

1991 Contract Conditions, Jersey City, NJ

August 31, 1991

MEMORANDUM FOR: Anthony M. Villane, Jr., Regional Administrator- Regional Housing Commissioner, 2S

ATTENTION: Theodore R. Britton, Jr., Manager
Newark Office, 2.5S

FROM: Anna Kondratas, Assistant Secretary for Community Planning and Development, C

**SUBJECT: Community Development Block Grant Program
Fiscal Year (FY) 1991 Contract Conditions
City of Jersey City, New Jersey**

This is in response to your memorandum of June 13, 1991, recommending that two grant conditions be placed on the FY 1991 Community Development Block Grant (CDBG) for the City of Jersey City, New Jersey, because of serious deficiencies in its CDBG program. One deals with the City's lack of oversight of its subrecipients, which is the subject of several unresolved monitoring findings from 1989, 1990, and 1991. The second deals with the City's pattern of failure to submit timely and acceptable Grantee Performance Reports (GPR's).

Jersey City awards most of its grant funds to subrecipients, with the Jersey City Redevelopment Agency (JCRA) being the largest. Based on a review of the documentation provided, it is clear that the City has not been providing adequate oversight and management of its subrecipients. Therefore, we are authorizing a grant condition that restricts the City's use of CDBG funds for any and all subrecipients until adequate management systems have been put into place. We are also authorizing an additional condition specific to JCRA. The language for both conditions is attached.

The first condition authorized generally follows your recommendation, with certain exceptions. First, please note that we are restricting the use of all of the City's unobligated CDBG funds for activities implemented by subrecipients, not just the FY 1991 grant funds. This is to protect all future obligations from a continuation of noncompliance. Secondly, we are not requiring that all outstanding monitoring findings actually be resolved before the restriction may be lifted. Monitoring findings that remain outstanding may be pursued separately by the Newark Field Office through a recommendation to initiate Section 111 action on those issues. Thirdly, the authorized condition allows the City 90 days to comply before the Department shall have cause to reduce the FY 1991 grant, rather than the 45 days noted in your recommendation.

The completion of the JCRA audit has been broken out separately and made the subject of the second condition authorized. This will allow CDBG funds to be obligated for other subrecipients once the provisions of Condition I have been met while further restricting the use of funds for JCRA. In this second condition, please note that we are not requiring that all the audit findings actually be resolved before the restriction may be lifted. The City must document that it has an adequate mechanism in place to ensure

that appropriate corrective action will be taken for any and all audit findings within 6 months of the receipt of the audit report in order for HUD to lift the restriction. Again, the authorized condition allows the City 90 days to comply before the Department shall have cause to reduce the FY 1991 grant.

In regard to the second recommended condition, Jersey City has a history of submitting late and incomplete GPR's. Your memorandum indicates that the City's GPR has been submitted at least 60 days after the due date every year since 1984. Your original recommendation included language aimed at requiring the City to submit a complete and accurate GPR for its 1989 program year. However, it is our understanding from discussions with Newark Field Office staff that since the transmittal of your memorandum, Jersey City has now submitted a substantially complete GPR. Thus, we considered only your recommended language to assure the timely submission of the 1990 GPR. Given the city's past performance, it is likely that noncompliance will continue. Therefore, we are authorizing a grant condition that will give the Department cause to incrementally reduce Jersey City's FY 1991 grant if a complete and accurate GPR for the 1990 program year is not submitted by its due date of September 28, 1991. The language for this condition is attached.

If you have any questions concerning these grant conditions, please contact the Entitlement Communities Division at FTS 458-1577.

Attachment

cc: Linda Marston, SC
Frank B. Sagarese, 2.5C

Jersey City, New Jersey
FY 1991 Special Contract Conditions

Pursuant to Section 104(e) of the Housing and Community Development Act of 1974, as amended, HUD has reviewed the performance of the City of Jersey City (City) in carrying out its Community Development Block Grant (CDBG) program. The Department has determined, in accordance with 24 CFR 570.901, that the City has not fulfilled its subrecipient oversight responsibilities as prescribed at 24 CFR 570.501(b) and 24 CFR 85.40(a) and that it has also failed to carry out its program in compliance with 24 CFR 570.507(a)(2)(i)(A).

Therefore, notwithstanding any other provision of this Grant Agreement and pursuant to 24 CFR 570.304(d), the following conditions are imposed:

Condition I: Notwithstanding any other provisions of this Grant Agreement and in accordance with 24 CFR 570.910(b)(8), from the effective date of this agreement, the City may not obligate any CDBG funds, as defined at 24 CFR 570.3(e), including funds already in the City's line of credit, to any subrecipient until the Department has received, reviewed, and approved the following:

1. An organizational chart and a narrative covering the Department of Housing and Economic Development and any and all other City agencies involved in exercising oversight of

subrecipients. The narrative should address in-depth monitoring functions and the procedures the City will use to coordinate financial and programmatic oversight of subrecipients.

2. An audit management system that ensures that subrecipient audits meet the requirements of 24 CFR Part 44 and 24 CFR 85.26, as required at 24 CFR 570.502.
3. Revised subrecipient agreements that meet the requirements of 24 CFR 570.503 and 24 CFR Part 85.
4. A subrecipient monitoring plan and schedule for the FY 1991 Program Year.

Should HUD determine that the City obligated funds in violation of this condition or failed to submit the required documentation discussed above within 90 days of the effective date of this agreement or otherwise failed to comply with any of the provisions of this condition, such a determination will be cause for the Department to reduce the FY 1991 Grant by the amount of any obligation of funds made in noncompliance therewith, or by an amount appropriate to any other violation thereof.

Condition II: In addition to the limitation on obligation of CDBG funds imposed under Condition I above, from the effective date of this agreement, the City may not obligate any CDBG funds, as defined at 24 CFR 570.3(e), including funds already in the City's line of credit, to the Jersey City Redevelopment Agency (JCRA) until the Department has received, reviewed, and approved documentation evidencing that:

1. An independent auditor either has certified that the financial review previously performed for the 1981 through 1986 program years, ending June 30, 1987, complies with OMB Circular A-128 audit requirements or has identified and performed such additional audit work as may be required to bring that review into compliance.
2. The independent audit of JCRA that is currently underway for the calendar years 1987 through 1990 is complete, with an audit report acceptable under the provisions of OMB Circular A-128 issued by the auditor and accepted by the City.
3. A mechanism has been established to ensure that appropriate corrective action is taken within 6 months after receipt of an audit report noting noncompliance with applicable requirements pursuant to 24 CFR 85.26.

Should HUD determine that the City obligated funds in violation of this condition or failed to submit the required documentation discussed above within 90 days of the effective date of this agreement or otherwise failed to comply with any of the provisions of this condition, such a determination will be cause for the Department to reduce the FY 1991 Grant by the amount of any obligation of funds made in noncompliance therewith, or by an amount appropriate to any other violation thereof.

Condition III: Notwithstanding any other provision of this Grant Agreement, the City shall complete a Grantee Performance Report (GPR) for the 1990 program year in accordance with Handbook 6510.2 REV-1 and submit it to HUD no later than September 28, 1991, as required by 24 CFR 570.507(a)(2)(i)(A). Failure to comply with this condition will be cause for the Department to reduce the

FY 1991 Grant by an amount equal to 1/12 of the grant for each 30 day period following September 28, 1991, that such a GPR has not been received by HUD.