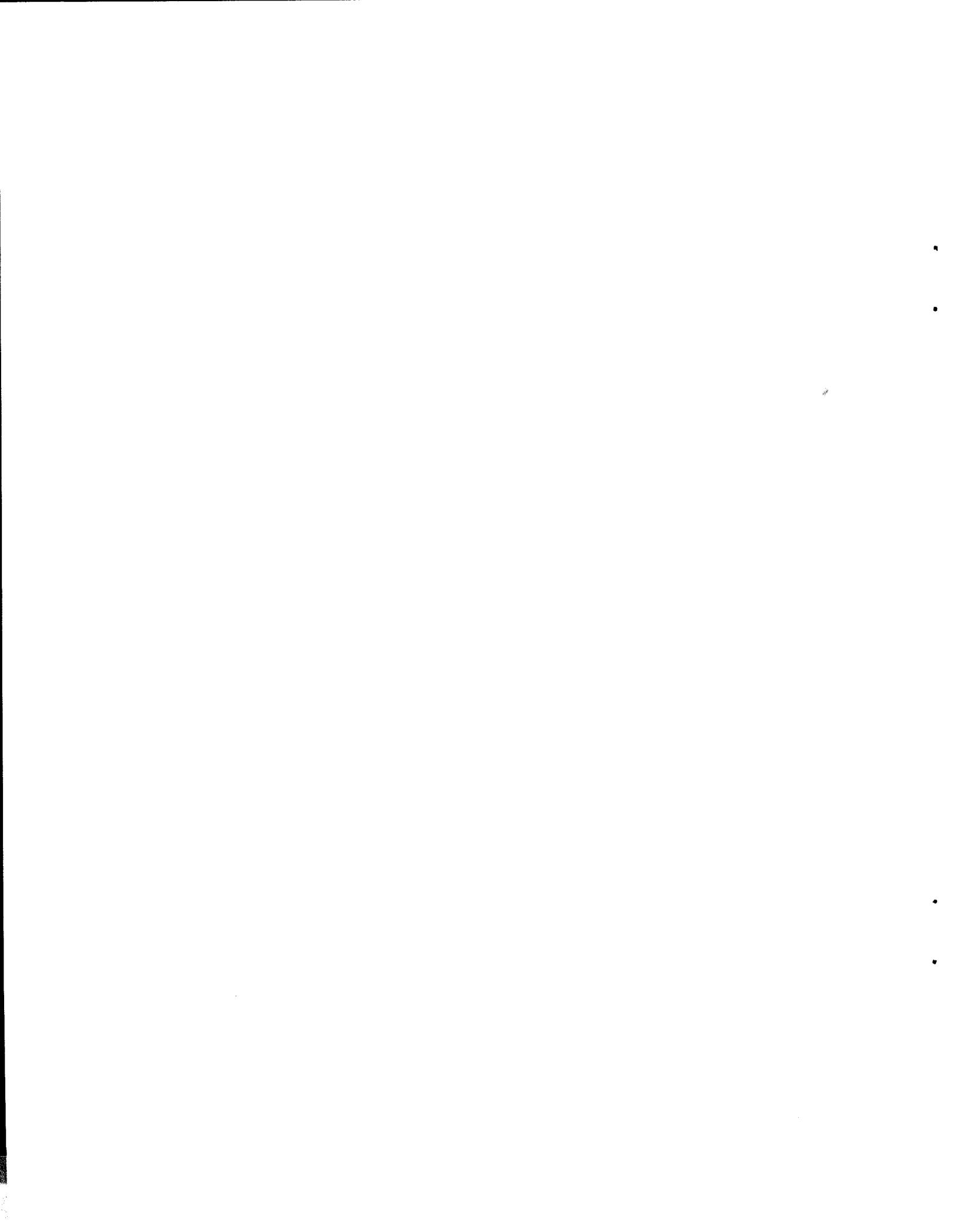


ADMINISTRATION  
OF THE  
HUD-701 COMPREHENSIVE PLANNING ASSISTANCE  
GRANT PROGRAM BY THE  
STATE OF CALIFORNIA

August 1974

Commission on California State Government Organization and Economy



## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

11th & L BUILDING, SUITE 550, (916) 445-2125  
SACRAMENTO 95814



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Executive Officer

August 5, 1974

Honorable Ronald Reagan  
Governor, State of California

Honorable James R. Mills  
President pro Tempore, and to Members of the Senate

Honorable Leo T. McCarthy  
Speaker, and to Members of the Assembly

Gentlemen:

In February 1974, the Commission on California State Government Organization and Economy was asked by Robert J. De Monte, Director, Office of Planning and Research (OPR), a branch of the Governor's Office, for assistance in simplifying the contractual arrangements and grant delivery system utilized by OPR to administer the HUD-701, Comprehensive Planning Assistance Program. The project was approved by the Commission at its February 21, 1974 meeting and Commissioner H. Herbert Jackson was selected to serve as a one-man Subcommittee for the project.

