

# Memorandum



CITY OF DALLAS

DATE August 15, 2014

TO Housing Committee Members: Carolyn R. Davis, Chair, Scott Griggs, Vice-Chair, Monica Alonzo, Rick Callahan, Dwaine Caraway, and Philip Kingston

SUBJECT HUD Monitoring Update

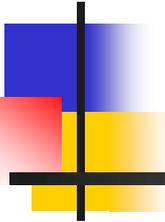
On Monday April 18, 2014, you will be briefed on HUD Monitoring Update. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

c: The Honorable Mayor and Members of the City Council  
A. C. Gonzalez, City Manager  
Rosa A. Rios, City Secretary  
Warren M.S. Ernst, City Attorney  
Craig Kinton, City Auditor  
Judge Daniel Solis, Administrative Judge  
Ryan S. Evans, First Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Shawn Williams, Interim Public Information Officer  
Bernadette Mitchell, Housing/Community Services, Interim Director  
Elsa Cantu, Assistant to the City Manager – Mayor and Council



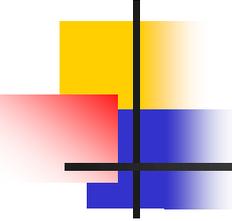
# HUD Monitoring Update

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A Briefing to the  
Housing Committee

August 18, 2014

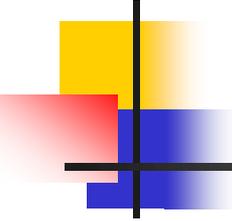




# PURPOSE

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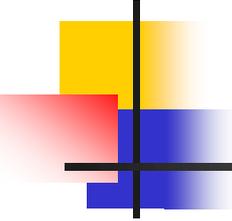
- The purpose of this briefing is to review and discuss onsite monitoring visits conducted by HUD during 2013
- Repayments that resulted from 2013 monitoring visits
- Other repayments made to HUD since that time



# Performance Reviews

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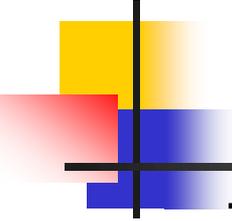
- As a condition of receiving grant funds, regulations require at least one performance review per year conducted by HUD (24 CFR, Part 570, Subpart O)
- In addition, because the City spends more than \$500,000 of federal funds each year, an OMB Circular A-133, Single Audit review is also required
  - Audit conducted by the City's independent auditor



# Performance Reviews

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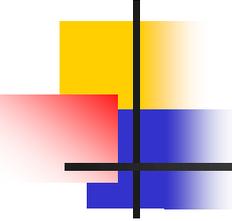
- Reviews are conducted to:
  - Prevent/identify deficiencies and design corrective actions to improve or reinforce program participant performance
  - Determine whether:
    - The City has carried out activities in a timely manner
    - Activities and certifications have been carried out in accordance with program requirements
    - There is continuing capacity to carry out activities in a timely manner and in compliance with program requirements



# Performance Reviews

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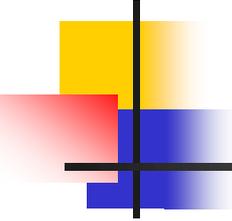
- If, during the review, a deficiency is identified or it is determined that the City has failed to comply with program requirements, a concern or a finding is issued
  - Concern – a deficiency that is not statutory, regulatory or other program requirement. Sanctions or correctives actions are not authorized
  - Finding – a deficiency based on statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized
    - Expenses may be questioned or be deemed to be ineligible



# Performance Reviews

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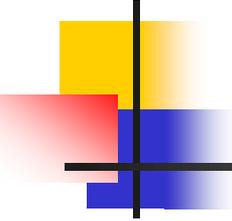
- HUD will advise appropriate corrective or remedial actions, up to and including repayment of funds (24 CFR, 570.910)
- Additional events that could potentially result in HUD issuing a finding that requires corrective or remedial actions include
  - Findings in the annual Single Audit report
  - Complaint made directly to HUD



# Managing Grant Funds

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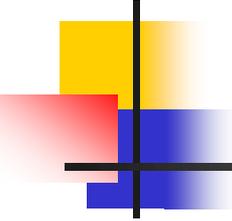
- The City has its own internal monitoring procedures and controls to
  - Prevent or identify potential areas of concerns
  - Identify successful techniques that might be replicated to improve overall compliance
- Routinely complete corrective actions prior to performance reviews conducted by granting agency



