedural and technology changes to improve operations.
- 5.2.3 The Records Officer is responsible for developing file management policies and procedures, providing consultant services on the development and maintenance of program and project grant files.
- 5.2.4 The Records Officer, as part of the Administrative Services Section (AS), provides records transmittal forms and archive boxes to the department.
- 5.2.5 The Records Officer is responsible for coordinating document production activities.
- 5.2.6 The Records Officer serves as the Records Custodian of the department as designated by the Director.
- 5.3 **Supervisors and Managers:** Supervisors and managers are responsible for adhering to city and federal record keeping requirements.
- 5.3.1 Supervisors are responsible for supervising the indexing and transmission of active and inactive section records to RM using the forms and boxes supplied by RM.
- 5.3.2 Supervisors are responsible for identifying problems, issues or changes in record keeping requirements to the HCDD Records Officer.
- 5.3.3 Supervisors are responsible for providing information about the sections records in support of a records inventory.
- 5.3.4 Managers are responsible for supervising Project Managers and other staff members by providing reviewing authority of documents submitted to AS for central filing.
- 5.3.5 Managers are responsible for mediating any problems in the delivery of documents requested from any other section by Project Managers.
- 5.3.6 Managers and Supervisors are responsible for holding Project Managers accountable for maintaining correct documentation as evidence in the Employee Performance Evaluation process.
- 5.3.7 Supervisors are responsible for seeking guidance from the Records Officer before destroying of section documents, removing records from the building, or supplying documents for legal actions.

5.4 **Project Managers and staff:** Project Managers are responsible for assembling proof of compliance with Federal Grant regulations during the process of managing various projects that are funded in any part with Grant funds.

- 5.4.1 Project Managers are responsible for following file management procedures.
- 5.4.2 Project Managers are responsible for culling any duplicate, draft, or other non-responsive documents from the official project files before submitting documents to RM for central filing.
- 5.4.3 Project Managers are responsible for leveraging from any portion of the department any document required as documentation for a project by making a written request to the section that produces the documentation.
- 5.4.4 Project Managers are responsible for documenting, and reporting through their management chain any difficulty in receiving any required documents produced by any other section.
- 5.4.5 Project Managers are responsible for periodic file review and the rectification of file deficiencies and the reporting of the same to their Supervisors and Managers.

6. GUIDELINES and PROCEDURES

6.1. **General Records Management Policies and Procedures and Central File Management**

- 6.1.1 Records Management (RM) operations and programs are coordinated by the Administrative Services (AS) Section, RM group of HCDD.
- 6.1.2 All categories of records, as previously defined, are found in HCDD. All data produced by HCDD employees or generated or stored on COH equipment are property of the COH. There is no assumption of privacy.

6.1.3 **Submission of Documents for Filing**

- 6.1.3.1 RM will build and label various project/program and administrative file folders using documents submitted by Project Managers and other staff. In addition to project level files, program, reference, and general administrative documents will be classified and filed by RM. RM will retrieve copies of COH ordinances for inclusion into project files.
- 6.1.3.2 Managers, Supervisors, Project Managers, and other staff must submit sufficient documentation to the main file room so that an official file can be established for every project. Projects not directly managed by HCDD staff must also have a file record established, which will contain sufficient over-site documentation to meet regulatory requirements.

- 6.1.3.1 RM will build a Program Level file for each Grant. This folder will contain funding agreements, and a checklist indicating the location of Program specific records being maintained.
- 6.1.3.2 Documents produced to substantiate compliance with administrative guidelines or documents produced as part of an administrative process such as procedures, evaluation criteria, Request for Proposals (or other documents) must also be submitted to the main file room.
- 6.1.3.3 Email Retention, Destruction, and Retrieval. The records retention program includes both file management and records disposition policies and systems. Record Management requires that records be maintained for the mandatory retention periods and then destroyed in accordance with records disposition procedures. Email and other documents in electronic format, must be retained according to the content of the email, so that the appropriate retention period is applied to those records.
- 6.1.3.4 A Records Transmittal Form and file checklist (where applicable) must accompany documents submitted to the main file room. Data supplied on the transmittal form is required by RM to assist in determining the program/project or administrative purpose for filing the document, and provides the name of a contact person if additional clarification is required.
- 6.1.3.5 Managers, Supervisors, Project Managers, and other staff members are to periodically review the official program, project, or administrative file for which they are responsible to insure that the correct documentation has been filed. If documentation has not been filed correctly, RM file-room staff and Supervisor are to be immediately notified so that corrective actions can be taken. Managers, Supervisors, Project Managers, and other staff are responsible for submitting additional documentation to the main file room accompanied by the applicable forms and checklists.

6.1.4 Exiting Employee Records

- 6.1.4.1 Employees leaving the employment of HCDD or changing positions within HCDD are to leave all records in their previous location or section within the department.
- 6.1.4.2 Email accounts of employees no longer employed by the department will be evaluated and all non-program documents will be deleted along with voice-mail accounts.
- 6.1.4.3 Email records will be printed, classified, filed, and subject to applicable retention.

- 6.1.4.4 Working papers and desk files will be reserved for use by the next employee.
- 6.1.4.5 Working papers and desk files not required by the next employee will be boxed, designated as "ready for destruction," and scheduled for approval for destruction.

6.1.5 Security

- 6.1.5.1 Project files will remain within the file room at all times except for use by auditors.
- 6.1.5.2 HCDD Staff will retrieve and refile folders for viewing within the file room
- 6.1.5.3 Doors to the file room are to be locked if the room is unattended by RM Staff.
- 6.1.5.4 Original notes and other legal recaptured documents will be copied for the project file. The original will be submitted for vault storage at an off-site location.
- 6.1.5.5 Periodic records inventory will identify and mark the location of vital records within the department.
- 6.1.5.6 HCDD records are subject to disclosure under the Texas Open Records and Federal Regulations. HCDD records are subject to Legal discovery.
- 6.1.5.7 Reasonable steps are to be taken to notify the department of pending litigation or requests, so that records can be secured. Scheduled destruction will be suspended under a legal hold.
- 6.1.5.8 Appropriate security measures are to be established for maintaining records containing personal or other confidential information. Records containing personal information submitted to RM for filing must be brought to the attention of RM when such documents are transmitted for processing.
- 6.1.5.9 Personal information is only to be used for purposes consistent with the stated reasons for which it was collected, and is not subject to Open Records and some discovery. Such information will be withheld to the extent that name, telephone numbers, social security numbers that can be associated with a particular individual as defined by law.
- 6.1.5.10 The HCDD Emergency Management Manual will include records recovery contact information.
- 6.1.5.11 LAN backup tapes are to be stored off site.
- 6.1.5.12 RM will coordinate the signature access list of employees given access to documents stored off site.

- 6.1.6 Central File Configuration
 - 6.1.6.1 HCDD official files are managed in several locations and in various storage media that are collectively referred to as the Central File of the department. These locations include file rooms, section file cabinets, off-site warehouses, vaults, LAN and mainframe servers. The Central File is divided into four major sections.
 - 6.1.6.2 The records inventory will define the location of the official record. The location of the official record will not be the desk of a staff member. Central File Room Area (CFRA) contains general correspondence; grant agreements and budgets; plans, reports, program level files, administrative documents, personnel files.
 - 6.1.6.3 The File Classification document, and manual index define the central file structure. CFRA administrative documents are not checked out for use by staff. Staff members may view these documents within the file room or request a copy of a document by using the RM Request for Service Form.
 - 6.1.6.4 Project File Area is composed of folders for a variety of projects that contain the contracts or agreements; processed pay request; underwriting documents specific to a single project. The contract number is used as the prime identification number for folders. Files are numeric order using color coded labels. Project files may not be checked out to staff members without prior authorization. File rooms and Section Files containing project client files are used by the specific section personnel only and remain within the confines of the Section. Case files are maintained on shelves in file rooms or in Section cabinets. These files are filed by client name, address, and by year or completion date.
 - 6.1.6.5 Reference File Areas are composed of notebooks of periodicals, compilations of CFRA; finding aides, guideline documents, maps, and other documents. Materials found in the Reference File are filed for convenience and ease of access even if these materials appear on the Central File Classification.
 - 6.1.6.6 Single Family Down Payment Assistance File Area is composed of folders for various years of Down Payment Financial Assistance. These files are filed by the year and the owners are in alphabetic order. These files are to remain within the confines of the Records Management area, however, may be checked out by authorized staff members.

6.2 Federal Grant Records and other Project Files

- 6.2.1 HCDD records created, collected and maintained as proof of the COH adherence to Federal regulatory requirements will be systematically transmitted as required, by Sections and Divisions to RM file room for active storage. These documents will become the official documentation of HCDD activities for reporting purposes. Documents are filed in Project and Central File areas of the departments Central file system. Documents may also be filed in decentralized locations but still are considered HCDD Central File documents under the management of RM. RM will archive and destruct these documents as scheduled.
- 6.2.2 Providing the correct documentation for Federally funded project and case files is the responsibility of Supervisors, Managers, and Project Managers, and represents the proof of the departments adherence to grant project management regulations.

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6.2.3 Folder Identification and filing

- 6.2.3.1 Content checklists created and submitted by Relationship Managers are to be filed in the agreement file of a project.
- 6.2.3.2 A Folder Construction Checklist will identify the general location of various documents in the confines of multiple colored file folders.
- 6.2.3.3 Documents subsequently submitted to RM for filing, after the initial bulk file submittal for any project must be accompanied by a document Transmittal form.
- 6.2.3.4 RM will create a series of folders for each major project depending of the volume of documents. The file documentation will be divided into the following general file categories and will contain the following information (in part):
- 6.2.3.4.1 **Contract File** will contain the contract, Ordinance, RCA, closing documents, application, project review committee summaries, punch list and correspondence
 - 6.2.3.4.2 **Underwriting File(s)** will contain the Wage Rate determination; Rent Analysis and Tenant Lease; Relocation Plan; Loan commitments.
 - 6.2.3.4.3 **Environmental reports or release**
 - 6.2.3.4.4 **Appraisal and map**
 - 6.2.3.4.5 **Pay Request folders** or wallets contain copies of processing documents of vouchers that have been submitted for payment for the project.
 - 6.2.3.4.6 **Monitoring Folder** will contain a copy of the contract; documents to indicate compliance with tenant rent and income levels; Housing Quality Standards reports; Compliance monitoring report; yearly reversion of assets/eligibility reviews. This monitoring folder is not to be confused with the Compliance Monitors File.
 - 6.2.3.4.7 **TIRZ project files** will contain the same types of information as the Contract File. Large contractual documents will be filed in the implementing department. HCDD files should contain all approved pay request, proof that procurement procedures have been followed and proof of Council approval of the project.

6.2.3.4.8 In addition to the above listed folders, the following additional project-specific files are developed by and maintained within HCDD Sections files:

- 6.2.3.4.8.1 **Contract Compliance Files** that contain certified payrolls, wage rates; bid opening and pre-bid conference documents.
- 6.2.3.4.8.2 **Relocation Case Files** will be created in the event that the department initiates relocation assistance. The files will contain payment vouchers.
- 6.2.3.4.8.3 **Monitoring Desk File** contains monitoring samples, procedural checklist, draft analysis; correction of findings and other correspondence.
- 6.2.3.4.8.4 **Reversion-of Assets Monitoring File** contains yearly contact letters, responses from recipients, and documentation of additional actions that might be required.
- 6.2.3.4.8.5 **Construction File** should contain drawings, specifications, approved change orders and pay request, and correspondence.
- 6.2.3.4.8.6 **Loan Servicing Files** will be kept in the Loan Servicing Section of HCD. They contain records of payments, demand letters and responses, and close out documents.
- 6.2.3.4.8.7 **Single Family Housing Activity Case Files** are not kept in the Records Management section of HCD. They contain client-specific eligibility information, lead-base-paint testing reports when applicable, inspection reports, rehab, construction, or amount of other assistance provided, extermination reports and other documents as applicable.

7. RECORDS ARCHIVE, SCHEDULING, AND RETENTION

7.1.0 Archive Procedures

- 7.1.0.1 Inactive paper records with extended retention times are to be boxed and indexed by the creating office, using a standard RM Archive Index form and transmitted to RM for off-site storage.

- 7.1.0.2 RM will consult with the requesting section to determine whether documents fall within a category requiring archival storage before approving the boxing of documents for off site storage.
- 7.1.0.3 Documents that are no longer required by the section with short or no required retention periods will not be accepted for archival storage, and the requesting Section will be advised to dispose of these documents when they are no longer required.
- 7.1.0.4 RM will supply a standard 1.2 cu. ft. document-storage box to section's requiring off-site storage of records.
- 7.1.0.5 Indexing information supplied by the creating office is essential in determining which record series is applicable and the beginning of the retention period. RM will not process boxes without sufficient indexing information from the creating office. No records will be accepted by RM without a copy of a completed Archive Index Form.
- 7.1.0.6 A copy of the Archive Index Form is to be placed within each box of documents.
- 7.1.0.7 RM will enter indexing information for each box into an Archival Storage Database that will include the record series, and total retention time for each box.
- 7.1.0.8 Records with different retention times are not to be placed in the same box.
- 7.1.0.9 Inactive records may also be scanned and written to compact disc in TIFF and PDF format. The PDF will be maintained in-house as a reference disc. The TIFF disc will be archived for use in legal actions.
- 7.1.0.10 RM will periodically box and index documents filed in the main file room and send these items to off-site storage until the retention period has been satisfied.
- 7.1.0.11 RM will maintain electronic databases and paper-finding aides of all files stored off site.
- 7.1.0.12 As requested, RM will retrieve boxes of documents from off-site storage using the forms and procedures negotiated by the Administration & Regulatory Affairs Department (ARA) as part of the storage vendor contract.
- 7.1.0.13 RM will maintain regular and fire retardant/vault storage accounts for off site storage.

7.2 Scheduling, Retention, and Destruction

7.2.0 All HCDD records are subject to management and scheduling of retention.

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- 7.2.1 In consultation with Managers and Supervisors, RM will perform records inventories and develop, and periodically review record retention schedules.
- 7.2.2 As additional record series or modifications to the schedule are required, RM will coordinate requests for changes to the schedule through the COH Records Management Office, resulting in the amendment of the HCDD retention schedule. All proposed retention schedule amendments are to be reviewed and approved by the Legal Department of COH before submission to the State Archives Commission.
- 7.2.3 Retention periods are based on a determination of the legal retention requirements as defined in relevant Federal and State statutes and regulations; administrative and operational requirements.
- 7.2.4 Records retained in the creating offices until inactive, or until the retention period expires, are to be boxed, indexed by the creating office and sent to RM for off site destruction. Transmittal forms and appropriate boxes will be supplied by RM.
- 7.2.5 As required by the retention schedule, RM will develop requests for the destruction of records.
- 7.2.6 Approvals to destruct records are to be reviewed by HCDD, the ARA, Records Management Office, and the COH Legal Department before being transmitted to the State of Texas Archives Commission for approval.
- 7.2.7 After approval, the off-site storage vendor will be instructed by the COH ARA, Records Management Office to destroy boxes approved for destruction and to provide a certificate of destruction as proof.
- 7.2.8 Records that are the subject of litigation or other discoverable operations will not be destructed as scheduled until all legal requirements for the documents have been satisfied.
- 7.2.9 All copies and versions of records are to be destructed as scheduled except when:
- 7.2.9.1 A justifiable business need exists for the documents. The requesting section must justify this continuing need before documents are retrieved from the destruction process.
- 7.2.9.2 A change in the statutory, regulatory or legal requirements, which if not followed, would subject the department to audit findings.
- 7.2.9.3 A legal discovery or access requirement exists.
- 7.2.9.4 Indexing and/or physical records handling backlog exists or budget constraints exist.
- 7.2.9.5 A potential historical value is determined for the records.

PROCEDURE REVISIONS

This policy and procedures will be revised as required to implement the HCDD records management program in accordance with Federal, State, and City of Houston guidelines. The Appendixes will be revised as required and will become effective without additional approvals.

APPENDIX

Central File Classification
Administrative Services Forms
 (1) Request for Service Form
 (2) Document Transmittal Form
 (3) Request for Authority to Dispose Records
 (4) Records Archive Form
Open Records (SOP)

APPENDIX

A

Central File Classification

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APPENDIX

B

Administrative Services Forms

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Form 1.

REQUEST FOR SERVICE RECORDS MANAGEMENT

NAME OF REQUESTOR AND PHONE NUMBER :	DATE :
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TYPE OF SERVICE	CHECK
1. RESEARCH ASSISTANCE (DESCRIBE BELOW)	<input type="checkbox"/>
2. COPY SERVICE	<input type="checkbox"/>
3. SPECIAL DATA HANDLING	<input type="checkbox"/>
4. TELEPHONE REQUEST FOR INFORMATION	<input type="checkbox"/>
5. ARCHIVAL PREPARATION	<input type="checkbox"/>
6. ARCHIVAL RETRIEVAL	<input type="checkbox"/>
7. DATA BASE LISTING	<input type="checkbox"/>
8. MESSENGER SERVICE - HAND DELIVERY or Pick up (List locations and contact person)	<input type="checkbox"/>
9.	<input type="checkbox"/>
10. OTHER	<input type="checkbox"/>

DESCRIPTION OF REQUEST:

RM:NUMBER	COMPLETION DATE:
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REQUESTOR'S
SIGNATURE

RECIPIENT'S SIGNATURE

RM Form 1

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Form 2

RECORDS TRANSMITTAL FORM

Dated Submitted: _____ Phone: _____

Submitted By: _____

PROJECT IDENTIFICATION

- 1. Contract Number: _____
 - 2. Agency Name:(MLK) _____
 - 3. Grant type and number:(HOME, HOPWA, CDBG) _____
 - 4. Program Name:(Multi-Housing, Single Family Housing, Public Service) _____
 - 5. Implementing Department:(Health, Capital, HCDD) _____
- Is this a NEW FILE? _____

LIST ITEMS

List Items Transmitted: (Application, Contract, Checklist)

For Records Management use:

File System: _____ Type of Files To build: **CF, P, F**

Appropriation code: (ED, PS, HA) _____

Class/File Number: _____

Cat. _____ Type: _____ Title I: _____ Title II: _____ Zoom: _____

Date Filed: _____ RM Initials: _____

Form 3

Certificate Number

CITY OF HOUSTON
 Request for Authority to Dispose of Records

To: **Records Management Officer**
City of Houston
611 Walker, Suite 1360

Pursuant to the following sections of the Houston Code of Ordinances, the authority to dispose of the records listed below is requested. The records exceed the retention requirements indicated in the Records Control Schedule of the City of Houston.

Sec. 2-119(b) When a records control schedule is adopted by the city and approved by the director and librarian [of the Texas State Library and Archives Commission], it shall thenceforth constitute full authority to destroy, transfer, microphotograph, or take other actions, and the city council hereby directs that such action be taken by the records management officer. No further notice to the city council or other city office shall be required.

Sec. 2-122. Records no longer required in the conduct of current business by any office or department of the city shall be promptly transferred to archives or be destroyed, at the time such action is designated on an approved records control schedule.

RECORDS CUSTODIAN: _____ DATE: 2/22/2008 DEPT: Housing & Community Development

Retention Schedule No.	Record Series Description	Retention Period	Begin Date	End Date	No. of Boxes
RR00006400	Administrative Correspondence	AV	1975	1998	20
RR00006425	Drawdowns – Income Deposits	SET+5	1989	1996	3

Please attach to this form the index for each box submitted for disposal. Total Boxes 23

APPROVALS	
The records listed are no longer required by the department and are not required for current of pending litigations	Dept. Director Date:
The records listed have exceeded the retention period required by the Records control Schedule and are Scheduled for destruction on _____	Records Mgmt. Officer: Date:
The listed records are approved for disposition.	Director, F & A: Date:
CERTIFICATION OF DESTRUCTION	
Destroyed By:	Date: Page 18 of 19

APPENDIX

C

OPEN RECORDS (SOP)

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City of Houston
Records Control Schedule
 Housing and Community Development
 APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

New Record _____

Change Record _____

Delete Record _____

Revised Record _____

Housing and Community Development - 0234
Finance & Administration
Financial Services
Reconciliation / Reporting

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006343	Deposit Slips	FE	5	GR1025-28	APPD
RR00006353	Drawdown Documents	FE	5	GR1025-28	APPD

City of Houston
Records Control Schedule
 Housing and Community Development
 APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

New Record _____

Change Record _____

Delete Record _____

Revised Record _____

Housing and Community Development - 0235
Finance & Administration
Financial Services
Payables / Cash Management

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006345	Administrative Cost Type Files	FE	3	GR1050-58	APPD
RR00006344	Petty Cash Reimbursement	FE	3	GR1050-58	APPD

City of Houston
Records Control Schedule
Housing and Community Development
APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

Housing and Community Development - 0458
Finance & Administration
Administrative Services
Records / Delivery Services

New Record _____
Change Record _____
Delete Record _____
Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006401	Active Project Report	FE	3	GR1025-07a	APPD
RR00006387	Addressing The Problem of Homelessness	AV		GR1000-26c	APPD
RR00006400	Administrative Correspondence	1		GR1000-26b	PEND
RR00006385	Administrative Procedure Manual	US	5	GR1000-38	APPD
RR00006399	Advocates for Housing Correspondence	AV		GR1000-26c	APPD
RR00006398	Affirmative Action - Sexual Harrassment Fact Sheet	US	5	GR1050-01b	APPD
RR00006386	Affirmative Action Annual Report (COPIES)	AV		GR1025-07b	APPD
RR00006391	Affirmative Action Correspondence	AV		GR1000-26c	APPD
RR00006397	Affordable Housing Reading Material	AV		GR1000-26c	APPD
RR00006392	Agreements	EXP	4	GR1000-25	APPD
RR00006395	Annual Report to Congress on the Community Development Block Grant Program	AV		GR1000-26c	APPD
RR00006394	Annual/Final Performance Report (COPIES)	AV		GR1025-07b	APPD
RR00006389	ARMS Daily Processing Report	FE	3	GR1025-26	APPD
RR00006390	ARMS Monthly/Daily Report	FE	3	GR1025-26	APPD
RR00006402	ARMS/GFS Revenue Conversion List	FE	3	GR1025-26	APPD
RR00006388	Assessment Study (COPIES)	AV		GR1000-41a2	APPD
RR00015913	Asset Management/Inventory Control/Property Assess	US	3	GR1025-05c	APPD
RR00006404	Block Maps (COPIES)	US	4	GR1075-16	APPD
RR00006406	Budget & Capital Improvement Program Manual	US	5	GR1000-38	APPD
RR00006408	Budget Activity Reports	2		GR1025-04d	APPD
RR00006407	Budgets (COPIES)	US	4	GR1025-04b	APPD
RR00006412	Capital Improvement Plan - Adopted Budget	AV		GR1000-26c	APPD
RR00006416	Capital Improvement Program Files (COPIES)	EXP	4	GR1075-16	APPD
RR00015670	Citizens' complaints, questions and correspondence	RES+2		GR1000-24	APPD
RR00006420	City Council Agendas	2		GR1000-01a	APPD
RR00006414	City of Houston Legislative Program Booklet	AV		GR1000-26c	APPD
RR00006422	City of Houston Monthly Status Report	1		GR1000-41b	APPD
RR00006424	City of Houston Procedures & Guidelines	US	5	GR1000-38	APPD
RR00006419	City of Houston Vendor Register	US		GR1075-03d	APPD
RR00006411	Code of Ordinance - City of Houston Vol 1&2 (COPIES)	US		GR1000-05	APPD
RR00006413	Community Development Block Grant Program Handbook	US	5	GR1000-38	APPD
RR00006409	Community Planning & Development Monitoring Handbook	US	5	GR1000-38	APPD
RR00006415	Comprehensive Homeless Assitance Plan	US	5	GR1000-38	APPD
RR00006410	Comprehensive Housing Affordability Strategy Handbook	US	5	GR1000-38	APPD

City of Houston
Records Control Schedule
Housing and Community Development
APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

Housing and Community Development - 0458
Finance & Administration
Administrative Services
Records / Delivery Services

New Record _____
Change Record _____
Delete Record _____
Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006421	Contract & Loan Documents	EXP	4	GR1000-25	APPD
RR00006417	Contract Agreements	EXP	4	GR1000-25	APPD
RR00015699	Contract closing files		PER	GR1075-16	APPD
RR00006418	Current Year Project Budget Versus Actual Report	AV		GR1000-26c	APPD
RR00006430	Daily Check Register Report	FE	3	GR1075-03b	APPD
RR00006428	Demolition Contracts	AV		GR1000-26c	APPD
RR00006431	Department of Human Health - Monthly Financial Report	FE	3	GR1025-07a	APPD
RR00006427	Departmental Newsletter (COPIES)	AV		GR1000-39	APPD
RR00006426	Disbursement Vouchers	FE	3	GR1025-26	APPD
RR00006425	Drawdowns - Income Deposits	SET	5	GR1025-26	APPD
RR00006434	ElMercado Del Sol & Environs Information Packet	AV		GR1000-26c	APPD
RR00006435	Emergency Shelter Grants - Performance Financial Status Report	FE	3	GR1025-08b	APPD
RR00006429	Enterprise Zone Program Rules	US	5	GR1000-38	APPD
RR00006433	Environmental Assesment Form - Master (15th)		PER	GR1075-16	APPD
RR00006432	Environmental Assesment Form - Master (16th)		PER	GR1075-16	APPD
RR00006436	Expenditure Plans	2		GR1025-04c	APPD
RR00006439	Fair Housing Assistance Program Handbook	US	5	GR1000-38	APPD
RR00006442	Federal Assistance Application	PER		GR1025-08a	APPD
RR00006437	Federal Assistance Monitor	AV		GR1000-26c	APPD
RR00006443	Final Statement of Objectives Manual	US	5	GR1000-38	APPD
RR00006438	Financial Management System Chart of Accounts Manual Vol. 1&2	US	5	GR1000-38	APPD
RR00006441	Financial Management System Daily & Monthly Report	1		GR1000-41b	APPD
RR00015672	Fleet Management screening, operations and maintenance, parking	LA+3		GR1075-18a	APPD
RR00006440	Fuels & Financial Characteristics of Housing Units Report (COPIES)	1		GR1025-07c	APPD
RR00006444	Government Correspondence	3		GR1025-08c	APPD
RR00015675	Grant reconciliation	EXP+5		GR1025-27	APPD
RR00006445	Grantee Performance Report - Community Development	PER		GR1025-08a	APPD
RR00006447	Handbook for Training Housing Counselors	US	5	GR1000-38	APPD
RR00006455	Housing & Community Development - General Dept. Correspondence	AV		GR1000-26c	APPD
RR00006453	Housing & Community Development Status Report	1		GR1000-41b	APPD
RR00006446	Housing & Development Reporter (Newsletter) (COPIES)	AV		GR1000-39	APPD
RR00006393	Housing Application Correspondence	AV		GR1000-26c	APPD
RR00006471	Housing Assistance Plan	US	3	GR1025-08c	APPD
RR00006451	Housing Assistance Program Files	EXP	4	GR1000-25	APPD

City of Houston
Records Control Schedule
Housing and Community Development
APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

Housing and Community Development - 0458
Finance & Administration
Administrative Services
Records / Delivery Services