Mr. De Monte expressed the hope that the Commission would devise methods and procedures that would simplify the contract process by eliminating unnecessary functions and reducing the turnaround time for payment of requisitions. It is our belief that the findings and recommendations contained herein accomplish that objective. Furthermore, recommendations made concerning uniform grant administration will be of substantial assistance to many state and local agencies participating in grant programs.

The Commission intends to continue its active interest in the administration of this program and will review its progress in the future.

Respectfully,

MANNING J. POST, Chairman

Walter H. Lohman, Vice-Chairman  
Senator Alfred E. Alquist  
Howard A. Busby  
Assemblyman Jack R. Fenton  
Harold Furst  
Harold C. Henry

H. Herbert Jackson  
James E. Kenney  
Andrew L. Leavitt  
Senator Milton Marks  
Assemblyman Ernest N. Mobley  
Nathan Shapell



## NATURE OF PROGRAM

Section 701 of the Housing Act of 1954, as amended, authorizes comprehensive planning assistance to state, areawide and local public agencies for solving planning problems including those resulting from the increasing concentration of populations in metropolitan and other urban areas and lack of coordinated development of resources and services in rural areas. The planning grants are designed to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, and to encourage local governments to establish and improve planning staffs and techniques on an areawide basis.

Grants may be made for up to two-thirds of the total of planning work and, in areas where development has significance for the purpose of national growth and urban development objectives may cover up to 75% of the costs.

The State of California began to participate in a federally financed local planning assistance program in 1956. Initially the program was designed to assist small cities that had little or no planning capacity. Physical planning was emphasized. By 1970 it was determined that this need was largely met and the program has since evolved to emphasize management and intergovernmental relations as well as comprehensive physical planning. Priority is given to proposals from cities and counties engaged in finding



solutions to multi-jurisdictional problems and to proposals from associations of general purpose governments such as Councils of Governments and Areawide Planning Organizations.

At the present time the Department of Housing and Urban Development (HUD), is making grants directly to cities over 50,000 population and to the largest Councils of Governments (COG'S). The State administers grants for cities under 50,000 population, for all counties, for the smaller Councils of Governments, and for Indians. Several months ago HUD proposed to transfer responsibility to the State of California for all grants commencing July 1, 1974, and the Governor accepted this proposal. However, this proposed transfer of responsibility is now suspended because of a pending law suit and HUD informed the Governor of this suspension on April 2, 1974. (See Exhibit A.)

Since its inception, the Comprehensive Planning Assistance Program has been administered on the basis of inviting applications from all eligible participants and selecting for funding those proposals which were judged of greatest merit. Since all cities, counties, and associations of governments, as well as Indian tribes and others are eligible applicants, it would be impractical to distribute 701 funds on a formula basis. Each jurisdiction would receive such a minor amount that the impact would be negligible. From over 450 jurisdictions eligible to receive grants about 80 applications are received annually and approximately 30 are approved for funding out of a Federal



allocation that has varied each year from about \$500,000 to one million dollars. Establishing program and applicant priorities to determine how these funds will be distributed is the responsibility of the Council on Intergovernmental Relations (CIR), with staff assistance from the Office of Planning and Research.



ADMINISTRATIVE DEFICIENCIES FOUND

Two major problem areas have been found in administration of the HUD 701 program; namely, instability in the organization administering the program and inadequacies in the grant process.

The planning function, including statewide planning and administering grants for local planning, has undergone several reorganizations. The function was in the State Office of Planning in the Department of Finance before being transferred to the Council on Intergovernmental Relations in 1968. In 1972 the program staff was transferred to exempt status in the Lieutenant Governor's Office as part of the Office of Intergovernmental Management, and in July 1973 transferred again to the Governor's Office. There have been 3 directors of the function in the past 4 years; 7 in the past 10 years. The policies and criteria established to guide allocations of funds have been modified numerous times and are not clearly spelled out.

There has been a notable turnover of staff and a lack of communication internally among staff members. Since the most recent reorganization, which merged the staffs of the Office of Intergovernmental Management, the Council on Intergovernmental Relations, the Advisory Coordinating Council on Public Personnel Management, and the Office of Planning and Research, there appears to be a new stability; hopefully, this will continue. However, as part of



the Governor's Office all of the staff is now exempt from civil service so there is no assurance of continuity.

The major inadequacies in the 701 grant process are: insufficient pre-application assistance, unnecessarily complex contract arrangements with local jurisdictions, slow payment of funds to grantees, lack of system monitoring, and inconsistencies in administration between HUD-701 grants and Intergovernmental Personnel Act grants also administered by this Office.



RECOMMENDED ADMINISTRATIVE IMPROVEMENTS

1. Simplify criteria, policies, and priorities for selecting projects for funding.
2. Develop simplified handouts to explain application procedures.
3. Develop a grant administration handbook to give to successful applicants.
4. Use a 'Letter of Grant Award', in lieu of a contract to confirm agreement to fund a proposed project.
5. Provide for montly payments to grantees, in lieu of quarterly payments, and reconcile disbursement of funds with project progress quarterly.
6. Discontinue pass-through of project inspection fees.
7. Revise forms to conform to sound practices.
8. Provide for State audit of subgrantees.



