

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**MINNEAPOLIS HIGHRISE REPRESENTATIVE COUNCIL
FOR THE
MINNEAPOLIS PUBLIC HOUSING AUTHORITY
MINNEAPOLIS, MINNESOTA**

AGREED-UPON PROCEDURES

MARCH 8, 2011

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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Agreed-Upon Procedures

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Minneapolis Public Housing Authority

We have performed the procedures enumerated below, which were agreed to by the Minneapolis Public Housing Authority (MPHA), solely to assist you with respect to evaluating the current policies, procedures, and records of the Minneapolis Highrise Representative Council (MHRC) used to account for receipts and disbursements of the operation of highrise laundry facilities and the Resident Participation services funded by Community Development Block Grant (CDBG) funds and Department of Housing and Urban Development (HUD) funds. The MHRC is responsible for the policies, procedures, and records used to account for these receipts and disbursements. These procedures were applied to the MHRC's policies, procedures, and records as of October 2010 with some limited follow up through March 8, 2011. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the MPHA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Procedure

Obtain the agreements between the MPHA and the MHRC for the operation of highrise laundry facilities, Resident Participation services funded by CDBG funds, and Resident Participation activities funded by HUD funds. Review them for background and requirements related to each of the activities.

Findings

We reviewed the most current agreements between the MPHA and the MHRC.

- Contract PH-07.35, the Agreement between the MPHA and the MHRC, was for the supervisory direction, administration, and coordination to manage the laundry rooms in 40 MPHA highrise buildings for a one year period beginning September 21, 2007. The agreement was extended multiple times to September 22, 2010.
- Contract PH-09.54, the Memorandum of Understanding between the MPHA and the MHRC, was for CDBG funding of expenditures for Resident Participation services from June 1, 2009, through May 31, 2010.
- Contract PH-09.50, the Memorandum of Understanding between the MPHA and the MHRC, was for HUD funding of expenditures for Resident Participation services from October 1, 2008, through December 31, 2009.

We also reviewed the laundry vendor agreement provided by the MHRC.

- Contract PH-02.63 is the Agreement between the MHRC and BDS Laundry Systems. The agreement requires BDS to furnish and pay for all labor, materials, parts, equipment, tools, supervision, permits, insurance, bonds, and transportation to provide, install, and maintain coin-operated washers and dryers in 38-39 MPHA highrise buildings for a five year period beginning December 3, 2002. The agreement was extended multiple times to October 3, 2010.

We noted that contracts/extensions were not always signed on a timely basis. We recommend contract terms and authorizing signatures be maintained on a current basis.

2. Procedure

Determine if the MHRC has written policies and procedures for financial operations related to receipting and disbursing of laundry revenue program funds and Resident Participation programs' funds.

Findings

We requested the MHRC provide us with all formal, written policies and procedures for operations. The MHRC provided two documents that were originally related to the Tenant Opportunity (TOP) grant the MHRC had received in the past. The documents are identified as "MHRC Financial Management Policies & Procedures" and "MHRC Procurement Policy and Procedures." Reproductions of these documents are included as Appendix A and Appendix B, respectively, to this report.

These documents were approved by the MHRC Executive Committee and Board of Directors on May 22, 1997. We were informed by the MHRC Executive Director that the policies and procedures addressed in these two documents are generally applicable to current operations.

We asked the MPHA Director of Resident Initiatives if she knew of formal policies and procedures of the MHRC. We were given the “Bylaws of the Minneapolis Highrise Representative Council” as amended March 2003.

We recommend the MHRC review, approve, and implement updated written policies and procedures for financial operations.

3. Procedure

Discuss and/or observe actual practices related to receipting and disbursing of laundry revenue program funds and Resident Participation programs’ funds.

Findings

We interviewed the MHRC Executive Director to gain an understanding of the practices used for the laundry operations and the Resident Participation programs’ funds.

