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TO: Nadab O. Bynum, Director, Office of Community Planning and Development, Philadelphia Regional Office, 3AD
Charles E. Halm, Director, Office of Community Planning and Development, Baltimore Field Office, 3BD

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The Philadelphia, Pennsylvania, and Baltimore, Maryland, CPD Offices Did Not Adequately Document Their Monitoring of CDBG Program Grantees

HIGHLIGHTS

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) monitoring of its Community Development Block Grant (CDBG) program grantees under the jurisdiction of the Philadelphia, Pennsylvania, and Baltimore, Maryland, Community Planning and Development (CPD) field offices as part of our annual audit plan. Our audit objective was to determine whether those offices adequately monitored their CDBG program grantees to ensure that they used their grant funds to assist low- and moderate-income families through eligible activities according to HUD requirements.

What We Found

The Philadelphia and Baltimore CPD field offices did not adequately document their monitoring of CDBG program grantees. Specifically, the field offices did not always maintain documentation to demonstrate that their monitoring was complete and did not always notify grantees of the findings and concerns identified during on-site monitoring within the required time limit.

What We Recommend

We recommend that the Directors of HUD's Philadelphia and Baltimore CPD field offices reemphasize to their staffs the importance of following established monitoring procedures, specifically to ensure that all correspondence, documentation, and work papers relating to the monitoring and conclusions are maintained in the official monitoring files; monitoring officials use the required monitoring exhibits; monitoring officials answer all of the questions and fill in all of the text boxes in the monitoring exhibits; and staffs prepare and send notification of the monitoring results to the grantees within the required 45-day time limit.

In addition, we recommend that the Directors of HUD's Philadelphia and Baltimore CPD field offices develop and implement a written quality assurance procedure and/or mechanism to ensure that monitoring conclusions are appropriately supported by complete documentation and that monitoring letters are submitted to grantees within the 45-day requirement.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the report with the Philadelphia and Baltimore CPD field offices during the audit and at exit conferences on June 11 and June 15, 2009, respectively. The Philadelphia field office provided written comments to our draft report on June 19, 2009. The Baltimore field office chose not to provide written comments. The field offices agreed with the recommendations in the report. The complete text of Philadelphia field office's response can be found in appendix D of this report.

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BACKGROUND AND OBJECTIVE

The Community Development Block Grant (CDBG) program is authorized under Title I of the Housing and Community Development Act of 1974 (Act), as amended, and governed by 24 CFR [*Code of Federal Regulations*] Part 570. The administrative office is the Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development (HUD), Washington, DC. The CDBG program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG entitlement program allocates annual grants to larger cities and urban counties, on a noncompetitive basis, to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons. The entitlement program receives 70 percent of the annual funding allocation. Cities and counties that do not meet the criteria to receive funds as entitlement grantees participate in the CDBG program on a competitive basis through the state in which they are located. The nonentitlement program receives 30 percent of the annual funding allocation.

There are five Community Planning and Development (CPD) field offices within Region III. They are Philadelphia (covers eastern Pennsylvania and all of Delaware), Pittsburgh (covers western Pennsylvania and all of West Virginia), Baltimore (covers Maryland), Richmond (covers Virginia), and Washington, DC (covers Washington, DC). HUD provided CDBG funds totaling nearly $797 million to 107 grantees in Region III on an entitlement basis in fiscal years 2007 and 2008. The following chart provides details.

Field office	Fiscal year 2007 funding	Fiscal year 2008 funding	Two-year total
Philadelphia[1]	$174,523,428	$168,639,007	$343,162,435
Pittsburgh	$ 82,474,328	$ 79,614,601	$162,088,929
Baltimore[1]	$ 56,098,857	$ 76,938,015	$133,036,872
Richmond	$ 61,989,899	$ 59,840,783	$121,830,682
Washington, DC	$ 18,767,297	$ 18,033,221	$ 36,800,518
Total	**$393,853,809**	**$403,065,627**	**$796,919,436**

The field offices are responsible for their jurisdictions and operate independently of each other within the guidelines provided. Each field office performs an annual risk assessment for the CDBG entitlement program grantees to identify candidates for monitoring using risk analysis factors such as financial, physical, management, satisfaction, and services. In addition, subfactors such as dollar value, complexity of programs, number of programs administered, and compliance issues are critical in determining those grantees defined as high risk.

Our audit objective was to determine whether the Philadelphia and Baltimore field offices adequately monitored their CDBG program grantees to ensure that they used their grant funds to assist low- and moderate-income families through eligible activities according to HUD requirements.