Simplify criteria, policies and priorities for selecting projects for funding.

A potential applicant for a comprehensive planning grant making contact with OPR for the first time is likely to be confused or overwhelmed by the vagueness and complexity of written material available from this office. Material intended to explain the program and how to apply for participation is written in an obtuse and repetitious manner.

The most recent explanation of the 701 program issued by OPR is an attachment to a letter dated August 10, 1973 to all city managers, county administrators and directors of councils of governments, subject, "Application for Comprehensive Planning Assistance (701) Funds for 1974-75". The explanation of the program included the following statement:

"Eligible activities include the development of innovative plans and programs; studies, analyses, and recommendations for meeting problems and opportunities; governmental processes, fiscal resources, and capacities; identification of priorities and determination of objectives; preparation of implementation measures; activities to ensure implementation, citizen participation and coordination; and the review and evaluation of studies. These eligible activities are neither exhaustive nor exclusive."

Only two words in this paragraph, "governmental" and "citizen", give any clue as to what kind of planning is to be funded. Read without these two words the statement could refer to almost any kind of activity.

Also included with this letter to applicants was an explanation of program priorities which we deem inadequate and which was criticized by some of the



recipients. Among other things, statements concerning the Federal share of project costs are inconsistent, the term "formula grants" is used when in fact the grants are not based on a formula and State and Federal policies are mixed in a confusing manner. The Office of Planning and Research should rewrite these statements of program purpose and priority reducing them in complexity. They can become important parts of the application procedure handout and the grant procedure handbook, which are described below.

Develop simplified handouts to explain grant application procedure. There is a sharp contrast between the August 10, 1973 invitation to apply for (701) Funds and a statement produced by another section of this same office on "Application and Procedures for Projects to be Submitted under the Intergovernmental Personnel Act". Both statements are intended to describe a grant program and explain how to apply but the statement regarding HUD-701 is twice as long and much more difficult to read. It is recommended that OPR staff working with the HUD-701 program develop a simplified handout to explain the application procedure. It is suggested that the statement on the "Intergovernmental Personnel Act" serve as a model.

Develop a grant administration handbook to give to successful applicants.

After an application has been received and approved by the State, the applicant should be given an instruction handbook to guide him in administering a grant. The procedures guide which was prepared by OPR in December 1973, is



not appropriate for this purpose for two reasons. It is oriented toward application procedure, rather than grant administration and, as noted above, it is extremely hard to read. The grantee needs guidance in such areas as allowable costs, requisitioning funds, and financial and performance reporting.

The Office of Planning and Research gives Intergovernmental Personnel Act grantees a handbook on IPA grant administration prepared by the United States Civil Service Commission. HUD has produced a somewhat similar publication for the 701 program entitled, "Handbook II, Comprehensive Planning Assistance, Managing a Grant", which could be given to local jurisdictions. Unfortunately, however, this handbook requires substantial interpretation by local jurisdictions that are sub-grantees, since much of the content pertains only to those receiving direct grants from HUD, such as the State. It is recommended that the Office of Planning and Research prepare its own handbook on 701 Grant administration requirements, oriented specifically to local jurisdictions receiving sub-grants. (To assist in implementing this recommendation a rough draft of such a handbook has been prepared by the Commission of California State Government Organization and Economy staff and given to OPR.)

Use a 'Letter of Grant Award', in lieu of a contract to confirm agreement to fund a proposed project. Under existing procedures, the Office of Planning and Research writes a contract with each successful applicant based on information received in the application. This translation of an application



into a contract is an awkward, time consuming, and unnecessary step, causes problems of interpretation, and makes it appear that a local government is performing a service for the State rather than for itself. Use of this procedure is a hang-over from the past when consultants were engaged directly by the State of California to provide assistance to local governments. At that time the State, acting on behalf of local jurisdictions, bought consultant services from competitive private firms; thus, a contract was necessary. No such contract is needed, in fact it is undesirable, when the State awards pass-through grants to local governments. The State can merely confirm by letter that the application has been accepted and that a grant award is being made, provided; the application package contains: a project description and budget, an indication of authority of the applicant to act on behalf of his governing board, and a statement of assurances that applicable laws and program guidelines will be followed. Such a letter of grant award procedure is now used by HUD to make grants to the State of California, to cities over 50,000 population, and to the larger COG's. The State should adopt the same method in making pass-through grants in the 701 program. (This recommendation has been accepted and a letter of grant award is being drafted by OPR staff.)

Precedent for this procedure has already been established. The State has used a letter of grant award procedure to administer Intergovernmental Personnel Act sub-grants since inception of that grant program four years ago. Administration of IPA grants became a responsibility of OPR when this grant program was transferred to OPR from an independent office on January 1, 1974.