New Record _____
Change Record _____
Delete Record _____
Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006456	Housing Community Development Development Financial Reports (COPIES)	US	1	GR1025-07b	APPD
RR00006452	Housing Urban Development Monitoring Correspondence	AV		GR1000-26c	APPD
RR00006450	Housing Urban Development Notices	US	3	GR1025-08c	APPD
RR00006449	Housing Urban Development Training Files	US	5	GR1000-38	APPD
RR00006454	Houston Housing Improvement Program Procedures	US	5	GR1000-38	APPD
RR00006474	Income Deposit Slips	FE	5	GR1025-28	APPD
RR00006473	Interim Performance Report	FE	3	GR1025-08b	APPD
RR00006472	Intra-departmental Correspondence	AV		GR1000-26c	APPD
RR00006475	Intra-Government Payment Vouchers	FE	3	GR1025-26	APPD
RR00006476	Job Description	US	4	GR1050-26a	APPD
RR00006479	Letter of Agreements	EXP	4	GR1000-25	APPD
RR00006478	Loan Agreements	EXP	4	GR1000-25	APPD
RR00006480	Loan Status Reports	1		GR1000-41b	APPD
RR00015673	Mail / Delivery Service (receipts, delivery logs - internal ledger, correspondence, etc.)	AV		GR1075-41b	APPD
RR00006485	Mailing List Candidates	US		GR1075-03d	APPD
RR00006483	Maps & Diagrams (COPIES)	US	1	GR1075-16	APPD
RR00006486	Media Information Calendar for Community Development	1		GR1000-41b	APPD
RR00006484	Meeting Notices	2		GR1000-04	APPD
RR00006487	Memo of Understanding	AV		GR1000-26c	APPD
RR00006489	Minutes of a Regular Meeting of the Board of Directors of H.H.F.C	AV		GR1000-32	APPD
RR00015671	MIS LAN backup tapes	6 mon		GR5825-16	APPD
RR00006481	Monitoring Reports	3		GR1000-41a4	APPD
RR00006488	Monthly Expenditure Tracking Report	2		GR1025-04d	APPD
RR00006482	Municipal Annexation Act Report	AV		GR1000-26c	APPD
RR00006491	National Community Development Association Newsletter	AV		GR1000-26c	APPD
RR00006490	Notice Of Supplemental Allocation of Funds	EXP	4	GR1000-25	APPD
RR00015676	Open records requests and responses (including email open records requests)	DRF	1	GR1000-34a	APPD
RR00006496	Operations Management Performance/Activity Reports	1		GR1000-41b	APPD
RR00006495	Ordinances (COPIES)	AV		GR1000-05	APPD
RR00006497	Organizational Chart		PER	GR1000-35	APPD
RR00006499	Payee Register Report	4		GR1050-52a	APPD
RR00006508	Payment Vouchers - Administrative	FE	3	GR1025-26	APPD
RR00006505	Policies & Procedures	US	5	GR1000-38	APPD

City of Houston
Records Control Schedule
Housing and Community Development
APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

Housing and Community Development - 0458
Finance & Administration
Administrative Services
Records / Delivery Services

New Record _____
Change Record _____
Delete Record _____
Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006512	Privitilization Plan	3		GR1000-41a4	APPD
RR00006502	Professional Development Material	2		GR1050-28b	PEND
RR00006501	Program Monitoring Correspondence	AV		GR1000-26c	APPD
RR00006510	Project Activity Report	3		GR1000-41a4	APPD
RR00006509	Project Agreements	EXP	4	GR1000-25	APPD
RR00006511	Project Agreements Correspondence	EXP	4	GR1000-25	APPD
RR00006500	Project Agreements Files	EXP	4	GR1000-25	APPD
RR00006423	Project Contract Activity Reports	EXP	4	GR1000-25	APPD
RR00006504	Projected Use of Funds for Program Year / Budget / Application		PER	GR1025-04b	APPD
RR00006477	Property Leases	EXP	4	GR1000-25	APPD
RR00006513	Proposals		PER	GR1000-39	APPD
RR00006498	Public Assistance Report	1		GR1000-41b	APPD
RR00006506	Public Notice - Correspondence	3		GR1000-26a	PEND
RR00006507	Public Relations - Community Affairs Meetings	AV		GR1000-32	APPD
RR00006521	Reading Files	AV		GR1000-26c	APPD
RR00015674	Records Management documentation	US+10		GR1000-40	APPD
RR00006517	Redevelopment Committee Meetings - Minutes		PER	GR1000-03	APPD
RR00006515	Rehabilitation Housing Application - Successful	EXP	4	GR1000-25	APPD
RR00006519	Rehabilitation Housing Application - Unsuccessful	AV		GR1000-26c	APPD
RR00006514	Rental Rehabilitation Program Guidelines	US	5	GR1000-38	APPD
RR00006518	Request for Council Action	2		GR1000-03f	APPD
RR00006520	Requests for Proposal	FE	3	GR1075-01a	APPD
RR00006523	Research & Planning Data Files (COPIES)	AV		GR1000-41a2	APPD
RR00006516	Revenue Bond Program Files - Agreement	EXP	4	GR1000-25	APPD
RR00006522	Revenue Reconciliation Worksheet	FE	5	GR1025-28	APPD
RR00015914	Safety, Security, Emergency Mgmt	5		GR5750-04	APPD
RR00006524	San Jacinto Garden. Project File. Agreement.	EXP	4	GR1000-25	APPD
RR00006529	Tax Abatement Agreement	EXP	4	GR1000-25	APPD
RR00006448	The Community Development Housing Register	AV		GR1000-26c	APPD
RR00006528	Trial Balance by Acct. Report	2		GR1000-41b	APPD
RR00006530	Urban Homesteading Approval	3		GR1000-26a	PEND
RR00006531	Urban Homesteading Program Facts	AV		GR1000-26c	APPD
RR00006494	Year Ordinances & Motions (14th)	AV		GR1000-26c	APPD
RR00006493	Year Ordinances & Motions (15th)	AV		GR1000-26c	APPD
RR00006492	Year Ordinances & Motions (16th)	AV		GR1000-26c	APPD

City of Houston
Records Control Schedule
 Housing and Community Development
 APPROVED SLR 520 SUBSTITUE

Housing and Community Development - 0459
Finance & Administration
Administrative Services
Payroll / Personnel

Reason for Amendment:
 New Record _____
 Change Record _____
 Delete Record _____
 Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00015915	American with Disabilities	3		GR1050-16b	APPD
RR00006359	Attendance & Leave Report	4		GR1050-56	APPD
RR00015916	Grievance Records	2		GR1050-20	APPD
RR00006354	Payroll Forms	FE	3	GR1050-55b	APPD
RR00006358	Payroll Register	FE	3	GR1050-52c	APPD
RR00006357	Personnel Files	DOS	75	GR1050-12	PEND
RR00006356	Printing Request Form	AV		GR1000-26c	APPD
RR00006355	Weekly Timesheets	4		GR1050-56	APPD
RR00015917	Workers Compensation Claim Files	CE	5	GR1050-32	APPD

City of Houston
Records Control Schedule
 Housing and Community Development
 APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

New Record _____

Change Record _____

Delete Record _____

Revised Record _____

Housing and Community Development - 0460
Finance & Administration
Administrative Services
Purchasing / Operating Services

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006336	Contracts - Hi-Tech	EXP	4	GR1000-25	APPD
RR00006337	General Correspondence	AV		GR1000-26c	APPD
RR00006340	Purchase Orders	FE	3	GR1075-03a	APPD
RR00006339	Purchase Requisitions	FE	3	GR1075-03a	APPD
RR00006338	Vendor Invoices	FE	3	GR1025-26	APPD

City of Houston
Records Control Schedule
 Housing and Community Development
 APPROVED SLR 520 SUBSTITUE

Reason for Amendment:

Housing and Community Development - 0461
Finance & Administration
Financial Services
Program Income / Loans

New Record _____
 Change Record _____
 Delete Record _____
 Revised Record _____

RRID	RECORD TITLE	TOTAL OFFICE	RETENTION STORAGE	TSLAC	TSLSec
RR00006352	Administrative Files	1		GR1000-26b	PEND
RR00006342	Deferred Payment Loan Files	EXP	4	GR1000-25	APPD
RR00006341	Houston Housing Improvement Program Files - Agreement	EXP	4	GR1000-25	APPD
RR00006351	Loan Payments - Accounts Receivable	EXP	4	GR1000-25	APPD
RR00006350	Rental Rehabilitation Loan	EXP	4	GR1000-25	APPD
RR00006347	Small Business Loans	EXP	4	GR1000-25	APPD
RR00006349	Target of Opportunity Loans	EXP	4	GR1000-25	APPD
RR00006348	U.S Byback Loans	EXP	4	GR1000-25	APPD
RR00006346	Urban Homestead Loans	EXP	4	GR1000-25	APPD

City of Houston
Records Management

Page Number: 1
7/30/2009

Records Control Schedule Abbreviations

ABBREVIATION	DESCRIPTION
14D	14 days
15BD	Until 15th birthday
18B	Until 18th birthday
18BD	Until 18th birthday
1W	One week
21BD	Until person's 21st birthday
23BD	Until person's 23rd birthday
30D	30 days
60D	60 days
6M	6 months
75Y	Until patient reaches age 75
90D	90 days
ACC	After case closed
ACT	While active
AD	After discharge / patient's records are closed
AFD	After final decision
AJR	After judgment rendered
ALA	After last appointment
ALC	After last clinic visit
ALE	After last entry
ALI	After last immunization / destroyed after 21st birthday
ALP	After leaving the position
ALS	After last date of service
AP+90	90 days after approval
ASP	After sale of property
AUD	After audit
AV	As long as administratively valuable
AV1	AV after receipt of updated sheet or hazardous chemical is no longer
BR	Until notation is made in Birth Record
CA	Cessation of activity
CAN	Until cancellation
CERT	Upon issuance of certificate of occupancy
CMP	Upon completion
CN	After consideration
CO	Date of issuance of the Certificate of Occupancy
CON	After termination of counseling.
COR	Creation of the record
CURR	Current maintenance
CY	Current year
DEM	After Demolition
DEN	Denial
DET	Date of determination
DIS	Disposal
DISC	Discontinued or superceded
DISP	Disposition
DNTI	Determination not to initiate an internal affairs investigation
DOF	Date of offense
DOI	Death of individual or 50 years
DOS	Date of separation
DRF	Date request for records fulfilled
E+1D	Day after general election
E+22M	22 months after election day

City of Houston
Records Management

Page Number: 2
7/30/2009

Records Control Schedule Abbreviations

ABBREVIATION	DESCRIPTION
E+60D	60 days after election day
ED	Election day
EX/CT	Until expunction by court or individual's 25th birthday
EXP	Expiration / cancellation / revocation / denial
FDR	After final decision on request
FE	Fiscal year end
FET	Fiscal year end of termination of service or refund of deposit
FIL	Date of filing
HIST	Historical document retained permanently
HV	Historically valuable - Permanent
ID	Indefinite / Permanent
IN	Installation
L4	Retain last 4 appraisals
LA	Life of asset
LE	Life of examination
LIM	Statute of Limitations expires
LS	Life of structure
MF	Until microfilmed
MIN	5 yrs or 2 yrs after the minor reaches age 18, whichever is later
NRE	Date of notification that requested records are exempt from disclosure
OL	Operational life of equipment
OPT	Destroy at option
PAID	Until all delinquent taxes are paid
PAY	After payment
PBI	Date Person/Body Identified
PER	Permanent
PROB	Date direct or indirect supervision of probationer ends.
RCC	Resolution of court case
RDC	Until receipt of death certificate
RDD	Remittance due date
RED	After return or disposal of property
REL	After release/transfer of prisoner
REM	Removal
RES	Resolution
RETN	Return to voter registrar
RIF	Until superceded / 2 yr after last reduction in force.
RLOB	After the retirement of the last obligation of the bond issue
RLSE	Until release of lien
SEP	After separation
SET	After settlement
SFB	End of Fiscal Year of the Submission of Final Billing
SUB	After subsequent report
TB	As soon as information is posted on T. B. register
TER	After termination
TXT	Same as textual file
UEE	Until entitlement ends
UMD	Until medalion number deleted
UNA	Until individual no longer has access to the system
URT	Until electronic records are transferred to a new software environment
US	Until superseded
UTU	Until electronic records are transferred to a new software environment
VC	After violation corrected

City of Houston
Records Management

Page Number: 3
7/30/2009

Records Control Schedule Abbreviations

ABBREVIATION	DESCRIPTION
VS	After vaccine was last supplied
YE	Calendar year end
YE20	6 yrs 3 mo. from date of service or until patient's 20th birthday
YE21	10 years; if patient is < 12 years old, until year of 21st birthday

MONITORING SECTION

Overview. To ensure compliance with the provisions of the Housing and Community Development Act of 1974, and other federal and contractual requirements, the U.S. Department of Housing and Urban Development (HUD) requires grant recipients to establish a monitoring system to ensure objective reviews of HUD programs and activities. Monitoring is the principal means by which the City of Houston's Housing and Community Development Department (HCDD)

- Ensures that program activities are carried out efficiently, effectively, and in compliance with applicable laws and regulations
- Assists program participants in improving their performance by developing or increasing capacity and augmenting their management and technical skills
- Stays abreast of the efficacy of community planning and development administered programs and technical areas within the communities HCDD programs serve

To enhance this functional requirement, on August 6, 2010, under new leadership, HCDD was completely reorganized. As a result of this action, the Compliance & Monitoring Division was created. This Division has three sections – Contract Monitoring, Contract Compliance, and Portfolio Compliance; with a total staff of thirty-three reporting to the Assistant Director of Compliance & Monitoring.

Contract Monitoring. The Contract Monitoring section has two groups: Internal Monitoring and Contract Monitoring. The Internal Monitoring group is responsible for monitoring all internal programs and financial processes, assisting with contract development and structure, and ensuring current programs are operating and new programs are developed, according to the policies and regulations supporting each grant. The Program Monitoring group is responsible for monitoring all grant supported programs and activities (CDBG, ESG, HOME, HOPWA, NSP, and all special or one-time grants).

Contract Compliance. The Contract Compliance section monitors all activities associated with

- Section 3
- Davis-Bacon Labor Standards
- Women and Minority Business Enterprises
- Environmental Assessments
- Fair Housing concerns and impediments
- Multifamily Relocation

To ensure compliance with local and federal requirements supporting these areas, staff will conduct desk audits and site inspections, and provide technical assistance. This includes analyzing, evaluating, and enforcing applicable regulations.

Portfolio Compliance. The Portfolio Compliance section is responsible for monitoring to ensure occupancy and eligibility certifications are adhered to for single and multifamily projects. Housing Quality Standards compliance inspections are conducted for multifamily projects and minimum housing standards compliance monitoring is performed on single family rehabilitation projects. Monitoring is performed through desk audits of monthly reports, on-site reviews of tenant files and related financial data, and annual physical property inspections. These monitoring activities begin just prior to initial occupancy and continue through

contractually designated loan terms, and/or the affordability period. Additionally, for multifamily projects, this section is responsible for providing technical assistance and training to the owners and property management staff throughout this period.

Monitoring Approach and Objectives

- For all sub-recipients, contracts, and program activities, conduct at least one annual monitoring review. A risk-based analysis is performed; and high-risk programs and/or projects could see more than one monitoring review per annual contract year.
- Assess the capacity of the entity carrying out the approved project or activity.
- Determine if entity is delivering program activities as described in the agreement or contract with the City.
- Determine if costs charged to projects are eligible under applicable laws and regulations.
- Determine if there is adequate control over program and financial performance to minimize opportunity for waste, mismanagement, fraud, and abuse.
- Identify potential problem areas and assist with resolving compliance problems through discussion and negotiation, along with technical assistance and training.
- Provide adequate follow-up measures to ensure that performance and compliance deficiencies are corrected and not repeated.
- Determine if and remediate any, conflicts of interest that exist in the operation of federally funded programs.
- Ensure that required records are maintained that demonstrate compliance with applicable regulations pertaining to rental rates, occupancy, eligibility, family income, minimum property standards and usage, fair housing, Section 3, MBE participation, and Davis-Bacon wage rates.

HCDD SECTION 3 PROGRAM

HCDD's Section 3 Program Goals.

- Employment: Thirty percent of the aggregate number of new hires during a one-year period of the project.
- Contracting: (a) At least 10 percent of the total dollar amount for all contracts for building trade work associated with housing rehabilitation, construction, and other public construction with federal funds subject to Section 3 requirements; and (b) At least three percent of the total dollar amount of all other covered Section 3 contracts to eligible Section 3 businesses.

Section 3 Hiring Policy for Individuals.

- Primary Priority: Low- and very low-income residents in "affected neighborhoods" adjacent to or near where a project is located
- Second Priority: Other low- and very low-income residents throughout the City

Section 3 Outreach.

Sub-grantees, private entities, developers, and contractors are contractually obligated to:

- Conduct aggressive employment outreach to a number of community-based agencies
- Accept and give preferential employment consideration to referred Section 3 eligible individuals
- Perform appropriate employment outreach

Section 3 Outreach Partner Agencies.

HCDD will engage in on-going outreach and educational efforts throughout the year. The City will send announcements to the following community-based business organizations two calendar weeks prior to the closing date of any Section 3 applicable project

- African American Chamber of Commerce of Greater Houston
- Alliance of Minority Contractors of Houston
- Asian Chamber of Commerce
- Association of Business Contractors, Houston
- Hispanic Chamber of Commerce
- Houston Citizens Chamber of Commerce
- National Association of Minority Contractors (NAMC Greater Houston)
- Tri-County Black Chamber of Commerce
- National Association of Women in Construction, Houston Branch
- SER – Jobs for Progress, Inc.
- Women's Business Enterprise Alliance
- Women's Chamber of Commerce of Texas

Planning & Grants Management. The Planning and Grants Management Division also contributes to the proper function of the Compliance and Monitoring function. HCDD continues to build program management and reporting capacity to address department-wide financial and data needs. This will allow us to coordinate our efforts to

- Develop consistency in program area financial and data collection and reporting
- Meet grant spending timeliness requirements
- Meet grant commitment deadlines
- Maintain grant spending limits/caps
- Develop financial and production reporting standards & formatting
- Ensure accuracy and integrity in financial and production data
- Develop management reporting templates
- Manage other, non-grant funding sources (TIRZ, homeless & housing bonds)
- Meet non-entitlement (special) grant reporting requirements

The Department continues to develop program area resources to

- Manage program area budgets for all grant funding allocations
- Understand existing resources: IDIS/SAP/HUD Reports
- Track program area activity in SAP/IDIS/Pipeline
- Project program area financial forecasts/budgets
- Identify, collect, and present financial and production data required for the Consolidated/Action Plan, CAPER, Housing Plan, Non-entitlement grant reporting, and ad hoc reporting, as needed
- Explore development of database to support performance measurement and other data collection/tracking needs

The Department has developed program area specific "Performance Measurement" training to create program area subject matter expertise in developing performance measures and to facilitate program area tracking of performance measures and other activities/measures deemed beneficial for program and department management.

City of Houston, Texas

Single Audit Report for the
Year Ended June 30, 2010

CITY OF HOUSTON, TEXAS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Honorable Mayor, Members of
City Council and City Controller of the
City of Houston, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2010. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund, and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 100% of the assets of the pension trust funds, within the fiduciary funds. In addition, we did not audit the financial statements of the Houston Area Water Corporation, a nonmajor business-type enterprise fund, which represents 0% and 0% of the assets and revenues of business-type activities of the City. We also did not audit the financial statements of any governmental discretely presented component units (except for the Houston Area Library Automated Network and Lamar Terrace Public Improvement District), which represent .1% and 1%, respectively, of the assets and revenues of the governmental discretely presented component units or any business-type (except Houston Zoo Inc.), which represent 20% and 29%, respectively, of the assets and revenues of the business-type discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such business-type activities, pension trust funds, and governmental and business — type discretely presented component units, is based solely on the reports of the other auditors. The City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires the measurement, recognition, and display of intangible assets for the year ended June 30, 2010. The City also adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which requires the measurement, recognition, and display of derivative instruments for the year ended June 30, 2010. In addition, the City restated beginning net assets related to a change in the composition of discretely presented governmental component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of Texas *Uniform Grant Management Standards* ("UGMS"). This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. None of the financial statements audited by other auditors (except for the Houston Business Development Inc. and the Midtown Redevelopment Authority, governmental discretely presented component units) were audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs identified as 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated November 30, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, Members of City Council, the City Controller, others within the City, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte's Travel LLP

November 30, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND
STATE AWARD PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE
AWARDS**

To the Honorable Mayor, Members of
City Council and City Controller of the
City of Houston, Texas

Compliance

We have audited the City of Houston, Texas (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, and the State of Texas *Uniform Grant Management Standards* ("UGMS") that could have a direct and material effect on each of the City's major federal and state programs for the year ended June 30, 2010. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. The City's basic financial statements include the operations of Houston Business Development Inc., a governmental discretely presented component unit, which received \$2,528,739 in federal awards which is not included in the schedule during the year ended June 30, 2010. Our audit, described below, did not include the operations of Houston Business Development Inc. because such component unit engaged other auditors to perform an audit in accordance with Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and UGMS. Those standards, OMB Circular A-133, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 2010-2, 2010-3 and 2010-5, in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding allowable costs related to the Public Safety Interoperable Communications Grant Program; Davis-Bacon Act related to the West Park Recycling Program; and reporting related to the Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements for those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and UGMS and which are described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-6.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-2, 2010-3 and 2010-5 to be material weaknesses.

A significant deficiency in internal control over compliance is as deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompany schedule of findings and questioned costs as items 2010-4 and 2010-6 to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund, and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 100% of the assets of the pension trust funds, within the fiduciary funds. In addition, we did not audit the financial statements of the Houston Area Water Corporation, a nonmajor business-type enterprise fund, which represents 0% and 0% of the assets and revenues of business-type activities of the City. We also did not audit the financial statements of any governmental discretely presented component units (except for the Houston Area Library Automated Network and Lamar Terrace Public Improvement District), which represent .1% and 1%, respectively, of the assets and revenues of the governmental discretely presented component units or any business-type discretely presented component units (except Houston Zoo Inc.), which represent 20% and 29%, respectively, of the assets and revenues of the business-type discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such business-type activities, pension trust funds, and governmental and business — type discretely presented component units, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and UGMS and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor, Members of City Council, the City Controller, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte's Touche LLP

November 30, 2010

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office of the President			
Office of National Drug Control Policy			
<i>Houston High Intensity Drug Trafficking Area (HIDTA)</i>			
HIDTA 2005	07.15PHNP500Z	15PHNP500Z	719
Meth Initiative Group	07.18PHNP500Z	18PHNP500Z	3,932
Meth Initiative Group	07.18PHNP500Z	18PHNP500Z	14,885
Major Drug Squad / 10	07.17PHNP500A	17PHNP500A	104,088
Major Drug Squads	07.18PHNP500Z	18PHNP500Z	133,264
Major Drug Squads	07.18PHNP500Z	18PHNP500Z	(95,765)
Houston Intl Support CNT / 4	07.17PHNP501	17PHNP501	(2,047)
Houston Intl Support	07.18PHNP500Z	18PHNP500Z	156,385
Houston Intl Support	07.18PHNP500Z	18PHNP500Z	(2,988)
Truck, Air, Rail, Port / 2	07.14PHNP502	14PHNP502	20
Truck, Air, Rail, Port / 5	07.17PHNP502	17PHNP502	(18)
Truck, Air, Rail, Port	07.18PHNP500Z	18PHNP500Z	826,528
Truck, Air, Rail, Port	07.18PHNP500Z	18PHNP500Z	(56,372)
Narcotics Oper Ctrl Int / 11	07.17PHNP503	17PHNP503	(638)
Narcotics Operations	07.18PHNP500Z	18PHNP500Z	45,453
Narcotics Operations	07.18PHNP500Z	18PHNP500Z	277,669
Houston Money Launder / 11	07.17PHNP520	17PHNP520	(5,571)
Houston Money Launder	07.18PHNP500Z	18PHNP500Z	26,617
Houston Money Launder	07.18PHNP500Z	18PHNP500Z	160,510
Gang & Nontrad Squad / 6	07.17PHNP525	17PHNP525	56,004
Gang & Nontrad Squad	07.18PHNP500Z	18PHNP500Z	455,977
Gang & Nontrad Squad	07.18PHNP500Z	18PHNP500Z	(7,312)
Target NARC Enforce / 6	07.17PHNP533	17PHNP533	322,591
Target NARC Enforce	07.18PHNP500Z	18PHNP500Z	815,570
Target NARC Enforce	07.18PHNP500Z	18PHNP500Z	(264,422)
HIDTA 2006	07.16PHNP500Z	16PHNP500Z	71,977
Drug Traffic Org	07.IP6PHNP534	IP6PHNP534	223
Total Office of National Drug Control Policy			<u>\$ 3,037,282</u>
Department of Agriculture			
National Institute of Food and Agriculture			
<i>Department of Agriculture Passed Through ---</i>			
<i>TX Dept. of AG</i>			
Grants for Agricultural Research_Competitive			
Research Grants	10.206	2008-55215-18875	45,644
Grants for Agricultural Research_Competitive			
Research Grants	10.206	2008-55215-18875	98,602
Special Supplemental Nutrition Program for			
Women, Infants, and Children	10.557	2007-020879-001	2,042

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2008-024649	(2,178)
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2010-033575-001	9,274,606
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2009-030104-001	<u>3,124,835</u>
Total Texas Department of Agriculture			<u>12,543,550</u>
<i>Department of Agriculture Passed Through --- TX Dept. of AG</i>			
Summer Food Service Program for Children	10.559	10TX1011007	1,149,240
Summer Food Service Program for Children	10.559	09TX1011007	<u>1,403,383</u>
Total Department of Agriculture Passed Through --- TX Dept. of Agriculture:			<u>2,552,623</u>
Total Department of Agriculture			<u>\$ 15,096,173</u>
Department of Commerce			
Economic Development Administration Economic Development_Support for Planning Organizations	11.302	08-01-03113.01	<u>147,000</u>
National Telecommunications And Information Administration Passed Through Public Safety Interoperable Communication Grant Program	11.555	2007-GS-H7-0044	<u>7,020,384</u>
Total Department of Commerce			<u>\$ 7,167,384</u>
U. S. Department of Housing & Urban Development :			
Community Development Block Grant Community Development Block Grants/Entitlement Grants	14.218	B05MC480018	14,558
Community Development Block Grants/Entitlement Grants	14.218	B06MC480018	803,036
Community Development Block Grants/Entitlement Grants	14.218	B07MC480018	1,586,909
Community Development Block Grants/Entitlement Grants	14.218	B08MC480018	5,292,023
Community Development Block Grants/Entitlement Grants	14.218	B09MC480018	20,496,853
Community Development Block Grants/Entitlement Grants	14.218	B04MC480018	264,105

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grants/Entitlement Grants	14.218	B03MC480018	118,429
Community Development Block Grants/Entitlement Grants	14.218	B02MC480018	6,215
Community Development Block Grants/Entitlement Grants	14.218	B01MC480018	(11,908)
Community Development Block Grants/Entitlement Grants	14.218	B99MC480018	23,104
Community Development Block Grants/Entitlement Grants	14.218	B98MC480018	(312)
Community Development Block Grants/Entitlement Grants	14.218	B97MC480018	65
Community Development Block Grants/Entitlement Grants	14.218	B96MC480018	8,455
Community Development Block Grants/Entitlement Grants	14.218	B95MC480018	13,528
Community Development Block Grants/Entitlement Grants	14.218	B93MC480018	6,831
Community Development Block Grants/Entitlement Grants	14.218	B92MC480018	53,750
Community Development Block Grants/Entitlement Grants	14.218	B89MC480018	441
Community Development Block Grants/Entitlement Grants	14.218	B88MC480018	3,824
Community Development Block Grants/Entitlement Grants	14.218	B84MC480018	1
Community Development Block Grants/Entitlement Grants	14.218	B94MC480018	<u>2,209</u>
Total Community Development Block Grant			<u>28,682,116</u>
Texas Dept. Of Housing & Community Affair Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii	14.218	B-09-MN-48-0400	421,590
Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii	14.228	70090001	15,017,469
Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii	14.218	77090000117	3,078,286
Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii	14.228	B-06-DG-48-0002	<u>5,123,725</u>
Total Texas Dept. Of Housing & Community Affair			<u>23,641,071</u>

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Emergency Shelter Grants Program			
Emergency Shelter Grants Program	14.231	S05MC480002	58,337
Emergency Shelter Grants Program	14.231	S06MC480002	1,153
Emergency Shelter Grants Program	14.231	S08MC480002	93,370
Emergency Shelter Grants Program	14.231	S09MC480002	1,102,537
Emergency Shelter Grants Program	14.231	S04MC480002	9,189
Total Emergency Shelter Grants Program			<u>1,264,585</u>
Home Investment Partnerships Program			
Home Investment Partnerships Program	14.239	M00MC480206	581,061
Home Investment Partnerships Program	14.239	M98MC480206	877,276
Home Investment Partnerships Program	14.239	M97MC480206	740,821
Home Investment Partnerships Program	14.239	M09MC480206	9,885,231
Home Investment Partnerships Program	14.239	M94MC480206	155,000
Home Investment Partnerships Program	14.239	M95MC480206	546,065
Home Investment Partnerships Program	14.239	M02MC480206	305,541
Home Investment Partnerships Program	14.239	M01MC480206	2,314,641
Home Investment Partnerships Program	14.239	M93MC480206	98,386
Home Investment Partnerships Program	14.239	M03MC480206	234,909
Home Investment Partnerships Program	14.239	M06MC480206	4,633,235
Home Investment Partnerships Program	14.239	M07MC480206	4,419,911
Home Investment Partnerships Program	14.239	M08MC480206	8,104,585
Home Investment Partnerships Program	14.239	M04MC480206	2,347,448
Home Investment Partnerships Program	14.239	M05MC480206	3,532,190
Total HOME Investment Partnerships Program			<u>38,776,301</u>
Housing Opportunities for Persons with AIDS			
Housing Opportunities for Persons with AIDS	14.241	TX21H05-F003	483,289
Housing Opportunities for Persons with AIDS	14.241	TX21H04-F003	291,290
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	122,130
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	29,191
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	16,506