[1] We performed our work at the Philadelphia and Baltimore offices.

RESULTS OF AUDIT

Finding: The Philadelphia and Baltimore CPD Field Offices Did Not Adequately Document Their Monitoring of CDBG Program Grantees

The Philadelphia and Baltimore CPD field offices did not properly maintain documentation to demonstrate that their monitoring was complete and did not notify grantees of findings and concerns identified during on-site monitoring within the required time limit. These conditions occurred because monitoring officials did not follow established monitoring policy and procedures to document monitoring reviews completely and notify grantees of monitoring results within the required time limit. The cost of not adequately documenting monitoring can be substantial and potentially embarrassing, especially when HUD seeks to take enforcement actions that are challenged by the grantee. When HUD does not inform grantees of its monitoring findings and concerns in a timely manner, it runs the risk of having the grantee expend funds inappropriately. Further, proper monitoring will become even more critical as a result of the significant increase in grantee funding provided under the Neighborhood Stabilization program and the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Monitoring Was Properly Based on Risk Assessments

The Philadelphia and Baltimore field offices based their monitoring on risk assessments performed on 51 grantees for fiscal years 2007 and 2008 as required. The field offices created annual work plans and an individual monitoring strategy for each grantee selected for monitoring. Our review of the monitoring files for 13 grantees that received $67.9 million (appendix A) showed that the monitoring teams identified findings and concerns during their on-site monitoring visits at eight of the 13 grantees. In addition, for all 13 grantees, we found at least some documentation to show that the field offices performed a review to determine the grantees' compliance with timely funds expenditure requirements and that the field offices properly followed up on recommended corrective action to address findings and concerns, which they communicated to the grantee in their monitoring letters.

Monitoring is the principal means by which HUD ensures that programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations; assists program grantees in improving their performance, developing or increasing capacity, and augmenting their management and technical skills; and stays abreast of the efficacy of CPD-administered programs and technical areas within the communities that these

programs serve. Regulations at 24 CFR 570.900(a)(1) require HUD to at least annually conduct reviews and audits to determine whether recipients have carried out their activities in a timely manner, have carried out those activities and their certifications in accordance with the requirements and the primary objectives of the Act and other applicable laws, and have continued capacity to carry out those activities in a timely manner.

Monitoring Conclusions Were Not Always Supported by Proper Documentation

Monitoring officials did not always maintain appropriate documentation to support their conclusions. HUD Handbook 6509.2, REV-5, chapter 2-14(C)5, requires each CPD field office to document its monitoring of grantees by obtaining and completing monitoring exhibits, which are similar to checklist questionnaires, with any supporting documentation obtained during the monitoring such as but not limited to contracts, budget forms, grantee policies, and work write-ups to be attached to the appropriate exhibit and clearly labeled, indicating what they are and what part of the monitoring they support. Chapter 2-14(A) of the handbook also requires all monitoring conclusions to be supported and all correspondence, documentation, and working papers relating to the monitoring and conclusions to be maintained in the official field office files. For the CDBG program, there are about 40 different monitoring exhibits used to monitor various program requirements. The combination of exhibits needed to monitor a grantee depends on the mix of activities in that grantee's action plan. However, in the monitoring files for 7 of the 13 grantees (54 percent) reviewed, there were instances in which answers to some exhibit questions were not supported by documentation copied or reviewed by the monitoring official during the monitoring review when they should have been. For example, below are questions from monitoring exhibits that required documentation to support the monitoring official's conclusions.

Were costs reasonable (e.g., acquisition costs supported by appraisal, developer's fees, rehabilitation or construction costs within local norms, etc.)? [24 CFR 92.505(a); 24 CFR 85.22 and OMB Circular A-87, Attachment A, Section C.2]	☒ Yes ☐ No
Describe Basis for Conclusion: Prior to approval, these costs are closely evaluated by experienced PHFA staff as well as Redevelopment Authority staff (inspector, financial specialist, deputy director, executive director).	

Is there evidence that ineligible activities are assisted?	☐ Yes	☒ No
Describe Basis for Conclusion: Interview with Community Development Chief verified that there are no ineligibile activities funded.		

