



Community Services Division  
Office of Community Development  
77 South High Street, Columbus Ohio 43215 U.S.A.  
Phone: (614) 466-2285  
Fax: (614) 752-4575

Previously known as Policy Notice OHCP 01-01

**SUBJECT:** Hiring Nonprofit Organizations as Administrative Consultants

**ISSUED:** February 7, 2001

**DISTRIBUTED TO:** Office of Community Development Award Recipients and their Affiliates

---

## **POLICY**

Nonprofit agencies may participate along with for-profit firms in the competitive negotiation procurement process as outlined in 24 CFR 85.36. In some situations it may also be more appropriate and useful to designate a nonprofit as grant administrator through a designation agreement. Designation allows a grantee to designate a nonprofit agency such as a Community Action Agency, a Regional Planning Commission, a Public Housing Authority, etc. as the body authorized to administer grant activities. It is permissible for communities to designate a nonprofit for administrative services that are grant specific, for the period of the grant agreement. However, the nonprofit must demonstrate a history of commitment and service to the local community and/or the successful provision of similar services. All applicable regulations and the following procedures shall also be followed:

- The local government shall submit to the nonprofit agency(ies) that they are considering a Request For Application (RFA). This RFA shall, at a minimum, provide a clear explanation of the program to be administered, identify the scope of services to be rendered, provide a listing of the information sought from the nonprofit agency, provide an overview of the regulatory issues that they must address, and identify all evaluation factors to be used in evaluating the nonprofit agency's application.
- The nonprofit agency shall provide a response to the RFA that, at a minimum, includes the related past experience, qualifications, and capacity of the nonprofit agency to do the proposed work; the proposed plan of the organization to undertake the scope of services including its implementation schedule, budget (direct and indirect costs only), and staffing structure; and how the organization intends to assure compliance with the program regulations. (When reviewing applications from previously funded nonprofits allowances may be made for information already obtained from the nonprofit in order to make the application process less burdensome).
- The local government shall evaluate the application from the nonprofit agency. The evaluation criteria may include a number of factors, but shall at a minimum include financial capacity and stability, experience and expertise, and demonstrated capacity including adequate staffing and organizational strength.
- If the application is acceptable based on the evaluation criteria, then the local government may negotiate a written agreement with the nonprofit agency. The agreement must contain, at a minimum, all federal uniform administrative requirements, a description of the work to be performed, a schedule for completion of the work, a

budget, procedures for disbursement of funds, requirements for records and reports that must be submitted, dispute resolution procedures, suspension and termination clauses and whatever other provisions are deemed necessary after consultation with the community's legal representation and a review of federal, state and local regulations.

- The agreement between the city/county and the nonprofit agency should be formalized with a resolution passed by the jurisdiction's governing body.
- As with all administrative service contracts, the local government must maintain fiscal control. Payment shall be made to the nonprofit agency only upon completion, documentation, and verification of a given phase or task as outlined in the written agreement and after the work has been properly reviewed by a local government representative.
- The local government must identify a representative who will be responsible for overseeing the activity of the nonprofit and for making regular routine reviews of their performance.
- The local government is responsible for maintaining all of the appropriate records associated with the procurement of the nonprofit agency including a copy of the RFA; the application submitted by the nonprofit agency; the evaluation rating tool complete with the agency's performance; the written agreement between the grantee and the nonprofit; the resolution; records on monitoring visits and oversight activities undertaken by the grantee; and a record of the disbursement of funds.

## **COMMENTARY**

This designation process was formerly outlined in a HUD general notice of March 27, 1987 and in a memo from the Ohio Department of Development (now known as the Ohio Development Services Agency), dated March 25, 1987. The Office of Community Development (OCD) policy is to not allow fiscal control and responsibility to be transferred from the local government to the nonprofit agency. This, however, still allows the local government to transfer to another entity the provision of grant services. The local government must still maintain adequate control and oversight.

Nonprofit agencies can sometimes provide opportunities that for-profit firms may not. For example, they may have very close ties and/or a history of service to a particular community that goes beyond that typically found between for-profit firms and the communities that they serve. An example would be a planning commission that was actually set up by the local government as a way of meeting their needs in a particular area. For-profit firms, on the other hand, are set up by private entities to make a profit. In some cases, because of geographic seclusion, etc., the nonprofit agency is the only viable source for meeting a particular need.

However, this does not mean that all nonprofit agencies will be superior to for-profit firms in the quality of the service that they provide. Historically, the performance of both nonprofit agencies and for-profit firms has been mixed. Furthermore, some for-profit firms have very close ties and excellent service records with the communities that they serve. Therefore, it is important to research your options to determine what opportunities will best meet your needs. Between the competitive negotiation process and the designation process described above you should have the tools that you need to secure consultant services to adequately fill your community's needs while meeting the requirements of the regulations.