- Highrise Laundry Facility Operations
 - Receipting Funds

The MHRC contracts with a third-party vendor, BDS Laundry Systems, to handle the operations of the laundry facilities. Pursuant to the contract, BDS collects the funds from the laundry operations at least once per month. BDS keeps 27.9 percent of the gross monthly receipts as its fee for managing the operations and remits 72.1 percent to the MHRC in monthly checks. The monthly checks and BDS operations reports are mailed to the MHRC.

As mail is received at the MHRC, it is opened by either the Executive Director or the Administrative Assistant. All incoming checks are restrictively endorsed by the Administrative Assistant or the Special Projects Assistant. For the laundry facility proceeds, the Administrative Assistant starts the deposit process by entering all the pertinent check information into a year-to-date spreadsheet showing a monthly breakdown by building for all laundry revenues. The Administrative Assistant runs a tape to calculate the total amount received and compares it to the spreadsheet. The checks, spreadsheet, and BDS operations reports

are put together in a packet and given to the MHRC Executive Director. The Executive Director reviews the information to ensure that all information agrees and initials the packet to document approval.

The Executive Director then prepares the deposit ticket in triplicate. One copy of the deposit ticket and the checks received are put together. Either the Executive Director or the Special Projects Assistant delivers the deposit to the bank. The bank deposit receipt and a copy of the approved spreadsheet are stapled to the carbon in the deposit slip book. The third copy of the deposit slip goes to the MHRC's fee accountant. The MHRC Executive Director records the receipt account coding on the copy of the deposit slip given to the accountant. The accountant is responsible for posting receipt transactions into the Peachtree General Ledger system maintained for the MHRC. The bank statements are mailed to the MHRC office and are provided to the fee accountant when she comes to the MHRC office to drop off disbursement checks. We were informed that a contract for accounting services existed, although neither the accountant nor the MHRC could provide a copy of an executed agreement for accounting services for our review. We were told that the last contract expired, and the accountant was currently working on a month-to-month basis.

- Disbursing Funds

Each quarter, the MHRC prepares a spreadsheet calculating 60 percent of the laundry operations' receipts which are eligible to be disbursed to the individual resident councils. The individual resident councils must prepare and submit a quarterly report on the use of the funds within six weeks of the end of the quarter to be eligible to receive their next laundry disbursement check from the MHRC. The MHRC reviews the quarterly reports for appropriateness of expenditures and adequacy of the supporting documentation. Also included with the reports from the individual resident councils are copies of receipts and bank statements for review by the MHRC. Original bank statements are now required due to fraud perpetrated by one of the individual resident council treasurers who altered the copies of the bank statements sent to the MHRC with the quarterly reports. The reports are checked by the Administrative Assistant for appropriateness of expenditures and completeness of receipts. If more information is needed, the individual resident council treasurer will be asked to provide it. The first attempt for additional information is oral. Any additional requests include a letter to the treasurer and a copy to the president of the council.

For the individual resident councils eligible to receive a distribution of laundry funds, the MHRC Executive Director uses the quarterly spreadsheet to prepare a check request list. The check request list is a compilation of checks needed which lists the payee, the amount, and the coding for entry into the Peachtree accounting system. This is given to the fee accountant who prepares the checks to be sent to the individual resident councils. The accountant brings the prepared checks to the MHRC office along with a Transaction Detail Report and Cash Disbursement Journal printed from the general ledger system. The MHRC Executive Director is to review the Transaction Detail Report and the Cash Disbursement Journal for accuracy and report any errors back to the accountant for correction. During our initial fieldwork in October 2010, we noted that the Executive Director has not been performing this task in a timely manner. As a result, adjustments for such things as voided checks had not yet been provided to the fee accountant, and therefore, were not reflected in the general ledger. This also contributed to the delay of any audit work for the 2009 year end.

Checks are signed at the MHRC office prior to mailing to the individual resident councils. The MHRC check signers include the MHRC Treasurer, President, and Vice-President. The MHRC policies require two signatures on all checks over \$50.

Each individual resident council has its own checking account into which checks received from the MHRC are deposited. The treasurer of each individual resident council maintains a checkbook and prepares checks based on supporting documents. Two of the individual resident council officers are required to approve the expenditures by reviewing the supporting documents prior to signing the prepared checks.