Provide for monthly payments to grantees, in lieu of quarterly payments, and reconcile disbursement of funds with project progress quarterly. At the present time 701 program grantees are expected to submit a progress report each quarter and may submit an invoice each quarter or less frequently. Program staff within OPR determines whether progress has been made commensurate with the amount of funds requested. Under this procedure a local jurisdiction usually receives reimbursement approximately two months after the close of the quarter or five months from the beginning of the quarter. This lag in reimbursement has worked an undue hardship on some local entities, especially on Councils of Governments that are dependent upon grant funds for existence. To overcome this problem the Office of Planning and Research has considered instituting some form of advance payment. However, advance payment does not appear necessary. It is recommended instead that OPR provide for requisitioning funds as frequently as monthly and simplify the system so payment can be made within ten days from date of request. Discussions with local government entities now participating in the program indicate that this would be adequate to meet their cash flow needs.

Quarterly progress reports should continue to be requested from grantees and when received should be reconciled with funds requisitioned to date. By this means, matching of cash flow to project progress can be made quarterly, as frequently as it is now. However, this procedure will not interfere with a month-to-month flow of funds to grantees, which will enable them to pay obligations as they become due.

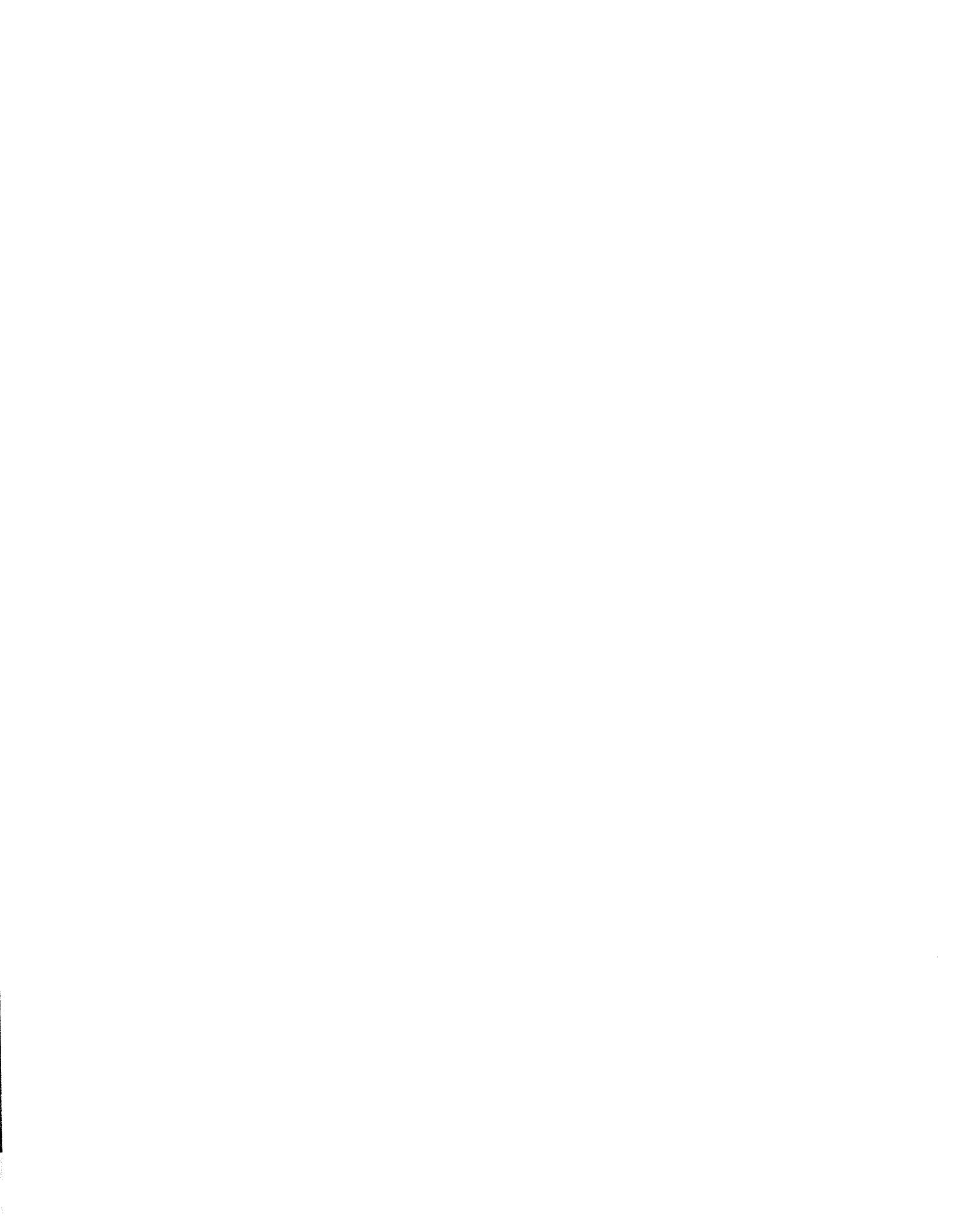


(A proposed new procedure to implement this recommendation for monthly payments was submitted to HUD for approval April 17, 1974. (See Exhibit B.) Internal procedures have already been streamlined to provide payment within ten days from date of request on quarterly invoices.)

