



City of Albuquerque, Albuquerque, NM

Community Development Block Grant Program

**Office of Audit, Region 6
Fort Worth, TX**

**Audit Report Number: 2017-FW-1010
August 16, 2017**



To: Leticia Ibarra, CPD Director, Albuquerque Field Office, 6BD

From: //signed//
Kilah S. White, Regional Inspector General for Audit, 6AGA

Subject: The City of Albuquerque, NM, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of Albuquerque's Department of Family and Community Services' Community Development Block Grant program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 817-978-9309.



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The City of Albuquerque, NM, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements

Highlights

What We Audited and Why

We audited the City of Albuquerque's Community Development Block Grant (CDBG) program based on our risk analysis and as part of the Office of Inspector General's annual audit plan to review community planning and development funds. The audit objective was to determine whether the City administered its CDBG program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The City did not always properly administer and adequately document its CDBG program activities in accordance with HUD requirements. Specifically, it did not always follow procurement and conflict-of-interest requirements and did not ensure that executed written agreements included the required language. It did not comply with environmental reviews of its projects as the environmental records were not completed correctly and lacked supporting documentation. In addition, it did not ensure that expenditures were reasonable, eligible, and adequately supported as it exceeded allowed residential rehabilitation limits, did not reconcile its timesheet activities, and failed to follow Federal travel regulations. Further, it did not maintain documentation supporting that its projects met a national objective and did not adequately monitor or report on its subrecipients' results. These conditions occurred because the City did not have the capacity to implement an effective grant administration program. As a result, it incurred grant costs of more than \$2.9 million that were ineligible or unsupported and decreased the effectiveness of the CDBG program.

What We Recommend

We recommend that the Director of the Albuquerque Office of Community Planning and Development extend the City of Albuquerque's high risk grantee designation until the City can show that it has implemented an effective program in compliance with all requirements and has repaid the \$1.83 million in ineligible costs and supported \$1.06 million in unsupported costs identified in this report.

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Background and Objective

The Community Development Block Grant (CDBG) program was established by Title I of the Housing and Community Development Act of 1974, Public Law 93-383, as amended, 42 United States Code 5301. Under the CDBG program, the U.S. Department of Housing and Urban Development (HUD) awards grants to State and local governments to aid in the development of viable urban communities. Recipients are required to use grant funds to provide decent housing and suitable living environments and to expand economic opportunities, principally for persons of low and moderate income. In addition, each CDBG-funded activity must meet one or more of the following three national objectives:

- benefit low- and moderate-income persons,
- aid in preventing or eliminating slums or blight, or
- address a need with a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

The City of Albuquerque's Department of Family and Community Services administered its program using entitlement grants received from HUD to support the development of viable urban communities by providing decent housing, addressing public service and facility needs, and expanding economic opportunities of low- and moderate-income persons. Between 2013 and 2015, the City received the following CDBG funding.

Program year	CDBG allocation amount
2013	\$3,926,914
2014	3,918,013
2015	3,857,639
Total funding	11,702,566

The City's CDBG activities included housing rehabilitation, economic development, public services, and public facilities and improvements. The City procured contractors to rehabilitate properties for low-income households. It used 20 subrecipients for its public service, economic development, public facilities, and improvement activities. The subrecipients carried out specific projects, such as providing dental services to the homeless and employment training for immigrant women. The City also purchased a facility to assist with providing elderly persons and persons with disabilities accessibility modifications, such as grab bars, safety rails, tub chairs, hand-held showers, wheelchair ramps, and door widening.

In October 2016, HUD designated the City as a high-risk grantee for its 2016 CDBG grant because the City had a history of poor performance, which included unacceptable responses to monitoring reports, significant deficiencies in subrecipient oversight, the inability to effectively implement statutory and regulatory requirements, submitting inaccurate and incomplete CDBG financial reports, having unresolved findings for an extensive period, ignoring technical assistance provided by HUD, and not providing supporting documentation for client eligibility.

HUD's designation included \$329,367 in required repayments among other corrective actions. In addition, HUD notified the City that it had to repay \$600,000 of its 2009 CDBG-American Recovery and Reinvestment Act funds because it had spent funds for mixed-income housing but did not develop the housing and, therefore, was unable to show that it had met a national objective. HUD required the City to repay the funds by June 30, 2016. However, on May 8, 2017, HUD issued a new deadline of January 2018 for the City to show that the funds spent met a national objective.

Our objective was to determine whether the City administered its CDBG program in accordance with HUD requirements.

Results of Audit

Finding 1: The City Did Not Always Follow Procurement Requirements

The City did not always follow requirements when it procured goods and services. In addition, it did not include required language in its written agreements. Further, it reduced its transparency when it violated conflict-of-interest requirements and did not identify or properly document two conflicts of interest. These conditions occurred because the City disregarded HUD guidance. As a result, HUD and the City had no assurance that the City received goods and services at reasonable prices because it did not comply with CDBG program regulations and it incurred \$1.14 million in ineligible costs.

The City Did Not Follow Procurement Requirements

The City purchased goods and services without following procurement requirements.¹ It procured residential rehabilitation contracts totaling \$568,629 without independent cost estimates, or executed contracts. It also disbursed contracted work to a higher bidder. Further, it used \$572,929² in CDBG funds to acquire a building that would also be used for non-CDBG programs.

Independent Cost Estimates Were Not Performed

The City did not perform independent cost estimates for two rehabilitation contracts reviewed. Instead, it created a “mock” project and requested bids from the bidders. To support cost reasonableness, Federal regulations³ required the City to perform independent cost estimates before it received bids to ensure that costs incurred would not exceed those which would be incurred by a prudent person. Without an estimate, the City could not ensure that the bidders’ quotes were reasonable.