We were informed that no petty cash funds are being used by the MHRC or by any of the individual resident councils.

- CDBG Resident Participation Funds
 - Receipting and Disbursing Funds

CDBG funds are provided to the MHRC from the MPHA on a reimbursement basis. These funds offset MHRC expenditures and are not passed on to individual resident councils. The MHRC Executive Director reviews expenditures made in the grant period and pulls the support for items reimbursable under the CDBG grant. The MHRC Executive Director submits the source documents and a reimbursement request to the Resident Initiatives department of the MPHA. The MPHA Resident

Initiatives department reviews and approves the reimbursement requests and submits summary information to the MPHA Finance department for payment. The MPHA Resident Initiatives department maintains control over the source documents submitted by the MHRC. The MPHA Finance department mails a check to the MHRC. The check is deposited by the MHRC using the same triplicate receipt process used for laundry funds.

- HUD Resident Participation Funds

- Receipting Funds

HUD Resident Participation funds pass through the MPHA to the MHRC in one annual check. Resident Participation funds are to be used in accordance with 24 CFR § 964.150 “for general items of expense in the conduct of business which will benefit all residents.” The funds are used directly by the MHRC and passed on for use by individual resident councils. The amount of funding is determined by the MPHA based on subsidy percentages provided by HUD. The MPHA Finance department provides the MPHA Resident Initiatives department with information on the amount available to be disbursed. The information is shared with the MHRC and the individual resident councils involved. Memorandums of understanding are signed between the MHRC and individual resident councils and between the MHRC and the MPHA. The MHRC has a formula amount per unit in the memorandum of understanding with the MPHA that, when multiplied by the number of occupied units, determines the allocation to each building. A single check for the HUD-approved amount is sent directly from the MPHA to the MHRC. HUD Resident Participation funds are received on an advance basis. The MHRC deposits the check into the bank account with the same triplicate receipt process used for the laundry and CDBG receipts noted above.

- Disbursing Funds

The MHRC provides an annual Resident Participation budget to the MPHA for approval. Quarterly Resident Participation reports are required by the memorandum of understanding to be completed by the MHRC and filed with the MPHA Resident Initiatives department by specific dates. The MPHA Director of Resident Initiatives confirmed that the quarterly reports are not being submitted by the MHRC for review in a timely manner. At the time of our initial fieldwork in October 2010, none of the 2009 quarterly reports had been received by the MPHA. The MPHA Resident Initiatives department would normally review the support to ensure expenditures comply with program requirements and are charged to the approved budget area. This was not occurring, and therefore, compliance could not be determined.

Individual resident councils are required to have, and submit to the MHRC for approval, a budget declaring how HUD Resident Participation funds are going to be used. If the budget has not been approved, the MHRC will withhold the funds until one is approved. Actual expenditures are reported to the MHRC quarterly and compared to the approved budgets to monitor compliance.

The MHRC Executive Director prepares a check request list to send to the fee accountant. The accountant prepares the checks, enters the information into the general ledger system, and delivers the checks to the MHRC office with a Transaction Detail Report and Cash Disbursement Journal printed from the general ledger system. The MHRC Executive Director attaches each check to the source documents supporting the transaction to create a packet. The packet is shown to the signing officers and explained by the MHRC Executive Director as needed for approval signatures. The checks are usually mailed out. Occasionally, a few stipend checks, for meeting attendance by committee members, may be distributed by hand. Check copies and invoices are filed at the MHRC office alphabetically. There is no requirement as to how often checks should be run and therefore, this procedure could be performed one time or multiple times each month on an as-needed basis.