Discontinue pass-through of project inspection fees. A project inspection fee is included in each 701 grant made by HUD and the grant to the State of California is no exception. It has been the State's practice to pass along this project inspection fee by including a fee in each sub-grant to a local jurisdiction. The amount of the inspection fee is then subtracted from the first invoice received from the grantee. This has caused numerous misunderstandings and a waste of time. In virtually every case reviewed in this study application of the fee was misunderstood, the grantee submitted an incorrectly calculated invoice, and some discussion was required to obtain the correction.

No useful purpose is served by including the project inspection fee in sub-grants to local jurisdictions. This item should be treated as an overhead expense at State level only, shown as such in the budget submitted with the State's grant application to the Federal Government, and not passed along to subgrantees.

(This recommendation has been accepted and will be reflected in next years grant application).



Revise forms to conform to sound practices. Some of the forms developed by OPR are poorly designed. Standard practices that make forms an easy to use tool are not being followed; such as, giving each form an identifying number, indicating the date of issuance or revision, and placing instructions on the form itself to make the form as self-executing as possible.

The Department of General Services offers both training and consultation in forms management. It is recommended that the Office of Planning and Research avail itself of assistance to train staff to identify and solve its forms management problems.

Provide for State audit of subgrantees. HUD manuals provide that an audit shall be made of each 701 grant not less than every two years and preferably annually. That provision, however, pertains only to direct grants from HUD and does not pertain to the State's subgrantees. Subgrantees have been audited only to a limited extent in the past as part of a State level audit. There is no on-site audit of sub-grantees. Local jurisdictions have been required to submit substantial detail with their progress reports and fund requests. This back up information is then reviewed by OPR staff and by HUD auditors. This is a very awkward and unsatisfactory arrangement. Submitting so much detail with each invoice places a burden on local agencies. Also an audit that is not conducted on site with the grantee is less than satisfactory.



It is recommended that OPR make arrangements to have audits done on behalf of the State of the premises of the subgrantee. The State Controller has substantial capability to provide such audits and has indicated a willingness to do so. (This recommendation has been accepted by OPR and an agreement for the State Controller to perform such audits is now being negotiated. See Exhibit "B".) Where an independent auditor has already been engaged by the sub-grantee it may only be necessary for OPR to have the State Controller determine that the audit is adequate.



UNIFORM GRANT ADMINISTRATION

Numerous programs with major impact on State and local government are administered as Federal grants-in-aid programs. The "Federal Catalog of Local Assistance" lists over 1,000 such programs. For the past several years there has been a concerted nationwide effort to improve their management. The President by a memorandum of March 27, 1969, to the Office of Management and Budget and to ten Federal agencies engaged in domestic aid programs, ordered a 3-year effort to simplify, standardize, decentralize, and otherwise modernize the Federal grant program.

Two major elements of this program should be further promoted and implemented in California in relation to HUD-701 grants; specifically, integrated grant administration and indirect cost allocation.

Indirect Cost Allocation. Under the President's program to modernize grants the Office of Management and Budget established uniform government-wide guidelines for determining allowable costs in Federal grants and contracts with State and local governments (OMB Circular A-87). The Department of Health, Education and Welfare (HEW), was given responsibility to develop detailed instructions to carry out provisions this Circular. HEW retained jurisdiction over cost allocation plans submitted by states but divided the responsibility for local plans among several Federal departments. Under this arrangement a local government agency that wished to



develop and get approval of a cost allocation plan had to deal directly with one of the Federal agencies in Washington, D.C. on detailed fiscal matters. The counties of California which depend heavily on Federal funds for welfare programs found this arrangement unsatisfactory and, together with the State Department of Social Welfare (SDSW), asked that a delegation of authority to approve plans be given to SDSW. Approximately two years ago approval authority for county cost allocation plans was granted by HEW to the former State Department of Social Welfare. Since then this authority has been transferred to the State Controller where expert assistance is now available, and all counties have submitted plans and received approval.

HEW decided to ask only cities of 250,000 population or larger to submit plans for approval because HEW would be overwhelmed if it received plans for approval from all cities in the United States. Smaller cities, if they develop a cost allocation plan, are expected to retain the plan for later review by Federal auditors. This lack of assistance in developing a plan and of a mechanism for pre-approval, leaves most cities very uncertain as to whether or not their indirect costs will be approved at a later date.

Meeting the requirements of OMB Circular A-87 can have major significance for a local agency that receives substantial Federal grants-in-aid. Unless it has a cost allocation plan, a local agency receiving a Federal grant is not entitled to charge indirect costs. Thus, the local government receives



less than it is entitled to. Virtually all State subventions are based on some kind of cost allocation. Consequently the State has a necessary and legitimate role in assisting local governments to develop an adequate accounting system including cost allocation.