There Were No Executed Contracts With Awarded Bidders

The City did not have properly executed agreements with its rehabilitation contractors because it considered contractor bid responses to be contractual agreements. Because the City did not execute proper written and signed agreements,⁴ it might not have a legal mechanism to ensure that the contractors carried out the projects or a recourse for violations. Further, the contractor bid responses were not acceptable agreements because they did not include the following required provisions:

- Administrative, contractual, or legal remedies in cases where contractors violate or breach contract terms, and provide for sanctions and penalties as appropriate.

¹ 24 CFR (Code of Federal Regulations) 85.36 and 2 CFR 200 Subpart D-Procurement Standards

² The \$572,929 included the purchase price of \$560,000, the appraisal cost of \$3,424, and closing costs of \$9,505.

³ 24 CFR 85.36(f)(1) and 2 CFR 200.323

⁴ 24 CFR 85.36(i) and 2 CFR 200.326

- Termination for cause and for convenience by the grantee, to include the manner by which it will be effected and the basis for settlement.
- Compliance with Executive Order 11246, Equal Employment Opportunity.
- Compliance with the Copeland “Anti-Kickback” Act.
- Compliance with the Davis-Bacon Act.
- Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act.
- Compliance with the Clean Air Act.
- Mandatory standards and policies related to energy efficiency in compliance with the Energy Policy and Conservation Act.

The Higher Bidder Received Rehabilitation Work

Contrary to requirements,⁵ the City awarded all of its 2014 rehabilitation projects under one rehabilitation contract to the higher bidder, although it had a lower bidder available under the contract. The City stated that it had considered the number of projects already under construction with the lowest bidder from a different contract and decided to award all new projects under the 2014 rehabilitation contract to the higher bidder. As a result, the City paid for rehabilitation contract work at a cost 28 percent higher than the lowest qualified bidder and paid higher costs than a prudent person would have incurred for the same work.

The Acquisition of Retrofit Facility Lacked Significant History Details

The City did not maintain sufficient records to support the acquisition of a facility as required.⁶ The City stated that it did not have documentation to show how it procured the property and that it purchased the property based on a verbal proposal from its Department of Senior Affairs, which was to occupy the building.

The City could not provide a cost-benefit analysis or explain why it purchased a larger building than it needed for its CDBG programs. The City originally intended to purchase a 3,611-square-foot building but instead purchased an 8,590-square-foot building without a documented justification.⁷ Further, the City could not provide adequate documentation to support the just compensation cost of \$560,000 for the larger building when an independent appraisal showed that the fair market value was \$550,000. Instead, the City provided another potential buyer’s agreement to purchase the property instead of the required⁸ written documentation showing why it was reasonable, prudent, and in the public’s best interest to obtain this property at above fair market value. In addition, the City purchased this building in October 2014 due to an urgent need to relocate from an unsafe building; however, as of May 23, 2017, it had not occupied the new facility. See appendix C for additional information.

⁵ 24 CFR 85.36(d)(2)

⁶ 24 CFR 85.36(b)(10)

⁷ See appendix C for additional information on the history of this property purchase.

⁸ 49 CFR 24.102(i)

Photograph of unoccupied CDBG facilities building on May 23, 2017.



Written Agreements Did Not Meet Minimum Requirements

The City did not include minimum required language in⁹ written agreements for all five subrecipients reviewed. The City's written agreements did not

- Specify the particular records that the subrecipient must maintain as part of the retention of records requirements.
- Require the subrecipient to carry out each activity in compliance with all Federal laws and regulations described in subpart K, to include labor standards; environmental standards; national flood insurance program requirements; displacement relocation, acquisition, and replacement of housing; employment and contracting opportunities; lead-based paint requirements; and eligibility restrictions for certain resident aliens.
- Specify that any suspension and termination would be “in accordance with 24 CFR 85.43 and 24 CFR 85.44.”
- Specify that reversion of assets provisions would be designed to ensure that any real property under the subrecipients' control, acquired or improved with CDBG funds, would

⁹ 24 CFR 570.503(b)

either be used to meet a national objective until 5 years after the expiration of the agreement or would be repaid by the subrecipient at an amount equal to the current market value of the property.

In addition, HUD provided an example of a written subrecipient agreement in its Managing CDBG Subrecipient Oversight Guidebook, which the City could have used to ensure that it complied. The guidebook contained other recommended provisions, which the City did not incorporate into its written agreements, including national objective compliance and eligibility, grant closeout procedures, procurement standards and methods, and budget information on indirect costs.

The City created template form agreements for both City-funded and non-City-funded projects that its purchasing and legal departments reviewed each year. The City's templates did not consider that its other HUD programs, such as HOME Investment Partnerships or Continuum of Care, had different program requirements that had to be included in the written agreements. The City had a contract specialist to process all agreements and ensure that all of the correct language was included; however, the contract specialist did not know the funding source related to the agreements to verify compliance.

Further, the City did not understand the distinction between a subrecipient and a contractor. It either classified its subrecipients as contractors in the written agreements or it correctly classified contractors in its written agreements but procured them as subrecipients. According to HUD's Office of Block Grant Assistance,¹⁰ there were no regulatory requirements that governed how the City selected a subrecipient except that it had to be a nonprofit agency, authority, or organization, while a contractor had to be procured in accordance with the procurement requirements at 24 CFR 85.36.