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Housing Opportunities for Persons with AIDS	14.241	TX21H06-F003	274,624
Housing Opportunities for Persons with AIDS	14.241	TX21H07-F003	1,429,037
Housing Opportunities for Persons with AIDS	14.241	TX-H09-F003	1,629,689
Housing Opportunities for Persons with AIDS	14.241	TX-H08-F004	<u>3,948,628</u>
Total Housing Opportunities for Persons with AIDS			<u>8,224,384</u>
CDBG/Brownfield Economic Development Initiative Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B05SPTX0985	120,280
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	E95EZ480006	<u>32,160</u>
Total CDBG/Brownfield Economic Development Initiative			<u>152,440</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing			
Lead-Based Paint Hazard Control in Privately- Owned Housing	14.900	TXLHB0310-05	41
Lead-Based Paint Hazard Control in Privately- Owned Housing	14.900	TXLHB0459-09	2,958
Lead-Based Paint Hazard Control in Privately- Owned Housing	14.900	TXLHB0378-07	<u>1,120,103</u>
Total Lead-Based Paint Hazard Control in Privately Owned Housing			<u>1,123,103</u>
Lead Hazard Reduction Demonstration Grant Program Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHD0031-04	891
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHD0202-09	2,624
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHDO175-07	<u>1,161,696</u>
Total Lead Hazard Reduction Demonstration Grant Program			<u>1,165,211</u>
Total U. S. Department of Housing & Urban Development			<u>\$ 103,029,213</u>
Department of the Interior Fish and Wildlife Service Partners for Fish and Wildlife	15.631	1448-20181-08-G580	<u>10,000</u>

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
National Park Service Outdoor Recreation_Acquisition, Development and Planning	15.916	48-001075	<u>319,774</u>
Total Department of the Interior			<u>\$ 329,774</u>
Department of Justice			
Combined DNA Index System Shared Forfeiture Property	16.000		<u>1,212,710</u>
Office of Juvenile Justice and Delinquency Prevention National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2008-DN-BX-K205	<u>119,418</u>
Governor's Office Criminal Justice Division Juvenile Justice and Delinquency Prevention_ Allocation to States	16.540	JA-09-J21-21566-01	55,101
Juvenile Accountability Block Grants	16.523	JB-06-J20-13322-09	12
Juvenile Accountability Block Grants	16.523	JB-08-J20-13322-11	124,688
Juvenile Accountability Block Grants	16.523	JB-07-XXX-13322-10	18,965
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2090701	218,147
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1269	1,293,413
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006DJ BX 0286	457,567
Edward Byrne Memorial Justice Assistance	16.738	DH-06-A10-18445-01	(1,750)
Crime Victim Assistance	16.575	VA-08-V30-13592-09	929
Crime Victim Assistance	16.575	VA-08-V30-13592-10	<u>27,167</u>
Total Governor's Office Criminal Justice Division			<u>2,194,239</u>
Crime Laboratory Improvement Combined Offender Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0332	307,136
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0471	277,100

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0597	714,063
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0593	<u>(1,979)</u>
Total Crime Laboratory Improvement Combined Offender			<u>1,296,320</u>
Executive Office for Weed & Seed Community Capacity Development Office	16.595	2007-WS-Q7-0259	21,346
Community Capacity Development Office	16.595	2008-WS-QX-0089	103,222
Community Capacity Development Office	16.595	2008-WS-QX-0089	<u>39,712</u>
Total Executive Office for Weed & Seed			<u>164,280</u>
Bureau of Justice Assistance Bulletproof Vest Partnership Program	16.607		<u>27,636</u>
Sam Houston State University Project Safe Neighborhoods	16.609	32120SO27	(538)
Project Safe Neighborhoods	16.609	321-20-B128	2,121
Project Safe Neighborhoods	16.609	S04D77205	(21)
Project Safe Neighborhoods	16.609	321-20-S036	(302)
Project Safe Neighborhoods	16.609	321-20-S038	(20)
Project Safe Neighborhoods	16.609	321-20-B127	48,297
Project Safe Neighborhoods	16.609	2008-GP-CX-0068	12,949
Project Safe Neighborhoods	16.609	321-20-B125	27,880
Project Safe Neighborhoods	16.609	321-20-B145	28,276
Project Safe Neighborhoods	16.609	321-20-S054	5,838
Project Safe Neighborhoods	16.609	321-20-S053	810
Project Safe Neighborhoods	16.609	321-20-B129	13,400
Project Safe Neighborhoods	16.609	321-20-B147	13,571
Project Safe Neighborhoods	16.609	321-20-B126	<u>48,712</u>
Total Sam Houston State University			<u>200,973</u>
Office Community Oriented Policing Services Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0224	365,417

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Public Safety Partnership and Community Policing Grants	16.710	2003INWX0003	2,150,592
Public Safety Partnership and Community Policing Grants	16.710	2007CKWX0054	<u>3,410,396</u>
Total Office Community Oriented Policing Services			<u>5,926,405</u>
National Institute of Justice Forensic DNA Backlog Reduction Program	16.741	2009-DN-BX-K130	<u>185,513</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	321-20-B146	31,462
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17319-06	239,660
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17319-05	<u>1</u>
Total Paul Coverdell Forensic Sciences Improvement Grant			<u>271,123</u>
Total Department of Justice			<u>\$ 11,598,616</u>
Department of Labor			
Department of Labor Employment Training Administration Passed Through WIA Dislocated Workers	17.260	73330	<u>62,892</u>
Total Department of Labor			<u>\$ 62,892</u>
Department of Transportation			
Federal Aviation Administration Airport Improvement Program	20.106	3-48-0110-33-2007	1,135,918
Airport Improvement Program	20.106	3-48-0110-32-2007	242,925
Airport Improvement Program	20.106	3-48-0110-035	813,294
Airport Improvement Program	20.106	3-48-0111-075	1,625,982
Airport Improvement Program	20.106	3-48-0290-021	299,542
Airport Improvement Program	20.106	3-48-0111-078	957,473
Airport Improvement Program	20.106	3-48-0111-079	12,304,289
Airport Improvement Program	20.106	3-48-0111-080	10,000,000
Airport Improvement Program	20.106	3-48-0110-037	6,492,325
Airport Improvement Program	20.106	3-48-0110-83	3,878,982
Airport Improvement Program	20.106	3-48-0111-084	2,501,123
Airport Improvement Program	20.106	3-48-0290-18	1,081,231

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Airport Improvement Program	20.106	3-48-0111-070-2008	234,412
Total Federal Aviation Administration			<u>41,567,496</u>
Federal Highway Administration			
Highway Planning and Construction	20.205	TCSP-TX096(001)-55BO	43,919
Highway Planning and Construction	20.205	TCSE004-Q69	52,020
Highway Planning and Construction	20.205	CSJ:#0912-72-171	45,611
Highway Planning and Construction	20.205	CSJ:0912-72-067	61,449
Highway Planning and Construction	20.205	CSJ:0912-72-010	40,000
Highway Planning and Construction	20.205	CSJ0912-71-634	758,623
Highway Planning and Construction	20.205	CSJ0912-72-19/23/22/21	215,455
Highway Planning and Construction	20.205	CSJ0912-72-215	1,177,386
Highway Planning and Construction	20.205	CSJ0912-71-739	150,839
Highway Planning and Construction	20.205	CSJ0912-71-705	24,997
Highway Planning and Construction	20.205	CSJ0912-72-070	2,422,165
Recreational Trails Program	20.219	RT0615	<u>99,889</u>
Total Federal Highway Administration			<u>5,092,352</u>
State & Community Highway Safety			
State and Community Highway Safety	20.600	060504A1BR	(207)
State and Community Highway Safety	20.600	070701A1AM	(22)
State and Community Highway Safety	20.600	070701A1AM	(89)
State and Community Highway Safety	20.600	070701A1AM	(180)
State and Community Highway Safety	20.600	070701A1AM	(90)
State and Community Highway Safety	20.600	070701B1AA	(102)
State and Community Highway Safety	20.600	588EGF6057	22
State and Community Highway Safety	20.600	ISC-6-1263	1,455
State and Community Highway Safety	20.600	2SC-6-1263	202,551
State and Community Highway Safety	20.600	STEP 2009 CMV	236,169
State and Community Highway Safety	20.600	STEP 2009 CMV	356,515
State and Community Highway Safety	20.600	STEP 2009 CMV	428,256
State and Community Highway Safety	20.600	STEP 2009 COMPREHENSIVE	348,512
State and Community Highway Safety	20.600	STEP 2009 COMPREHENSIVE	211,890
State and Community Highway Safety	20.600	STEP IDM	119,689
State and Community Highway Safety	20.600	STEP IDM	94,336

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	070202B1BE	<u>(34)</u>
Total State & Community Highway Safety			<u>1,998,670</u>
Federal Motor Carrier Safety Administration National Motor Carrier Safety	20.218	27XX48MH08HOUS15780	<u>266,654</u>
Total Department of Transportation			<u>\$ 48,925,172</u>
Department of Treasury			
Shared Forfeiture Property - Treasury	21.000		<u>\$ 510,088</u>
U.S. General Services Administration			
Donation of Federal Surplus Personal Property	39.003		<u>\$ 437,913</u>
Institute of Museum and Library Services			
Texas State Library and Archive Comm			
Grants to States	45.310	476-09009	7,274
Grants to States	45.310	470-09010	160,065
Grants to States	45.310	476-10014	38,303
Grants to States	45.310	470-10014	400,738
Grants to States	45.310	771-10030	245,479
Grants to States	45.310	713-10008	25,000
Grants to States	45.310	771-08006	(54)
Grants to States	45.310	771-09021	<u>70,284</u>
Total Texas State Library and Archive Comm			<u>947,089</u>
Laura Bush 21st Century Library Program			
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0088	<u>99,882</u>
Total Institute of Museum and Library Services			<u>\$ 1,046,972</u>
U. S. Environmental Protection Agency			
Air Pollution Control Program Support			
Air Pollution Control Program Support	66.001	582-8-72687	119,859
Air Pollution Control Program Support	66.001	582-8-72687	<u>303,500</u>

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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Total Air Pollution Control Program Support			<u>423,359</u>
Studies, Surveys Demonstrations Clean Air Act Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96620501-0	23,754
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96648301-0	27,729
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96665901-0	<u>475,632</u>
Total Studies, Surveys Demonstrations Clean Air Act			<u>527,115</u>
Office of the Chief Financial Officer Passed Through Congressionally Mandated Projects	66.202	582-7-72659	<u>65,604</u>
Texas Water Development Board Capitalization Grants for Clean Water State Revolving Funds	66.458	128200	923,377
Capitalization Grants for Clean Water State Revolving Funds	66.458	132500	4,274,890
Capitalization Grants for Clean Water State Revolving Funds	66.458	L060016	2,737,307
Capitalization Grants for Clean Water State Revolving Funds	66.458	L070016	<u>10,690,273</u>
Total Texas Water Development Board			<u>18,625,847</u>
Office of Water Water Pollution Control State, Interstate, and Tribal Program Support.	66.419	582-8-80189	<u>144,191</u>
Texas Commission on Environmental Quality Passed Through National Estuary Program	66.456	582-8-84969	<u>3,289</u>
Brownfields Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF96682001-01	91,028

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96681901-0	<u>25,728</u>
Total Brownfields			<u>116,756</u>
Total U. S. Environmental Protection Agency			<u>\$ 19,906,161</u>
Department of Energy			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance.	81.117	DE-FC36-08GO18100	<u>69,389</u>
Total Department of Energy			<u>\$ 69,389</u>
Department of Education			
Safe and Drug-Free Schools and Communities _ State Grants	84.186	ED-09J2119220-03	52,581
Safe and Drug-Free Schools and Communities _ State Grants	84.186	ED-08-J20-19220-02	<u>487</u>
Total Department of Education			<u>\$ 53,069</u>
Health and Human Services/Texas Department of Aging & Disability Services			
Special Programs for the Aging Title VII - Chapter 3 Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2010-EAP-13	41,745
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2009-EAP-13	<u>1,597</u>
Total Special Programs for the Aging Title VII - Chapter 3			<u>43,342</u>
Special Programs for the Aging Title VII - Chapter 2 Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	2010-OAG-13	<u>100,019</u>
Special Programs for the Aging Title III - Part D Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	2010-EAP-13	127,192
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	2009-EAP-13	<u>79,375</u>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Total Special Programs for the Aging Title III - Part D			<u>206,567</u>
Special Programs for the Aging Title III - Part B			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2007-3B-13	121
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2008-3B-13	(280)
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2009-3B-13	907,779
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2010-3B-13	1,542,346
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2007-ADM-13	108
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2010-ADM-13	627,442
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2009-ADRC-13	11,214
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2010-ADRC-13	149,169
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2008-ADM-13	(222)
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2009-ADM-13	<u>211,664</u>
Total Special Programs for the Aging Title III - Part B			<u>3,449,341</u>
Special Programs for the Aging Title III - Part C			
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	2009-3C1-13	499,114

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	2010-3C1-13	821,365
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	2010-3C2-13	1,572,580
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	2009-3C2-13	<u>699,482</u>
Total Special Programs for the Aging Title III - Part C			<u>3,592,541</u>
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects			
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects	93.048	2009-IKE-13	<u>37,500</u>
Alzheimer's Disease Demonstration Grants Alzheimer's Disease Demonstration Grants to States	93.051	2008-ALZ-13	<u>107</u>
National Family Caregiver Support			
National Family Caregiver Support, Title III, Part E	93.052	2008-3E-13	-
National Family Caregiver Support, Title III, Part E	93.052	2010-3E-13	868,066
National Family Caregiver Support, Title III, Part E	93.052	2009-3E-13	<u>342,646</u>
Total National Family Caregiver Support			<u>1,210,711</u>
Nutrition Services Incentive Program			
Nutritional Services Incentive Program	93.053	2010-NSIP-13	1,143,306
Nutritional Services Incentive Program	93.053	2009-NSIP-13	<u>674,336</u>
Total Nutrition Services Incentive Program			<u>1,817,643</u>
Centers for Medicare & Medicaid Services			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2009-MIPPA-MIPPA	36,280
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2009-MIPPA-MSEA	18,028
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2011-CMS-16	13,095
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2010-CMS-16	<u>62,985</u>
Total Centers for Medicare & Medicaid Services			<u>130,388</u>
Medicare Enrollment Assistance Program			
Medicare Enrollment Assistance Program	93.071	2009-MIPPA-ADRC	40,550

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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Medicare Enrollment Assistance Program	93.071	2009-MIPPA-AAA	23,758
Total Medicare Enrollment Assistance Program			<u>64,308</u>
Total Texas Department of Aging & Disability Services			<u>\$ 10,652,467</u>
Centers for Disease Control & Prevention			
Project Grants & Cooperative Agreements for TB Control			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	CCU600445-26	2,020
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PS600445-27	(834)
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2009-030762-001	12,128
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2010-033728-001	40,960
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PS600445-29	1,006,708
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PS600445-28	<u>1,099,047</u>
Total Project Grants & Cooperative Agreements for TB Control			<u>2,160,028</u>
Immunization Grants			
Immunization Grants	93.268	CCH622532-04	1,316
Immunization Grants	93.268	IP622532-06	122
Immunization Grants	93.268	IP622532-07	1,715,471
Immunization Grants	93.268	IP62253208	1,086,420
Immunization Grants	93.268	CCH622532A	<u>12,042,982</u>
Total Immunization Grants			<u>14,846,312</u>
CDC & Investigations & Technical Assistance Centers for Disease Control and Prevention			
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	CCU623672	1,125
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	CI623672-04	(7,509)
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	CI623672-05	703,348
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	2008-028270-001	145,880
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	PS000904-03	57,020
Investigations and Technical Assistance Centers for Disease Control and Prevention	93.283	PS000904-02	<u>83,529</u>
Total CDC & Investigations & Technical Assistance			<u>983,392</u>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
HIV Prevention Activities			
HIV Prevention Activities_Health Department Based	93.940	CCU023512-04	2,714
HIV Prevention Activities_Health Department Based	93.940	PS023512-	4,410,120
HIV Prevention Activities_Health Department Based	93.940	PS023512-06	2,786,359
HIV Prevention Activities_Health Department Based	93.940	PS000977-01	32
HIV Prevention Activities_Health Department Based	93.940	PS000977-01	166,465
HIV Prevention Activities_Health Department Based	93.940	PS000977-02	296,082
HIV Prevention Activities_Health Department Based	93.940	PS000775-03	802,198
HIV Prevention Activities_Health Department Based	93.940	PS000775-02	<u>337,712</u>
Total HIV Prevention Activities			<u>8,801,683</u>
Enhanced HIV / AIDS PE			
HIV Demonstration, Research, Public and Professional Education Projects	93.941	PS001552-01	3,773
HIV Demonstration, Research, Public and Professional Education Projects	93.941	PS001447-01	85,101
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	CCU623559-03-3	3,652
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001020-01	445
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001020-02	711,353
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001020-03	590,139
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	CCU624424-04	228

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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001611-02	37,449
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001447-02	69,146
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001611-01	<u>478,368</u>
Total Enhanced HIV / AIDS PE			<u>1,979,654</u>
Total Centers for Disease Control & Prevention			<u>\$ 28,771,069</u>
Administration for Children and Families			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	04ASAPGCW	(1,731)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	06260C07FY10	30,705
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	06260C07FY08	<u>16,090</u>
Total Administration for Children and Families			<u>\$ 45,064</u>
Texas Department of State Health Service			
Hansen's Disease National Ambulatory Care Program			
Hansen's Disease - 10	93.2010	2010-034525-001	44,785
Hansen's Disease - 09	93.2009	2009-030542-001	<u>47,999</u>
Total Hansen's Disease			<u>92,784</u>
Family Planning Services			
Family Planning Services	93.217	2010-032908	26,327
Family Planning Services	93.217	2010-034286	108,597
Family Planning Services	93.217	2009-029394-001	<u>50,881</u>
Total Family Planning Services			<u>185,805</u>
Occupation Safety & Health Research Projects			
Occupational Safety and Health Program	93.262	7460011640D-2007	<u>113,871</u>
Bioterror Prepared			
National Bioterrorism Hospital Preparedness Program	93.889	2009-032310-001	31,538
Public Health Emergency Preparedness	93.069	2009-032263-001	1,410,238
Public Health Emergency Preparedness	93.069	2009-032288-001	176,831
Public Health Emergency Preparedness	93.069	2010-033401-001	175,179
Public Health Emergency Preparedness	93.069	2010-033535-001	2,650,564
Public Health Emergency Preparedness	93.069	2009-031684-001	373,858
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	7460011640-06-10	1,923

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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-022930-001	35,590
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-028268-001	151,867
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-022965	374
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-208019-001	39,360
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2009-031091-001	318,926
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2009-031305-001	<u>542,678</u>
Total Bioterror Prepared			<u>5,908,926</u>
HIV / AIDS Surveillance			
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2008-025429-001	38
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2010-030647-001-	813,041
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2009-030647-001	<u>953,759</u>
Total HIV / AIDS Surveillance			<u>1,766,838</u>
Local Public Health Services			
Preventive Health & Health Services Block Grant	93.991	2010-032807	283,530
Preventive Health & Health Services Block Grant	93.991	2009-028163-001	<u>56,439</u>
Total Local Public Health Services			<u>339,969</u>
Child Health Services			
Maternal and Child Health Services Block Grant to the States	93.994	2009-029513-001	11,201
Maternal and Child Health Services Block Grant to the States	93.994	2009-029513-001	195,175
Maternal and Child Health Services Block Grant to the States	93.994	2010-031678	159,957
Maternal and Child Health Services Block Grant to the States	93.994	2010-034618	15,548
Maternal and Child Health Services Block Grant to the States	93.994	2009-029841-001	<u>26,733</u>
Total Child Health Services			<u>408,613</u>
Harris County Public Health Environ Services			
HIV Emergency Relief Project Grants	93.914	09GEN0074	169,098
HIV Emergency Relief Project Grants	93.914	10GEN0180	73,108
Special Projects of National Significance	93.928	08-GEN1135	32,254

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FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	2010-012102	25
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	HISD-AE-08	(15,098)
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	HISD-AE-09	54,371
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	2008-102201	<u>6,872</u>
Total Harris County Public Health Environ Services			<u>320,630</u>
Total Texas Department of State Health Service			<u>\$ 9,137,435</u>
Houston-Galveston Area Council			
Social Services Block Grant	93.667	HGACFC73736	795,767
Social Services Block Grant	93.667	2010-034935	1,090
Social Services Block Grant	93.667	235-07	<u>4,517</u>
Total Social Services Block Grant			<u>\$ 801,374</u>
Total Department of Health and Human Services			<u>\$ 49,407,409</u>
Corp of National and Community Service			
Program Development and Innovation Grants	94.007	0JCAP-016104	<u>7,167</u>
Total Corp of National and Community Service			<u>\$ 7,167</u>
Department of Homeland Security			
Urban Areas Security Initiative	97.008	2005GET54025	(333,714)
Urban Areas Security Initiative	97.008	09-SR-35000-05	418,762
Urban Areas Security Initiative	97.008	2006-GE-T6-0068	274,452
Urban Areas Security Initiative	97.008	2007-GE-T7-0024	6,489,987
Urban Areas Security Initiative	97.008	2008-GE-T8-0034	<u>4,726,911</u>
Total Urban Areas Security Initiative			<u>11,576,398</u>
Airport Security			
Airport Checked Baggage Screening Program	97.100	EDS-TSA-IAH	<u>4,895,680</u>
Department of Public Safety Passed Through			
Emergency Management Performance Grants	97.042	09TX-EMPG-0357	150,108
Metropolitan Medical Response System	97.071	233-03-0067	6,973
Metropolitan Medical Response System	97.071	2008-GE-T8-0034	152,697
Metropolitan Medical Response System	97.071	2007-GE-T7-0024	<u>180,717</u>
Total Department of Public Safety Passed Through			<u>490,495</u>

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FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Department of Homeland Security Presidential Declared Disaster Assistance - Disaster Housing Operations for Individuals and Households	97.049	NC12424	<u>1,153,843</u>
State Homeland Security Program State Homeland Security Program	97.073	2008-GE-T8-0034	<u>260,964</u>
Law Enforcement Terrorism Prevention Program Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	<u>631,245</u>
Buffer Zone Protection Program Buffer Zone Protection Program	97.078	2008-BZ-T8-0007	<u>192,273</u>
Governor's Division of Emergency Management Regional Catastrophic Preparedness Grant Program (97.111	2008-CP-T8-0023	<u>2,755,407</u>
Total Department of Homeland Security			<u>\$ 21,956,304</u>
City of Houston			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EM-3294-TX	45,160,220
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3216-EM	<u>(3,766)</u>
Total City of Houston			<u>\$ 45,156,455</u>
Environmental Protection Agency			
Homeland Security Biowatch Program	97.091	582-10-86407	565,012
Homeland Security Biowatch Program	97.091	582-7-72676	<u>117,767</u>
Total Environmental Protection Agency			<u>\$ 682,778</u>
Housing Authority			
Disaster Housing Assistance Grant	97.109	FOC-HCHA-09	466,492
Disaster Housing Assistance Grant	97.109	FOC-HCHA-08	(112,788)
Disaster Housing Assistance Grant	97.109	FOC-HHA-08	<u>(94,636)</u>

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Total Housing Authority			<u>\$ 259,068</u>
American Recovery and Reinvestment Act			
Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	ARRA14.253	B-09-MY-48-0018	1,891,132
Homelessness Prevention and Rapid Re-Housing Program	ARRA14.257	S09-MY-48-0002	1,579,685
Homelessness Prevention and Rapid Re-Housing Program	ARRA14.257	4600009462	195,791
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program / Grants To Units Of Local Government	ARRA16.804	2009-SB-B9-0717	7,648,639
Airport Improvement Program	ARRA20.106	3-48-0290-22	4,699,545
Weatherization Assistance for Low-Income Persons	ARRA81.042	16090000689	1,311,235
Energy Efficiency and Conservation Block Grant Program	ARRA81.128	DE-EE0000965	12,999,231
Aging Home-Delivered Nutrition Services for States	ARRA93.705	38005012	225,944
Aging Congregate Nutrition Services for States	ARRA93.707	09-04-2009	552,746
Aging Congregate Nutrition Services for States	ARRA93.707	IRC2 MD004783 01	19,194
ARRA - Community Services Block Grant	ARRA93.710	10-07-2009	87,360
ARRA - Immunization	ARRA93.712	3U50CI623672-05S1	33,906
ARRA - Immunization	ARRA93.712	3H23IP622532-07S1	161,408
National Clean Diesel Emissions Reduction Program	ARRA66.039	EPA-ARRA-OAR-0TAQ09-0	1,010,556
Total American Recovery and Reinvestment Act			<u>\$ 32,416,371</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 361,155,649</u>
			(Concluded)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

STATE AWARDS		
Program Title	Grant Award Number	Expenditures
Alief Independent School District Alief ISD / Katrina SV	C70168	<u>\$ (288)</u>
Harris County Protective Services		
United Minds	C72072	9,359
United Minds	C72072	37,250
CYD Campo Del Sol	50000018-2010	38,598
CYD Campo Del Sol	C72071	<u>34,960</u>
Total Harris County Protective Services		<u>\$ 120,167</u>
Houston - Galveston Area Council		
FY10 Solid Waste Imp	10-16-G04	5,189
Reuse Warehouse	08-16-G12	3,361
West Park Recycling	09-16-G13	391,883
HGAC-Clean Rivers	CR 73605	23,951
HGAC-Clean Rivers	CR08-70665	<u>54,307</u>
Total Houston - Galveston Area Council		<u>\$ 478,691</u>
Office of the Governor CJD Asset Forfeiture State	NA - Special revenue fund	<u>\$ 5,591,402</u>
Texas Automobile Theft Prevention Authority		
HACTF/18	ABTPA	815,592
Major Access Shop / 17	ABTPA	<u>308,207</u>
Total Texas Automobile Theft Prevention Authority		<u>\$ 1,123,799</u>
Texas Comptroller of Public Accounts		
Tobacco Compliance / 13	State funded	130,721
Tobacco Compliance / 12	State funded	<u>53,626</u>
Total Texas Comptroller of Public Accounts		<u>\$ 184,347</u>
Texas Department of Public Safety		
Houston Joint Operations Int	C70363	(1,184)
Operation Loanstar	State funded	<u>(2,743)</u>
Total Texas Department of Public Safety		<u>\$ (3,927)</u>

(continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

STATE AWARDS

Program Title	Grant Award Number	Expenditures
Texas Department of State Health Services		
Milk & Dairy	2009-028494-001	8,071
Milk & Dairy	2010-031950	40,160
Tuberculosis Elimination	7460011640-06-07	130
Tuberculosis Elimination	7460011640C-07-01	120
Tuberculosis Elimination	2008-023237	(222)
Tuberculosis Elimination	2009-028744-001	299,523
Tuberculosis Elimination	2010-032847-001	1,301,464
Immunization State	7460011640A-07-02	74
Immunization State	2008-023575-001	(247)
Immunization State	2009-028712-001	164,107
Immunization State	2010-031792-001	491,314
CHS_FAM Plan Title V	2010-034243	51,708
CHS_FAM Plan SV Title V	2010-032606	41,060
CHS_FAM Plan SV Title V	2009-029555-001	32,309
HIV Rapid Testing	2010-034649	155,189
Get Moving Houston	2008-027701-001	34,830
Enhanced Influenza	2009-030780-001	10,645
Enhanced Influenza	2010-031523-001	34,877
IDUC Flu-Lab	2010-031532-001	3,737
Total Texas Department of State Health Services		<u>\$ 2,668,849</u>
Healthy Family Initiative		
Nurse Family Partnership	0380800107001	4,727
Texas Dept. of Aging & Disability Services		
State General Rev	2010-SGR-13	420,830
State Highway Transportation	2010-SHF-12	35,977
State General Rev - IKE Hurricane	200-SIKE-13	469,556
Total Texas Dept. of Aging & Disability Services		<u>\$ 926,363</u>
Texas Parks & Wildlife Department		
Houston Park Adventure	52000528	9,984
Sylvester Turner PK3	50-000403	600,000
Total Texas Parks & Wildlife Department		<u>\$ 609,984</u>
Texas State Library and Archive Comm		
Loan Star	442-10002	272,344
Loan Star	442-08234	167,900
Total Texas State Library and Archive Comm		<u>\$ 440,244</u>

(continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

STATE AWARDS		
Program Title	Grant Award Number	Expenditures
Texas Dept of Houston & Community Affair HHSP (State)	63100000891	357,473
Texas Commission on Environmental Quality Stuart(SIMS)PK ENHN	582-94126	10,000
Texas and Human Services Commission Nurse Family Partnership	HHSC 529-08-0110	179,111
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 12,690,944</u>
		(concluded)

CITY OF HOUSTON, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

1. The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal grant activity and state grant activity of the City of Houston, Texas (the “City”) and is presented on the modified accrual basis of accounting for the governmental funds and the accrual basis of accounting for the enterprise funds, which is described in Note 1 to the City’s financial statement. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards* (“UGMS”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.
2. Federal and state awards are reported in the City’s Comprehensive Annual Financial Report (“CAFR”) as follows (in thousands):

	Federal	State
Grant Funds	\$ 239,590	\$ 7,100
FEMA Assistant Grant — Hurricane IKE	45,160	
Capital Projects Funds	4,749	
Asset Forfeiture (Special Revenue Funds)	1,723	5,591
Enterprise Fund — Combined Utility System (TX Water Board)	18,770	
Enterprise Fund — Airport System Fund	<u>51,163</u>	<u> </u>
Total	<u>\$ 361,155</u>	<u>\$ 12,691</u>

3. Amounts reported in the schedule of expenditures of federal and state awards may not agree with the amounts reported in the related financial reports filed with grantor agencies because of accruals, which would be included in the next report filed with the agencies.
4. **Contingencies** — The City receives various grants to cover costs of specified programs. Final determination of eligibility of costs will be made by the grantors. Should any costs be found ineligible, the City will be responsible for reimbursing the grantors for these amounts.