# Managing Grant Funds

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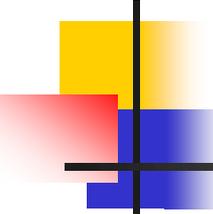
- The same Council Resolution that authorizes acceptance of the grant includes language that authorizes reimbursement to the City's line of credit for any expense deemed ineligible
  - Part of the normal course of grant application, implementation and monitoring
  - Ongoing practice as far back as 2007-08
  - For some granting agencies, this language is required in order to receive funds



# Managing Grant Funds

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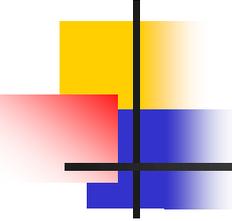
- Due to the complexity involved with regulations, most findings are resolved through discussion, negotiation or technical assistance
  - City staff works directly with granting agency
- When repayment is required, funds are returned to the City's line of credit for future allocation



# June 2013 Monitoring Report

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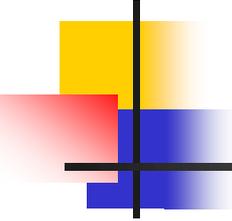
- Onsite monitoring visits were conducted by HUD from April 29 to May 3, 2013 for the following grant programs
  - Community Development Block Grant (CDBG)
  - Neighborhood Stabilization Program (NSP)
- Final reports were issued in June, 2013
  - CDBG - three findings and three concerns were noted
  - NSP - one finding and four concerns were noted



# June 2013 Monitoring Report

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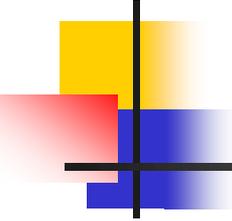
- Three findings and three concerns were noted for the CDBG Program
  - Staff provided additional information and documentation sufficient to close two findings and address all concerns noted in the report
  - One finding relating to the Arts Education Program administered by TeCo Theatrical Productions, Inc. remained open



# June 2013 Monitoring Report

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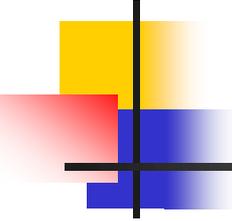
- Based on information posted on the agency's website, the HUD monitor questioned the average cost per student charged to the grant-funded program theater camp compared to other theater camps offered by the agency
- Expenses were not properly allocated to the grant program and some expenses for general operations had been paid during the same period



# June 2013 Monitoring Report

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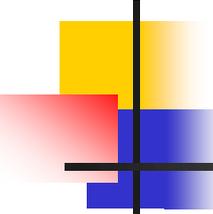
- Review was expanded to include the last three years the agency had operated the program (2009, 2010 and 2011)
- HUD found that youth that participated in the Arts Education program were low and moderate income in accordance with Program requirements



# June 2013 Monitoring Report

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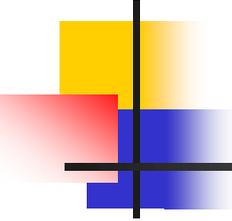
- Documentation was not adequate to resolve questioned costs
- City repaid funds awarded to the agency for all three years, total of \$58,000
  - 2009 - \$16,000
  - 2010 - \$21,000
  - 2011 - \$21,000



# June 2013 Monitoring Report

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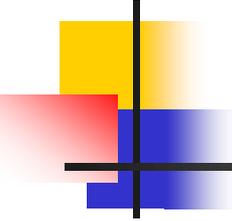
- One findings and four concerns were noted for the NSP Program
  - Staff provided additional information and documentation sufficient to address all concerns noted in the report
  - One finding relating to the Mortgage Assistance Program funded with NSP funds administered in-house by City staff remained open



# June 2013 Monitoring Report

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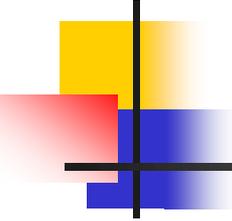
- HUD found that assistance provided to several homebuyers exceeded the maximum 50% of the lender's required down payment allowed by grant requirements
- City repaid HUD \$43,264



# Project Reconnect

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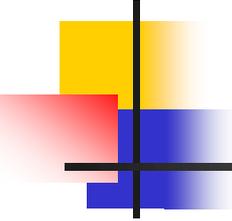
- Following a complaint to HUD, the matter of possible criminal activity was identified by the Dallas Police Department (DPD) and the Federal Bureau of Investigations
- Problems with administration of the program were unique as two employees were allegedly engaged in criminal activity