The City Did Not Identify or Document Two Conflicts of Interest

The City did not properly identify or document two conflicts of interest. In the first instance, a city councilor who served on the committee charged with matters related to finances and the appropriation of City funds was also employed as vice president of communications and government relations for a contractor that received CDBG funds. Her duties included reviewing and ensuring compliance with all contractual agreements, supervising and authorizing all expenditures of project funds, and preparing funding requests and grants applicable to the operations of the City. The contractor received CDBG funding from the City to serve as a fiscal agent for its eviction prevention program. The City stated that a signed conflict-of-interest certification was not required for city councilors, but when a conflict of interest was perceived, they recused themselves from voting on such matters. The City did not provide information showing that the councilor had recused herself. The regulations¹¹ required that a non-Federal entity disclose in writing any potential conflict of interest if he or she had a real or apparent conflict of interest. The regulations applied to any person who was an employee, agent, consultant, officer, elected official, or appointed official of the recipient or of any designated public agencies or subrecipients that received Federal funds.

¹⁰ Memorandum dated August 13, 1993, by Director of HUD's Office of Block Grant Assistance.

¹¹ 2 CFR 200.112, 24 CFR 85.36(b)(3), and 24 CFR 570.611

In the second instance, the director of the Department of Family and Community Services did not identify or document his conflict of interest until after a contract was awarded. The City issued a request for proposal in March 2014 to redevelop a City site with CDBG-Recovery Act funds. The director's brother-in-law was a board member of the developer who was awarded the contract. The director stated that he did not participate in the selection or evaluation of the proposal but accepted in whole the recommendation by the ad hoc committee. The director also instructed his staff to negotiate an agreement with the awarded developer. The director signed the agreement on July 26, 2016, but did not complete the City's conflict-of-interest certification until March 29, 2017, after the procurement process had been completed. The regulations¹² prohibit any employee, officer, or agent of the grantee from participating in the selection or the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

The City Ignored Technical Assistance and Guidance Provided by HUD

The issues identified occurred because the City disregarded the overall technical assistance and guidance provided by the HUD field office. For example, HUD provided the City with technical assistance related to the documents necessary to qualify clients for one of its CDBG activities. After giving the City additional time to obtain the required documentation, HUD conducted an onsite review of the documentation and asked the City what acceptable method it had used based on the technical assistance provided. The City responded that it did not use any of the methods that HUD had provided. Instead, the City telephoned the clients to get the necessary information, although HUD had previously informed it that this was not an acceptable method for qualifying clients. In another example, HUD provided technical assistance to the City regarding documentation of subrecipient salaries. The City ignored the guidance and violated its own administrative requirements. As a result, HUD denied a voucher for payment due to lack of supporting documentation of subrecipient salaries and wages. Further, HUD emailed the City guidance on how to bring the retrofit facility purchase and use back into compliance with Federal requirements. The City's response showed that it had received the guidance. However, in a memorandum of understanding between two City departments 4 months later, the City denied having received such guidance from HUD.

Conclusion

The City did not follow procurement requirements, did not include required language in its written agreements, and failed to identify or properly document conflicts of interest. These deficiencies occurred due to the City's lack of technical and administrative capability to effectively administer a grant administration program. Further, the City ignored HUD's technical assistance and guidance that would have helped ensure that it complied with program requirements. Because it did not properly administer and adequately document its CDBG program activities, it incurred \$1.14 million in ineligible costs, and HUD had no assurance that it complied with CDBG program procurement rules and regulations. Further, the City reduced its transparency and commitment to open and fair competition for its Federal funding when it failed to disclose two conflicts of interest to HUD.

¹² 24 CFR 85.36(b)(3)

Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to

- 1A. Reimburse its CDBG line of credit for \$568,629 in ineligible costs for its violation of procurement requirements. Reimbursement must be from non-Federal funds.
- 1B. Reimburse its CDBG line of credit for \$572,929 in ineligible costs for its violation of Federal requirements and procurement procedures when it acquired a property with CDBG funding. Reimbursement must be from non-Federal funds.
- 1C. Implement technical assistance and guidance received from HUD to ensure compliance with requirements.
- 1D. Obtain technical assistance from HUD related to differentiating between subrecipients and contractors and ensuring that the correct procurement requirements are followed when obtaining a subrecipient or contractor.
- 1E. Update its CDBG written agreements to include the specific language required.
- 1F. Develop contracts to include all Federal requirements and to be signed by both the City and the contractors awarded bids with CDBG funding.
- 1G. Amend and implement its conflict-of-interest policy and procedures to ensure that it complies with Federal conflict-of-interest requirements and includes elected and appointed positions.

Finding 2: The City Did Not Comply With Environmental Review Requirements

The City's environmental review records were inaccurate and lacked supporting documentation. In addition, it did not comply with environmental requirements as it rehabilitated a home before it completed an environmental review. Further, the City did not have a current designation letter for the certifying official. These conditions occurred because the staff who provided oversight of the program did not receive adequate training in environmental compliance. As a result, the City incurred questioned costs totaling more than \$1 million and may have allowed increased risks to the health and safety of the public.

Environmental Review Records Were Inaccurate and Lacked Supporting Documentation

The City spent \$998,463¹³ for projects for which the environmental records were not completed correctly and lacked supporting documentation. For example, it combined all of its 2015 exempt projects on one environmental review record and provided a statement that public service activities would be carried out by 10 different named businesses located throughout the City limits of Albuquerque. For each project, the regulations¹⁴ require a written record describing the specific project and activities that will be performed. In addition, the City's environmental review records lacked supporting documentation for the majority of compliance factors identified at 24 CFR 58.5 and 58.6. For example, it spent \$59,604 for dental services for the homeless but did not have documentation to show that it met the environmental requirements of 24 CFR 58.6 for this project. In another example, the City spent \$260,000 for a food bank roof replacement and \$181,053 for homeowner rehabilitations that lacked supporting documentation for up to 11 of the 17 compliance factors identified in 24 CFR 58.5 and 58.6. The environmental review record must contain all verifiable source documents and relevant data used in the review and decision-making process as support for its determination. However, for source documentation, the City cited "project description" or had default language instead of the required information. Therefore, the City did not support that environmental review requirements were met for these projects.