5. **Noncash Awards** — Certain federal financial award programs do not involve cash awards to the City. These programs include donated vaccines and donated personal property as follows:

	CFDA Number	Amount
U.S. Department of Health and Human Services:		
Value of vaccines issued	93.268	\$ 12,042,982
Value of vaccines on hand	93.268	1,801,785
U.S. General Services Administration:		
Value of Federal Surplus Personal Property	39.003	437,913

6. **Loans Outstanding** — The City had the following loan balances outstanding at June 30, 2010. Loans made during the year are included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	\$ 24,821,882
HOME Investment Partnerships Program	14.239	14,137,196
Section 108 Guaranteed Loan Program	14.248	11,704,792

7. The following is the federal subrecipient cash disbursements:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,280,602
Emergency Shelter Grants Program	14.231	1,408,714
Housing Opportunities for Persons with AIDS	14.241	7,673,752
Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	57,197
Special Programs for the Aging Title VII, Chapter 2_Long-Term Care Ombudsman Services for Older Individuals	93.042	107,167
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	136,688
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	580,970
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	3,340,463
National Family Caregiver Support, Title III, Part E	93.052	345,876
Nutrition Services Incentive Program	93.053	2,015,541
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	13,842
Immunization Grants	93.268	126,430
HIV Prevention Activities — Health Department Based	93.940	<u>3,784,423</u>
Total		<u>\$ 22,871,665</u>

8. The following is the federal American Recovery and Reinvestment Act subrecipient cash disbursements:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Homelessness Prevention and Rapid Re-Housing Program	14.257	\$ 2,026,050
Edward Byrne Memorial Justice Assistance Grant	16.804	7,648,059
Energy Efficiency and Conservation Block Grant Program	81.128	8,880,792
Aging Home — Delivered Nutrition Services for States	93.705	213,079
Aging Congregate Nutrition Services for States	93.707	<u>484,221</u>
Total		<u>\$ 19,252,201</u>

9. The following is the state subrecipient cash disbursements:

Program Title	Grant Award Number	Amount Provided to Subrecipients
Major Accessory Shop/17	ABTPA	\$ 20,692
HACTF/18	SA-T04-10054-10	34,404
Tuberculosis Elimination	2009-028744-001	57,124
State General Revenue	2010-SGR-13	420,830
State Hi-Way Transportation	2010-SHF-13	35,977
HIV Rapid Testing	2010-034649	<u>89,834</u>
Total		<u>\$ 658,861</u>

CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the basic financial statements expressed an unqualified opinion.
2. A significant deficiency in internal control over financial reporting was identified, which is considered to be a material weakness.
3. No instances of noncompliance considered material to the basic financial statements were disclosed in the audit.
4. Significant deficiencies in internal control over compliance with requirements applicable to federal and state award programs were identified, some of which were considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal and state award programs expressed an unqualified opinion for all major programs except for the Public Safety Interoperable Communications Grant for allowable costs, West Park Recycling for Davis Bacon Act and the Community Development Block Grant for reporting.
6. The audit disclosed findings required to be reported by OMB Circular A-133.

7. The City's major programs were:

Name of Major Federal/State Program	CFDA Number
WIC Supplemental Feeding	10.557
Public Safety Interoperable Communications Grant	11.555
Community Development Block Grant (a)	14.218
Community Development Block Grant Entitlement Grant — ARRA (a)	ARRA14.253
Home Investment Partnerships Program	14.239
Edward Byrne Memorial JAG — ARRA	ARRA16.804
Airport Improvement Program (d)	20.106
Airport Improvement Program — ARRA (d)	ARRA20.106
National Clean Diesel Emissions Reduction Program - ARRA	ARRA66.039
Capitalization Grants for Clean Water State Revolving Funds	66.458
Weatherization Assistance for Low-Income Persons — ARRA	ARRA81.042
Energy Efficiency and Conservation Block Grant — ARRA	ARRA81.128
Public Health Emergency Preparedness	93.069
Immunization Grants (c)	93.268
Immunization — ARRA (c)	ARRA93.712
HIV Prevention Activities	93.940
Special Programs for the Aging Title III, Part B & C and Nutrition Services Incentive Program (b)	93.044/93.045/93.053
Aging Home — Delivered Sutrition Services for States — ARRA (b)	ARRA93.705
Aging Congregate Nutrition Services for States — ARRA (b)	ARRA93.707
State General Revenue — IKE	State
West Park Recycling	State
Sylvester Turner PK3	State
State General Revenue	State
Major Accessory Shop Enforcement /HACTF	State
HHSP	State

- (a) Treated as a cluster of programs
- (b) Treated as a cluster of programs
- (c) Treated as a cluster of programs
- (d) Treated as a cluster of programs

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$300,000, respectively, was used to distinguish between Type A and Type B programs, as defined in OMB Circular A-133.

9. The City did not qualify as a low-risk auditee, as defined in OMB Circular A-133, for the Federal single audit. The City did qualify as a low-risk auditee, as defined by Uniform Grant Management Standards, for the State single audit.

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	<p>Material Weakness in Internal Control — Finding 2010-1.</p> <p>Condition/Criteria — The City’s financial accounting and reporting process is not adequate to ensure that accounting transactions are being properly captured and recorded by the City in its financial statements in a timely manner.</p> <p>Cause/Context — Due to the City’s diverse operations, there are a number of complex accounting and financial reporting transactions that are entered into each year. The City was required to record a number of significant auditor-proposed adjustments to properly reflect the financial operations of the City. Included within these audit adjustments were items related to cash and investments, capital assets, accounts payable, as well as federal and state grant activities.</p> <p>Effect — Without changes being made to the City’s current financial reporting process, the City may produce untimely financial statements that are materially misstated.</p> <p>Recommendation: The City should evaluate its current financial accounting and reporting process. Within the evaluation there should be a critical review of the way in which financial information flows to and from departments and the City Controller’s Office. The City should also evaluate the current financial accounting and reporting structure to assure that there are adequate resources in place to limit the likelihood of future accounting errors.</p> <p>Views of Responsible Officials — City officials agree that the financial reporting and year-end close process is a lengthy and time consuming process that is subject to errors being made and that can be improved on.</p> <p>Corrective Action Plan of Management — City officials intend to form a team consisting of accountants and system personnel from several of the City departments to review the year-end financial accounting and reporting process and to make suggestions for improvements.</p> <p>Estimated Completion Date — June 30, 2011</p> <p>City Contact Person — Jack Alexander, Deputy Director Finance</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost						
	<p>Material Noncompliance and Material Weakness related to the PSIC Grant Program</p> <p>Finding 2010- 2: Allowable Costs</p>							
<p>Public Safety Interoperable Communications (“PSIC”) Grant — CFDA #11.555</p> <p>Urban Area Security Initiative (“UASI”) — CFDA #97.008</p> <p>Community Oriented Policing Services (“COPS”) — CFDA #16.710</p> <p>Federal Surplus Property Program — CFDA #39.003</p>	<p>Condition — In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, the City is responsible for preparing the Schedule of Expenditures of Federal and State Awards (“SEFA”). At a minimum, the schedule is to include federal and state programs by federal and state agencies. During our testing of the financial statements, we noted certain errors as follows:</p> <p>For the programs listed below, we noted a net total of \$11,545,985 was initially recorded in the wrong fiscal year. The PSIC grant was tested as a major program during the 2010 single audit, while the UASI, COPS and Federal Surplus Property Program were not selected to be tested as major federal programs during the 2010 single audit. The expenditures were recorded to fiscal year 2011 when they should have been recorded to fiscal year 2010.</p> <table border="0" data-bbox="561 1024 1224 1150"> <tr> <td>Public Safety Interoperable Communications</td> <td>\$ 6,575,816</td> </tr> <tr> <td>Urban Area Security Initiative</td> <td>2,875,128</td> </tr> <tr> <td>Community Oriented Policing Services</td> <td>2,095,041</td> </tr> </table> <p>For the Federal Surplus Property Program, \$437,913 was improperly excluded from the fiscal year 2009 SEFA schedule. These amounts are now properly shown in the fiscal year 2010 SEFA.</p> <p>Criteria — Management of the City is responsible for proper preparation of the Schedule of Expenditures of Federal and State Awards</p> <p>Cause — The expenditures were recorded when paid, rather than when incurred or were not recorded at all.</p> <p>Effect — Noncompliance with OMB A-133 compliance requirements.</p>	Public Safety Interoperable Communications	\$ 6,575,816	Urban Area Security Initiative	2,875,128	Community Oriented Policing Services	2,095,041	N/A
Public Safety Interoperable Communications	\$ 6,575,816							
Urban Area Security Initiative	2,875,128							
Community Oriented Policing Services	2,095,041							

Program	Finding/Noncompliance	Questioned Cost
	<p>Recommendation: The City should review its policy and procedures related to the recording of transactions related to federal and state awards and provide adequate training for all departments receiving federal and state awards to ensure that expenditures are coded to the respective grant when incurred.</p> <p>Views of Responsible Officials — City officials agree that the year-end accrual process is a manual, time consuming and cumbersome process that is subject to errors and omissions.</p> <p>Corrective Action Plan of Management — City officials intend to increase the training provided to City personnel who are responsible for the year-end accrual process. Additionally, City officials will review the spreadsheets submitted with the accrual review information and will strengthen the review process over material expenditures.</p> <p>Estimated Completion Date — May 31, 2011</p> <p>City Contact Person — Jack Alexander, Deputy Director Finance</p>	

Program	Finding/Noncompliance	Questioned Cost
West Park Recycling — State	<p data-bbox="565 344 1252 403">Material Noncompliance and Material Weakness Control Finding</p> <p data-bbox="565 422 862 447">2010-3: Davis-Bacon Act</p> <p data-bbox="565 485 1273 611">Condition — The City procured services through the Texas Procurement and Support Services Texas Multiple Awards Schedule (“TXMAS”) and failed to obtain any certified payroll reports from the subcontractor.</p> <p data-bbox="565 630 1263 753">Criteria — In accordance with State of Texas Uniform Grant Management Standards, all construction contracts in excess of \$2,000 financed by State assistance shall comply with the Davis-Bacon Act.</p> <p data-bbox="565 789 1297 879">Cause — The City believed that the subcontractor would be monitored by TXMAS and, therefore, did not obtain any certified payrolls.</p> <p data-bbox="565 915 1305 974">Effect — Without obtaining the certified payrolls, the City cannot ensure the subcontractors comply with prevailing wages.</p> <p data-bbox="565 1010 1265 1100">Recommendation: The City should monitor all subcontractor projects for compliance with Davis Bacon, regardless of procurement procedures.</p> <p data-bbox="565 1119 1279 1209">Views of Responsible Officials — City officials feel this is an isolated incident and is not indicative of the controls over Davis Bacon compliance.</p> <p data-bbox="565 1245 1305 1335">Corrective Action Plan of Management — The City will update its procedure to ensure all construction contracts expenditures are reviewed for Davis Bacon compliance.</p> <p data-bbox="565 1371 1057 1396">Estimated Completion Date — Immediate</p> <p data-bbox="565 1432 1312 1457">City Contact Person — Jack Alexander, Deputy Director Finance</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
Compliance and Significant Deficiency Control Finding		
2010-4: Reporting		
<p>Public Safety Interoperable Communication Grant Program — CFDA #11.555</p> <p>Energy Efficiency and Conservation Block Grant — CFDA #81.128</p> <p>National Clean Diesel Program — CFDA #66.039</p> <p>HHSP — State</p> <p>HIV Prevention — CFDA #93.940</p> <p>Community Development Block Grant — CFDA #14.218</p>	<p>Condition — For the programs noted below, the City did not comply with reporting requirements required by the grants.</p> <p><i>Inaccurate Filings</i></p> <p>Energy Efficiency and Conservation Block Grant: The quarterly financial status report for the period ending March 31, 2010 was filed inaccurately.</p> <p><i>Late Filings</i></p> <p>National Clean Diesel Program: The semiannual 5700-52A, MBE/WBE Report for the period from 11/1/09 — 4/30/10 was not filed timely.</p> <p>HHSP: The Annual Audit Certification Form was not filed timely.</p> <p>HIV Prevention: The HIV Unique September 2008 to September 2009 Programmatic report was not filed timely.</p> <p>Community Development Block Grant: The Neighborhood Stabilization Program’s November 2009 and February 2010 Monthly Progress Reports were not filed timely.</p> <p><i>No Filings</i></p> <p>Public Safety Interoperable Communication Grant Program: Governor’s Division of Emergency Management requires quarterly progress reports. The City did not file two of its quarterly progress reports for fiscal year 2010 related to this grant.</p> <p>Criteria — In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, and the State of Texas, Uniform Grant Management Standards all reports must be filed appropriately and by the date required in the grant agreement.</p> <p>Cause/Context — Lack of controls in place to ensure the reports are filed appropriately and within the proper period of time.</p> <p>Effect — The City is not complying with the requirements set forth in the grant agreement.</p>	N/A

Program

Finding/Noncompliance

**Questioned
Cost**

Recommendation: The City should re-evaluate its reporting procedures and implement new controls to ensure all reports are filed in accordance with the grant requirements.

Views of Responsible Officials — City officials agree with these findings.

Corrective Action Plan of Management — City officials will send out a communication to all of the grant administrators reminding them of the need to file all reports timely and reminding them of the need to ensure that they have properly identified all of the reports that need to be filed. Personnel will also be reminded of the need to document the reasons for any late filings when they occur and of the need to keep any correspondence that may have been received from the applicable agency granting them a filing extension.

Estimated Completion Date — December 31, 2010

City Contact Person — Jack Alexander, Deputy Director Finance

Program	Finding/Noncompliance	Questioned Cost
Community Development Block Grant — CFDA #14.218	Material Noncompliance and Material Weakness Control Finding	N/A
	2010-5: Reporting	
	<p>Condition — In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, the City is responsible for preparing the Schedule of Expenditures of Federal and State Awards (“SEFA”). At a minimum, the schedule is to include federal and state programs by federal and state agencies. During our single audit testing, we noted \$3,347,788 of expenditures were originally reported as CFDA #14.256 and as American Recovery and Reinvestment Act (“ARRA”) expenditures. However, we noted that it should have been reported as CFDA #14.218 and they were not ARRA related.</p>	
	<p>Criteria — Management of the City is responsible for proper preparation of the Schedule of Expenditures of Federal and State Awards</p>	
	<p>Cause — The expenditures were recorded to the wrong grant within the City’s system.</p>	
	<p>Effect — Noncompliance with OMB Circular A-133 compliance requirements.</p>	
	<p>Recommendation — The City should continue its efforts to improve the overall quality of the process of consolidating and reviewing the awards received. The City should continue to review the information for completeness, accuracy, and reasonableness and monitor new grants or awards. In addition, the City should ensure that it is properly categorizing ARRA grants or awards.</p>	
	<p>Views of Responsible Officials — City officials agree with this finding.</p>	
	<p>Corrective Action Plan of Management — City officials will remind each of the grant administrators and the preparers of the SEFA of the need to properly categorize each grant and of the need to utilize the correct CFDA # in all reporting.</p>	
	<p>Estimated Completion Date — March 31, 2011</p>	
	<p>City Contact Person — Jack Alexander, Deputy Director Finance</p>	

Program	Finding/Noncompliance	Questioned Cost
Community Development Block Grant — CFDA #14.218	Significant Deficiency Control Finding	\$581
	2010-6: Allowable Costs	
	Condition — We identified expenditures reflected in the Schedule of Expenditures of Federal and State Awards (“SEFA”) that are unallowable.	
	We identified that one out of nine payroll selections overcharged the grant for pension expense. The City used 15.7% to calculate the pension expenditure, when 14.7% should have been used, resulting in the City overcharging the grant by \$581.	
	Criteria — Management of the City is responsible for ensuring compliance with the grant agreements and contracts.	
	Cause/Context — The Community Development Block Grant was overcharged by incorrectly using 15.7%, as opposed to 14.7% for pension expense.	
	Effect — Noncompliance with the grant agreement.	
	Recommendation — The City should review and monitor all grant expenditures in order to ensure compliance.	
	Views of Responsible Officials — City officials reviewed this item and concluded that it was the result of a clerical calculation error made when transferring some expenses from one grant to another. It was determined to be an isolated incident.	
	Corrective Action Plan of Management — Procedures will be reinforced to ensure that all expense transfers are properly reviewed before posting.	
Estimated Completion Date — December 31, 2010		
City Contact Person — Jack Alexander, Deputy Director Finance		

IV. STATUS OF PRIOR-YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	Financial Reporting Finding 2009-1. Finding — While there was significant improvement in the City’s financial reporting process in the current year, the City should enhance this process by requiring responsible financial reporting personnel, at the department level, to perform analytical reviews of financial results on a periodic basis, and also review and approve material journal entries that affect their respective departmental financial results. Recommendations — Nonperformance of analytical reviews of financial information and the processing of material journal entries without appropriate high level management approval, enhances the risk that the City’s financial statement could contain material misstatements. Status — This finding has been repeated in fiscal year 2010 as finding 2010-1. Finding 2009-2.	N/A
HOME Investment Partnerships Program — CFDA #14.239	Finding — It was noted that the City improperly included \$34,000 of expenditures in the 2009 Schedule of Expenditures of Federal and State Awards (“SEFA”). The expenditures related to a transfer out of a grant fund to a special revenue fund and should not have been included as expenditures in the 2009 SEFA schedule. Recommendation — City departments that receive grants should work more closely with the finance department to determine that inappropriate expenditures are excluded from the SEFA. Status — In the preparation of the 2010 SEFA, each of the departments placed increased emphasis on their review procedures to ensure that only reportable expenditures are included in the SEFA. Finding 2009-3.	N/A
Immunization Federal — CFDA #93.268	Finding — Internal controls surrounding the recording of immunization usage and inventory balances were deficient, which resulted in the spreadsheet used by the City to track vaccination inventory usage and balances missing critical calculation formulas that created an error in inventory balances and inventory usage, in the amount of \$2,548,523. This resulted in the preliminary SEFA being misstated by the City.	N/A

Program	Finding/Noncompliance	Questioned Cost
Hazard Mitigation — CFDA #97.039 Loan Star Libraries Grant — State	<p>Recommendation — The City should maintain adequate records of vaccinations received and regularly reconcile the Receiving Logs to the Summary Vaccine Received Report. In addition, a review of the Summary Vaccine Report should be performed at least annually to ensure mathematical accuracy and completeness.</p> <p>Status: In FY2010, additional processes including self audits, mock audits and reconcilements were performed to ensure the accuracy of the inventory. As of July 1, 2010, the vaccine inventory is now accounted for using the SAP inventory accounting module.</p> <p>Finding 2009-4.</p> <p>Finding — For the programs noted below, the City did not comply with reporting requirements required by the grants.</p> <p><i>Late Filings</i></p> <p>Hazard Mitigation — The 3rd Quarter 2008 and 2nd Quarter 2009 and Reimbursement Requests were filed after the 30-day after quarter end submission requirement.</p> <p>Loan Star Libraries Grant — The quarterly financial status report for the period ending February 28, 2009 was submitted after the 30-day after quarter end submission requirement.</p> <p>Recommendation — The City should re-evaluate its reporting procedures and implement new controls to ensure all reports are filed in accordance with the grant requirements.</p> <p>Status — All City departments have been reminded of the importance of meeting all reporting requirements on a timely basis.</p>	N/A
Shared Forfeited Property — State	<p>Finding 2009-5.</p> <p>Finding — In accordance with the State of Texas, <i>Uniform Grant Management Standards</i> (“UGMS”), the City is responsible for preparing the Schedule of Expenditures of Federal and State Awards (“SEFA”). At a minimum, the schedule is to include federal and state programs by federal and state agencies. During our testing of the financial statements, we noted an error related to fixed asset purchases which were improperly excluded from the 2009 SEFA schedule.</p> <p>Recommendation — The City reviews these SAP transaction types with the ERP Department to improve the accounting. For future year’s SEFA schedules the City should analyze transfers to be certain all expenditures are included in the SEFA schedule.</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
Shared Forfeited Property — State	<p>Status — The City has put in place procedures to review fixed asset transactions to ensure that they are properly reported in the SEFA.</p> <p>Finding 2009-6.</p> <p>Finding — In accordance with the State of Texas, <i>Uniform Grant Management Standards</i> (“UGMS”), equipment acquired with state funds shall be maintained accurately and include (i) A description of the equipment, (ii) Manufacturer’s serial number, model number, state stock number, national stock number, or other identification number, (iii) Source of the equipment, including the award number, (iv) Whether title vests in the recipient or the state government, (v) Acquisition date or date received and cost, (vi) Information from which one can calculate the percentage of state participation in the cost of the equipment (not applicable to equipment furnished by the state government), (vii) Location and condition of the equipment and the date the information was reported, (viii) Unit acquisition cost, and (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the state awarding agency for its share.</p> <p>For the program noted, we identified equipment purchases reflected in the Schedule of Expenditures of Federal and State Awards that were not adequately tracked as required above.</p> <p>Recommendation — The City should review its policy and procedures related to the recording of transactions related to equipment purchases with state awards and to ensure that equipment purchases are properly maintained.</p> <p>Status — All grant related assets follow applicable City policies on capital assets.</p>	N/A
Loan Star Libraries Grant — State	<p>Finding 2009-7.</p> <p>Finding — We identified expenditures reflected in the Schedule of Expenditures of Federal and State Awards (SEFA) that related to prior fiscal years. Two out of twenty-five non-payroll selections subject to testing in the amount of \$17,650 were recorded in the wrong fiscal year. The expenditures were recorded as fiscal year 2009 expenditure when they should have been recorded as a fiscal year 2008 expenditure. The expenditures are shown in the fiscal year 2009 SEFA as they were not included in the fiscal year 2008 schedule.</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
	<p>Recommendation — City managers should carefully review accruals and follow established policies and procedures for year-end accounting.</p>	
	<p>Status — The 2010 SEFA has been reviewed to ensure all expenditures are recorded in the proper period.</p>	

Appendix C2: Tab 2 – Housing Project Detail

2-1. Project Overview (No Attachment)

2-2. Project Summary (No Attachment)

2-2.1. Appendix B

2-2.2. No Attachment

2-2.3. Appendix A

2-2.4. Refer to 2-2.1

2-2.5. Refer to 2-2.3

2-2.6. TBD

2-2.7. No Attachment

2-2.8. Section 3

2-2.9. No Attachment



Section 3 Policy Guidelines

1968 Housing and Urban Development Act

“Each Developer, General Contractor and Subcontractor bears the responsibility to familiarize itself with the Section 3 Act and Regulations prior to accepting Section 3 Covered Assistance”

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City of Houston Housing and Community Development Section 3 Program

Background:

Section 3 of the Housing and Urban Development Act of 1968, (12U.S.C.1701u)(Section 3) and implementing regulations at 24 C.F.R.135 ensure employment opportunities generated and other economic opportunities generated by certain Housing and Urban Development (HUD) financial assistance shall, be to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low-and very low-income persons.

Pursuant to Section 3 of the Housing and Urban Development Act of 1968, as amended and 24 CFR Part 135, the staff of the City of Houston Housing and Community Development Department (HCDD) recommends adoption of this Economic Opportunities Policy for Section 3 Covered Contracts. The policy will provide direction to HCDD staff for implementing of the Section 3, when required.

Policy Statement:

HCDD shall provide opportunities to low- and very low-income persons residing in the City of Houston (as defined in § 135.5 of 24 CFR Part 135) and to businesses meeting the definition of "Section 3 Business Concern" (as defined by 24 CFR Part 135). Accordingly, HCDD implemented a policy and procedures to ensure that necessary to implement this policy covering all procurement contracts where labor and/or professional services are provided. In order to achieve the numerical goals outlined within the City of Houston, Housing and Community Development Policy Guide. This policy shall not apply to contractors who only furnish materials or supplies through Section 3 covered assistance. It will apply to contractors who install materials or equipment. (See the definition of "Section 3 Covered Contracts" below.) There is nothing in policy that should be construed to require the employment or contracting of a Section 3 resident or contractor who does not meet the qualifications of the position to be filled or who cannot fulfill the contract requirements.

The City embraces the spirit and intent of its obligations under Section 3, and has set forth the following policies that are applicable to developers, contractors, subcontractors, and others engaged in projects funded through the City with funds (*meeting the respective established thresholds of \$200,000 and \$100,000*) sourced from HUD.

Definitions:

HCDD incorporates into this policy the definitions contained in § 135.5 of 24 CFR Part 135.

Defined Terms of Policy:

- **Section 3** - Section 3 is a provision of the Housing and Urban Development Act of 1968, which recognizes that HUD funds are typically one of the largest sources of federal funding expended in communities through the form of grants, loans, entitlement allocations and other forms of financial assistance. Section 3 is intended to ensure that when employment or contracting opportunities are generated because a covered project or activity necessitates the employment of additional persons or the awarding of contracts for work, preference must be given to low- and very low-income persons or business concerns residing in the community where the project is located.
- **Section 3 Recipient** - means any entity which receives Section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferees of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.
- **Section 3 Residents:** - A section 3 resident is 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or non-metropolitan County in which the Section 3 covered assistance is expanded.
- **Section 3 Business Concerns:** - Section 3 Business Concerns are businesses that can provide evidence that they meet one of the following: a) 51% or more owned by Section 3 residents; or b) at least 30% of its full time employees include persons that are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or c) provides evidence, as required, of a commitment to subcontract in excess of 25% of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications as stated above.

Section 3 Covered Assistance: -

- a) Public and Indian housing development, operating or capital funds; or other housing assistance and community development assistance expended for housing rehabilitation, housing construction or other public construction projects, such as: CDBG, HOME, 202/811, Lead-Based Paint Abatement, etc.