It is recommended that the State Controller ask HEW for authority to provide assistance and approve cost allocation plans for cities and Councils of Governments in the same manner that it has authority to approve county plans. The State Controller has estimated that with the assignment of two staff members to this activity all cities and COG'S that desire a cost allocation plan could have an approved plan within a period of five years. Some cities may prefer to continue asking for approval from a Federal agency rather than from the State Controller; consequently, it is suggested that the delegation of authority provide for this option.

This recommendation to extend the State Controller's authority to approve cost allocation plans has been discussed with the Director, Business and Financial Management Standards and Procedures, Office of the Assistant Secretary, Controller, Department of Health, Education and Welfare, Washington, D. C. He has indicated that HEW would be pleased to receive such a proposal.

Integrated Grant Administration. Policies, guidelines, and procedures for Integrated Grant Administration (IGA) were issued by the Office of Management and Budget (OMB) January 14, 1972. IGA evolved from two years of experience with four applicants who were permitted to use single applications to obtain funding from several Federal programs. These pilot projects were then expanded nationwide from 4 to 26 to provide a more comprehensive basis for evaluation.



The Sacramento Regional Area Planning Commission (SRAPC) became one of the recipients. The City of San Diego was also selected as a potential recipient but was not successful in developing an integrated grant proposal. SRAPC has since received an annual renewal grant (FY 1973-74) and has applied for another (FY 1974-75).

Within the past year one other agency in California, the Inyo Mono Association of Governmental Entities (IMAGE), has been awarded an integrated grant.

The Integrated Grant Administration Program enables public agencies to apply for a number of Federal assistance grants by a single application. The application is processed by a task force consisting of members of participating agencies, both Federal and State, under the auspices of the Federal Regional Council, and the approved grant is administered by a lead Federal agency. The primary purpose of IGA is to bring the resources of several categorical grant programs together in a joint effort to solve local problems. The secondary purpose is to cut red tape and eliminate duplication in administration by utilizing a single application and work plan, a common financial system, a coordinated audit, and a common completion report.

The Executive Director of SRAPC has estimated that for his agency IGA has saved 75% of the work that would otherwise be required to deal with numerous categorical grants.



An "Assessment Report for the Integrated Grant Administration Program" published by OMB, November 28, 1973 provides the following program definition and statement of need:

Program Definition. The central theme of the Program is twofold; (1) to provide the means by which State and local governments can use Federal assistance more effectively and efficiently, and adapt that assistance more readily to their particular needs through wider use of projects drawing upon resources available from more than one Federal agency, program, or appropriation; and (2) to encourage Federal/State arrangements under which local governments and other public or private organizations and agencies may more effectively and efficiently combine State and Federal resources in support of projects of common interest to the government, agencies, and organizations concerned.

Why do we need IGA. Viewed from the State and local unit of governments' perspective, the Federal government presents an overwhelming complex image of independent agencies and sub-agencies whose programs and sub-programs have varying requirements and guidelines which are semi-autonomous and impossible to deal with as a whole. State and local units of government are increasingly being forced to address complex problems involving health, poverty, education, utilities, transportation, police protection, and a myriad of similar needs. Many of these needs are so interrelated that it is impossible to effectively and efficiently address each independently.

From the Federal agency standpoint, the IGA Program requires the applicant to address the total problem rather than each individual segment which specific grantor agencies consider eligible for categorical assistance.

Normally, each categorical grant system requires the grantee to (1) use a set of unique administrative requirements; and (2) negotiate individually with each responsible Federal agency. As a result, the grantee is forced to address separately each individual segment of a complex problem.



In contrast to the categorical grant process, the IGA Program provides the grantee, the State, and Federal Regional Council an opportunity to address several related aspects of a complex problem in one comprehensive work program using a single administrative process. More specifically, the IGA administrative process involves:

- one application;
- one grant award;
- one channel for the delivery of funds;
- one financial reporting system;
- one audit; and
- one close out report.

Responsibility at the Federal level for government-wide implementation of IGA was transferred last year along with several other functions, from OMB to the Federal General Services Administration (GSA). The principal representative from GSA is actively promoting the extension of use of IGA by Federal agencies. This offers an opportunity to obtain the benefits of IGA for additional purposes by governmental entities in California.

It is recommended that the Office of Planning & Research enlist the major Councils of Governments in a joint effort to extend use of IGA. Specific strategy to accomplish this was spelled out in a memorandum to OPR from the Commission of California State Government Organization and Economy staff on April 4, 1974. (See Exhibit "C").

It is also recommended that Legislative intent endorsing the integrated grant concept and promoting its use among State agencies be expressed in a Concurrent Resolution.





DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

EXHIBIT A

April 2, 1974

OFFICE OF THE ASSISTANT SECRETARY  
FOR COMMUNITY PLANNING AND DEVELOPMENT

IN REPLY REFER TO:

Honorable Ronald Reagan  
Governor of California  
Sacramento, California 95814

Dear Governor Reagan:

As you doubtless know, this Department's efforts to offer the State governments substantially greater responsibility for administration of the Comprehensive Planning Assistance Program (701) have been delayed by litigation. These delays have already created extremely serious problems to the governments and agencies who depend upon this assistance for a wide variety of essential planning and management tasks. It has become necessary, therefore, to modify our policy with respect to the States, while at the same time pursuing our general objective of increasing State level responsibility.