A Rehabilitation Project Started Before the Environmental Review Was Completed

The City spent \$73,186 on the rehabilitation of a home before it completed an environmental review and did not ensure that the property had flood insurance. The City signed off on a checklist showing that all compliance factors for 24 CFR 58.5 were completed on November 13, 2014. However, one of the compliance factors on the checklist was a letter to the State historic preservation office, which it did not send until July 13, 2015, 8 months later. The regulations¹⁵ state that the environmental review process must be complete before any Federal financial assistance is used.

¹³ Of this amount, \$500,657 is the portion questioned in this finding. The remaining amount contains costs that are also questioned under other findings, but the total amount is identified only once as a questioned cost in recommendations 2B, 2C, 2D, 4A, 4B, and 4C and appendix A to avoid double counting.

¹⁴ 24 CFR 58.38(a)

¹⁵ 24 CFR 58.30 and 24 CFR 58.22

The Certifying Official Designation Letter Was Outdated

The City did not have a current designation letter for the certifying official. The City provided an approval of designation for its certifying official that was dated November 16, 2009, by the former chief administrative officer but did not get an updated designation letter from the current mayor. The certifying officer is the responsible Federal official who must represent the responsible entity and be subject to the jurisdiction of the Federal courts. The regulations¹⁶ state that the responsible entity's certifying officer is usually the highest ranked official and that a written delegation is required if the role is delegated below the mayor or city manager. Because the City did not obtain an updated approval for its certifying official from the current elected mayor or appointed chief administrative officer, it may have placed the City and Federal funding at risk for legal repercussions.

Staff Training Was Minimal and Unsupported

The issues identified occurred because the City lacked adequate knowledge and CDBG training to properly complete environmental reviews and ensure that documentation supported its determinations. It did not maintain training records to support its staff's completion of CDBG-related training that would justify staff qualifications appropriate for job responsibilities. Because the City did not maintain a training record for each employee, including training requests, invoices of training obtained, and certifications of completion, it could not justify that its staff had adequate knowledge required to perform the job sufficiently. The City's responses and lack of documentation showed that its CDBG training program was minimal and unsupported. In addition, the City could not ensure that tenants and the general public were not exposed to an unnecessary risk of contamination, pollution, or other adverse environmental effects.

Conclusion

The City did not comply with environmental review requirements. These deficiencies occurred due to the lack of training, specifically the technical and administrative capability required for City staff to ensure environmental compliance. As a result of the lack of environmental compliance and minimal training, the City may have allowed increased risks to the health and safety of the residents and the general public and incurred more than \$1 million in questioned costs.

Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to

- 2A. Support that environmental requirements and client eligibility were met for dental services or repay \$59,604¹⁷ to its CDBG line of credit from non-Federal funds.

¹⁶ 24 CFR 58.13 and Basically CDBG Manual, Chapter 15.1.2

¹⁷ This amount contains costs that are also questioned under finding 4, to include \$308 related to inadequate subrecipient oversight. The costs are identified only once as a questioned cost in the recommendations and appendix A to avoid double counting.

- 2B. Support that environmental requirements were met for the roof replacement of a food bank or repay \$260,000 to its CDBG line of credit from non-Federal funds.
- 2C. Support that environmental requirements were met for homeowner rehabilitation or repay \$181,053 to its CDBG line of credit from non-Federal funds.
- 2D. Reimburse its CDBG line of credit for \$73,186 in ineligible costs for its statutory violation of environmental requirements when it rehabilitated a home without completing the environmental review. Reimbursement must be from non-Federal funds.
- 2E. Provide training for staff members to ensure that they know their roles and responsibilities with respect to CDBG program oversight and that documentation and other requirements are met.

Finding 3: The City Did Not Ensure That Expenditures Were Reasonable, Eligible, and Adequately Supported

The City did not ensure that expenditures were reasonable, eligible, and adequately supported. Specifically, it exceeded its own expense limits in 10 residential rehabilitation projects and rehabilitated 5 homes that exceeded the allowed HOME value limits. In addition, it lacked documentation to support time charged to CDBG activities. Further, it failed to follow Federal travel regulations and incorrectly charged program administration costs to its public services activities. These conditions occurred because the City failed to implement recommendations from its internal and external auditors that would have provided for an effective grant administration program. As a result, the City incurred \$618,340¹⁸ in ineligible costs, \$69,254 in unsupported costs, and \$9,476 in funds to be put to better use.

Homeowner Rehabilitation Projects Exceeded Maximum Allowed Assistance and Value Limits

The City failed to follow its own homeowner rehabilitation policy and procedure,¹⁹ which set the allowed maximum assistance for any individual project at \$65,000, except for “rare instances” in which it should become necessary. A rare instance required a written cost justification signed by all parties, to include the homeowner, program staff, inspector, and contractor, which was then submitted to the Department of Family and Community Services’ Community Development Division manager for a final decision. However, 10 of the 19 rehabilitation projects reviewed exceeded the limit by a total of \$507,218 and did not have a written cost justification signed by all required parties. The City submitted the applicants’ qualification summaries and the contractors’ cost proposals as justifications, but the documentation was missing the inspectors’ signatures, and the majority had missing signatures from the homeowners, the contractors, or both. Further, the City lacked supporting documentation for additional costs incurred through change orders, and the costs and work performed in some change orders did not match the City’s explanations. See appendix D for rehabilitation projects that exceeded maximum allowed assistance.

The City assisted five homeowner properties for which the amount of rehabilitation cost or the after rehabilitation value exceeded the HUD HOME home-ownership value limits by a total of \$110,647. The City’s requirements prohibit rehabilitation project assistance from exceeding the limits established by HUD for the HOME program. In addition, Federal regulations²⁰ require that the initial purchase price or after rehabilitation value of home-ownership units assisted with HOME funds not exceed 95 percent of the area median purchase price for single-family housing as determined by HUD new home-ownership value limits. Had the City followed its policy, it may have been able to rehabilitate additional homes. See appendix E for rehabilitation projects that exceeded value limits.