The monitoring officials did not obtain appropriate documentation to support the conclusions drawn. The exhibit questions shown above required the monitoring official to perform an analysis to determine whether costs were reasonable and whether ineligible activities were funded. Thus, an independent analysis should be performed by the monitoring official to demonstrate whether the grantee is carrying out its activities in accordance with HUD requirements. However, it appears as though the monitoring officials relied on explanations provided by the grantee rather than determining whether the grantee maintained the documentation necessary to demonstrate that the costs were reasonable and whether ineligible activities were assisted. Monitoring officials need to obtain and maintain documentation to support their conclusions as required. Documentation preserves valuable results, both positive and negative. The cost to HUD of not maintaining such documentation is substantial and potentially embarrassing, especially when HUD seeks to take enforcement actions that are challenged by the grantee.

Monitoring Officials Did Not Answer All Questions and Did Not Use Required Forms

Monitoring officials did not always provide answers to monitoring questions and did not use required forms to document summary information. HUD Handbook 6509.2, REV-5, chapter 1-7, requires that exhibits in the handbook be used. All monitoring conclusions and exhibit questions must be clearly answered, to which includes providing answers to all "Yes/No/N/A" boxes and the "basis for conclusion" text box to prevent confusion regarding the determinations made by the monitoring official. However, in the monitoring files for 7 of 13 grantees reviewed (54 percent), the monitoring official did not answer all of the questions or include summary information regarding the monitoring that was needed to complete the exhibit (see appendix B). The following are examples from monitoring exhibits in which the monitoring official did not answer the question or provide the basis for conclusion:

b. Based upon a selected or random sample, are expenditures supported by invoices, contracts, or purchase orders, etc.? [24 CFR 570.502(a)(4)]	☑ Yes	☐ No
Describe Basis for Conclusion:		

For on-site inspections, does the quality and scope of rehabilitation work appear consistent with the scope and cost of the work?	☒ Yes	☐ No	☐ N/A
Describe Basis for Conclusion:			

a. Was there a local building permit taken out for the job?	☐ Yes	☐ No
Describe Basis for Conclusion:		

Further, none of the monitoring files for all 13 grantees reviewed (100 percent) contained evidence that the monitoring officials used the required monitoring summary form. The form is used to document the exit conference including key information such as the names and titles of the attendees, the grantee's agreement/disagreement with the monitoring results, and the basis of any objections to the results.

The Field Offices Did Not Inform Grantees of Monitoring Results within the Required Timeframe

In 10 of 13 monitoring reviews (77 percent), the field offices did not send the monitoring letters to the grantee within the required time period (see appendixes B and C). HUD Handbook 6509.2, REV-5, chapter 2-10, requires the field offices to send a monitoring letter to the grantee within 45 days after completion of monitoring. The purpose of the monitoring letter is to communicate the monitoring results, in sufficient detail, to clearly describe the areas that were covered during the monitoring review, the basis for the conclusions drawn, and provide opportunities for the grantee to demonstrate that it has complied with

requirements within the time prescribed by the field office. For the 10 instances noted, the number of elapsed days before the monitoring letter was sent to the grantee ranged from 66 to 213 days after the on-site monitoring was completed. On average, the monitoring letters were sent 128 days, or more than four months, after the on-site monitoring was completed. The following paragraphs describe examples of findings and concerns that the field offices did not communicate to the grantee in a timely manner:

- The Philadelphia field office sent a monitoring letter to a grantee 186 days after it completed the on-site monitoring. In the letter, the field office presented three findings concerning the grantee's lack of documentation to demonstrate that it complied with eligibility and national objective requirements for three activities.

- The Baltimore field office sent a monitoring letter to a grantee 213 days after it completed the on-site monitoring. In the letter, the field office informed the grantee that it had cleared a finding concerning the timing of income eligibility determination based on a letter that it received from the grantee stating the corrective actions that it planned to take. In the letter, the field office also notified the grantee of concerns regarding its (1) lack of grievance procedures for beneficiary dispute resolution for its housing rehabilitation program, (2) need to update its systems and procedures manual, and (3) lack of consistency in prevailing rate calculations.

Field Offices Need to Follow Established Procedures

The field offices did not adequately document their monitoring because the monitoring officials did not follow established monitoring policy and procedures detailed in HUD's Community Planning and Development Monitoring Handbook (Handbook 6509.2, REV-5), and they lacked a quality assurance control to ensure compliance. The handbook contains adequate policy and procedures for monitoring a grantee's performance. Monitoring officials should be aware of the monitoring requirements in the handbook. A lack of a quality assurance control also contributed to this condition. Neither field office had developed and implemented an internal quality control procedure to ensure that monitoring conclusions were supported by documentation, all monitoring questions were answered, and the monitoring results were communicated to grantees within established timeframes. The Philadelphia CPD Director stated that his office's ability to complete monitoring timely was affected by challenges such as voluminous workload, decrease in staff and the associated loss of institutional knowledge, competing priorities, and the complexity of the grant programs which require consultation with headquarters regarding programmatic issues. The Baltimore CPD Director stated that the primary reason for the lateness of the letters was a lack of supervisory emphasis on completing the task. In addition,

this Director also stated that using the monitoring exhibit checklists had made monitoring a much more time-consuming practice with very little payoff in terms of staff performance.

