

## Settlement of an Audit

September 16, 1990

Mr. Anthony A. Williams  
Executive Director  
City of St. Louis  
Community Development Agency  
St. Louis, MO 63101

Dear Mr. Williams:

This is in response to your letter of July 3, 1990, concerning the settlement of an audit finding in Audit No. 90-KC-249-1002. The Department provided the City an opportunity to resolve this matter by reimbursing the City's letter-of-credit in the amount of the disallowed costs, using non-Federal funds, within a prescribed period. The City failed to do so. Your letter described a general proposal for such reimbursement, but was not an official proposal submitted by the City. Moreover, it lacked a sufficiently specific payback schedule. Further, it set forth conditions and raised issues which you suggested must be answered before the proposal could be offered.

This is unacceptable to the Department. Accordingly, under separate cover, a letter will be sent to the City implementing the provisions at 24 CFR 570.913 of the regulations to correct the City's non-compliance.

Nevertheless, let me respond to certain issues raised in your letter.

You asked HUD to confirm that if non-Federal funds reimburse the City's letter-of-credit, such action would increase the amount of funds available to the City for CDBG eligible activities. In such a reimbursement, those funds lose any separate identity. They then are considered by HUD the same as any other CDBG funds in the letter-of-credit. Accordingly, it increases the amount of funds available for eligible activities. Of course, the City must notify its citizens that additional funds are available, and must follow the regulatory requirements for amending a Final Statement before carrying out a new activity.

You implied that HUD must review and approve activities that the City would assist with reimbursed funds in advance of, or concurrently with, the City's redeposit of such funds to the letter-of-credit. That is not the case. You further noted that, in the City's use of such funds, the local HUD field office would review the activities, without additional approval of the Region or Central offices. As suggested by the answer of the first question, there is not requirement for special Regional or Central Office involvement. The field office would review the activities in the City's entitlement program without regard to whether, in the City's view, the activity was funded from the reimbursed amount.

A copy of this letter is being sent to Mayor Schoemehl.

Very Sincerely Yours,

Anna Kondratas  
Assistant Secretary