¹⁸ The total contains a \$1 difference due to rounding.

¹⁹ Office of Neighborhood Revitalization Home Owner Rehabilitation Program Guidelines, Policies, and Procedures, pages 6-7, item H. Maximum Assistance

²⁰ Section 215(b) of the National Affordable Housing Act and section 92.254(a)(2)(iii) of the final rule published on July 24, 2013

Timesheets Did Not Match General Ledger Entries and Lacked Supporting Documentation

The City did not reconcile its HUD activity timesheets for CDBG activities with the charges it entered into its general ledger. In 2013, the City overcharged its CDBG program administration account \$6,672, while in 2014 and 2015, it undercharged its program administration by a total of \$28,354. During this period, the undercharges outweighed the overcharges; however, the City did not ensure that accurate time expenses were charged to the program. Specifically, there were

- 131 occurrences in which HUD activity timesheets to support the time charged to its CDBG program administration in the general ledger were missing. The City stated that some staff members did not realize they were required to fill out the activity timesheets, which caused the City to incur unsupported payroll costs of \$69,254.
- 80 occurrences in which HUD activity timesheets were recreated and dated February 26, 2016. The City stated it was trying to provide necessary documentation for past grants and asked employees to sign and date the recreated timesheets with a current date, not to backdate them.
- 34 occurrences of incomplete HUD activity timesheets that were either not dated or not signed by the employee or the supervisor.

In addition, there were 139 occurrences in which the employee's hourly wage charged to the general ledger did not match the City's salary tables.

Travel Reimbursements Exceeded Federal Per Diem Rates

The City's travel reimbursements did not meet Federal travel requirements for City employees attending a conference. The City's travel policy stated that it adopted the per diem rates established by the Federal Government and that the maximum lodging rate could not exceed the applicable per diem rate for the specific location. In addition, the City's policy stated that supporting documentation should include two hotel quotes. However, the City paid two of the three employees' hotel lodging at a rate higher than the Federal Government's established amount. According to the City's travel coordinator, the hotel had only one room available at the government rate, and the other rooms had to be booked at the next best rate. However, it did not have required supporting documentation for two hotel quotes to show that the increased rate was the best it could obtain. In addition, the City violated Federal regulations²¹ that required meals and incidental expenses to be prorated at 75 percent on the first and last days of travel. It reimbursed the three employees at the full rate on the first and last days instead of the prorated rate. The City's lack of oversight and implementation of regulations resulted in ineligible costs of \$474.

Program Administration Costs Were Incorrectly Charged to Public Services

The City incorrectly charged an administrative fee paid to a contractor as public services activities when it should have been charged to the City's program administration. The City hired the contractor to act as its fiscal agent to perform day-to-day bookkeeping services for its eviction prevention program. According to the City, it needed a fiscal agent because it typically took several weeks for the City to process payments, while a contractor could process them

²¹ Internal Revenue Service Publication 463 travel expenses and Government Services Administration per diem rates as found at website www.gsa.gov

quickly to help prevent client evictions. However, Federal regulations²² state that general management, oversight, and coordination, to include administrative services, performed under third-party contracts, including such services as general legal services, accounting services, and audit services, are program administrative costs. Therefore, the administrative fee of \$9,476 paid to the contractor should have been charged to program administration costs. Further, the City may have exceeded the CDBG 20 percent cap²³ on program administration costs had it correctly classified the contractor fee.

The City Did Not Implement Recommendations From Internal and External Auditors

The issues identified above occurred because the City did not implement recommendations it received from its internal and external auditors. Its internal auditors recommended that the Department of Family and Community Services (1) establish internal controls and oversight processes for Federal programs; (2) develop and implement supervisory controls, program-specific written policies and procedures, and formal training for staff; (3) implement policies and procedures that required monthly reconciliation of grants; and (4) ensure that it had supporting documentation that allowed third parties to verify the accuracy of the agency's allocations.

In addition, the City did not implement recommendations it received from independent public accountants hired to perform the required Office of Management and Budget Circular A-133 audits. The independent public accountants recommended that the City (1) work with HUD to improve the program's performance and reduce the CDBG funding backlog, (2) develop and implement subrecipient monitoring policies and procedures, (3) develop and implement policies and procedures to ensure that all vendors were not suspended or debarred from receiving Federal funds before entering into a contract, and (4) work with HUD to provide the necessary documentation to satisfy the national objectives and establish policies and procedures to ensure that it met the national objectives.

Conclusion

The City did not ensure that expenditures charged to the CDBG program were eligible, reasonable, and adequately supported because it did not implement recommendations from both internal and external auditors that would have provided for an effective grant administration program. As a result, it incurred \$697,069²⁴ in questioned costs.

Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to

- 3A. Reimburse its CDBG line of credit for \$507,218 in ineligible costs for its violation of its home rehabilitation policy and procedure when it exceeded the

²² 24 CFR 570.206(a)(3) and Office of Community Planning and Development (CPD) Notice 13-07: Allocating Staff Costs between Program Administrative Costs vs. Activity Delivery Costs in the CDBG Program for Entitlement Grantees

²³ 24 CFR 570.200(g)

²⁴ The total contains a \$1 difference due to rounding.

allowed maximum assistance per home with no cost justifications.
Reimbursement must be from non-Federal funds.