The field office Directors need to reemphasize to their staffs the importance of following established monitoring procedures in HUD Handbook 6509.2, REV-5, and develop and implement a quality assurance control to ensure that staff performs the monitoring according to the handbook. Monitoring is the principal means by which HUD ensures that programs are carried out efficiently, effectively, and in compliance with applicable laws and regulations.

The Field Offices Took Some Action to Improve Their Monitoring

The field office Directors acknowledged that their monitoring could be improved and informed us of some actions that they took to improve it. The Philadelphia field office held a four-hour on-site training session for the staff in September 2008 to discuss the policies and procedures of HUD Handbook 6509.2, REV-5. A senior management analyst from the Office of the Assistant Secretary for Community Planning and Development conducted the training and provided feedback on 17 monitoring letters and reports and 81 exhibits that the office had uploaded into the monitoring database. The feedback addressed process and technical improvements including examples and suggestions to sufficiently document the monitoring of grantee performance. During the audit, the Baltimore field office Director revised a locally-developed report that the office used as a tool to track annual monitoring. The field office Director added a column to the report listing the date by which the office needed to send the monitoring letter to the grantee to comply with the 45-day requirement.

Effective Monitoring Will Be More Critical in the Future

The results presented in this audit report raise concern over the field offices' ability to effectively monitor their CPD programs going forward, given the significant increase in workload that will occur due to the infusion of funds into CPD programs resulting from the Neighborhood Stabilization program and the Recovery Act. States, cities, and counties in Region III are scheduled to receive more than $531 million under the Neighborhood Stabilization program and the Recovery Act. HUD is providing funds under these initiatives to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities, stabilize and revive local neighborhoods and housing markets with heavy concentrations of foreclosed properties, and assist vulnerable families who are on the brink of homelessness or

have recently become homeless. The field office staffs will be engaged simultaneously with implementing and managing larger CPD programs and monitoring grantees for compliance with more stringent obligation, expenditure, and reporting requirements in addition to compliance with other program regulations.

Conclusion

The Philadelphia and Baltimore CPD field offices did not properly maintain documentation to demonstrate that their monitoring was complete and did not notify grantees of findings and concerns identified during on-site monitoring within the required time limit. This occurred because field offices did not adequately follow established HUD monitoring policy and procedures, and lacked a quality assurance control to ensure compliance. The cost of not adequately documenting monitoring can be substantial and potentially embarrassing, especially when HUD seeks to take enforcement actions that are challenged by the grantee. When HUD does not inform grantees of its monitoring findings and concerns in a timely manner, it runs the risk of having the grantee expend funds inappropriately. Proper monitoring will become even more critical in the future due to the significant increase in funds that HUD will provide to grantees under the Neighborhood Stabilization program and the Recovery Act.

Recommendations

We recommend that the Philadelphia and Baltimore CPD field office Directors

1A. Reemphasize to their staffs the importance of following established monitoring procedures to ensure that

- All correspondence, documentation, and work papers relating to the monitoring and conclusions are maintained in the official monitoring files;
- Monitoring officials use the required monitoring exhibits;
- Monitoring officials answer all of the questions and fill in all of the text boxes in the monitoring exhibits; and
- Staffs prepare and send notification of the monitoring results to the grantees within the required 45-day time limit.

1B. Develop and implement a written quality assurance procedure and/or mechanism to ensure that monitoring conclusions are appropriately supported by complete documentation and that monitoring letters are submitted to grantees within the 45-day requirement.

SCOPE AND METHODOLOGY

We performed our audit at the HUD Philadelphia, Pennsylvania, and Baltimore, Maryland, CPD field offices from September 2008 through April 2009. The audit covered the field offices' monitoring activities during the period October 2006 through September 2008. We expanded the scope of the audit as necessary. We included tests of internal controls that we considered necessary. We used computer-processed data only in conjuction with other supporting documents to reach our conclusions, and we determined that the data were sufficiently reliable for our purposes. We traced hard-copy records back to data contained in HUD's computer databases, and nothing came to our attention to suggest that the computer-processed data were materially inaccurate or misleading.