- b) The following definition for Section 3 Covered Assistance comes from 24 CFR 135.5:
- 1) Public and Indian housing development assistance provided pursuant to section 5 of the 1937 Act;
 - 2) Public and Indian housing operating assistance provided pursuant to section 9 of the 1937 Act;
 - 3) Public and Indian housing modernization assistance provided pursuant to section 14 of the 1937 Act;
 - 4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - i. Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);
 - ii. Housing construction; or
 - iii. Other public construction project (which includes other buildings or improvements, regardless of ownership).
- **Section 3 Covered Contract** – means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 Covered Assistance, or for work arising in connection with a Section 3 Covered Project. “Section 3 Covered Contracts” do not include contracts awarded under HUD procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). “Section 3 Covered Contracts” also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a Section 3 Covered Contract. For example, a contract for the purchase and installation of a furnace would be a Section 3 Covered Contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by Section 3.
 - **Section 3 Covered Project** – A section 3 covered project involves the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.
 - **Section 3 Covered Community Planning and Development Funding** – Community Development Block Grants (CDBG), Home Investment Partnership Assistance (HOME), Emergency Shelter Grants (ESG), Neighborhood Stabilization Programs (NSP), and certain grants awarded under HUD Notices of Funding Availability (NOFAs). The requirements for Section 3 only apply to the portion(s) of covered funding that were used for project/activities involving housing construction, rehabilitation, demolition, or other public construction.

Responsibilities: (Recipient)

1. A Recipient that receives community development or housing assistance covered by Section 3 has the responsibility to comply with Section 3 in its own operations.
This responsibility includes:
 - a. Notifying Section 3 residents and businesses about jobs and contracts generated by Section 3 covered assistance so that residents may seek jobs and businesses may submit bids/proposals for available contracts;
 - b. Notifying potential contractors of the objectives of Section 3 and ways in which each contractor can assist the sub-recipient to meet its numerical goal;
 - c. Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 business concerns; and
 - d. Documenting the action that the sub-recipient takes to comply with the Section 3 requirements, the results of the actions, and impediments, if any.

2. Recipients have the responsibility to “ensure compliance” of their contractors and subcontractors.
This means that a sub-recipient must:
 - a. Notify contractors of their responsibilities under Section 3 including, but not limited to, incorporating the Section 3 Clause in contract documents.
 - b. Refrain from entering into contracts with contractors that are in violation of the regulations in 24 CFR Part 135.
 - c. Respond to complaints made to the recipient by Section 3 residents or business concerns that the sub-recipient, a contractor or subcontractor, is not in compliance with 24 CFR Part 135.
 - d. Cooperate with HUD in obtaining the compliance of contractors and subcontractors when allegations are made that the sub-recipient’s contractors and subcontractors are not in compliance with the regulation of 24 CFR Part 135.

3. The performance of each recipient(s) is evaluated during and at the completion of construction work. High performance is expected for future funding consideration.

Goals:

All contractors who undertake Section 3 covered projects and activities are expected to meet or exceed the Section 3 requirements. To demonstrate compliance with the "greatest extent feasible" requirement of Section 3, contractors must meet the goals set forth below by providing training, employment and contracting opportunities to Section 3 residents and Section 3 business concerns. To meet the numerical goals, contractors must select Section 3 residents based on the following priorities pursuant to § 135.34, 24 CFR Part 135:

First Priority - Residents of the development where the work is to be performed.

Second Priority - Other residents of the neighborhood where the work is to be performed.

Third Priority - Other residents of the neighborhood who are participants in Youthbuild or others federal, state, and local job programs being carried out in the city or county area.

Fourth Priority - Other persons from the metropolitan area who meet the definition of Section 3 resident contained in § 135.5 of 24 CFR Part 135.

Employment:

All contractors will seek low- or very low-income persons residing in the property metropolitan area for 30% of all new hires. The minimum numerical goal for employment is 30 percent of the aggregate number of new hires shall be Section 3 residents annually—i.e., 10 out of 30 new employees needed to complete a Section 3 covered project/activity shall be a Section 3 resident.

Contracting:

The minimum goals for contracting are:

- Ten percent of the total dollar amount of all Section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing or building trades work arising in connection with housing rehabilitation, housing construction and other public construction, shall be awarded to Section 3 businesses; and
- Three percent of the total dollar amount of all non-construction Section 3 covered contracts, shall be awarded to Section 3 businesses.

Nothing in this policy shall be construed to require the employment or contracting of a Section 3 resident or contractor who does not meet the qualifications of the position to be filled or who cannot perform the contract.

Preference for Section 3 Business Concerns:

Preference shall be awarded to Section 3 Business Concerns according to the following system:

- A. Where the Section 3 Covered Contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified Section 3 Business Concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified Section 3 Business Concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation. If it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified Section 3 Business Concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.
- B. Where the Section 3 Covered Contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for Section 3 Business Concerns. The purchase order shall be awarded to the responsible firm whose

quotation is the most advantageous, considering price and all other factors specified in the rating system.

Procedures for Section 3 certification of Residents/Business Concerns:

There are several procedures to follow as they relate to different aspects of the Section 3 program such as certifying residents and businesses as complying with Section 3; provide training and outreach to recruit residents and business for employment and contract opportunities; establish a grievance procedure when non-compliance with Section 3 is reported; monitoring including contractors and their sub-contractors for Section 3 compliance.

Certifying Residents as Section 3 Compliant

The following hiring priorities apply to all projects that fall under Section 3 guidelines:

Highest Priority: Low- and very low-income residents residing in “affected neighborhoods” adjacent to or near a project.

Second Priority: Other low- and very low-income residents throughout the City.

Step 1

- Inquiry received from resident asking to be certified under Section 3.
- Application completed and submitted.
- Income and residency verified by staff.

Step 2

- Resident application information entered into database.
- Certified Residents are entered into the active database for consideration of employment by applicable contractors and sub-contractors whose contract amount is or greater than \$100,000, no matter the funding source.

Step 3

- Recertification is conducted every three years.

Certifying Businesses as Section 3 Compliant

Businesses can become Section 3 certified if they meet at least one (1) of the following HUD guidelines:

- 51% owned by a certified Section 3 eligible resident;
- 30% or more of the business’ permanent full-time employees are certified Section 3 residents; or
- 25% or more of all monies spent on the project is awarded to certified Section 3 Businesses

Step 1

- Inquiry received from business asking to be certified under Section 3.
- Application completed and submitted.

Step 2

- Business information entered into database.

- Information available to Section 3 Coordinator and appropriate Relationship Managers / reviewing contracts.
- The certified Business Concerns are listed at our website and applicable contractors and sub-contractors whose contract amount is or greater than \$100,000, no matter the funding source may offer contracting opportunities.

Step 3

For selected contractor's/subcontractor's with a contract of threshold of \$100,000

- Within 7-10 working days of receipt of a Contractor's compliance packet, HCDD will:
 - Review Section 3 employment goals in the Utilization Plans
 - Review planned Section 3 business usage goals
 - Provide contractor / sub-contractor with recommendations, if necessary
 - Maintain a log of Utilization Plans reviewed, approved, denied, and / or resubmitted.

Grievance Procedure when non-compliance with Section 3 is reported

Any Section 3 resident or business may file a complaint alleging non-compliance with Section 3 by a recipient, contractor, or subcontractor. Complaints will be investigated by HCDD and referred to the local HUD Field Office, if necessary.

A written complaint **must** contain:

- Name and address of the person filing the complaint;
- Name and address of the subject of complaint (HUD Recipient or Contractor)
- Description of acts or omissions in alleged violation of Section 3
- Statement of corrective action sought, i.e. training, employment or contracts

Step 1

- Complaint by HCDD – Real Estate Monitoring – Section 3 and logged into database.

Step 2

- Investigation pursued by assigned staff.
- Investigation completed within 7 – 10 business days.
- Complaints are referred to the local HUD office, if necessary.
- Resolutions and findings entered into database.
- A resolution report is generated on filed complaints. Report is maintained and distributed accordingly.

Step 3

- Official resolution of complaints distributed as appropriate
 - HCDD Administration.
 - Other City Entities / Agencies / Departments that may be involved.

- Recommended resolution sent to local HUD office.
- Document placed into project file.

Monitoring Contractors and their sub-contractors for Section 3 compliance

The assigned staff will conduct regular compliance reviews, which consist of comprehensive analysis and evaluation of the recipient’s or contractor’s compliance with Section 3.

Step 1

- Relationship Manager ensures compliance with Section 3 requirements, including monthly reports, signage requirements, employment fliers, and outreach attempts.
- Monthly reports forwarded to Section 3 Coordinator who:
 - Enters information into database.
 - Provides assessment of project status, if non-compliance, guidance is provided.
 - Provides technical assistance at first instance of non-compliance.
 - Repeated practices refer to 24 C.F.R § **135.38 Section 3 clause** Part F

Step 2

- More intensive desk audits completed by Compliance Analyst. Monthly audits are conducted on contracts over \$100,000, while project under construction.
- Results forwarded to Section 3 Coordinator who:
 - Enters information into database.
 - Provides assessment of non-compliance.
 - Provides technical assistance at first instance of non-compliance.
 - Report non compliance and recommend other disciplinary actions to Director.

Training and / or outreach for staff, residents, and contractors needs to be provided

While Section 3 requirements and initial Utilization Plans are currently part of every contract HCDD creates; staff, contractors, and community partners must be aware of the City’s increased emphasis on Section 3 compliance. Training will be provided on a regular basis per program guidelines.

Step 1

- Monthly training sessions are conducted throughout the community and internally that will provide information about Section 3 requirements and compliance methods.

Step 2

- Hold training sessions for staff bi-annually.
- Hold training sessions for contractors regularly and make presentations at various meetings.
- Hold training sessions for residents once a year and make presentations at job fairs.

- Hold training sessions with community partners and construction / business membership organizations regularly.

Web presence needs to be provided

Information about the Section 3 program is included on the HCDD website: <https://www.houstontx.gov/housing/sec3.html>.

Step 1

- Provide an easy-to-use explanation of Section 3 and how the City / HCDD encourage participation and enforce compliance.
- Attach all applicable documents, such as the Section 3 Program Policy Guideline and the broad training presentation.
- Provide a visible explanation of the grievance procedure, with appropriate links.
- Provide links to HUD’s Frequently Asked Questions (FAQs) about Section 3.

Step 2

- Monitor the website monthly to ensure all links are active and to update any documents. Email address is hcdsection3@houstontx.gov to ensure appropriate people have access to the emails (Section 3 Coordinator and back-up staff) so inquiries, requests, and complaints can be processed immediately.

Competitive Bids: Procurement by Sealed Bids (Invitations for Bids)

Preference in the award of Section 3 Covered Contracts that are awarded under a sealed bid process may be provided as follows:

Bids shall be solicited from all businesses (Section 3 Business Concerns, and non Section 3 Business Concerns). An award shall be made to the qualified Section 3 Business Concern with the highest priority ranking and with the lowest responsive bid:

1. Bids shall be solicited from all businesses (i.e. Section 3 Business Concerns and non-Section 3 Business Concerns). An award shall be made to the qualified Section 3 Business Concern with the highest priority ranking (as defined in 24 CFR Part 135) and with the lowest responsive bid if that bid:
 - A. is within the maximum total contract price established in HCDD's budget for the specific project for which bids are being taken; and
 - B. is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder. "X" is determined as follows:

X = lesser of:

When the lowest responsive bid is less than \$100,000 10% of that bid or \$9,000

When the lowest responsive bid is:

At least \$100,000, but less than \$200,000..... 9% of that bid or \$16,000
At least \$200,000, but less than \$300,000.....8% of that bid or \$21,000
At least \$300,000, but less than \$400,000.....7% of that bid or \$24,000
At least \$400,000, but less than \$500,000.....6% of that bid or \$25,000
At least \$500,000, but less than \$1 million.....5% of that bid or \$40,000
At least \$1 million, but less than \$2 million.....4% of that bid or \$60,000
At least \$2 million, but less than \$4 million.....3% of that bid or \$80,000
At least \$4 million, but less than \$7 million.....2% of that bid or \$105,000
\$7 million or more....1.5% of the lowest responsive bid, with no dollar limit.

2. If no responsive bid by a Section 3 Business Concern meets the requirements of paragraph 1 of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.
3. In both paragraph 1 and 2 above, a bidder, to be considered as responsible, must demonstrate compliance with the "greatest extent feasible" requirement of Section 3

Compliance:

HUD holds HCDD accountable for compliance with Section 3 requirements. In its written agreement with its housing partners, HCDD will site Section 3 obligations. When a housing partner is unable to meet Section 3 goals, HCDD will place the burden of proving compliance with Section 3 on the recipient.

Safe harbor and compliance determinations: In the absent of evidence to the contrary (i.e., evidence that efforts to the “greatest extent feasible” were not expended), if a recipient or contractor meets the minimum numerical goals shown above, the recipient or contractor is considered to have complied with Section 3 preference requirements. The recipient will be expected to demonstrate why it was not feasible to meet the goals. Ultimately, HUD will evaluate HCDD based on its ability to describe the efforts that it took to meet the training, hiring, and contracting requirements and the impediments incurred despite actions taken. At a minimum, if recipients of Section 3 Assistance are unable to meet their Section 3 training, hiring, and contracting goals, they should

sponsor or participate in upward mobility programs, hire eligible residents in trainee positions with regard to training and employment, or form Section 3 joint ventures with various local employment agencies.

Data Collection and Reporting:

HCDD will submit data semi-annually to HUD that documents all prevailing wage, MBE/SBE activities and Section 3 activities annually undertaken by themselves and their housing partners. Prevailing wages, MBE/SBE participation data will be captured on Part III of the semi-annually Performance Report (Form HUD-40107). Section 3 data is captured on the Section 3 Summary

Report (Form HUD-60002). HCDD will submit both forms to HUD along with the Consolidated Annual Performance and Evaluation Report (CAPER). To facilitate completion of these semi-annual and annual reports, HCDD managers have or will become familiar with the data collection and reporting requirements and will review policies, procedures and progress reports on a regular basis, to monitor HCDD's progress in meeting these goals.

These forms are available online http://www.hudclips.org/sub_nonhud/html/forms.htm.

The HUD-60002 forms are submitted online or by mail to:

Office of Fair Housing and Equal Opportunity,
Economic Opportunity Division,
451 7th Street, S.W.,
Washington, D.C. 20410



Section 3 Program, a 1968 Housing and Urban Development Act Regulations and Forms

“ensure that employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low-and very low income persons.”

Project Name & Address: _____
Name of the Contractor/Subcontractor: _____
Services to be provided: _____
Address including zip code: _____
Area Code/Phone Number: _____ Fax: _____
Company’s Tax ID Number: _____
Amount of Contract: _____
Contact Person: _____
Email: _____
Owner’s Ethnicity/Racial Background: _____

**SECTION 3 PLAN FORMAT FOR CONTRACTS
AND SUBCONTRACTS OF \$100,000 AND OVER**

POLICY

The purpose of this format is to set forth procedures to assume compliance with Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u. Section requires that to the greatest extent feasible opportunities for training and employment be given lower income residents of the project area and contracts for work in connection with the project be awarded to business concerns that are located in or owned in substantial part by persons residing in the project.

INSTRUCTIONS

Contractor and Subcontractor shall fill out, sign and return to the City of Houston, Housing & Community Development Department, the following applicable forms at the times identified. All forms must be signed by a duly authorized member of the firm. If you have other pertinent information in addition to that requested on the forms, please include it as an attachment. Listed below are the forms which the Contractor must submit:

HUD Income Limits	17	Section 3 Resident/Business Concerns
Low-Moderate Income Area Map	19	Section 3 Resident/Business Concerns
Contractor Section 3 Compliance Certification	21	10 days after Notice of Intent to Award
First Source Hiring Agreement	22	10 days after Notice of Intent to Award
Contractor/Sub Workforce Analysis Form	24	10 days after Notice of Intent to Award
Section 3 Business Utilization Plan	25	10 days after Notice of Intent to Award
Permanent Employee List	26	10 days after Notice of Intent to Award
Start of Work Notice	27	At Commencement of Work
Termination of Work Notice	28	At Cease of Work
Monthly Contractor/Sub Section 3 Compliance Form	29	Monthly, after Start of Work
Subcontractor's Affidavit – Internal Capacity	30	Subcontractor has Internal Capacity
Section 3 Residents Application for Certification	31	Certify workforce on the job/per project
Project Sign Template	32	10 days after Notice to Intent to Award
HUD Regulations	33	Section 3 Resident/Business Concerns

HUD Income Limits

HUD Income Limits

**Houston-Baytown-Sugar Land
2011 Annual and Monthly Income Limits For
Extremely Low-Income, Very Low-Income and Low-Income Families
Under the Housing Act of 1937**

Released May 31, 2011 (*updated annually*)

Persons in Household	30% of Median		50% of Median		80% of Median	
	Extremely Low Income Annual Income	Monthly Income	Very Low-Income Annual Income	Monthly Income	Low-Income Annual Income	Monthly Income
1	\$13,900	\$1,158	\$23,100	\$1,925	\$37,000	\$3,083
2	15,850	1,320	26,400	2,200	42,250	3,521
3	17,850	1,488	29,700	2,475	47,550	3,963
4	19,800	1,650	33,000	2,750	52,800	4,400
5	21,400	1,783	35,650	2,971	57,050	4,754
6	23,000	1,917	38,300	3,192	61,250	5,104
7	24,600	2,050	40,950	3,413	65,500	5,458
8	26,150	2,179	43,600	3,633	69,700	5,808

FY 2011 Median Family Income \$66,000.00

* Definitions (Source 24 CFR 570.3):

1. "Low and moderate income household" or "lower income household" means a household having an income equal to or less than the Section 8 lower income limits established by HUD. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
2. "Low and moderate income person" or "lower income person" means a member of a family having an income equal to or less than the Section 8 lower income limits established by HUD. Unrelated individuals shall be considered as one person families for this purpose. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.

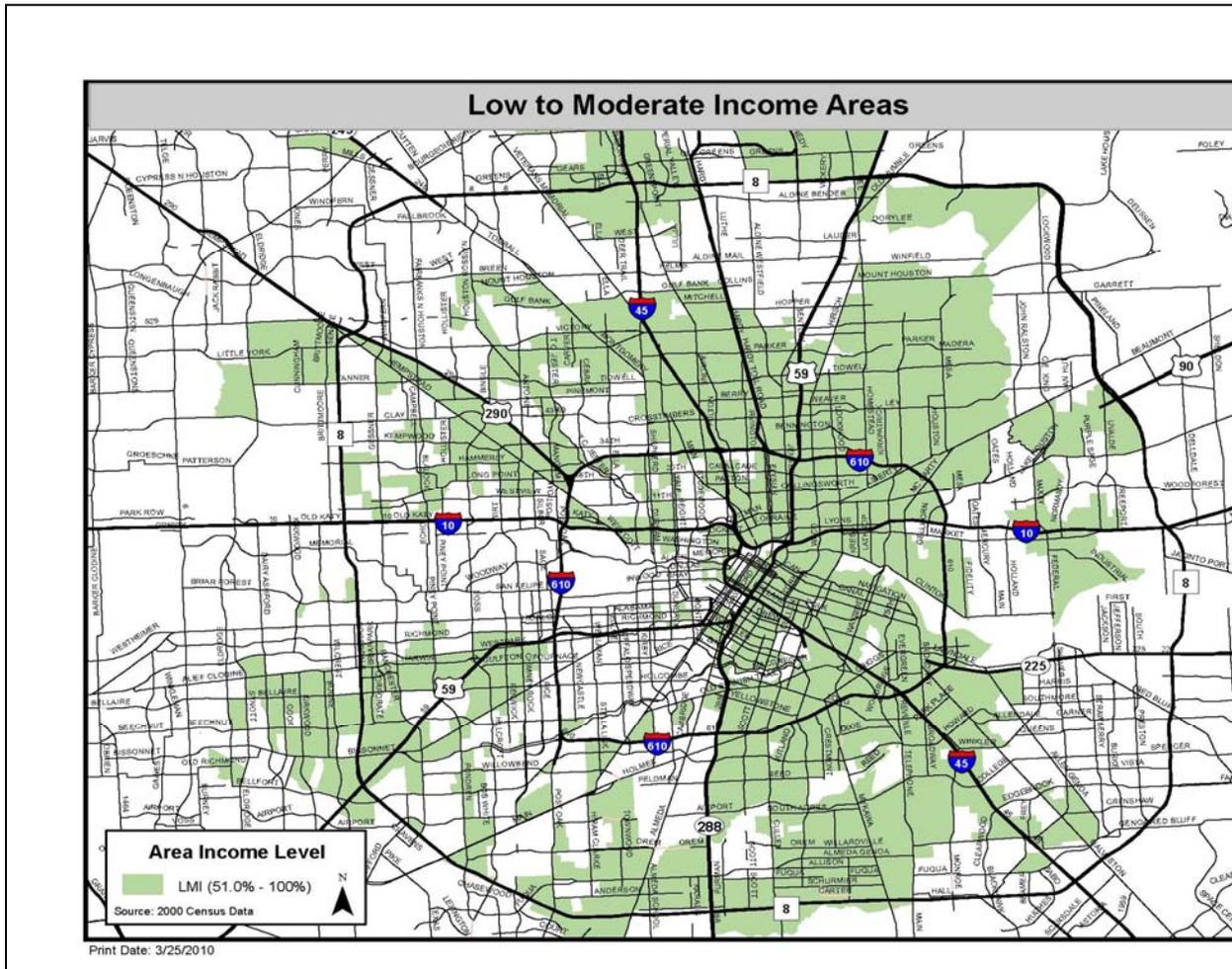
Moderate Income Area Map

Moderate Income Area Map

Visit our website at www.houstontx.gov

Enter your zip code in the right hand search bar

The information will display for Residents/Business in the Houston/Metropolitan Area



Compliance Submittal Forms

CONTRACTOR'S SECTION 3 COMPLIANCE CERTIFICATION

The undersigned makes this affidavit with full knowledge that its contents will be used in the expenditure of funds provided by the United States Government. Under penalty of perjury I hereby state:

1. I am the _____ of _____.
(owner, partner, officer, representative, agent) (Company Name)
2. My company adheres to Section 3 of the Housing and Urban Development (HUD) Act of 1968, as amended, 12 U.S.C. 1701u which requires, to the greatest extent feasible, that a "good faith effort" given to identifying small businesses located within the boundaries of the Section 3 service area, making them aware of contracting opportunities, encouraging their participation and actually awarding contracts to Section 3 business concerns through the assistance of the City of Houston and their referral system.
3. An attempt will be made to undertake outreach activities intended to encourage participation by Section 3 residents in training and employment opportunities, to include but not be limited to utilizing the referral established by the City of Houston, the Texas Employment Commission and Houston Works.

Affiant's Signature: _____ Address: _____

Affiant's Title: _____ Telephone: _____

Affiant's Company Name: _____

Subscribed and sworn to under oath before me this _____ day of _____, 20____.

My commission expires:

NOTARY: _____

First Source Hiring Agreement

This agreement, is entered into this ___ day of _____, 201__, by and between the City of Houston and, hereinafter referred to as the "City", and hereinafter referred to the "Contractor", in connection with work to be performed in relation to the City's HUD-assisted project entitled, hereinafter referred to as the "project".

Whereas, HUD has promulgated certain regulations to implement Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 U.S.C. 1701u)(Section 3), which regulations were published in the Federal Register June 30, 1994 at page 33865, hereinafter referred to as the "Section 3 regulations"; and

Whereas, the purpose of Section 3 regulations is to ensure that employment and other economic opportunities generated by Section 3 covered assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, and to business concerns, which provide economic opportunities to such persons.

Whereas, HUD has set forth numerical employment, and contracting goals to be achieved by all Community Development recipients of Section 3 covered assistance and by other recipients of such assistance in which HUD's share exceeds \$200,000 per project and by those Contractors whose share of such projects exceeds \$100,000; and

Whereas, the numerical goal so established by HUD applicable to the Project is set forth below; and

Whereas, recipients of Section 3-covered assistance and their contractors can demonstrate compliance with the Section 3 regulations by committing to employ Section 3 eligible persons as the applicable percentage of the aggregate number of new hires during the time period involved in the Section 3-covered project; and

Whereas, the City and the Contractor are desirous of being in compliance with the Section 3 regulations as they relate to the Project;

Now therefore, the City and the Contractor agree as follows:

1. The Contractor and any of its subcontractors shall supply the City with a list of all full-time employees currently employed, indicating which, if any, of said employees were hired within the past three years and were also low or very low-income persons when so hired;
2. The Contractor and any of its subcontractors shall provide a listing of any and all positions for which new hires are expected to be required as a result of the Project;
3. The Contractor and any of its contractors will, to the greatest extent feasible, endeavor to hire 30% percent of the new hires generated by the Project from the

following list of Section 3-eligible groups, in the order of priority listed:

- A. Section 3 residents of service area or neighborhood;
 - B. Youth build participants;
 - C. Homeless projects; Homeless persons; and
 - D. Other Section 3 residents.
4. The Contractor and any of its subcontractors will be encouraged to make new hires from the list of Section 3-eligible groups in Paragraph 3 above for any and all other projects assisted with Federal funding, whether or not such project is subject to the Section 3 regulations;
5. The Contractor and any of its subcontractors shall accept referrals of Section 3-eligible persons from the City.

Provided, however, that nothing in this agreement is to be construed requiring any party hereto, or its subcontractors, to hire any person or persons who are unqualified to or incapable of carrying out the work required of any such new hires.

Witness our hands and seals on the date first written above:

The City of Houston
Department of Housing & Community Development

Witness: _____

by _____
Division Manager

Contractors Name:

Witness: _____

by _____
its Owner/President/Vice President

CONTRACTOR/SUBCONTRACTOR (Select one) WORKFORCE ANALYSIS FORM

ESTIMATED PROJECT WORK FORCE BREAKDOWN

Job Category	Total Estimated Positions Needed for Project	No. Positions Occupied by Permanent Employees	Number of Positions Not Occupied	Number of Positions to be Filled w/Section 3 Residents
Officer/Supervisor				
Professionals				
Technical				
Hsg Sales/Rent				
Office/Clerical				
Service Workers				
Others				
TRADE:				
Journeyman				
Apprentices				
Laborers				
Trainees				
Others				
TRADE:				
Journeyman				
Apprentices				
Laborers				
Trainees				
Others				

EMPLOYMENT CERTIFICATION (make additional copies of this form if necessary)

The Company hereby certifies that the above table represents the appropriate number of employee's positions required in the execution of project _____ and also represents the number of Section 3 service area residents that the company proposes to employ.

The Company certifies that it will make a good faith effort to employ the number of lower income employees stated utilizing such community-based organizations and service agencies as the Texas Employment Commission and Houston Works.

Company: _____
 By: _____

Title: _____
 Date: _____

Start of Work Notice

PROJECT NAME: _____

PROJECT LOCATION: _____

(Street Address)

(City / State / Zip)

This is to inform you that the _____

(Name of Company)

Located at _____,

(Address)

(Town / City)

has started work on the above referenced project covered by contract with the City of Houston,

as of * _____.

(Date)

(Name of Company)

(Signature)

(Title)

Notification of start of construction by each contractor /subcontractor should be submitted via E-mail, mail or fax to:

**Compliance & Monitoring Division
City of Houston
Housing & Community Development Department
601 Sawyer Street, 4th Floor
Houston, Texas 77007
Fax # 713-868-8366**

*The date of Start of Work Notice must be *the first date of work* shown on the first payroll.

Termination of Work Notice

PROJECT NAME: _____

PROJECT LOCATION: _____

(Street Address)

(City / State / Zip)

This is to inform you that the _____

(Name of Company)

Located at _____,

(Address)

(Town / City)

has started work on the above referenced project covered by contract with the City of Houston,

as of * _____.

(Date)

(Name of Company)

(Signature)

(Title)

Notification of start of construction by each contractor /subcontractor should be submitted via E-mail, mail or fax to:

**Compliance & Monitoring Division
City of Houston
Housing & Community Development Department
601 Sawyer Street, 4th Floor
Houston, Texas 77007
Fax # 713-868-8366**

*The date of Start of Work Notice must be *the first date of work* shown on the first payroll.

MONTHLY CONTRACTOR/SUBCONTRACTOR SECTION 3 COMPLIANCE FORM (Please select one)

Monthly Report

CONTRACTOR NAME _____ PROJECT NAME _____ Racial/Ethnic Codes:
 ADDRESS _____ CONTRACT AMOUNT _____ 1-White American
 CONTACT PERSON _____ DATE REPORT SUBMITTED _____ 2-Black American
 3-Native American
 4-Hispanic American
 5-Asian Pacific American
 PHONE NUMBER _____ 6-Hasidic Jews (For Part II only)

Part I: Employment and Training (*Include New Hires In columns C and D.)