- 3B. Reimburse its CDBG line of credit for \$110,647 in ineligible costs for the rehabilitation costs that exceeded the allowed HOME value limits. Reimbursement must be from non-Federal funds.
- 3C. Reimburse its CDBG line of credit for \$474 in ineligible costs for violation of Federal travel regulations. Reimbursement must be from non-Federal funds.
- 3D. Reclassify the \$9,476 to program administration and recalculate its cap to determine whether it exceeded the allowed 20 percent. Any amount that is over the allowed cap would be ineligible, and repayment of the overage amount to its CDBG line of credit would be required. Reimbursement must be from non-Federal funds.
- 3E. Support payroll wages charged to the CDBG grant or repay \$69,254 to its CDBG line of credit from non-Federal funds.
- 3F. Implement recommendations made from its internal and external auditors that will ensure compliance with applicable regulations related to cost reasonableness and eligibility and that costs are adequately supported.

Finding 4: The City Did Not Maintain Required Documentation or Adequately Monitor or Accurately Report Its Subrecipients' Activities

The City did not always properly administer and adequately document its CDBG program activities in accordance with HUD requirements. Specifically, it did not maintain documentation supporting that its projects met a national objective. In addition, it did not adequately monitor or report on its subrecipients' activities. These conditions occurred because the City did not have the capacity to implement an effective grant administration program, to include written program-specific policies and procedures. As a result, it incurred ineligible and unsupported subrecipient grant costs of \$559,375.²⁵

Files Lacked Adequate Documentation To Support National Objectives

The City did not maintain the required documentation to support that three projects totaling \$497,806²⁶ met their intended program national objective of benefiting low- and moderate-income persons (table below). Specifically, the City did not include (1) documentation establishing that the facility or service was designed for the particular needs of or used exclusively by the homeless, (2) documentation describing how the nature or the location of the facility or service established was used predominantly by low- and moderate-income persons, or (3) data showing the size and annual income of the family of each person who received the benefit. Federal regulations²⁷ required the City to establish and maintain sufficient records showing that each of its CDBG-funded activities met the national objective requirement. Without policies and procedures to ensure compliance with documentation requirements, the City increased its risk that additional funds would be used inappropriately.

Project description and payments

Subrecipient number	Project description	Total payments
1	Provide dental services to persons experiencing homelessness in the Albuquerque area	\$ 123,831
2	Employ and train low-income immigrant women	69,000
3	Provide emergency rental and utility assistance to low- and moderate-income persons in the Albuquerque area	304,975
Total		497,806

²⁵ This amount contains costs that are also questioned under other findings. Such costs are mentioned throughout the report under the other findings but are identified only once as a questioned cost in recommendations 2B, 4A, 4B, 4C, 4D, and 4E and appendix A to avoid double counting.

²⁶ This amount contains costs that are also questioned under other findings. Such costs are mentioned throughout the report under the other findings but are identified only once as a questioned cost in recommendations 4A, 4B, and 4C and appendix A to avoid double counting.

²⁷ 24 CFR 570.506

Subrecipients Were Not Adequately Monitored

The City did not adequately monitor its subrecipients in accordance with Federal regulations.²⁸ For example, one subrecipient that provided services for the homeless misclassified some of its clients as “doubling up,” which the subrecipient defined as temporarily living in homes of friends or family members. However, HUD’s definition of “homeless” did not allow assistance for clients who temporarily lived in the home of friends or family members. The City did not question the subrecipient’s use of the category to ensure that it complied with eligibility requirements.

In another example, a subrecipient did not perform the required income verifications on new employees hired in 2014 and 2015 to ensure that it met the low- to moderate-income requirements. The subrecipient could not provide a valid reason for not performing the required verifications. The City stated in its 2014 monitoring report of the subrecipient that the subrecipient did not hire any new employees. However, documents showed that the subrecipient hired two new employees before the City performed its monitoring review.

Finally, the City did not monitor its own eviction prevention program run by its four Health and Social Service Centers. The City stated that every month it checked client intake applications to ensure that clients met the guidelines; however, there were no monitoring reports to support the reviews. Our review of the eviction prevention program identified ineligible clients and a lack of supporting documentation for income eligibility. As a result, the City incurred ineligible costs of \$1,965²⁹ and unsupported costs of \$134,451.³⁰

CDBG Activities Were Not Consistently and Accurately Reported to HUD

The City did not consistently and accurately report its CDBG activities in HUD’s Integrated Disbursement and Information System³¹ (IDIS) as required. For example, the City incorrectly combined two subrecipients’ funding under one activity ID number and did not report on both subrecipients’ activities. One activity was to provide dental services to the homeless, and the other activity was to improve quality of life through healthier teeth and gums for lower income persons. As a result of the combination, the activities that assisted the homeless were not reported to HUD and ultimately to Congress.

The City also inconsistently reported the performance objective, location information, and activity information for its subrecipients in 2013, 2014, and 2015. In addition to Federal regulations at 24 CFR 570.207, HUD issued a memorandum in 1997 to all Office of Community

²⁸ 2 CFR 200.328(a), 24 CFR 85.40(a), and 24 CFR 570.501(b)

²⁹ Consists of \$565 in ineligible costs for failure to provide subrecipient oversight, which should have identified that the subrecipient had incorrectly applied eligibility requirements for homeless clients served, and \$1,400 in ineligible costs for its failure to provide subrecipient oversight, which should have identified the ineligibility of clients whose income exceeded the threshold as reported

³⁰ This amount contains costs that are also questioned under other findings. Such costs are mentioned throughout the report under the other findings but are identified only once as a questioned cost in recommendations 4A, 4B, and 4C and appendix A to avoid double counting.

³¹ IDIS provides HUD with current information regarding the program activities underway across the Nation, including funding data. HUD uses this information to report to Congress and to monitor grantees. IDIS is the drawdown and reporting system for the CDBG program.

Planning and Development entitlement grantees that stressed the importance of timely and accurate performance reporting in IDIS.