The course which we must now adopt is as follows:

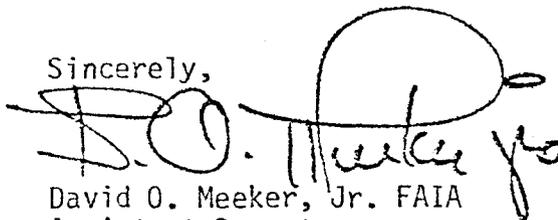
1. During fiscal year 1974, HUD will continue to make grants directly to cities over 50,000 population and all metropolitan organizations. In making those decisions, however, our Area and Regional Office staffs will actively encourage participation in the negotiations on the part of all States and especially those 39 which had indicated their willingness to assume added administrative responsibilities this year.
2. In an effort to conclude the litigation, the Department has filed an affidavit with the court that we have determined that a voluntary approach will be used in fiscal year 1975, in which States and their subgrantees may mutually agree to State administration of 701 funds; and that all States, whether participants in the voluntary approach or not, will be required to have a review and comment procedure for applications by subgrantees to the States or alternately to the Department. We expect to discuss implementation of the foregoing proposals with the various public interest groups during the next few weeks.



3. During the next two years, the Department, in cooperation with the States and with the assistance of the Council of State Governments, will engage in an active program to strengthen the capabilities of the State planning assistance agencies. Continuing the pattern of the HUD-state teams recently formed for the transition, we will provide support for this purpose in the form of financial as well as technical assistance, beginning with the 39 States which have already indicated their desire to assume greater 701 responsibilities. In support of this effort, the special funds previously set aside for the same States will be redirected for State improvement projects.

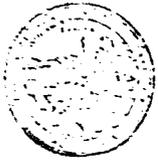
Our field staff will be contacting your designees so that we can complete this year's work as rapidly as possible and begin together the essential task of strengthening our intergovernmental planning systems. I deeply regret our inability to continue as we had originally planned. I hope that I can count on your continued support as we attempt to deal with the wide range of problems--from energy shortages to housing supply to environmental protection--for which 701 resources are available.

Sincerely,

A handwritten signature in black ink, appearing to read "D.O. Meeker, Jr.", with a large, stylized flourish above the name.

David O. Meeker, Jr. FAIA  
Assistant Secretary





# State of California

GOVERNOR'S OFFICE

OFFICE OF PLANNING AND RESEARCH

1400 TENTH STREET

SACRAMENTO 95814

EXHIBIT B

RONALD REAGAN  
GOVERNOR

April 17, 1974

Mr. Arthur Kontura  
Assistant Regional Administrator  
Department of Housing and Urban  
Development  
450 Golden Gate Avenue  
San Francisco, California 94102

Attention: Rosemary Bacy

Dear Mr. Kontura:

Reimbursement Procedure-1974/75 "701" Grant

In an effort to expedite payment to our subgrantees and as part of our continuing effort to simplify the overall grant procedure, we propose to reimburse each local jurisdiction upon receipt of a request for funds, certified as to accuracy by the project director. We attach an example of the proposed "Request for Funds" for your review and approval. Further, in order to assure prompt payment in order to meet the immediate daily needs of each recipient of 701 funds we propose that all documentation, other than the required certification, remain with the local jurisdiction. Our office may, in exceptional circumstances, require part or all of such documentation to be forwarded to our office for review.

Compliance with all regulations pertaining to the receipt of a 701 planning grant will be assured by having the Controller's Office of the State of California perform the following:

1. Conduct an orientation session with each recipient to advise which records must be maintained to satisfy the final audit;
2. Conduct interim audits of each program;
3. Conduct a final audit of each jurisdiction at the end of the grant period, the audit reports to remain in the office of Office of Planning and Research for later review by the HUD auditors.

Additionally, the Request for Funds will provide an estimate of the needs of the following period, as well as an indication of cash position.



Since all source documentation would normally remain with the individual jurisdiction for audit by the Controller, within the scope of their continuing independent audit, and since the program staff will conduct two to four site visits for each grantee during the grant year we would not require a summary of costs to accompany the Request for Funds. We, therefore, request waiver of the requirement for such summaries of cost.

If the program staff have reason to believe that a local agency is not fulfilling the terms of its contract with Office of Planning and Research, invoices from that local agency will be routed through the assigned program analyst for approval before payment is authorized.

The Controller's Office, chosen to conduct the independent audit of our grant recipients, has conducted audits for both the Federal Disaster and the Traffic Safety programs. Their experience is broad and varied. For further information concerning their qualifications, you can contact Mr. M.A. Dittenhofer, Assistant Director, United States General Accounting Office, Division of Financial and General Management Studies, Washington, D.C. 20548.