To determine whether the Philadelphia and Baltimore field offices adequately monitored their CDBG program grantees to ensure that they used their grant funds to assist low- and moderate-income families through eligible activities according to HUD requirements, we

- Reviewed regulations pertaining to the CDBG program, including 24 CFR 570; HUD Handbook 6509.2, REV-5; and CPD Notice 07-07.

- Conducted interviews with the Philadelphia and Baltimore field office Directors and staff.

- Obtained and reviewed listings of the Philadelphia and Baltimore entitlement grantees and the CDBG funding they received during the audit period.

- Obtained and reviewed risk assessments, desk reviews, and/or on-site monitoring reviews performed by the Philadelphia and Baltimore field offices during the audit period.

- Reviewed the files for the 13 CDBG entitlement grantees monitored by the Philadelphia and Baltimore field offices between October 2006 and September 2008. We selected the Philadelphia and Baltimore field offices for review because during fiscal years 2007 and 2008, 51 entitlement grantees within their jurisdiction received CDBG funds totaling $476.2 million. This amount represented 60 percent of the total CDBG funding allocated within Region III for the period. We reviewed the completed monitoring files for all 13 grantees for which the Philadelphia and Baltimore field offices performed on-site monitoring during fiscal years 2007 and 2008. Those 13 grantees received $67.9 million of the $476.2 million (14 percent) in CDBG funds allocated within the jurisdiction of the field offices.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Policies and procedures that management implemented to reasonably ensure that CDBG program monitoring complied with HUD requirements.

- Policies and procedures that management implemented to ensure that risk assessments identified activities that represented the greatest vulnerability to fraud, waste, and mismanagement.

- Policies and procedures that management implemented to ensure that grantees used their grant funds to assist low- and moderate-income families through eligible activities.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

Based on our review, we believe that the following item is a significant weakness:

- The Philadelphia and Baltimore field offices did not have controls to ensure that CDBG program monitoring complied with HUD requirements and that the intended objectives were met.

APPENDIXES

Appendix A

GRANTEES REVIEWED

Grantee	Date of on-site monitoring review	Responsible field office	CDBG funding for fiscal years 2007 and 2008
Philadelphia, PA	March 10-14, 2008	Philadelphia	$51,734,740
Lancaster County, PA	September 17-21, 2007	Philadelphia	$ 3,328,250
New Castle County, DE	March 26-30, 2007	Philadelphia	$ 2,447,599
Anne Arundel County, MD	March 12-14, 2007	Baltimore	$ 2,175,387
Dauphin County, PA	May 12-16, 2008	Philadelphia	$ 1,495,700
Cumberland County, PA	June 2-4, 2008	Philadelphia	$ 1,345,344
Howard County, MD	June 27-July 3, 2008	Baltimore	$ 1,158,318
Harford County, MD	July 18-20, 2007	Baltimore	$ 1,089,692
Hagerstown, MD	February 20-23, 2007	Baltimore	$ 962,490
Lebanon, PA	June 9-12, 2008	Philadelphia	$ 830,442
Bristol Township, PA	August 26-29, 2008	Philadelphia	$ 661,294
Annapolis, MD	March 4-6, 2008	Baltimore	$ 339,698
Salisbury, MD	August 26-28, 2008	Baltimore	$ 298,632
Total			**$67,867,586**

Appendix B

SCHEDULE OF DEFICIENCIES

Grantee	Was monitoring letter provided within 45 days?	Number of days between monitoring and monitoring letter	Did CPD completely fill out the monitoring exhibits?	Did CPD use the monitoring summary form?	Did CPD maintain documentation to support monitoring conclusions?
Reference	HUD Handbook 6509.2, REV-5, section 2-10		HUD Handbook 6509.2, REV-5, section 2-7C3	HUD Handbook 6509.2, REV-5, section 2-7D	HUD Handbook 6509.2, REV-5, section 2-7C3
Hagerstown, MD	N	213	N	N	Y
Annapolis, MD	N	203	N	N	N
Anne Arundel County, MD	N	197	N	N	Y
Cumberland County, PA	N	188	Y	N	Y
Philadelphia, PA	N	186	Y	N	N
New Castle County, DE	N	178	N	N	Y
Lebanon, PA	N	154	Y	N	Y
Howard County, MD	N	88	N	N	N
Bristol Township, PA	N	70	Y	N	Y
Harford County, MD	N	66	N	N	N
Dauphin County, PA	Y	44	Y	N	N
Lancaster County, PA	Y	43	Y	N	N
Salisbury, MD	Y	32	N	N	N
Total "no" answers **Average number of days**	**10 of 13** **77%**	**128**	**7 of 13** **54%**	**13 of 13** **100%**	**7 of 13** **54%**