The City Did Not Have the Capacity To Implement an Effective Grant Program

The issues identified occurred because the City did not have the capacity to implement an effective grant administration program. Specifically, it had an ineffective organizational structure and lacked program-specific policies and procedures. This condition led to a decentralized grant administration program that produced ineffectiveness and inefficiency. As a result, the City incurred questionable program costs totaling \$2.9 million³² of the \$3.8 million (77 percent) reviewed during the audit period. In addition, HUD had no assurance that the City used grant funds for eligible purposes in accordance with program requirements.

The City's Organizational Structure Was Flawed

The City's organizational structure was flawed as it did not always consider the different requirements of different federally funded programs. For example, a couple of employees with oversight responsibility for CDBG activities were not within the same division that had responsibility for the CDBG program. In addition, the City had a contract specialist whose sole responsibility was to process all contracts, including CDBG, and ensure that all required language was in the contracts. However, the CDBG contracts reviewed did not meet minimum requirements, and the contract specialist responsible for ensuring that contracts were in compliance could not identify the funding sources for each contract. Further, the Community Development Division responsible for oversight of the CDBG program could not provide a complete or accurate list of responsible staff to interview during the audit.

The City Lacked Program-Specific Policies and Procedures

The City did not have CDBG program-specific written policies and procedures. HUD identified this issue in a monitoring report. The City responded to the monitoring report by providing HUD a 4,500-page document that it called its CDBG policies and procedures. However, HUD determined that the City had adopted HUD's CDBG manual as its policies and procedures without adapting the manual to its specific needs. After we began our review of the City's CDBG program, it submitted a second version of draft CDBG program-specific written policies and procedures. However, it was not a stand-alone document of the actual practices and processes used to operate the CDBG program. Rather, it referred to a different grant management manual. Therefore, the City did not ensure that it had specific CDBG procedures and disregarded HUD guidance.

Conclusion

The City did not have an organizational structure that worked and lacked program-specific policies and procedures, which resulted in ineligible and unsupported costs of \$559,375. These deficiencies occurred due to the City's lack of technical and administrative capability to administer an effective grant administration program. Specifically, its organizational structure was inefficient, and it failed to understand the importance of having written program-specific policies and procedures, which would have helped ensure compliance with program requirements. Because it did not have the capacity to properly administer and adequately

³² The \$2.9 million includes all questioned costs from findings 1, 2, 3, and 4.

document its CDBG program activities, it incurred ineligible and unsupported costs of \$2.9 million, and HUD had no assurance that the City used grant funds for eligible purposes in accordance with program requirements.

Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to

- 4A. Support that subrecipient 1 met a national objective, environmental requirements, and client eligibility or repay \$123,831³³ to its CDBG line of credit from non-Federal funds.
- 4B. Support that subrecipient 2 met a national objective, environmental requirements, and client eligibility or repay \$69,000³⁴ to its CDBG line of credit from non-Federal funds.
- 4C. Support that subrecipient 3 met a national objective, environmental requirements, and client eligibility or repay \$304,975³⁵ to its CDBG line of credit from non-Federal funds.
- 4D. Reimburse its CDBG line of credit for \$565 in ineligible costs for its failure to provide subrecipient oversight, which should have identified that the subrecipient had incorrectly applied eligibility requirements for homeless clients served. Reimbursement must be from non-Federal funds.
- 4E. Reimburse its CDBG line of credit for \$1,400 in ineligible costs for its failure to provide subrecipient oversight, which should have identified the ineligibility of clients whose income exceed the threshold as reported. Reimbursement must be from non-Federal funds.
- 4F. Develop and implement written CDBG policies and procedures, which detail the requirements, including but not limited to (1) meeting Federal procurement requirements, (2) executing written agreements for all subrecipients and contractors that meet minimum requirements, (3) documenting all conflicts of interest, (4) complying with HUD environmental review requirements, (5) maintaining documentation to support that its CDBG-funded projects met one or more national objectives, (6) properly and accurately monitoring subrecipients for compliance with all requirements, and (7) consistently and accurately reporting activities in IDIS.

³³ This amount contains costs that are also unsupported under other findings. Such costs are mentioned throughout the report under the other findings but are identified here only as a questioned cost in the recommendation and appendix A to avoid double counting.

³⁴ *ibid.*

³⁵ *ibid.*

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development

- 4G. Continue to classify the City of Albuquerque as a high risk grantee until such time as HUD has determined the City has implemented an effective program in compliance with all requirements.

Scope and Methodology

We performed our audit fieldwork at the City's offices in Albuquerque, NM, our Albuquerque, NM, office, and our Houston, TX, office from February 2016 to April 2017. Our review covered the period January 1, 2013, through December 31, 2015, and was expanded as needed to achieve our objective.

To accomplish our objective, we reviewed

- Relevant laws, regulations, and CDBG program guidance.
- The City's organizational structure and written policies and procedures.
- The City's grant agreements, action plans, and consolidated annual performance and evaluation reports.
- The City's internal audit reports, independent public accountant reports, and HUD monitoring reports and correspondence.
- The City's subrecipient agreements, environmental review records, program and fiscal activity files, and subrecipient monitoring documentation.
- The City's general ledger reports and related supporting documentation.
- The City's procurement documentation for contractors procured.
- HUD's IDIS records.

We also interviewed HUD Office of Community Planning and Development staff, the City's staff, and subrecipients.