- Bank Reconciliations

As of our initial fieldwork in October 2010, monthly bank reconciliations had not been performed since the end of November 2009. A 2008 audit finding noted that the book balance on the bank reconciliation did not equal the general ledger balance as of December 31, 2008, and numerous checks outstanding for more than one year were noted, some of which were actually voided checks subsequently re-issued. We noted that the MHRC Executive Director had not completed the review of the outstanding checks identified in the audit finding, so any needed adjustments had not been given to the fee accountant for entry to the general ledger system. Also, the accountant relies on a module for the Peachtree General Ledger system to do the bank reconciliation, and according to the accountant, the module was not performing the function correctly. Bank reconciliations had not been prepared manually either. A report for the 2009 audit dated January 7, 2011, no longer identifies this issue as a finding.

4. Procedure

Determine if policies and practices used to account for the receipt and disbursement of these funds adequately support timely reporting and accurate accounting records for the activities of the laundry revenue program, the Resident Participation program funded by CDBG funds, and the Resident Participation program funded by HUD.

Findings

Based on the procedures performed, the policies and practices used by the MHRC are not adequate to support timely reporting and accurate accounting records for the programs operated by the MHRC.

- All Programs - Audit Findings

The results of the 2008 audit note seven findings repeated from the prior year. The results of the 2009 audit note that six of these prior year findings still existed. Most of the audit findings are consistent with issues noted in this report on agreed-upon procedures. The 2009 audit findings also note that 29 significant audit adjustments were made by the auditors. These are indications of the need for improved policies, procedures, and oversight to support more timely reporting and accurate accounting records for the MHRC.

- Laundry Program

The laundry program contract requires that an audit of the MHRC be performed and the results submitted to the MPHA by June 30 of every year or the MPHA will not make further payments under the laundry agreement or any other agreement until an audit report is received and approved by the MPHA. The MHRC's December 31, 2008, audit report was dated April 29, 2010. At the time of our initial fieldwork in October 2010, the MHRC's December 31, 2009, audit had not yet begun. We have subsequently received a copy of the 2009 audit findings reported dated January 7, 2011. The MPHA continued to fund the MHRC throughout this period.

According to the laundry program contract, if a building is not participating, because it has no resident council or has not submitted the proper reports, the MHRC is to hold the laundry funds. For buildings without resident councils, if the building does not reach the level of participation required within six months, the MHRC is to reallocate the laundry funds for that building to the other participating buildings. For resident councils that have not submitted proper reports, the laundry program contract is silent as to what to do with the laundry funds being held. Accounts payable as of the December 31, 2008, audit report

show amounts that had not been paid or reallocated dating back to 2001 totaling \$144,547. Of this amount, approximately \$100,000 was over six months old. The accounts payable log had not been updated for 2009 as of the time of our initial fieldwork in October 2010. A finding related to excessive laundry payables and the distribution of laundry funds has been noted as a repeat issue in reports for both the 2008 and 2009 audits.

While tracing a sample of account activity for the laundry funds from the allocation spreadsheets to the general ledger, we noted an allocation check issued to the wrong building followed by a second check issued to the correct building days later for the same amount. We asked the MHRC Executive Director about the transactions. She was able to provide a copy of a check with “VOID” written on it. The Executive Director further explained that she had not submitted the correction to the accountant yet, and therefore, the general ledger system did not show the check as voided on the system. The original check was dated May 11, 2010, and the reissued check was dated May 19, 2010. At the time of our fieldwork in October 2010, both checks were still listed in the general ledger as 2010 expenditures.

- CDBG Resident Participation Program

The CDBG contract PH-09.54 with the MPHA requires the MHRC to resolve all findings within 30 days after receiving the audit report. Failure to comply with this audit requirement is a violation of the agreement which may result in the termination of the contract for cause and/or MPHA’s withholding of future payments.

- HUD Resident Participation Program

The December 31, 2008, audit reported a current liability of \$129,323 for Resident Participation funds due to buildings. The log of these Resident Participation funds payable, similar to the log kept for laundry funds payable, was not updated for 2009 as of our initial fieldwork in October 2010. Because the MHRC Executive Director had not updated this log, it was not available to the auditor, thereby contributing to the delay of any audit work for the 2009 year end. A finding related to excessive Resident Participation payables has been noted as a repeat issue in reports for both the 2008 and 2009 audits.