Appendix C

FINDINGS AND CONCERNS NOT REPORTED WITHIN 45 DAYS

Grantee	Hagerstown, MD	Annapolis, MD	Anne Arundel County, MD	Cumberland County, PA	Philadelphia, PA	New Castle County, DE	Lebanon, PA	Howard County, MD	Bristol Township, PA	Harford County, MD
Number of days	213	203	197	188	186	178	154	88	70	66
Lack of documentation for eligibility					X,X			X		
Lack of documentation for national objectives					X			X,X		
Notice not provided to owners before acquisition of their properties							X			
Incomplete eligibility documentation							X	X		X
Grantee did not submit SF 272[2] to HUD										X
Grantee not following federal procurement requirements									X	
Grantee not maintaining race and ethnicity data		X	X							
Lack of loan servicing procedures										X
Lack of a cost allocation plan										X
Lack of time records for staff working multiple programs										X
Lack of documentation to demonstrate monitoring of subrecipient						X				
Lack of procedures for housing rehabilitation program	X	X								
Systems and procedures manual outdated	X									
Lack of consistency in prevailing rate calculations	X									
Subrecipient provided notices that were confusing							X			
Lack of organizational chart										X
Financial information inaccurately reported in IDIS[3]										X
Lack of documentation for national objectives				X						
Grantee does not have a pool of licensed and qualified rehabilitation contractors		X								
Lack of evidence to demonstrate monitoring of subrecipient				X						

Findings[4]	Concerns[4]

[2] SF 272 - Federal Cash Transactions Report.

[3] IDIS - Integrated Disbursement and Information System. IDIS is a real-time, mainframe-based computer application that enables grantees to draw down program funds and report on their activities.

[4] According to HUD Handbook 6509.2, REV-5, chapter 2-10, findings must include condition, criteria, cause, effect, and required corrective action. Concerns should include condition, cause, and effect. Corrective actions are not *required* for concerns.

Appendix D

AUDITEE COMMENTS

U.S. Department of Housing and Urban Development

Philadelphia Office
The Wanamaker Building
100 Penn Square East
Philadelphia, Pennsylvania 19107-3380

June 19, 2009

MEMORANDUM FOR: John P. Buck, Regional Inspector General for Audit
Philadelphia regional Office, 3GA

FROM: Nadab O. Oyugah, Director, Office of Community Planning and Development, Philadelphia Regional Office, 3 AD

SUBJECT: The Philadelphia, Pennsylvania CPD Field Office Did Not Always Adequately Document Their Monitoring of CDBG Program Grantees

Thank you for the opportunity to provide additional comments to your draft report of the audit of the monitoring of the Community Development Block Grant Program (CDBG) by the HUD Community Planning and Development (CPD) Regional Office in Philadelphia. Our comments on your recommendations and proposed actions are provided below.

Recommendations

1A. Reemphasize to their staff the importance of following established monitoring procedures to ensure that

- All Correspondence, documentation, and work papers relating to the monitoring and conclusions are maintained in the official monitoring files;
- Monitoring officials use the required exhibits;
- Monitoring officials answers all questions and fill in all of the text boxes in the monitoring exhibits; and
- Staff prepares and sends notification of the monitoring results to the participants within the required 45-day time limit.

We agree with this recommendation. The Office will reemphasize to the staff the importance of following the established monitoring procedures to ensure that

- **All Correspondence, documentation, and work papers relating to the monitoring and conclusions are maintained in the official monitoring files;**

- **Monitoring officials use the required exhibits;**
- **Monitoring officials answers all questions and fill in all of the text boxes in the monitoring exhibits; and**
- **Staff prepares and sends notification of the monitoring results to the participants within the required 45-day time limit.**

1B. Develop and implement a written quality assurance procedures and/or mechanism to ensure that monitoring conclusions are appropriately supported by complete documentation and that monitoring letters are submitted by participants within the 45-day requirement.

We agree with this recommendation. The Office will revise its existing written monitoring guidance to ensure that monitoring conclusions are appropriately supported by complete documentation and that monitoring letters are submitted by participants within the 45-day requirement.