A Job Category	B Existing Employee Numbers:	Section 3 New Hires:	C Total Number of staff hours for Section 3 Employees and Trainees *	D Number of Section 3 Employees and Trainees*	E Radical/Ethnic Code(s) For Columns D and E, show Numbers					
					1	2	3	4	5	6
Professionals										
Technicians										
Office/Clerical										
Construction by Trade (List Trade:										
Trade:										
Trade:										
Trade:										
Other:(List)										

Part II Section A 3 Business

A Type of Contracts	B Total dollar amount awarded on project	C Total dollar amount awarded to Section 3	D Total number of Section 3 Business receiving contract	E Radical/Ethnic Code(s) For Columns D and E, show Numbers					
				1	2	3	4	5	6
Construction									
Non-Construction									

**All contractors/subcontractors applicable \$100,000 and above submit
 Monthly Report by 10th of each month**

Section 3 Internal Capacity

Affidavit:

The undersigned makes this affidavit with full knowledge of the content described in the Section 3 Program regulations at 24 CFR Part 135. Each recipient of Section 3 covered financial assistance, and its contractors or subcontractors are required to comply with the requirements of Section 3 for new employment, training, or contracting opportunities that are created during the expenditure of covered funding. This requirement applies to matters which include:

1. All construction projects for which the amount of City (HUD-sourced) assistance to the project or program exceeds \$200,000.
2. All Contractor/Subcontractor situations where the individual contract or subcontract exceeds \$100,000 from the City with HUD-sourced funds.

This affidavit is to document the contractor has sufficient internal capacity to execute the entire scope of work awarded without the need to subcontract and to acknowledge by the undersigned if subcontracts are required, they may be subject to additional requirements under the Section 3 program.

Under penalty of perjury I hereby state:

I am the _____ of _____,
 (Owner, partner, officer, representative, agent) (Company Name)
 which has executed a contract with _____ to perform _____
 (Other Contract Party)
 _____ on the project known as _____

(Description of Work) (Name of Project)

and represent that the contract covered by this affidavit has met the conditions, including those described above and hereby authorize and request any person, firm or corporation to furnish any information requested by the Housing and Community Development Department in verification of the recitals comprising this _____ day of _____, 20____.

Name of Contractor

By

Title

STATE OF TEXAS)
) SS
 COUNTY OF HARRIS)

_____ being duly sworn, deposes

and says that he/she is _____ of _____ and that the answers to the foregoing questions and all statements therein contained are true and correct.

Subscribed and sworn to before me this _____ day of _____, 2011.

My Commission Expires

Notary Public



SECTION 3 RESIDENT CERTIFICATION

A Section 3 resident seeking preference in training and employment provide by this part shall certify and submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Section 135.5 (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence in a public assistance program).

General Information

Project Name: _____
 Name _____
 Address _____
 City _____ State _____ Zip Code _____
 Telephone Number _____ Email Address (optional) _____
 Job Kill/Trades _____

Certification

Check Yes or No for each statement. If you check “Yes” to one or more of the following please attach the documentation as evidence of your status as a Section 3 Resident.

1. Public housing resident (provide copy of lease) Yes No
2. Participate (s) in a federal, state, or local public assistance program (proof of residency) Yes No
3. Total annual family income is: _____
 The family size of household is: _____
 (Complete HUD Income Worksheet)
4. Attach Resume of work skills and related evidence of experience.
5. Provide evidence of proof of income.

2011 Annual Income Limits

Family Size	1	2	3	4	5	6	7	8
Low Income	\$37,000	\$42,250	\$47,550	\$52,800	\$57,050	\$61,250	\$65,500	\$69,700

I _____, am a legal resident of the Houston metropolitan area and qualify as a Section 3 resident because I meet the income eligibility guidelines for a low or very low income person as published above.

I understand that the information above may require verification. I agree to provide documents verifying this information if requested and authorize my employer, if applicable, to release information required by HCDD to verify my status as a “Section 3 Resident”. I certify that the above statements are true, complete, and correct to the best of my knowledge and belief.

Print Name

Signature

Date



City of Houston

Housing and Community Development Department

In partnership with the U.S. Department of Housing and Urban Development, and

The Construction of this project is subject to the Section 3 plan of the U.S. Department of Housing and Urban Development. This program is designed to generate various Employment and Contracting Opportunities.

Please inquire within:

Contractor name and contact number/E-Mail:

- _____
- _____

Section 3 Regulations

(CFR 135.1 24)

Section 3 Regulations

§ 135.1 24 CFR Subtitle B, Ch. I (4–1–03 Edition)

APPENDIX TO PART 135

AUTHORITY: 12 U.S.C. 1701u; 42 U.S.C.3535(d).

SOURCE: 59 FR 33880, June 30, 1994, unless otherwise noted.

EFFECTIVE DATE NOTE: At 59 FR 33880, June 30, 1994, part 135 was revised effective August 1, 1994 through June 30, 1995. At 60 FR 28325, May 31, 1995, the effective period was extended until the final rule implementing changes made to section 3 of the Housing and Urban Development Act of 1968 by the Housing and Community Development Act of 1992 is published and becomes effective.

Subpart A—General Provisions

§ 135.1 Purpose.

(a) *Section 3*. The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

(b) *Part 135*. The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of section 3 are met.

§ 135.2 Effective date of regulation.

The regulations of this part will remain in effect until the date the final rule adopting the regulations of this part with or without changes is published and becomes effective, at which point the final rule will remain in effect. [60 FR 28326, May 31, 1995]

§ 135.3 Applicability.

(a) *Section 3 covered assistance*. Section 3 applies to the following HUD assistance (section 3 covered assistance):

(1) *Public and Indian housing assistance*.

Section 3 applies to training, employment, contracting and other economic opportunities arising from the expenditure of the following public and Indian housing assistance:

(i) Development assistance provided pursuant to section 5 of the U.S. Housing Act of 1937 (1937 Act);

(ii) Operating assistance provided pursuant to section 9 of the 1937 Act; and

(iii) Modernization assistance provided pursuant to section 14 of the 1937 Act;

(2) *Housing and community development assistance*. Section 3 applies to training, employment, contracting and other economic opportunities arising in connection with the expenditure of housing assistance (including section 8 assistance, and including other housing assistance not administered by the Assistant Secretary of Housing) and community development assistance that is used for the following projects;

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; and

(iii) Other public construction.

(3) *Thresholds*—(i) *No thresholds for section 3 covered public and Indian housing assistance*. The requirements of this part apply to section 3 covered assistance provided to recipients, notwithstanding the amount of the assistance provided to the recipient. The requirements of this part apply to all contractors and subcontractors performing work in connection with projects and activities funded by public and Indian housing assistance covered by section 3, regardless of the amount of the contract or subcontract.

(ii) *Thresholds for section 3 covered housing and community development assistance*—(A) *Recipient thresholds*. The requirements of this part apply to recipients of other housing and community development program assistance for a section 3 covered project(s) for which the amount of the assistance exceeds \$200,000.

(B) *Contractor and subcontractor thresholds*. The requirements of this part apply to contractors and subcontractors performing work on section 3 covered project(s) for which the amount of the assistance exceeds \$200,000; and the contract or subcontract exceeds \$100,000.

Office of Asst. Secy., Equal Opportunity, HUD § 135.5

(C) *Threshold met for recipients, but not contractors or subcontractors*. If a recipient receives section 3 covered housing or community development assistance in excess of \$200,000, but no contract exceeds \$100,000, the section 3 preference requirements only apply to the recipient.

(b) *Applicability of section 3 to entire project or activity funded with section 3 assistance*. The requirements of this part apply to the entire project or activity that is funded with section 3 covered assistance, regardless of whether the section 3 activity is fully or partially funded with section 3 covered assistance.

(c) *Applicability to Indian housing authorities and Indian tribes*. Indian housing authorities and tribes that receive HUD assistance described in paragraph (a) of this section shall comply with the procedures and requirements of this part to the maximum extent consistent with, but not in derogation of, compliance with section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)). (See 24 CFR part 905.)

(d) *Other HUD assistance and other Federal assistance*. Recipients, contractors and subcontractors that receive HUD assistance, not listed in paragraph (a) of this section, or other Federal assistance, are encouraged to provide, to the greatest extent feasible, training, employment, and contracting opportunities generated by the expenditure of this assistance to low- and very low-income persons, and business concerns owned by low- and very low-income persons, or which employ low- and very low-income persons.

§ 135.5 Definitions.

The terms *Department*, *HUD*, *Indian housing authority (IHA)*, *Public housing agency (PHA)*, and *Secretary* are defined in 24 CFR part 5.

Annual Contributions Contract (ACC) means the contract under the U.S. Housing Act of 1937 (1937 Act) between HUD and the PHA, or between HUD and the IHA, that contains the terms and conditions under which HUD assists the PHA or the IHA in providing decent, safe, and sanitary housing for low income families. The ACC must be in a form prescribed by HUD under which HUD agrees to provide assistance in the development, modernization and/or operation of a low income housing project under the 1937 Act, and the PHA or IHA agrees to develop, modernize and operate the project in compliance with all provisions of the ACC and the 1937 Act, and all HUD regulations and implementing requirements and procedures. (The ACC is not a form of procurement contract.)

Applicant means any entity which makes an application for section 3 covered assistance, and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization,

private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assistant Secretary for Fair Housing and Equal Opportunity.

Business concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Business concern that provides economic opportunities for low- and very low-income persons. See definition of “section 3 business concern” in this section.

Contract. See the definition of “section 3 covered contract” in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project.

Employment opportunities generated by section 3 covered assistance means all employment opportunities generated by the expenditure of section 3 covered public and Indian housing assistance (i.e., operating assistance, development assistance and modernization assistance, as described in § 135.3(a)(1)). With respect to section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection with section 3 covered projects (as described in § 135.3(a)(2)), including management and administrative jobs connected with the section 3 covered project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing authority (HA) means, collectively, public housing agency and Indian housing authority.

Housing and community development assistance means any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-income housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD’s public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youthbuild programs mean programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

Indian tribes shall have the meaning given this term in 24 CFR part 571.

JTPA means the Job Training Partnership Act (29 U.S.C. 1579(a)).

Low-income person. See the definition of “section 3 resident” in this section.

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget.

Neighborhood area means: (1) For HUD housing programs, a geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village, or similar geographical designation. (2) For HUD community development programs, see the definition, if provided, in the regulations for the applicable community development program, or the definition for this term in 24 CFR 570.204(c)(1).

New hires mean full-time employees for permanent, temporary or seasonal employment opportunities.

Nonmetropolitan county means any county outside of a metropolitan area.

Other HUD programs means HUD programs, other than HUD public and Indian housing programs, that provide housing and community development assistance for “section 3 covered projects,” as defined in this section.

Public housing resident has the meaning given this term in 24 CFR part 963.

Recipient means any entity which receives section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which section 3 applies and does not include contractors.

Section 3 means section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means a business concern, as defined in this section—(1) That is 51 percent or more owned by section 3 residents; or (2) Whose permanent, full-time employees include persons, at least 30 percent of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or (3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of “section 3 business concern.”

Section 3 clause means the contract provisions set forth in § 135.38.

Section 3 covered activity means any activity which is funded by section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means: (1) Public and Indian housing development assistance provided pursuant to section 5 of the 1937 Act; (2) Public and Indian housing operating assistance provided pursuant to section 9 of the 1937 Act; (3) Public and Indian housing modernization assistance provided pursuant to section 14 of the 1937 Act; (4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with: (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement); (ii) Housing construction; or (iii) Other public construction project (which includes other buildings or improvements, regardless of ownership).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of section 3 covered assistance, or for work arising in connection with a section 3 covered project. “Section 3 covered contracts” do not include contracts awarded under HUD’s procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). “Section 3 covered contracts” also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a section 3 covered contract. For example, a contract for the purchase and installation of a furnace would be a section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 joint venture. See § 135.40.

Section 3 resident means: (1) A public housing resident; or (2) An individual who resides in the metropolitan area or nonmetropolitan county in which the section 3 covered assistance is expended, and who is: (i) *A low-income person*, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act defines this term to mean families (including single persons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families; or (ii) *A very low-income person*, as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)) defines this term to mean families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. (3) A person seeking the training and employment preference provided by section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Section 8 assistance means assistance provided under section 8 of the 1937 Act (42 U.S.C. 1437f) pursuant to 24 CFR part 882, subpart G. *Service area* means the geographical area in which the persons benefitting from the section 3 covered project reside. The service area shall not extend beyond the unit of general local government in which the section 3 covered assistance is expended. In HUD's Indian housing programs, the service area, for IHAs established by an Indian tribe as a result of the exercise of the tribe's sovereign power, is limited to the area of tribal jurisdiction.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of section 3 covered assistance, or arising in connection with a section 3 covered project.

Very low-income person. See the definition of "section 3 resident" in this section.

Youthbuild programs. See the definition of "HUD Youthbuild programs" in this section. [59 FR 33880, June 30, 1994, as amended at 61 FR 5206, Feb. 9, 1996]

§ 135.7 Delegation of authority.

Except as may be otherwise provided in this part, the functions and responsibilities of the Secretary under section 3, and described in this part, are delegated to the Assistant Secretary for Fair Housing and Equal Opportunity. The Assistant Secretary is further authorized to redelegate functions and responsibilities to other employees of HUD; *provided however*, that the authority to issue rules and regulations under this part, which authority is delegated to the Assistant Secretary, may not be redelegated by the Assistant Secretary.

§ 135.9 Requirements applicable to HUD NOFAs for section 3 covered programs.

(a) *Certification of compliance with part 135.* All notices of funding availability (NOFAs) issued by HUD that announce the availability of funding covered by section 3 shall include a provision in the NOFA that notifies applicants that section 3 and the regulations in part 135 are applicable to funding awards made under the NOFA. Additionally the NOFA shall require as an application submission requirement (which may be specified in the NOFA or application kit) a certification by the applicant that the applicant will comply with the regulations in part 135. (For PHAs, this requirement will be met where a PHA Resolution in Support of the Application is submitted.) With respect to application evaluation, HUD will accept an applicant's certification unless there is evidence substantially challenging the certification.

(b) *Statement of purpose in NOFAs.* (1) For competitively awarded assistance in which the grants are for activities administered by an HA, and those activities are anticipated to generate significant training, employment or contracting opportunities, the NOFA must include a statement that one of the purposes of the assistance is to give to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns. (2) For competitively awarded assistance involving housing rehabilitation, construction or other public construction, where the amount awarded to the applicant may exceed \$200,000, the NOFA must include a statement that one of the purposes of the assistance is to give, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(c) *Section 3 as NOFA evaluation criteria.* Where not otherwise precluded by statute, in the evaluation of applications for the award of assistance, consideration shall be given to the extent to which an applicant has demonstrated that it will train and employ section 3 residents and contract with section 3 business concerns for economic opportunities generated in connection with the assisted project or activity. The evaluation criteria to be utilized, and the rating points to be assigned, will be specified in the NOFA.

§ 135.11 Other laws governing training, employment, and contracting.

Other laws and requirements that are applicable or may be applicable to the economic opportunities generated from the expenditure of section 3 covered assistance include, but are not necessarily limited to those listed in this section.

(a) *Procurement standards for States and local governments (24 CFR 85.36)*—(1) *General.* Nothing in this part 135 prescribes specific methods of procurement. However, neither section 3 nor the requirements of this part 135 supersede the general requirement of 24 CFR 85.36(c) that all procurement transactions be conducted in a competitive manner. Consistent with 24 CFR 85.36(c)(2), section 3 is a Federal statute that expressly encourages, to the maximum extent feasible, a geographic preference in the evaluation of bids or proposals. (2) *Flexible Subsidy Program.* Multifamily project mortgagors in the Flexible Subsidy Program are not required to utilize the methods of procurement in 24 CFR 85.36(d), and are not permitted to utilize methods of procurement that would result in their award of a contract to a business concern that submits a bid higher than the lowest responsive bid. A multifamily project mortgagor, however, must ensure that, to the greatest extent feasible, the procurement practices it selects provide preference to section 3 business concerns.

(b) *Procurement standards for other recipients (OMB Circular No. A-110).* Nothing in this part prescribes specific methods of procurement for grants and other agreements with institutions of higher education, hospitals, and other nonprofit organizations. Consistent with the requirements set forth in OMB Circular No. A-110, section 3 is a Federal statute that expressly encourages a geographic preference in the evaluation of bids or proposals.

(c) *Federal labor standards provisions.* Certain construction contracts are subject to compliance with the requirement to pay prevailing wages determined under Davis-Bacon Act (40 U.S.C. 276a—276a-7) and implementing U.S. Department of Labor regulations in 29 CFR part 5. Additionally, certain HUD-assisted rehabilitation and maintenance activities on public and Indian housing developments are subject to compliance with the requirement to pay prevailing wage rates, as determined or adopted by HUD, to laborers and mechanics employed in this work. Apprentices and trainees may be utilized on this work only to the extent permitted under either Department of Labor regulations at 29 CFR part 5 or for work subject to HUD-determined prevailing wage rates, HUD policies and guidelines. These requirements include adherence to the wage rates and ratios of apprentices or trainees to journeymen set out in "approved apprenticeship and training programs," as described in paragraph (d) of this section.

(d) *Approved apprenticeship and trainee programs.* Certain apprenticeship and trainee programs have been approved by various Federal agencies. Approved apprenticeship and trainee programs include: an apprenticeship program approved by the Bureau of Apprenticeship and

Training of the Department of Labor, or a State Apprenticeship Agency, or an on-the-job training program approved by the Bureau of Apprenticeship and Training, in accordance with the regulations at 29 CFR part 5; or a training program approved by HUD in accordance with HUD policies and guidelines, as applicable. Participation in an approved apprenticeship program does not, in and of itself, demonstrate compliance with the regulations of this part.

(e) *Compliance with Executive Order 11246.* Certain contractors covered by this part are subject to compliance with Executive Order 11246, as amended by Executive Order 12086, and the Department of Labor regulations issued pursuant thereto (41 CFR chapter 60) which provide that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or Federally assisted construction contracts.

Subpart B—Economic Opportunities for Section 3 Residents and Section 3 Business Concerns

§ 135.30 Numerical goals for meeting the greatest extent feasible requirement.

(a) *General.* (1) Recipients and covered contractors may demonstrate compliance with the “greatest extent feasible” requirement of section 3 by meeting the numerical goals set forth in this section for providing training, employment, and contracting opportunities to section 3 residents and section 3 business concerns. (2) The goals established in this section apply to the entire amount of section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY), commencing with the first FY following the effective date of this rule. (3) For recipients that do not engage in training, or hiring, but award contracts to contractors that will engage in training, hiring, and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to section 3 residents and section 3 business concerns. (4) The numerical goals established in this section represent minimum numerical targets.

(b) *Training and employment.* The numerical goals set forth in paragraph (b) of this section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ section 3 residents, to the greatest extent feasible, should be made at all job levels. (1) *Numerical goals for section 3 covered public and Indian housing programs.* Recipients of section 3 covered public and Indian housing assistance (as described in § 135.5) and their contractors and subcontractors may demonstrate compliance with this part by committing to employ section 3 residents as: (i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995; (ii) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; (iii) 30 percent of the aggregate number of new hires for one year period beginning in FY 1997 and continuing thereafter. (2) *Numerical goals for other HUD programs covered by section 3.* (i) Recipients of section 3 covered housing assistance provided under other HUD programs, and their contractors and subcontractors (unless the contract or subcontract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with this part by committing to employ section 3 residents as 10 percent of the aggregate number of new hires for each year over the duration of the section 3 project; (ii) Where a managing general partner or management agent is affiliated, in a given metropolitan area, with recipients of section 3 covered housing assistance, for an aggregate of 500 or more units in any fiscal year, the managing partner or management agent may demonstrate compliance with this part by committing to employ section 3 residents as: (A) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995; (B) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; (C) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997, and continuing thereafter. (3) Recipients of section 3 covered community development assistance, and their contractors and subcontractors (unless the contract or subcontract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to employ section 3 residents as: (i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995; (ii) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; and (iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter.

(c) *Contracts.* Numerical goals set forth in paragraph (c) of this section apply to contracts awarded in connection with all section 3 covered projects and section 3 covered activities. Each recipient and contractor and subcontractor (unless the contract or subcontract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to award to section 3 business concerns: (1) At least 10 percent of the total dollar amount of all section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and (2) At least three (3) percent of the total dollar amount of all other section 3 covered contracts.

(d) *Safe harbor and compliance determinations.* (1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements. (2) In evaluating compliance under subpart D of this part, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in § 135.40, which were provided in its efforts to comply with section 3 and the requirements of this part.

§ 135.32 Responsibilities of the recipient.

Each recipient has the responsibility to comply with section 3 in its own operations, and ensure compliance in the operations of its contractors and subcontractors. This responsibility includes but may not be necessarily limited to: (a) Implementing procedures designed to notify section 3 residents about training and employment opportunities generated by section 3 covered assistance and section 3 business concerns about contracting opportunities generated by section 3 covered assistance; (b) Notifying potential contractors for section 3 covered projects of the requirements of this part, and incorporating the section 3 clause set forth in § 135.38 in all solicitations and contracts. (c) Facilitating the training and employment of section 3 residents and the award of contracts to section 3 business concerns by undertaking activities such as described in the Appendix to this part, as appropriate, to reach the goals set forth in § 135.30. Recipients, at their own discretion, may establish reasonable numerical goals for the training and employment of section 3 residents and contract award to section 3 business concerns that exceed those specified in § 135.30; (d) Assisting and actively cooperating with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the requirements of this part, and refraining from entering into any contract with any contractor where the recipient has notice or knowledge that the contractor has been found in violation of the regulations in 24 CFR part 135.

(e) Documenting actions taken to comply with the requirements of this part, the results of actions taken and impediments, if any.

(f) A State or county which distributes funds for section 3 covered assistance to units of local governments, to the greatest extent feasible, must attempt to reach the numerical goals set forth in § 135.30 regardless of the number of local governments receiving funds from the section 3 covered assistance which meet the thresholds for applicability set forth at § 135.3. The State or county must inform units of local government to whom funds are distributed of the requirements of this part; assist local governments and their contractors in meeting the requirements and objectives of this part; and monitor the performance of local governments with respect to the objectives and requirements of this part.

§ 135.34 Preference for section 3 residents in training and employment opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of section 3 covered assistance to section 3 residents in the order of priority provided in paragraph (a) of this section. (1) *Public and Indian housing programs.* In public and Indian housing programs, efforts shall be directed to provide training and employment opportunities to section 3 residents in the following order of priority: (i) Residents of the housing development or developments for which the section 3 covered assistance is expended (category 1 residents); (ii) Residents of other housing

developments managed by the HA that is expending the section 3 covered housing assistance (category 2 residents); (iii) Participants in HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 residents); (iv) Other section 3 residents. (2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to: (i) Section 3 residents residing in the service area or neighborhood in which the section 3 covered project is located (collectively, referred to as category 1 residents); and (ii) Participants in HUD Youthbuild programs (category 2 residents). (iii) Where the section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 *et seq.*), homeless persons residing in the service area or neighborhood in which the section 3 covered project is located shall be given the highest priority; (iv) Other section 3 residents. (3) Recipients of housing assistance programs administered by the Assistant Secretary for Housing may, at their own discretion, provide preference to residents of the housing development receiving the section 3 covered assistance within the service area or neighborhood where the section 3 covered project is located. (4) Recipients of community development programs may, at their own discretion, provide priority to recipients of government assistance for housing, including recipients of certificates or vouchers under the Section 8 housing assistance program, within the service area or neighborhood where the section 3 covered project is located. (b) *Eligibility for preference.* A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a section 3 resident, as defined in § 135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.) (c) *Eligibility for employment.* Nothing in this part shall be construed to require the employment of a section 3 resident who does not meet the qualifications of the position to be filled.

§ 135.36 Preference for section 3 business concerns in contracting opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to award section 3 covered contracts, to the greatest extent feasible, to section 3 business concerns in the order of priority provided in paragraph (a) of this section. (1) *Public and Indian housing programs.* In public and Indian housing programs, efforts shall be directed to award contracts to section 3 business concerns in the following order of priority: (i) Business concerns that are 51 percent or more owned by residents of the housing development or developments for which the section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 1 businesses); (ii) Business concerns that are 51 percent or more owned by residents of other housing developments or developments managed by the HA that is expending the section 3 covered assistance, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 2 businesses); or (iii) HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 businesses). (iv) Business concerns that are 51 percent or more owned by section 3 residents, or whose permanent, fulltime workforce includes no less than 30 percent section 3 residents (category 4 businesses), or that subcontract in excess of 25 percent of the total amount of subcontracts to business concerns identified in paragraphs (a)(1)(i) and (a)(1)(ii) of this section. (2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to: (i) Section 3 business concerns that provide economic opportunities for section 3 residents in the service area or neighborhood in which the section 3 covered project is located (category 1 businesses); and (ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses); (iii) Other section 3 business concerns.

(b) *Eligibility for preference.* A business concern seeking to qualify for a section 3 contracting preference shall certify or submit evidence, if requested, that the business concern is a section 3 business concern as defined in § 135.5.

(c) *Ability to complete contract.* A section 3 business concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36(b)(8)).) This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

§ 135.38 Section 3 clause.

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause): A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing. B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations. C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin. D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135. E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135. F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts. G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

§ 135.40 Providing other economic opportunities.

(a) *General.* In accordance with the findings of the Congress, as stated in section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with section 3 covered assistance.

(b) *Other training and employment related opportunities.* Other economic opportunities to train and employ section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring section 3 residents in management and maintenance positions within other housing developments; and hiring section 3 residents in part-time positions.

(c) *Other business related economic opportunities.* (1) A recipient or contractor may provide economic opportunities to establish, stabilize or expand section 3 business concerns, including micro-enterprises. Such opportunities include, but are not limited to the formation of section 3

joint ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, purchase of supplies and materials from housing authority resident-owned businesses, purchase of materials and supplies from PHA resident-owned businesses and use of procedures under 24 CFR part 963 regarding HA contracts to HA resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-section 3 businesses to utilize such methods to provide other economic opportunities to low-income persons. (2) A *section 3 joint venture* means an association of business concerns, one of which qualifies as a section 3 business concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the section 3 business concern: (i) Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and (ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

Subpart C [Reserved]

Subpart D—Complaint and Compliance Review

§ 135.70 General.

(a) *Purpose.* The purpose of this subpart is to establish the procedures for handling complaints alleging noncompliance with the regulations of this part, and the procedures governing the Assistant Secretary's review of a recipient's or contractor's compliance with the regulations in this part.

(b) *Definitions.* For purposes of this subpart:

(1) *Complaint* means an allegation of noncompliance with regulations of this part made in the form described in § 135.76(d).

(2) *Complainant* means the party which files a complaint with the Assistant Secretary alleging that a recipient or contractor has failed or refused to comply with the regulations in this part.

(3) *Noncompliance with section 3* means failure by a recipient or contractor to comply with the requirements of this part.

(4) *Respondent* means the recipient or contractor against which a complaint of noncompliance has been filed. The term "recipient" shall have the meaning set forth in § 135.7, which includes PHA and IHA.

§ 135.72 Cooperation in achieving compliance.

(a) The Assistant Secretary recognizes that the success of ensuring that section 3 residents and section 3 business concerns have the opportunity to apply for jobs and to bid for contracts generated by covered HUD financial assistance depends upon the cooperation and assistance of HUD recipients and their contractors and subcontractors. All recipients shall cooperate fully and promptly with the Assistant Secretary in section 3 compliance reviews, in investigations of allegations of noncompliance made under § 135.76, and with the distribution and collection of data and information that the Assistant Secretary may require in connection with achieving the economic objectives of section 3.

(b) The recipient shall refrain from entering into a contract with any contractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part. The provisions of 24 CFR part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise ineligible status.

§ 135.74 Section 3 compliance review procedures.

(a) *Compliance reviews by Assistant Secretary.* The Assistant Secretary shall periodically conduct section 3 compliance reviews of selected recipients and contractors to determine whether these recipients are in compliance with the regulations in this part.

(b) *Form of compliance review.* A section 3 compliance review shall consist of a comprehensive analysis and evaluation of the recipient's or contractor's compliance with the requirements and obligations imposed by the regulations of this part, including an analysis of the extent to which section 3 residents have been hired and section 3 business concerns have been awarded contracts as a result of the methods undertaken by the recipient to achieve the employment, contracting and other economic objectives of section 3.

(c) *Where compliance review reveals noncompliance with section 3 by recipient or contractor.* Where the section 3 compliance review reveals that a recipient or contractor has not complied with section 3, the Assistant Secretary shall notify the recipient or contractor of its specific deficiencies in compliance with the regulations of this part, and shall advise the recipient or contractor of the means by which these deficiencies may be corrected. HUD shall conduct a follow-up review with the recipient or contractor to ensure that action is being taken to correct the deficiencies.