- Other

The following other items were noted at the time of our initial fieldwork in October 2010 which contribute to the lack of timely and accurate reporting of financial information by the MRHC.

- The Executive Director had not reviewed the batches of general ledger activity for 2009 to monitor accuracy of coding entered by the accountant. Therefore, no corrections had been sent to the accountant, and the general ledger has not been updated for such things as checks voided and re-issued.
- The accountant was waiting for a worksheet allocating payroll time for each employee to the different programs. The worksheet is prepared by the Executive Director and used for making the year-end adjusting entry that allocates payroll expenditures to the proper funding sources.

* * * * *

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the policies, procedures, and records of the Minneapolis Highrise Representative Council. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Minneapolis Public Housing Authority and is not intended to be, and should not be, used by anyone other than the specified party.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 8, 2011

**MHRC FINANCIAL MANAGEMENT
POLICIES & PROCEDURES**

(Executive Committee recommends board approval 5/22/97)

The purpose of these policies and procedures is to ensure that MHRC financial resources are safe-guarded, handled in accordance with all applicable HUD and other federal & state agency regulations, including OMB Circular A-110 & A-122 and that adequate financial information is reported to Board members in a format which assists them in fulfilling financial oversight duties. All MHRC financial records are open to inspection to all Board members and funding agencies by appointment during regular office hours.

1. All financial records shall be maintained in a manner which shall allow for accurate and timely completion of all required reports to the Board, funders, and state & federal agencies.
2. Board members shall receive monthly consolidated income & expense statements and quarterly income & expense statements which show separate breakdowns of income and expenditures by fund account.
3. All monies received shall be deposited promptly into the MHRC savings account, with the exception of TOP grant funds for which a separate checking account shall be maintained.
4. Reconciliation of checking & savings accounts will be completed within 2 weeks of arrival of bank statements (by the 20th of each month).
5. MHRC will employ the services of an accountant who will maintain formal accounting records including: cash receipts journal, cash disbursements journal and a general ledger. Monthly itemized reports will be made available to MHRC staff & treasurer.
6. All income and expenditures shall be recorded with a separate account classification from a chart of accounts which allows for comparison of actual income and outlays with budgeted amounts for each MHRC program area.
7. Separation of duties: The executive director shall be responsible for authorizing purchases and approving invoices for payment. A contracted accountant shall be responsible for preparing checks and keeping books. Two signatures are required on all checks over \$50.00. Check signers include the MHRC Treasurer, President or Vice-President in the president's or treasurer's absence. Any exceptions will be noted at the subsequent Executive Committee meeting.

Appendix A
(Continued)

8. Orderly files of all records related to any income or expenses shall be maintained, including: copies of all checks issued; invoices for purchases; monthly bank statements, canceled checks and bank reconciliations; time sheets for all MHRC employees; copies of insurance policies; bank deposit receipts; copies of any contracts, etc.
9. Payment shall be made to vendors and contractors for providing goods or services under the TOP grant within three working days after receipt of funds from HUD via the Line of Control Credit Systems (LOCCS).
10. Staff salary advances for up to the amount of one paycheck or \$1000 (whichever is less) are allowed with executive director's approval and a signed agreement to repay the advance. Any advance to the executive director would need MHRC Board President, Vice-president and Treasurer approval.
11. An annual audit shall be conducted by an independent audit firm following all applicable State & Federal audit requirements. Copies of the audit shall be forwarded to MPHA and HUD within 30 days of receipt and acceptance by the MHRC Board. Prompt resolution of any audit findings shall occur.

MHRC PROCUREMENT POLICY AND PROCEDURES
Adopted at 5/22/97 Meeting of the Board of Directors

I. Purpose

The purpose of this Procurement Policy and Procedures is to assure that services and goods or supplies are procured efficiently, effectively, at the most favorable prices available to the MHRC, and to provide for fair and equitable treatment of all persons or entities involved. It is also intended to guarantee full compliance with federal and state law and applicable HUD regulations.