We feel the procedure as outlined will provide for timely reimbursement to the subgrantees and work well with our HUD letter of credit. We anticipate a cycle of monthly disbursements for most jurisdictions. As soon as the 701 grant for 1974-75 is approved, we will submit our formal request for this new letter of credit. We will insist that each local jurisdiction maintain only a minimal Federal cash balance and believe that the Request for Funds forms will provide for effective control over all Federal funds.

Please advise as soon as possible what changes, if any, you require in this new procedure.

Very truly yours,

original signed by  
Robert J. De Monte  
Director  
Robert J. De Monte  
Director

RJD/JK/jz

cc: Ray Nett

bcc: Randall Shores  
Mike Poggenburg  
Lois McClain



REQUEST FOR FUNDS

Period Covered by this Request: \_\_\_\_\_  
Percentage of Project Completed: \_\_\_\_\_

Recipient: \_\_\_\_\_  
Agreement No.: \_\_\_\_\_  
Grant Amount: \_\_\_\_\_  
Percentage: \_\_\_\_\_

Total Cost of Project This Period: \$ \_\_\_\_\_  
Total Previously Reported Costs: \$ \_\_\_\_\_  
Total Costs to Date: \$ \_\_\_\_\_

Grant Amount Currently Requested: \$ \_\_\_\_\_  
Grant Amount Previously Requested: \$ \_\_\_\_\_  
Total Grant Requested to Date: \$ \_\_\_\_\_

Cash Grant Received to Date: \$ \_\_\_\_\_  
Cash Grant Disbursed to Date: \$ \_\_\_\_\_  
Cash Grant on Hand: \$ \_\_\_\_\_

Estimate of Next Period Grant Needs: \$ \_\_\_\_\_

I, \_\_\_\_\_, Project Director, hereby certify that the above costs were incurred in the performance of work required under contract CPA \_\_\_\_\_ and are an accurate estimate of the progress toward the grant objective.

MAKE CHECK IN THE SUM OF \$ \_\_\_\_\_ (Grant amount currently requested)  
PAYABLE TO: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
DATE: \_\_\_\_\_

DO NOT WRITE BELOW THIS LINE.

APPROVED FOR PAYMENT  
DATE \_\_\_\_\_

Administrative Services Officer



## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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April 4, 1974

TO: Office of Planning and Research

Attention: Mike Poggenburg  
Greg Harding

SUBJECT: STUDY OF CONTRACT AND GRANT ADMINISTRATION - HUD 701 PROGRAM

Conditions appear right to extend use of the integrated grant application (IGA) program in California. The present program has stalled on dead center due to lack of leadership but this can be overcome if the State adopts the right strategy. I do not think one should expect the initiative to come from the Federal Regional Council or its individual members. I suggest that the Office of Planning and Research ask a limited number of Councils of Governments (COG'S) to join with the State and develop a combined proposal to lay before the Federal Regional Council (FRC).

In the past year several COG'S requested FRC consideration for an integrated grant but were given little encouragement. So long as each COG independently seeks an integrated grant, little is likely to happen.

Seeking integrated grants for all COG'S at once is not realistic in terms of COG'S needs, desires, or readiness, nor in terms of the readiness of FRC to handle that many IGA's at once. I suggest that you ask the following COG'S to join with you now in joint development for plans for IGA's for Fiscal Year 1975-76. Twelve to fifteen months lead time is not too much.

SRAPC	Sacramento Regional Area Planning Commission
IMAGE	Inyo-Mono Association of Governmental Entities
CFCG	Council of Fresno County Governments
CPO	San Diego County Comprehensive Planning Organization
SCAG	Southern California Association of Governments
Bi-STATE	Tahoe Regional Planning Agency
ABAG	Association of Bay Area Governments

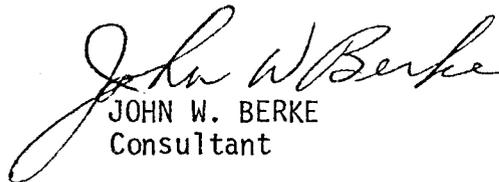


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The Office of Planning and Research should ask the Executive Directors of these seven COG'S to meet with the State soon to begin developing a joint presentation to the FRC. The first two of these COG'S have already received integrated grants and should be included in the combined proposal as candidates for continuation grants in 75-76. Their inclusion will provide a united front and their experience in obtaining IGA's will be valuable to the others. The Association of Bay Area Governments has proposed to the FRC an integrated grant to fund a solid waste disposal project and is already receiving favorable initial consideration. This grant should be put forth as priority one for ABAG and an integrated grant for their normal planning purposes similar to the grants requested by the other COG'S should be priority two.

I have discussed the idea of preparing a combined proposal with COG Executive Directors; Joe Amaral, the IGA program director in Washington, D. C.; several key staff members in HUD, EPA, and DOT and with the FRC staff director, Raymond (Beau) Carter. All have reacted favorably.

I will be pleased to work with you in further development of this strategy.

  
JOHN W. BERKE  
Consultant

cc: Commissioner H. Herbert Jackson  
Executive Officer

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