(d) *Continuing noncompliance by recipient or contractor.* A continuing failure or refusal by the recipient or contractor to comply with the regulations in this part may result in the application of sanctions specified in the contract through which HUD assistance is provided, or the application of sanctions specified in the regulations governing the HUD program under which HUD financial assistance is provided. HUD will notify the recipient of any continuing failure or refusal by the contractor to comply with the regulations in this part for possible action under any procurement contract between the recipient and the contractor. Debarment, suspension and limited denial of participation pursuant to HUD's regulations in 24 CFR part 24, where appropriate, may be applied to the recipient or the contractor.

(e) *Conducting compliance review before the award of assistance.* Section 3 compliance reviews may be conducted before the award of contracts, and especially where the Assistant Secretary has reasonable grounds to believe that the recipient or contractor will be unable or unwilling to comply with the regulations in this part.

(f) *Consideration of complaints during compliance review.* Complaints alleging noncompliance with section 3, as provided in § 135.76, may also be considered during any compliance review conducted to determine the recipient's conformance with regulations in this part.

§ 135.76 Filing and processing complaints.

(a) *Who may file a complaint.* The following individuals and business concerns may, personally or through an authorized representative, file with the Assistant Secretary a complaint alleging noncompliance with section 3: (1) Any section 3 resident on behalf of himself or herself, or as a representative of persons similarly situated, seeking employment, training or other economic opportunities generated from the expenditure of section 3 covered assistance with a recipient or contractor, or by a representative who is not a section 3 resident but who represents one or more section 3 residents; (2) Any section 3 business concern on behalf of itself, or as a representative of other section 3 business concerns similarly situated, seeking contract opportunities generated from the expenditure of section 3 covered assistance from a recipient or contractor, or by an individual representative of section 3 business concerns.

(b) *Where to file a complaint.* A complaint must be filed with the Assistant Secretary for Fair Housing and Equal Opportunity, Department of Housing and Urban Development, Washington, DC, 20410.

(c) *Time of filing.* (1) A complaint must be received not later than 180 days from the date of the action or omission upon which the complaint is based, unless the time for filing is extended by the Assistant Secretary for good cause shown. (2) Where a complaint alleges noncompliance with section 3 and the regulations of this part that is continuing, as manifested in a number of incidents of noncompliance, the complaint will be timely if filed within 180 days of the last alleged occurrence of noncompliance. (3) Where a complaint contains incomplete information, the Assistant Secretary shall request the needed information from the complainant. In the event this information is not furnished to the Assistant Secretary within sixty (60) days of the date of the request, the complaint may be closed.

(d) *Contents of complaint*—(1) *Written complaints*. Each complaint must be in writing, signed by the complainant, and include: (i) The complainant's name and address; (ii) The name and address of the respondent; (iii) A description of the acts or omissions by the respondent that is sufficient to inform the Assistant Secretary of the nature and date of the alleged noncompliance; (iv) A complainant may provide information to be contained in a complaint by telephone to HUD or any HUD Field Office, and HUD will reduce the information provided by telephone to writing on the prescribed complaint form and send the form to the complainant for signature. (2) *Amendment of complaint*. Complaints may be reasonably and fairly amended at any time. Such amendments may include, but are not limited to, amendments to cure, technical defects or omissions, including failure to sign or affirm a complaint, to clarify or amplify the allegations in a complaint, or to join additional or substitute respondents. Except for the purposes of notifying respondents, amended complaints will be considered as having been made as of the original filing date.

(e) *Resolution of complaint by recipient*. (1) Within ten (10) days of timely filing of a complaint that contains complete information (in accordance with paragraphs (c) and (d) of this section), the Assistant Secretary shall determine whether the complainant alleges an action or omission by a recipient or the recipient's contractor that if proven qualifies as noncompliance with section 3. If a determination is made that there is an allegation of noncompliance with section 3, the complaint shall be sent to the recipient for resolution. (2) If the recipient believes that the complaint lacks merit, the recipient must notify the Assistant Secretary in writing of this recommendation with supporting reasons, within 30 days of the date of receipt of the complaint. The determination that a complaint lacks merit is reserved to the Assistant Secretary. (3) If the recipient determines that there is merit to the complaint, the recipient will have sixty (60) days from the date of receipt of the complaint to resolve the matter with the complainant. At the expiration of the 60-day period, the recipient must notify the Assistant Secretary in writing whether a resolution of the complaint has been reached. If resolution has been reached, the notification must be signed by both the recipient and the complainant, and must summarize the terms of the resolution reached between the two parties. (4) Any request for an extension of the 60-day period by the recipient must be submitted in writing to the Assistant Secretary, and must include a statement explaining the need for the extension. (5) If the recipient is unable to resolve the complaint within the 60-day period (or more if extended by the Assistant Secretary), the complaint shall be referred to the Assistant Secretary for handling.

(f) *Informal resolution of complaint by Assistant Secretary*—(1) *Dismissal of complaint*. Upon receipt of the recipient's written recommendation that there is no merit to the complaint, or upon failure of the recipient and complainant to reach resolution, the Assistant Secretary shall review the complaint to determine whether it presents a valid allegation of noncompliance with section 3. The Assistant Secretary may conduct further investigation if deemed necessary. Where the complaint fails to present a valid allegation of noncompliance with section 3, the Assistant Secretary will dismiss the complaint without further action. The Assistant Secretary shall notify the complainant of the dismissal of the complaint and the reasons for the dismissal. (2) *Informal resolution*. Where the allegations in a complaint on their face, or as amplified by the statements of the complainant, present a valid allegation of noncompliance with section 3, the Assistant Secretary will attempt, through informal methods, to obtain a voluntary and just resolution of the complaint. Where attempts to resolve the complaint informally fail, the Assistant Secretary will impose a resolution on the recipient and complainant. Any resolution imposed by the Assistant Secretary will be in accordance with requirements and procedures concerning the imposition of sanctions or resolutions as set forth in the regulations governing the HUD program under which the section 3 covered assistance was provided. (3) *Effective date of informal resolution*. The imposed resolution will become effective and binding at the expiration of 15 days following notification to recipient and complainant by certified mail of the imposed resolution, unless either party appeals the resolution before the expiration of the 15 days. Any appeal shall be in writing to the Secretary and shall include the basis for the appeal.

(g) *Sanctions*. Sanctions that may be imposed on recipients that fail to comply with the regulations of this part include debarment, suspension and limited denial of participation in HUD programs.

(h) *Investigation of complaint*. The Assistant Secretary reserves the right to investigate a complaint directly when, in the Assistant Secretary's discretion, the investigation would further the purposes of section 3 and this part.

(i) *Intimidatory or retaliatory acts prohibited*. No recipient or other person shall intimidate, threaten, coerce, or discriminate against any person or business because the person or business has made a complaint, testified, assisted or participated in any manner in an investigation, proceeding, or hearing under this part. The identity of complainants shall be kept confidential except to the extent necessary to carry out the purposes of this part, including the conduct of any investigation, hearing or judicial proceeding arising thereunder.

(j) *Judicial relief*. Nothing in this subpart D precludes a section 3 resident or section 3 business concerning from exercising the right, which may otherwise be available, to seek redress directly through judicial procedures.

(Approved by the Office of Management and Budget under control number 2529-0043)

Subpart E—Reporting and Recordkeeping

§ 135.90 Reporting.

Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

(Approved by the Office of Management and Budget under control number 2529-0043)

§ 135.92 Recordkeeping and access to records.

HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program under which section 3 covered assistance is provided or otherwise made available to the recipient or contractor.

APPENDIX TO PART 135

1. Examples of Efforts To Offer Training and Employment Opportunities to Section 3 Residents

(1) Entering into "first source" hiring agreements with organizations representing Section 3 residents.

(2) Sponsoring a HUD-certified "Step-Up" employment and training program for section 3 residents.

(3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.

(4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in § 135.34) reside.

(5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 persons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.

- (6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.
- (7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.
- (8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2 persons reside and in the neighborhood or service area in which a section 3 project is located.
- (9) Arranging for a location in the housing development or developments where category 1 persons reside, or the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.
- (10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.
- (11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA's or contractor's training and employment positions.
- (12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation programs, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA's or contractor's training and employment positions.
- (13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.
- (14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or contractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.
- (15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as "force account labor" in HUD's Indian housing regulations. See 24 CFR 905.102, and § 905.201(a)(6).)
- (16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.
- (17) Undertaking job counseling, education and related programs in association with local educational institutions.
- (18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.
- (19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a specific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.
- (20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.

II. Examples of Efforts To Award Contracts to Section 3 Business Concerns

- (1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).
- (2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.
- (3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.
- (4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.
- (5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.
- (6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.
- (7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.
- (8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.
- (9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.
- (10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.
- (11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.
- (12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.
- (13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.
- (14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.
- (15) Developing a list of eligible section 3 business concerns.
- (16) For HAs, participating in the "Contracting with Resident-Owned Businesses" program provided under 24 CFR part 963.
- (17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.
- (18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.
- (19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.
- (20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.
- (21) Actively supporting joint ventures with section 3 business concerns.
- (22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.

III. Examples of Procurement Procedures That Provide for Preference for Section 3 Business Concerns

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the "contracting party") for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

- (1) *Small Purchase Procedures.* For section 3 covered contracts aggregating no more than \$25,000, the methods set forth in this paragraph (1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.
 - (i) *Solicitation.* (A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reasonable number of competitive sources. At the time of solicitation, the parties must be informed of: —the section 3 covered contract to be awarded with sufficient specificity; —the time within which quotations must be submitted; and —the information that must be submitted with each quotation. (B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.
 - (ii) *Award.* (A) Where the section 3 covered contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any

qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation. (B) Where the section 3 covered contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

(2) *Procurement by sealed bids (Invitations for Bids)*. Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:

(i) Bids shall be solicited from all businesses (section 3 business concerns, and nonsection 3 business concerns). An award shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid—(A) is within the maximum total contract price established in the contracting party’s budget for the specific project for which bids are being taken, and (B) is not more than “X” higher than the total bid price of the lowest responsive bid from any responsible bidder. “X” is determined as follows: x=lesser of:

When the lowest responsive bid is less than \$100,000	10% of that bid or \$9,000.
When the lowest responsive bid is:	
At least \$100,000, but less than \$200,000	9% of that bid, or \$16,000.
At least \$200,000, but less than \$300,000	8% of that bid, or \$21,000.
At least \$300,000, but less than \$400,000	7% of that bid, or \$24,000.
At least \$400,000, but less than \$500,000	6% of that bid, or \$25,000.
At least \$500,000, but less than \$1 million	5% of that bid, or \$40,000.
At least \$1 million, but less than \$2 million	4% of that bid, or \$60,000.
At least \$2 million, but less than \$4 million	3% of that bid, or \$80,000.
At least \$4 million, but less than \$7 million	2% of that bid, or \$105,000.
\$7 million or more	1½% of the lowest responsive bid, with no dollar limit.

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2)(i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

(3) *Procurement under the competitive proposals method of procurement (Request for Proposals (RFP))*. (i) For contracts and subcontracts awarded under the competitive proposals method of procurement (24 CFR 85.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.

(ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as disclosed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of 15 to 25 percent of the total number of available points to be set aside for the evaluation of these two components.

(iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36.

(iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor’s section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor’s responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering price and all other factors specified in the RFP.

Frequently Asked Questions and Answers About

Section 3 of the Housing & Urban Development Act of 1968

General Questions

Applicability

Consistency with Other Laws

Recipient Responsibilities

Section 3 Preference

Economic Opportunities/Numerical Goals

Recordkeeping and Reporting

Section 3 Complaints

GENERAL QUESTIONS

1. What is Section 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968, which recognizes that HUD funds are typically one of the largest sources of federal funding expended in communities through the form of grants, loans, entitlement allocations and other forms of financial assistance. Section 3 is intended to ensure that when employment or contracting opportunities are generated because a covered project or activity necessitates the employment of additional persons or the awarding of contracts for work, preference must be given to low- and very low-income persons or business concerns residing in the community where the project is located.

2. What does the term “Section 3 resident” mean?

A “section 3 resident” is: 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or Non-metropolitan County in which the Section 3 covered assistance is expended.

3. What does the term Section 3 Business Concern mean?

Section 3 business concerns are businesses that can provide evidence that they meet one of the following:

- a) 51 percent or more owned by Section 3 residents; or
- b) At least 30 percent of its fully time employees include persons that are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or

- c) Provides evidence, as required, of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications in the above two paragraphs.

4. How does Section 3 differ from the Minority Business Enterprise/Women Business Enterprise programs?

Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location. The Section 3 regulations were designed to encourage recipients of HUD funding to direct new employment and contracting opportunities to low-income residents, and the businesses that employ these persons, within their community regardless of race and/or gender.

Please contact HUD's Office of Small and Disadvantaged Business Utilization at 202-708-1428, to learn more about these programs.

5. How is "low-income" determined?

The term "low-income" is used in the Section 3 regulation to include both low- and very low-income individuals. Local income levels can be obtained online at: <http://www.huduser.org/DATASETS/il.html>.

6. Define "metropolitan area" and "Non-metropolitan County."

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget. Non-metropolitan County means any county outside of a metropolitan area.

7. What is a "new hire"?

A new hire means a full-time employee for a new permanent, temporary, or seasonal position that is created during the expenditure of Section 3 covered financial assistance.

8. What is a Section 3 covered project?

A Section 3 covered project involves the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.

9. Who is considered a recipient of Section 3 funding?

A recipient is any entity which receives Section 3 covered assistance, directly from HUD or from another recipient. It does not include contractors or any ultimate beneficiary under the HUD program to which Section 3 applies.

10. Is a non-profit organization considered a “business” for the purposes of Section 3?

Yes. A non-profit organization is a legitimate business. The non-profit organization must meet the criteria of a Section 3 business concern as defined in 24 CFR Part 135.5 in order to receive Section 3 preference.

11. What is a Service Area?

The Service area is the geographical area in which the persons benefiting from the Section 3 covered project reside. The Service Area shall not extend beyond the unit of local government in which the Section 3 covered financial assistance is expended.

APPLICABILITY

12. What is Section 3 covered assistance?

- Public and Indian housing development, operating or capital funds; or
- Other housing assistance and community development assistance expended for housing rehabilitation, housing construction or other public construction projects, such as: CDBG, HOME, 202/811, Lead-Based Paint Abatement, etc.

13. Which recipient agencies (or sources of HUD financial assistance) are required to comply with Section 3?

Public Housing Authorities regardless of size or number of units

Section 3 also applies to recipients of \$200,000 or more of the following Housing and/or Community Development financial assistance:

- HOPE VI funding
- Community Development Block Grant (CDBG) funding
- Community Development Block Grant Programs for Indian Tribes and Alaska Native Villages
- HOME Investment Partnership funding
- Self-Help Homeownership Opportunity Programs
- Economic Development Initiatives assistance
- Brownfields Economic Development Initiatives

- Continuum of Care Homeless Assistance Programs
- Housing Opportunities for Persons with AIDS
- Section 202 Supportive Housing for the Elderly
- Section 811 Supportive Housing for Persons with Disabilities
- Assisted Living Conversion Program
- Lead Hazard Control Grants
- Healthy Homes and Lead Technical Studies
- Healthy Homes Demonstration Programs

*Note: The requirements of Section 3 typically apply to recipients of HUD funds that will be used for housing construction, rehabilitation, or other public construction. Contact the Economic Opportunity Division at section3@hud.gov to determine applicability to a particular project/activity.

14. Are Section 8 ONLY Housing Authorities exempt from the requirements of Section 3?

Yes. Since Section 8 ONLY Housing Authorities do not utilize any of the financial assistance described above, they are exempt from the requirements of Section 3. However, compliance with Section 3 is encouraged.

15. What are funding thresholds and how do they apply to Section 3 covered financial assistance?

Funding thresholds are minimum dollar amounts that trigger Section 3 requirements. There are **no thresholds for Public Housing Authorities (PHAs)**. The requirements of Section 3 apply to all PHAs regardless of the amount of assistance received from HUD.

The requirements of Section 3 apply to recipients of Housing and Community Development assistance that invest \$200,000 or more into projects/activities involving housing construction, rehabilitation, or other public construction.

16. What dollar threshold amounts apply to contractors/subcontractors?

All contracts (or subcontracts) funded with Public and Indian Housing assistance (regardless of the dollar amount or the type of contract) is subject to the requirements of Section 3.

With respect to recipients of Housing and/or Community Development funding, all contractors (or subcontractors) receiving covered funds in excess of \$100,000 to complete projects involving housing construction, rehabilitation, or other public construction are required to comply with the requirements of Section 3.

17. What responsibilities do contractors/subcontractors have if they receive Section 3 covered financial assistance?

If the contractor/subcontractor has the need to hire new persons to complete the Section 3 covered contract or needs to subcontract portions of the work to another business, they are required to direct their newly created employment and/or subcontracting opportunities to Section 3 residents and business concerns. The same numerical goals apply to contractors and subcontractors (i.e., 30 percent of new hires, 10 percent of construction contracts, and 3 percent of non-construction contracts). In addition, the contractor/subcontractor must notify the recipient agency about their efforts to comply with Section 3 and submit any required documentation.

18. Do the Section 3 requirements apply to HUD's procurement activities?

No. Section 3 covered contracts do not include contracts awarded under HUD's procurement programs, which are governed by the Federal Acquisition Regulation System.

19. Are maintenance projects covered by Section 3?

Yes, but only for projects using funding that is provided for the operation, development, or modernization of Public Housing Authorities.

Extensive rehabilitation (i.e., complete renovation of one or more livable units) activities are covered by Section 3 for all covered programs.

20. Does reduction and abatement of lead-based paint hazards constitute housing rehabilitation?

Yes, reduction and abatement of lead-based paint hazards does constitute housing rehabilitation and is covered by Section 3.

21. Are professional service contracts covered under Section 3?

Yes, the term "Section 3 covered contract" includes professional service contracts provided that the work to be performed is generated by the expenditure of Section 3 covered Public and Indian housing assistance, or for work arising in connection with projects involving housing rehabilitation, housing construction, or other public construction.

21. Does Section 3 apply to hiring by a CDBG-Entitlement recipient?

Yes. If the recipient intends to use its HUD allocation to hire additional staff person(s) to perform work related to housing construction, rehabilitation, or other public construction, then the position(s) is covered by Section 3. However, if the local municipality uses a civil servant applicant process to

hire new employees, compliance with the requirements of Section 3 may not be feasible.

22. For community development and other housing assistance, do the thresholds apply to the total amount of HUD assistance received or the amount of funds invested into Section 3 covered projects/activities?

The threshold applies to the amount of funds invested into Section 3 covered projects/activities. Example: the City of Hilltop, receives \$210,000 through the State CDBG program. The funds will be used as follows:

- a. Housing rehabilitation- \$180,000;
- b. micro-enterprise revolving loan fund- \$20,000; and
- c. Fair housing counseling- \$10,000.

Hilltop is not subject to Section 3 requirements because only \$180,000 is spent for Section 3 covered activities, and the remaining \$30,000 is not used for construction, rehabilitation, or other public construction. Therefore, the \$200,000 threshold is not met. However, the city must still submit a Section 3 annual summary report (form 60002) to HUD headquarters.

23. Are contracts cumulative for reaching the Section 3 threshold? For example, a recipient agency receives \$800,000 in HOME Investment Partnership funds. The recipient awards contracts for single housing rehabilitation on a rotating basis from a list of qualified contractors. One contractor receives three contracts (\$36,000; \$50,000; and \$20,000) with a cumulative total of \$106,000 for three different projects within a twelve month period. Is that contractor covered by Section 3?

No, contracts for Section 3 covered projects are not cumulative.

The requirements of Section 3 apply to contractors and subcontractors performing work on a Section 3 covered project for which the amount of the assistance exceeds \$200,000; and each contract or subcontract exceeds \$100,000.

CONSISTENCY WITH OTHER LAWS

24. Does Section 3 apply to other State/local laws?

Compliance with Section 3 shall be achieved to the greatest extent feasible, and consistent with local laws and regulations.

25. What is the relationship between Section 3 and Minority Business Enterprises (MBEs)?

“Minority business enterprise” (MBE) means a business enterprise that is owned and controlled by one or more minority or socially and economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or other similar causes.

Section 3 preferences are not tied to race or ethnic origin of the owner. A minority business enterprise must provide evidence that it meets at least one criterion of a Section 3 business outlined above in order to receive preference under Section 3. However, the Department anticipates that Section 3 will serve to support, and not impede, contract opportunities for minority business enterprises.

The MBE designation may provide preferences promoted by other statutes and regulations, such as goals for MBEs, and other socially and economically disadvantaged businesses. Additional information about the MBE program can be obtained by calling the Office of Small and Disadvantaged Business Utilization at 202-708-1428.

RECIPIENT RESPONSIBILITIES

26. What are the responsibilities of recipient agencies under Section 3?

Recipients are required to ensure their own compliance and the compliance of their contractors/subcontractors with the Section 3 regulations, as outlined at 24 CFR § 135.32.

27. Are funds provided to recipients that comply with the requirements of Section 3?

No. There is no need for funds to be provided to ensure Section 3 compliance because the Section 3 requirements are only triggered **when** new jobs and/or contracting opportunities are created during the completion of covered projects/activities.

28. Does Section 3 require that the expenditure of HUD financial assistance result in the creation of training, employment, and contracting opportunities?

Recipient agencies are not required to create jobs or contracts for Section 3 residents and business concerns simply for the sake of creating them. Section 3 requires that **when** employment or contracting opportunities are generated because a project or activity undertaken by a recipient of covered HUD

financial assistance necessitates the employment of additional personnel through individual hiring or the awarding of contracts, the recipient must give preference in hiring to low- and very low- income persons and/or businesses owned by these persons or that substantially employ these persons.

29. Are Section 3 residents or business concerns guaranteed employment or contracting opportunities under Section 3?

No. Section 3 residents must demonstrate that they meet the qualifications for new employment opportunities created as a result of the expenditure of covered assistance.

Section 3 business concerns must submit evidence to the satisfaction of the party awarding the contract to demonstrate that they are responsible firms and have the ability to perform successfully under the terms and conditions of the proposed contract.

30. Are recipients and contractors required to provide long- term employment opportunities, and not simply seasonal or temporary employment/

Recipients and contractors are required, to the extent feasible, to direct all employment opportunities to low- and very low-income persons- including seasonal and temporary employment opportunities.

Employment goals are based on “new hires”, which is defined as full-time employees for permanent, temporary or seasonal employment opportunities.

Recipients and contractors are encouraged to provide long-term employment. They may count a Section 3 resident employee for three years to meet the business criterion that at least 30 percent of the permanent, full-time employees are Section 3 residents.

31. When might a recipient agency be exempt from the requirements of Section 3?

If Section 3 covered assistance is awarded and the recipient has no need for additional employees or trainees, or the recipient has no need to contract for work, then the Section 3 requirements are not triggered. However, the recipient agency must still submit a Section 3 Annual Summary report (HUD form 60002), in accordance with 24 CFR § 135.90.

SECTION 3 PREFERENCE

32. What is considered acceptable evidence to determine eligibility as a Section 3 resident?

HUD does not prescribe any specific forms of evidence are required for Section 3 certification. Sample certification documents can be found on the Section 3 website. Acceptable documentation includes, but is not limited to the following:

- proof of residency in a public housing development;
- evidence of participation in a HUD Youthbuild program operated in the metropolitan area (or non-metropolitan county) where the Section 3 covered assistance is spent;
- evidence that the individual resides in the Section 3 area and is a low or very low-income person, as defined in Section 3(b) (2) of the U.S. Housing Act of 1937 (1937 Act).
- Recipient agencies may choose to allow prospective Section 3 residents to self-certify their eligibility. Any self-certification should include a statement of penalty for falsifying information.

33. What is acceptable evidence for determining eligibility as a Section 3 business?

HUD does not prescribe any specific forms of evidence are required for Section 3 certification. Sample certification documents can be found on the Section 3 website. The business seeking the preference must be able to demonstrate that it meets one of the following:

- 51 percent or more owned by Section 3 residents; or
- Has permanent, full time employees at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or
- Has a commitment to sub-contract in excess of 25 percent of the dollar award of all sub-contracts to be awarded to such businesses described above.
- Recipient agencies may choose to allow prospective Section 3 business concerns to self-certify their eligibility. Any self-certification should include a statement of penalty for falsifying information.

34. Are all public and Indian housing residents considered Section 3 residents regardless of their income?

Yes. Public and Indian housing residents need only show proof of residency in public housing within the metropolitan area (or non-metropolitan county). Other residents of the Section 3 area need to show proof of residency in the metropolitan area (or non-metropolitan county) and meet the income requirements. [See 24 CFR Part 135.5 for the definition of a Section 3 resident].

35. Does preference to a Section 3 business mean that the business should be selected if it meets the technical requirements of the bid, regardless of bid price?

No. As provided in 24 CFR 85.36(b) (8), contract awards shall only be made to responsible contractors possessing the ability to perform under the terms and conditions of the proposed contract. The determination that a prospective contractor is responsible must include consideration of the firm's compliance with technical and public policy requirements.

Preference to Section 3 business concerns means that a recipient's or contractor's procurement procedures include methods to provide preference to Section 3 business concerns. Accordingly, if a Section 3 business concern is a responsible bidder, but their bid price is slightly higher than a non-Section 3 firm, the recipient agency can give preference to the Section 3 business in an effort to meet its numerical goals annually.

36. Does a business have to be incorporated to be considered as a Section 3 eligible business? What forms of identification are used to determine that an organization is a Section 3 business?

No, a business does not have to be incorporated to be a Section 3 business concern. It can be any type of business- sole proprietorship, partnership or a corporation.

ECONOMIC OPPORTUNITIES/NUMERICAL GOALS

37. What types of new employment opportunities are covered by Section 3?

For Public and Indian Housing (PIH) Programs, all employment opportunities generated by the expenditure of development, operating, and modernization assistance, including management and administrative jobs, technical, professional, construction and maintenance jobs; and jobs at all levels.

For Housing and Community Development Programs, all employment opportunities arising in connection with housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project (i.e., management and administrative jobs, technical, professional, and construction and non-construction jobs; and jobs at all levels).

38. Are recipient agencies required to meet the Section 3 goals or are they merely “goals”?

The Section 3 Numerical goals are minimum numerical targets that must be reached in order for the Department to consider a recipient in compliance. Recipient agencies are required to make efforts to the greatest extent feasible to achieve the annual numerical goals for employment and contracting. If an agency fails to fully meet the Section 3 numerical goals, they must be prepared to demonstrate the efforts taken in an attempt to meet the numerical goals.

39. What are the Section 3 numerical goals?

The minimum numerical goal for employment 30 percent of the aggregate number of new hires shall be Section 3 residents annually—i.e., 1 out of 3 new employees needed to complete a Section 3 covered project/activity shall be a Section 3 resident.

The minimum goals for contracting are:

- Ten percent of the total dollar amount of all Section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing or building trades work arising in connection with housing rehabilitation, housing construction and other public construction, shall be awarded to Section 3 businesses; and
- Three percent of the total dollar amount of all non-construction Section 3 covered contracts, shall be awarded to Section 3 businesses.

40. Are the numerical goals the same as set-asides and quotas?

No. A set-aside guarantees that a specific portion of funds will be provided to a protected class. The numerical goals in the Section 3 regulations are goals that a recipient of HUD Section 3 covered financial assistance must try to meet in order to demonstrate Section 3 compliance.

41. What is the meaning of the “safe harbor” determination?

Absent evidence to the contrary (i.e., evidence that efforts to the “greatest extent feasible” were not expended), if a recipient or contractor meets the numerical goals, the recipient or contractor is considered to be in compliance with Section 3.

A recipient or contractor considered to be in compliance with Section 3 may not be subject to routine compliance reviews.

In the event that a complaint is filed against a recipient or contractor considered to be in compliance with Section 3. HUD will investigate to determine if “the greatest extent feasible” policy was met.

RECORDKEEPING AND REPORTING

42. What are the recordkeeping requirements of a recipient?

Documentation of actions taken to comply with the employment and training requirements of Section 3, the results of actions taken and impediments encountered. Recipient agencies should maintain records of job vacancies, solicitation for bids or proposals, selection materials, and contract documents (including scope of work and contract amount), in accordance with Federal or State procurement laws and regulations. The documentation should demonstrate efforts taken towards the achievement of the Section 3 numerical goals.