# Project Reconnect

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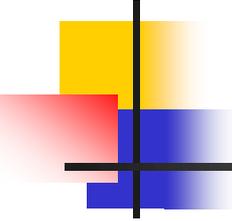
- As a result, HUD found inadequate documentation as to the eligibility of certain clients and requested repayment
- Majority of case files that HUD concluded were inadequately documented were managed by case manager who plead guilty to federal charges
- HUD did not conclude that persons served were not in need
- City repaid HUD \$625,814



# SAFE Team

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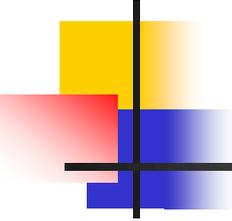
- Following a complaint to HUD, the City was asked to look into the matter of a grant funded employee placed on administrative leave in the DPD SAFE Team program
- While administrative leave is an allowable costs to the grant, it can only be charged to an administrative category



# SAFE Team

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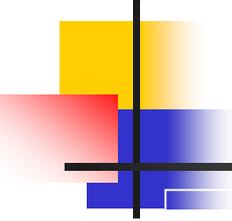
- OFS staff found that a program employee had been placed on administrative leave, not performing regular duties
- Administrative expenses were incorrectly charged to the program category instead of the administrative category
- City repaid HUD \$16,291



# South Dallas Fair Park – Inner City Development Corporation

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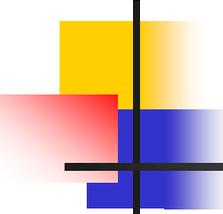
- HUD questioned costs relating to a housing project involving development of 51 lots for low income single family units
- ICDC had performed services for and was owed money by the seller
- During the closing of the lots, funds owed to ICDC were netted from loan proceeds



# South Dallas Fair Park – Inner City Development Corporation

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- HUD considered the costs ineligible even though the seller received all loan proceeds and then used a portion to pay an existing debt
- Resulted in 11 homes being built and occupied by eligible residents
- City staff strongly disagreed with HUD's finding
- City repaid HUD \$67,812 to settle dispute

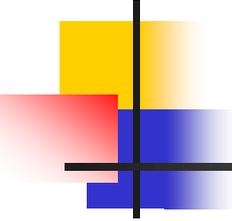


# HUD Line of Credit (snapshot)

## PR07 - Drawdown Report by Voucher Number - Vouchers Submitted to LOCCS

Dallas Vouchers HOME CDBG 8/1/2012 thru 8/7/2014

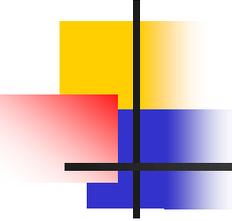
Voucher #	IDIS Act ID	Voucher Created	Grant Number	Program	Drawn Amount
5714529	1	41850	M11MC480203	HOME	(410,506.96)
5714528	1	41850	M10MC480203	HOME	(176,860.96)
5585419	1	41472	M08MC480203	HOME	(67,811.73)
5714530	1	41850	M12MC480203	HOME	(25,876.21)
5629741	2	41599	B10MC480009	CDBG	(21,000.00)
5629741	10890	41652	B10MC480009	CDBG	(21,000.00)
5629742	2	41599	B11MC480009	CDBG	(21,000.00)
5629742	11198	41652	B11MC480009	CDBG	(21,000.00)
5629743	2	41599	B11MC480009	CDBG	(16,290.91)
5629743	11609	41652	B11MC480009	CDBG	(16,290.91)
5629745	2	41599	B09MC480009	CDBG	(16,000.00)
5629745	10389	41652	B09MC480009	CDBG	(16,000.00)



# Future Actions

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- As approved by the City Council on August 13<sup>th</sup>, going forward
  - The appropriate City Council Committee will be notified of expenditures identified as ineligible not later than 30 days after the reimbursement
  - The appropriate City Council Committee will be informed of all final monitoring reports not later than 30 days after receipt of the report



# Update

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- HUD letter dated August 6, 2014 was received directing repayment of \$720
  - During Project Reconnect investigation, HUD learned that Shelter Plus Care grant funds were used to purchase four sewing machines
  - The purchase of sewing machines is an ineligible use of Shelter Plus Care funds and must be repaid
- The City must repay funds within 30 days