All prime contractors/subcontractors who sign an MHRC contract assume the obligation of assuring equal opportunity to all persons regardless of race, creed, color, sex, disability, age, sexual orientation, national origin, religion, ancestry, family status, martial status, status with regard to public assistance, or Vietnam era veteran status.

II. Procurement Authority and Administration

All procurement transactions shall be administered by the Executive Director or such other individual who is designated as Contracting Officer by the Executive Director.

III. Affirmative Action and Equal Economic Opportunity Requirements

All MHRC procurement activity shall be consistent with applicable AA/EEO requirements. Affirmative steps must be taken to award a fair-share of contracts to small, minority-owned, and woman-owned business enterprises.

IV. Conflict of Interest

No employee, officer, or agent of the MHRC shall participate in selection, award, or administration of a contract if a conflict of interest, real or apparent, is involved. Such a conflict would arise when a financial or other interest in a firm selected for award is held by: (1) the employee, officer, or agent involved in making the selection, award, or administration of a contract; (2) any member of his or her family; (3) his or her partner; or (4) an organization which employs, or is about to employ, any of the above.

The MHRC's officers, employees, or agents shall neither solicit nor accept gratuities, favors, or anything of value from contractors, potential contractors, or parties to subagreements.

V. Contract Documents

All bid solicitations, requests for proposals, purchase orders, contracts, and other documents shall include all provisions required by applicable federal, state, and local regulation, law and ordinance.

VI. Procurement Procedures

A. Petty Cash

Petty Cash funds may be assigned to employees by the Executive Director. Maximum amounts for such funds shall be determined by the MHRC Executive Committee. Purchases not to exceed \$50.00 paid from the Petty Cash fund(s) shall be made in the open market with an effort made to obtain the best value at the lowest reasonable price.

B. Dollar Thresholds

1. \$0 - \$1000.00

Bids, competitive proposals, or multiple price quotations are not required provided the established price or fee is provided in writing from a reputable service provider. Solicitation of one known Women's Business Enterprise (WBE) and one known Minority Business Enterprise (MBE) is urged when practicable. MHRC Executive Committee approval is required only for purchases not authorized under the current operating budget.

2. \$1000.00 - \$10,000.00

Solicitation of three (3) or more price quotations for goods or services, or issuance of a Request For Proposals (RFP) for professional services. Public advertising is not necessary. Solicitation of one known WBE and one known MBE is required. Approval by the MHRC Executive Committee is mandatory.

3. Over \$10,000.00

Solicitation of competitive sealed bids or proposals from three (3) known providers is required. Public advertisement for competitive sealed bids or proposals for a period of two (2) consecutive weeks is required. Solicitation of one known WBE and one known MBE is required. Approval by the MHRC Board of Directors is mandatory.

C. Solicitation Descriptions

Solicitations for goods and services shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such a description shall not, in competitive procurement, contain features that unduly restrict competition.

D. Sole Source Procurement

A contract may be awarded for supplies, services, or construction without competition when there is only one documented source for the required supplies, services, or construction. No sole source declarations shall exceed six months without formal resolicitation or shall extend beyond the time it becomes known that another supplier has entered the marketplace. Any sole source contract must be approved by the MHRC Executive Committee. (When the contract exceeds \$5000 and involves HUD funding, prior approval from the Field Office CRI Specialist is required.)

E. Change Orders

For contracts of \$10,000.00 or less, the MHRC Executive Committee may authorize Change Orders not to exceed 25% of the initial contract amount, provided appropriate and reasonable documentation exists to support such change. For contracts larger than \$10,000.00, or for changes exceeding 25% of the initial contract amount, approval of the Board of Directors is required.

F. Cancellation of Contracts

Contracts over \$10,000 shall contain provisions that will allow for administrative, contractual or legal remedies in instances in which contractors violate or breach contract terms, and provide for such remedial actions as may be appropriate. Any such contract shall contain suitable provisions for termination by the MHRC, including the manner by which termination will be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default or because of circumstances beyond the contractor's control.