43. Who is required to submit Section 3 reports?

Each recipient of Section 3 covered HUD financial assistance shall submit an annual report to the Assistant Secretary for the purpose of determining the effectiveness of Section 3 (HUD form 60002). Section 3 summary reports are required even if the recipient agency did not undertake any activities that triggered the requirements.

44. Where should the Section 3 summary reports be submitted?

Section 3 Summary reports can be sent by mail to:

U.S. Department of Housing and Urban Development
Office of Fair Housing and Equal Opportunity
451 Seventh Street, SW room 5232
Washington, DC 20410
Attn: Economic Opportunity Division

Section 3 reports can also be submitted online at:
www.hud.gov/offices/fheo/section3/section3.cfm

45. When should annual reports be submitted?

Depending on the source of funding, annual reports should be submitted
 1) at the time the recipient submits an annual performance report; 2) by
 January 10 of each year if no program annual performance report is required;
 or 3) within ten (10) days of project completion, whichever is earlier.

- PHAs should submit Section 3 reports on form 60002 by January 10th.
- Grantees Awarded funding for CDBG, HOME and/or ESG should submit Section 3 reports on form HUD 60002 at the same time they submit the CAPER report.
- Grantees Awarded funding for Section 202/811 should submit Section 3 reports on form 60002 by January 10th.
- Grantees Awarded funding for lead abatement activities should submit Section 3 reports on form 60002 with their annual reports no later than September 30th.

45. What amount should be reported on the Section 3 Annual Report?

Box #3 on the 60002 form should reflect the amount of HUD funds that were expended during the reporting period.

SECTION 3 COMPLAINTS

46. Who can file a complaint when the requirements of Section 3 are not met?

Any Section 3 resident or Section 3 business (or authorized representative) seeking employment, training or contracting opportunities generated by Section 3 covered assistance may file a complaint using *form HUD 958*.

46. Where are Section 3 complaints filed?

Effective November 2007, Section 3 complaints must be filed at the appropriate FHEO Regional Office in which the violation occurred. Please visit www.hud.gov/offices/fheo to obtain the address and telephone number for FHEO regional offices.

47. Is there a time limit for filing a Section 3 complaint?

Yes. Section 3 complaints must be filed no later than 180 days from the date of the action or omission upon which the complaint is based.

Appendix C3: Tab 3 – National Program Objectives

Inserted in General Housing Application – Page 18

Appendix C4: Tab 4 – Listing of Properties Currently Owned or Managed - Multifamily

**City of Houston Housing Community Development
Multifamily Portfolio of Properties in Affordability Period**

No.	PROPERTY	Street Number	Street	City	Zip Code	Funding	Restriction Start Date	Affordability Period	Restriction Expiration Date
1	1414 Congress SRO	1414	Congress St.	Houston	77002	HOME	6/23/2011	15	6/23/2026
2				Houston		HOPWA	5/31/2011	30	05/31/41
3				Houston		HOPWA	2/28/2001	30	02/28/31
4				Houston		HOPWA	3/25/1997	30	3/25/2027
5	Avenue Terrace	4004	Irvington Blvd.	Houston	77007	HOME	9/16/2011	20	09/16/31
6	Bellfort Plaza Apartments	7035	Bellfort St.	Houston	77087	CDBG	8/26/2005	15	08/26/20
7				Houston		HOPWA/BOND	9/30/2004	10	9/13/2014
8	Brays Crossing - NHH	311	Gulf Frwy.	Houston	77023	HOME	1/31/2011	15	01/27/26
9	Britton Place Apartments	3730	Lyons Ave.	Houston	77020	HOME	10/8/2002	15	10/08/17
10	Brompton Square Apartments	1323	Witte Rd.	Houston	77055	CDBG	9/19/2002	25	09/19/27
11	Canal Street Apartments	2800	Canal St.	Houston	77003	HOME	8/18/2006	20	08/18/26
12	Colonial Apartments	2605	E. Crosstimbers	Houston	77093	TIRZ	3/14/1994	15	03/14/09
13	Commons of Grace Senior Estates	9110	Tidwell Rd.	Houston	77078	HOME	10/2/2008	20	03/21/27
14				Houston		HOME/HOPWA	10/8/2002	30	10/08/32
15	Corinthian Village Apartments	6105	West Orem Dr.	Houston	77085	HOME	4/13/2011	20	4/13/2031
16	Elder Street Artist Lofts	1101	Elder St.	Houston	77007	TIRZ	8/6/2004	30	08/06/34
17	Fair Oaks Apartments	910	Fair Oak Rd.	Houston	77023	HOME	8/23/2005	20	08/23/25
18	Fairlake Cove Apartments	11100	East FM 1960	Humble	77336	BOND	7/15/2007	30	07/15/37
19	Faith Village Apartments	1580	Greenmark Dr.	Kingwood	77067	TIRZ	9/21/2000	15	09/21/20
20	Fallbrook Apartments	201	Plaza Verde Dr.	Houston	77057	HOME	10/9/1998	15	10/09/13
21	Falls of Westpark	6130	Southwest Frwy.	Houston	77057	CDBG	9/5/2005	10	09/06/15
22	Garden City Apartments	2611	Garden City Dr.	Houston	77088	HOME	4/26/2005	20	04/26/25
23	Goldberg Towers	10909	Fondren Rd.	Houston	77096	CDBG	8/18/2006	20	10/08/22
24	Golden Bamboo Village	12010	Dashwood Dr.	Houston	77081	HOME	7/9/2009	20	07/09/29
25	Hamilton Street Residences- NHH	320	Hamilton St.	Houston	77002	BOND	1/1/1995	20	01/01/15
26	Hannah Project (Row House)	2404	Francis St.	Houston	77004	HOME	1/12/2009	20	01/12/29
27	Hidden Pines Apartments	7611	Jalna St.	Houston	77055	HOME	12/29/2003	10	12/29/13
28	Independence Hall Apts	6	Burress St.	Houston	77007	CDBG	8/19/2002	15	08/19/17
29	Jackson Hinds Gardens	607	Thornton Rd.	Houston	77018	CDBG/TIRZ	9/25/2007	10	09/25/17
30	Jadestone Apartments	7520	Cook Rd.	Houston	77072	CDBG/HOME	3/9/2011	15	3/9/2026
31	Jefferson House Apartments	6200	Gulfton St.	Houston	77081	CDBG/TIRZ	8/29/2006	15	08/29/21
32	Kingwood Senior Village	435	North Pines Dr.	Kingwood	77339	HOME	11/20/2008	20	11/20/2028

**City of Houston Housing Community Development
Multifamily Portfolio of Properties in Affordability Period**

33	La Casita	313	Sunnyside St.	Houston	77076	HOME	6/27/2003	15	06/27/18
34	Langwick Senior Residences	955	Langwick Dr.	Houston	77060	HOME	5/18/2009	20	5/18/29
35	Little York Villas Apts	3111	West Little York	Houston	77091	HOME	12/1/2006	30	12/01/36
36	Mariposa at Reed Road	2889	Reed Rd.	Houston	77051	HOME	1/20/2011	20	01/20/31
37	Midtown Terrace	4640	Main St.	Houston	77002	CDBGR/HOME/BOND	4/14/2011	15	04/14/26
38	Northline Point Apartments	7313	Northline Dr.	Houston	77076	CDBG	9/15/2005	15	09/15/30
39	Northline SRO	3939	North Frwy.	Houston	77022	HOME	6/3/2003	15	06/03/18
40	Orchard Park at Willowbrook	13350	Perry Rd.	Houston	77070	HOME	12/3/2009	20	12/03/29
41	Plaza De Magnolia Apts.	7310	Sherman St.	Houston	77011	HOME	3/4/1997	20	02/27/16
42	Pleasant Hill Village (Seniors)	3814	Lyons Ave.	Houston	77020	CDBG	9/2/1999	15	09/27/15
43	Primrose Del Sol	131	Aldine Bender Rd.	Houston	77060	TIRZ	4/10/2007	30	04/10/37
44				Pasadena		HOPWA	5/30/2000	20	05/30/20
45	Project Row Houses	2411	Division St.	Houston	77004	BOND	2/9/2005	20	02/09/25
46	Rainbow Village	6300	Corporate Dr.	Houston	77036	BOND	12/31/2008	15	12/31/23
47	Reed Parque Townhomes	2725	Reed Rd.	Houston	77051	CDBG/DISR	9/21/2011	5	9/21/2016
48	Reserve at Bankside	10700	Fondren Rd.	Houston	77096	CDBG/DISR	9/11/2009	15	09/11/24
49	Reserve at Creekbend Apartments	7600	Creekbend Dr.	Houston	77071	CDBG/DISR	2/3/2011	5	2/2/2016
50	Saint James Village	3815	W. Fuqua St.	Houston	77045	HOME	6/23/2011	15	06/23/26
51	Sandspoint Cove Apts.	8600	Sands Point Dr.	Houston	77036	HOME	12/4/2003	10	12/04/13
52	Simmons Gardens Senior Citizen Housing	10225	Scott St.	Houston	77051	HOME	1/12/2000	25	01/12/25
53	Skyview at Palm Center	5514	Griggs	Houston	77021	TIRZ	11/10/2009	5	11/10/14
54	Summercrest Apts.	3950	Hollister	Houston	77080	CDBG	6/21/2004	15	06/21/19
#REF!	Uplift 4th Ward	1112	Saulnier	Houston	77019	CDBG/HOME	10/8/2002	20	10/08/22
#REF!	Victory Apartments	1520	Bailey St.	Houston	77019	CDBG/HOME	6/23/2004	40	06/23/44
#REF!	Village Park North	8210	Bauman	Houston	77022	HOME	4/12/2011	18	4/12/2029
#REF!				Houston		HOPWA	9/24/2002	30	9/24/2032
#REF!	WALIPP Senior Residences	5220	Scott St.	Houston	77019	HOME/TIRZ	2/8/2006	20	02/08/26
#REF!	West View Forest Apartments	10110	Westview Dr.	Houston	77043	CDBG	4/26/2005	10	04/26/15
#REF!	Wheatly Manor	5201	Market St.	Houston	77020	HOME	5/17/2005	15	05/11/20
#REF!	Windcrest on Sherwood Forest	1521	Sherwood Forest	Houston	77043	CDBG	11/8/1993	30	11/08/23
#REF!	Women and Family Emergency Shelter	419	Dowling	Houston	77003	CDBG	5/13/2008	10	05/13/18
#REF!	Zion Village	3154	Gray St.	Houston	77004	HOME	5/5/2010	20	05/05/30

Appendix C5: Tab 5 – Citizen Participation Plan

- 5-1. City of Houston Citizen Participation Plan
- 5-2. Copy of Public Notice
- 5-3. Copy of the Web Page (TBD)
- 5-4. Attendance List for Public Hearings (TBD)
- 5-5. Complaint Procedures

CITY OF HOUSTON

2010 CITIZEN PARTICIPATION PLAN

FOR THE
CONSOLIDATED PLAN

March 2010



601 Sawyer

Houston, TX 77007

713-868-8300

Web: www.houstontx.gov

Introduction

The purpose of the Citizen Participation Plan (CPP) is to establish a viable means by which citizens of the City of Houston (City), public agencies and other interested parties can actively participate in the development of activities undertaken with Community Development Block Grant funds and to sets forth the jurisdiction's policies and procedures for citizen participation.

The Citizen Participation Plan has been prepared and implemented pursuant to federal regulations (U. S. Department of Housing and Urban Development (HUD) Regulations 24 CFR Part 91.105) and the City of Houston's desire to encourage and support public participation in the development of the Consolidated Plan (and subsequent annual updates to the Consolidated Plan).

The actions delineated in this Citizen Participation Plan relate to the planning and expenditure of funds provided to the City by the U. S. Department of Housing and Urban Development (HUD) Office of Community Planning and Development (CPD). CPD entitlement funds received by the City include the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA), and other such grants as may be added by law.

Encouragement of Citizen Participation

It is the intent of the City of Houston to encourage and facilitate the participation of residents in the formulation of priorities, strategies and funding allocations related to the Consolidated Plan, Substantial Amendments to the Plan and the Performance Report process, emphasizing involvement by low and moderate income persons, especially those living in slum and blighted areas, areas where the funds are proposed to be used, and low and moderate income neighborhoods. The City encourages the participation of local and regional institutions and other organizations (including businesses, developers, and community/faith-based organizations) in the process of developing and implementing the Consolidated Plan. The City also encourages participation of all citizens including minority populations, people who do not speak English and persons with disabilities.

To encourage citizen participation emphasizing the involvement of low and moderate income residents the City of Houston will continue to work with public housing authorities, neighborhood task forces and organizations representing the City's lower income areas.

The Plan assures that citizens, non-profit organizations, and other interested parties are afforded adequate opportunity to review and comment on plans, programs, activities and reports covering the City's federally funded housing and community development programs.

Technical Assistance

The City will provide technical assistance as requested to lower income groups to develop proposals for housing and community development activities in the City of Houston. The technical assistance will be offered any time proposals for the use of funding are requested.

Access to Records

The City of Houston will provide the public with reasonable and timely access to information and records relating to the data or content of the Consolidated Plan, as well as the proposed, actual, and past use of funds covered by this Citizen Participation Plan.

The public will be provided reasonable access to housing assistance records, subject to state and local laws regarding privacy and obligations of confidentiality. Confidential documents will be set apart from public information, and any requestors of this information will be promptly informed.

In the spirit of encouraging public participation, copies of standard documents will be provided to the public. These materials will be available in a form accessible to persons with disabilities, upon request to the CDBG Program Administrator at (713) 868-8300.

All standard Housing and Community Development Department documents will be placed on file in the City of Houston, Housing and Community Development Department file room located at 601 Sawyer, 3rd floor, Houston, Texas 77007.

Copies of standard documents will be available for review at the following locations:

- Housing and Community Development Department – 601 Sawyer, Suite 400
- City of Houston Secretary's Office – 900 Bagby, Parking Level
- City of Houston Website – www.houstonhousing.org
- City of Houston Main Public Library

Additional single copies may be obtained from the Housing and Community Development Department at no charge.

The following standard public documents are available during regular business hours:

- This Citizen Participation Plan
- Proposed and Final Consolidated Plans
- Proposed and Final Consolidated Action Plans
- Proposed and Final Substantial Amendments to an Annual Action or Consolidated Plan
- Draft and Final Consolidated Annual Performance Reports (CAPER)

Public Hearings

Public hearings will be held at key stages of the process to obtain the public's views and to provide the public, to the greatest extent possible, with responses to their questions and comments. The City holds public hearings to obtain input regarding community needs during development of a Consolidated Plan, to review proposed uses of the funds in each Annual Action Plan, and to review program performance.

Pursuant to HUD regulations, the City of Houston will conduct a minimum of two (2) public hearings prior to submission of the Consolidated Plan, to ensure participation in grant development.

The Director of the Housing and Community Development Department, in consultation with staff, will establish the time and location of all public hearings and meetings concerning CPD entitlement funds received by the City including Community Development Block Grant (CDBG),

Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA).

Public hearings shall be held after adequate (14 days) notice at times and locations convenient to potential or actual beneficiaries, and with accommodations for the disabled. At all public hearings, upon an advance request, translators will be available for those who do not speak or understand English and the hearing impaired.

Meetings and Public Hearings Schedule

October – Notification to Public Service Agencies and citizens for submission of funding requests. Notice of funds available (NOFA) is advertised in public notices.

November/December – First Public Hearing on Consolidated Plan (performance review and citizens express their needs during plan development)

January – City Council Districts Public Hearings on Budget, Capital Improvement, and Consolidated Plan

March – Draft of Consolidated Plan is made available to public and the 30 day review period begins

April – Second Public Hearing on Consolidated Plan (citizens express concerns or agreement on draft Plan)

April/May – Submittal of Consolidated Plan to HUD

September – Draft of Consolidated Annual Performance Evaluation Report (CAPER) is made available to public, a 15 day review period, and submittal to HUD

Development of the Consolidated Plan

Before the Consolidated Plan (and annual updates) is adopted by the City Council and submitted to HUD (i.e., mid-May), the City will make the plan available to citizens, public agencies, and other interested parties for review, and will also establish the means to submit comments. Information made accessible to the public will include the amount of grant funds the City expects to receive (including program income), the range of activities to be undertaken, and the anticipated number of low and moderate income persons to benefit from funded activities.

Information will also include the steps the City will take to eliminate the need for displacement of persons. If displacement will occur due to any planned actions, the City will comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, as described in 49 CFR Part 24.

The City will publish its draft and final Consolidated Plan (and annual updates) so that all affected residents will have sufficient opportunity to review and comment on the plan. A summary describing the contents and purpose of the Consolidated Plan will be published in one or more newspapers of general circulation. To the extent feasible, the draft plan document will

be posted on the City's website. Additionally, the entire plan will be made available for review at the following locations:

- Housing and Community Development Department – 601 Sawyer, Suite 400
- City of Houston Secretary's Office – 900 Bagby, Parking Level
- City of Houston Website – www.houstonhousing.org
- City of Houston Main Public Library

A reasonable number of free copies will be available at the City of Houston, Housing and Community Development Department (601 Sawyer, 4th floor).

Amendments to the Consolidated Plan

From time-to-time, it may be necessary for the City to process a "Substantial Amendment" to the Five Year Consolidated Plan or the One Year Action Plans to allow for new CDBG, ESG, HOPWA or HOME funded activities; modification of existing activities; or other CPD program administrative actions.

Any proposed amendment that is considered a "Substantial Amendment" is subject to the Citizen Participation process, requires formal action by the City Council, and approval by HUD. A thirty (30) day public notice is published to provide the opportunity for the public to review and comment on the proposed substantial amendments. The City will consider all comments or views received from the public concerning proposed substantial amendments in accordance with 24 CFR 91.105 (c) (3). A summary of these comments and views, including comments or views not accepted (and the reason why) shall be attached to the substantial amendment.

For the purpose of this Citizen Participation Plan, amendments to the Consolidated Plan are divided into four categories: Substantial Amendments, Minor Amendments, One-Percent Amendments, and Emergency Amendments.

The City of Houston is required by HUD [24 CFR 91.505 (b)] to identify the criteria to be used in determining if a proposed action will be considered a "Substantial Amendment". The following criteria will be used by the City:

Substantial Amendments

1. Addition of a new activity or project not previously described in its Consolidated or Action Plan
2. Deletion of an activity or project previously described in its Consolidated or Action Plan
3. Change in the purpose, scope, location or beneficiaries of an activity or project previously described in its Consolidated or Action Plan
4. Change in the use of CDBG funds from one eligible activity or project to another previously described in its Consolidated or Action Plan
5. Change in an activity or project (previously described in its Consolidated or Action Plan) **total dollar amount** allocated or budgeted by more than 25 percent

Minor Amendments

Minor amendments represents any changes to the Consolidated Plan or Action Plan that do not qualify as “substantial amendments”, and are more than 1 percent change in funding including correction of errors in the original plan. Minor amendments require the signature of the City of Houston, Housing and Community Development Department director or designated representative, but do not require public notice of 30 days or City Council approval.

One-Percent Amendments

A one-percent amendment represents any change in the funded amount of a project that is one-percent or less change. These amendments require the signature of the City of Houston, Housing and Community Development Department director or designated representative, but do not require public notice of 30 days or City Council approval.

Emergency Amendments

From time-to-time a natural disaster (such as, hurricane) or other catastrophic occurrence within the City of Houston may necessitate a Consolidated Plan amendment which could meet the definition of a Substantial Amendment. The City of Houston may request and obtain from HUD a complete waiver or reduction in days of the required 30 days public notice period for Substantial Amendments. These amendments require the signature of the City of Houston, Housing and Community Development Department director or designated representative, adherence to state and local laws regarding contracts and procurement, and HUD waiver and/or approval, but do not require public notice of 30 days.

Anti-Displacement and Relocation

All of the City of Houston’s Consolidated Plan activities are designed to eliminate (or minimize) the occurrence of displacement. Program guidelines and limitations are structured so that temporary displacement is unlikely.

Tenants in occupied rental properties are made aware of their rights with respect to displacement and relocation. Property owners are made aware of their rights and responsibilities: property owners must assume the financial responsibility for the displacement and relocation of their tenants.

If an *involuntary* displacement should occur, it is the City of Houston's policy to provide housing referral assistance and, if required, make relocation payments in accordance with local, state and federal law.

Consolidated Annual Performance Evaluation Report (CAPER)

The City is required to submit a CAPER for its CPD programs to HUD no later than 90 days from the end of a program year (i.e. late – September). In general, the CAPER describes how funds were actually spent and the extent to which these funds were used for activities that benefitted low and moderate income people.

The City will publish notice that its CAPER is available for review so the public will have sufficient opportunity to review and comment on the report. The notice will be published in one or more local newspapers of general circulation. There will be a 15 day public comment period prior to the submission of the CAPER to HUD.

Complaints

Written complaints from the public about the City's Citizen Participation, Consolidated Plan/Annual Action Plan, Substantial Amendments, or Performance Reports process will receive careful consideration and will be answered in writing within 15 business days (where practicable).

Written complaints should be sent to the Director's Office at the following address: City of Houston, Housing and Community Development Department, 601 Sawyer, Suite 400, Houston, Texas 77007.

PUBLIC NOTICE

The City of Houston (City), will apply to the Texas General Land Office (GLO) for Community Development Block Grant (CDBG) Disaster Recovery (DR) Program for Hurricane Ike Round 2, Phase 2. GLO was designated by Governor Rick Perry as the responsible entity to the U.S. Department of Housing and Urban Development (HUD) for the grant administration of the CDBG DR funding. The Houston-Galveston Area Council (H-GAC) determined the method of distribution for the Round 2 funds awarded in the 13-county H-GAC area. The City, through its Housing and Community Development Department (HCDD) is scheduled to receive \$107,348,346 in its General Housing Allocation, \$7,270,468 in Affordable Rental Single Family Rental, and \$7,304,160 in Affordable Rental (Other) Multifamily Allocation, for a total of \$121,922,974. In addition, H-GAC also awarded \$29,490,046 to the City for the Subsidized Housing Allocation, which the City will use in collaboration with the Houston Housing Authority (HHA). The total amount of the Housing portion of the application to GLO is \$151,413,020.

GLO will also award non-housing (infrastructure) CDBG-DR funds for Hurricane Ike Round 2. H-GAC determined that the City of Houston will be awarded \$26,148,986, with at least \$4,262,286 dedicated to the Disaster Recovery Enhancement Fund (DREF) obligation. DREF funds must be expended to help mitigate the possible impact of future disasters. The Public Works & Engineering (PWE) Department will prepare the City's application for Hurricane Ike Round 2.

As required by the application, a public hearing will be conducted. In accordance with this, the proposed housing grant application will be posted on the HCDD web site at <http://www.houstontx.gov/housing/> for Housing activities and <http://www.publicworks.houstontx.gov/planning/ikerecovery.html> for non-housing activities. A joint public hearing will be held on Monday, November 28, 2011 at 6:00 p.m. through 8:00 p.m. at the City Hall Annex at 900 Bagby, Houston, TX. The public is invited to provide input and comments on this proposal at the meeting. The public may provide written comments through Monday, December 5, 2011 to Andrea Jones, HCDD, 601 Sawyer Street, Houston, TX 77007 for Housing activities and to Carol Haddock, PWE, 611 Walker, Houston, TX 77002 for non-housing activities. This application will be submitted to the City Council for approval. The application is due to GLO on Friday, December 9, 2011. For additional information, contact HCDD at 713-868-8300 or PWE at 832-395-3090.



Procedure Number	21-38
Procedure Owner	Brenda Scott
Effective Date	September 13, 1995
Revisions:	February 20, 2010 November 14, 2011

Procedure Title: Citizen Complaint Procedures Standard Operating Policy and Procedures

Purpose

It is the policy of the Housing and Community Development Department (HCDD) to respond to citizen complaints in accordance with the provisions under its most recent Citizens Participation Plan, dated March 2010.

Scope

The Director's Office and/or the Public Information Office are the first point-of-contact with HCDD citizen's complaints. The procedures of this process are provided to all HCDD staff. These procedures are in accordance with day-to-day operations performed by HCDD.

References and Methods through which complaints may be received into HCDD)

CitizensNet
 City Council/Briefing – HCDD Liaison Policy and Procedures
 Fair Housing Policy and Procedures
 Houston News Room Policy and Procedures
 Mayor's Customer Service Request (CSR's) Policy and Procedures
 Mayor's CitizensNet Policy and Procedures
 Media Policy and Procedures
 Public Session Policy and Procedures
 Public Notices Instruction Policy and Procedures

Director's signature:	Date:	Page 1 of 4
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Citizen Complaint Log (CPL) located at HCDD's N Drive/Planning and Operations Risk Management/CP Log.

Procedures

The procedures below outline the steps required to process complaints from citizens regarding grants, programs, and services provided through HCDD to Houston's low and moderate communities, as more particularly identified complaints as about HCDD, the Consolidated Plan/Annual Action Plan, amendments, and the Consolidated Annual Performance and Evaluation Report. The complaint procedures on Page 9 of the most current Citizens Participation Plan (CPP) require such complaints to be submitted in writing to the Director and that a timely written response will be provided within fifteen (15) working days, where practical. These procedures also cover any and all special grant programs which include, but are not limited to, NSP, CDBG-R, CDBG-DR, HHSP, when the citizen participation requirements for such grants are not more stringent than these requirements. Where there are marked differences, these complaint procedures will be revised to cover such differences in order maintain uniformity to the greatest extent possible and to avoid duplication of HCDD's similar or same requirements.

Primary Contact: Director's Office and PIO who hands off to Planning and Grants Management Division (PGM)

Step 1

- Upon receipt, PGM staff verifies that the item is a complaint as defined on Page 9 of the City's CPP, as opposed to a general inquiry or a complaint outside of the scope of the CPP or other correspondence, which remains with the PIO staff for general coordination. Qualifying complaints are submitted the Division Manager of PGM under whose direction such complaints are processed and maintained as part of the Consolidated Plan management process.

Step 2

- Within two business days of receiving the correspondence as a complaint, the Director's designated staff or the PIO designated staff will notify PGM who will prepare a general letter of acknowledgment to send to the complainant indicating that the City will make every effort to respond within fifteen working days. The letter will state further that the City will notify the complainant prior to fifteen days, if PGM determines that a longer response period will be necessary. All appropriate parties will be copied on this letter, a copy of which can be accessed on the N drive/Planning and Operations Risk Management/CP Log.

Step 3

- Designated PGM staff will log the complaint into the Citizen Complaint Log (CPL) that is available on HCDD's N drive/Planning and Operations Risk Management/CP Log.

Step 4

- If inquiry did not come via HCDD's mailroom, PGM staff will obtain a tracking number from Administrative Services before proceeding.

Step 5

- PGM staff will create a Concurrence and deliver the complaint to Assistant Director who owns the program or product that is the subject of the complaint.

Step 6

- If necessary, PGM staff will schedule a meeting with owner of the product and staff assigned to craft actual response for Director's signature, to ensure all parties understand what is being requested, the direction the response should take, and to ensure that all HCDD parties understand the importance of timeliness and consequences of missing specific timelines.

Step 7

- Once the response is prepared, it must be returned to the PGM staff with a signed Concurrence and two sets of any attachments that are required to be submitted with the response to the complaint. Also, PGM staff will ensure Director's signature is obtained in a timely manner, and will update the status of the complaint on the CPP Log.

Step 8

- Once the Director's signature is obtained, PGM staff will send the original with attachments to complainant by certified mail return receipt requested, unless complainant only provides an e-mail address. PGM staff will coordinate delivery of copy to HUD's Local Office with instructions to have HUD official sign for the delivery. Also, PGM staff will send a copy of the response to the City's HUD representative by e-mail in a PDF file.

Step 9

- PGM staff will prepare the File Room Transmittal, attach the transmittal documents to the complaint, and all back-up documents, including e-mails, and deliver them to HCDD Central Files to be appropriately filed. PGM staff will obtain an appropriate signature on the transmittal from File Room staff that receives delivery of the file and will maintain copy of signed transmittal for the PGM's files.

Responsible Parties

Planning and Grants Management, Brenda Scott, Division Manager

Derek Sellers – Entitlement Grant Coordinator

Peggy Colligan – Special Grants Coordinator

Amanda Zayid, Administrative Assistant

Public Information Office, Community Involvement Coordinator

Director's Office, Roxanne Lawson, Administrative Coordinator

DRAFT