From a universe of 19 subrecipients contracted between January 1, 2013, and December 31, 2015, totaling more than \$11.5 million, we selected for review a nonstatistical sample of five subrecipients and the City's program administration activity totaling more than \$3.4 million, based on the following qualifications: (1) projects that had multiple funding years, (2) projects for which HUD had concerns with the procurement process, (3) possible conflicts of interest with a city councilor working for one of the subrecipients, and (4) responses received from City staff on how program administration funds were spent. We reviewed the City's file documentation for the sampled subrecipients to determine whether the City maintained documentation to support its basis for meeting one or more the three program national objectives and provided adequate subrecipient oversight. We compared HUD's data to the City's data but did not perform a complete assessment of computer-processed data because we did not rely heavily on computer data to develop our conclusions. The test results are limited to the subrecipients reviewed and cannot be projected to the universe.

From a universe of 14 subrecipients,³⁶ 6 subgrantees, and 17 contractors procured between January 1, 2013, and December 31, 2015, we selected for review a nonstatistical sample of 3 requests for proposals for social service contracts (subrecipients), one real estate acquisition (subgrantee), and two requests for bids for rehabilitation contractors (contractors). We selected all of the requests for proposals and requests for bids that were issued within our review period as there were only a few and the acquisition was selected based on concerns from HUD. We reviewed the City's file documentation for the sampled files to determine whether the procurements were in accordance with Federal regulations. We did not assess computer-processed data for the procurement review because we did not rely on computer data to develop our conclusions. The test results are limited to the contracts reviewed and cannot be projected to the universe.

From an expenditure universe totaling more than \$8.2 million, which included 263 accounts between January 1, 2013, and December 31, 2015, we selected a nonstatistical sample totaling more than \$1 million, which included 4 accounts. The selection was based upon (1) the highest dollar value per account code, (2) responses received from City staff on how program administration funds were tracked and spent, and (3) payroll and nonpayroll purposes. We reviewed the City's file documentation for the sampled files to determine whether the expenditures were reasonable, eligible, and adequately supported. We did not assess computer-processed data for the expenditure review because we did not rely on computer data to develop our conclusions. The test results are limited to the expenditures reviewed and cannot be projected to the universe.

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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³⁶ The subrecipient universe changed during the audit because the City reclassified some subrecipients to subgrantees and contractors. The subrecipient universe for the subrecipient review was 19, while the subrecipient universe for the procurement review was 14.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls 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:

- Effectiveness and efficiency of operations – Organizational structure, policies, and procedures implemented by the City to ensure that its CDBG program met its objectives.
- Compliance with applicable laws and regulations – Policies and procedures implemented by the City to ensure that it administered and adequately documented its CDBG program in compliance with Federal laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The City did not have controls in place to ensure that it followed technical assistance and guidance provided by HUD (finding 1).
- The City did not have a system in place to ensure that its staff was adequately trained to ensure compliance with CDBG requirements (finding 2).
- The City did not have controls in place to ensure that it implemented internal and external recommendations that would ensure compliance with Federal regulations (finding 3).

- The City did not have the technical and administrative capacity to implement an effective grant program (finding 4).
- The City lacked controls, including written program-specific policies and procedures for its CDBG-funded activities, to ensure that it (1) met procurement requirements; (2) executed written agreements or contracts; (3) documented conflicts of interest; (4) properly completed environmental reviews; (5) confirmed that activities were reasonable, eligible, and adequately supported; (6) maintained required documentation to support intended national objectives; (7) adequately monitored its subrecipients for compliance; and (8) reported consistently and accurately in IDIS (findings 1, 2, 3, and 4).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$ 568,629		
1B	572,929		
2A		\$ 59,604	
2B		260,000	
2C		181,053	
2D	73,186		
3A	507,218		
3B	110,647		
3C	474		
3D			\$ 9,476
3E		69,254	
4A		123,831	
4B		69,000	
4C		304,975	
4D	565		
4E	1,400		
Totals	1,835,049³⁷	1,067,716³⁸	9,476

³⁷ The table total contains a \$1 difference due to rounding.

³⁸ *ibid.*

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, administrative costs were incorrectly charged as program costs and reclassifying the \$9,476 to the correct cost category will make other funds available for eligible activities.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

CITY OF ALBUQUERQUE
Department of Family and Community Services
Douglas H. Chaplin, Director



Richard J. Berry, Mayor

July 28, 2017

Ms. Kilah S. White, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Office of Audit (Region 6)
819 Taylor Street, Suite 13A09
Fort Worth, TX 76102

Administration

Dear Ms. White:

Enclosed are responses from the City of Albuquerque's Department of Family and Community Services to the draft audit report received on July 12, 2017, entitled "The City of Albuquerque, NM, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements". The report covers years 2013, 2014 and 2015.

The City of Albuquerque takes the OIG findings and recommendations of this report seriously and will use this as an opportunity to help create a more robust CDBG program for the citizens of Albuquerque.

The City's Family and Community Services Department has worked diligently along with the local HUD CPD office to ensure that the short comings of the CDBG program are corrected, allowing the program to move forward successfully. These efforts include:

- Developed a TIGER Team comprised of Department Program staff, Department and City Fiscal staff, City Grant staff, Department Administration staff, and City Legal to review all HUD related matters biweekly;
- Filled vacant Community Development Division Manager and Fiscal Division Manager position;
- Created a Senior Principal Account position, specifically for HUD compliance, as well as a Planning Manager position to support department efforts;

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Auditee Comments

- Department Program, Fiscal, Administration, and City Grant staff have participated in over 360 combined hours of HUD related training in the last seven months;
- Begun the process of updating policies and procedures;
- Developing productive dialogue with the local HUD CPD office.

The City has responded to each of the recommendations from the Office of Inspector General. In each response the City concurs, disagrees, or partially agrees with the recommendation outlined in the Draft OIG Report while offering alternative recommendations in some instances.

Finding 1:

The City Did Not Always Follow Procurement Requirements

HUD OIG Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to:

- 1A. Reimburse its CDBG line of credit for \$568,629 in ineligible costs for its violation of procurement requirements. Reimbursement must be from non-Federal funds.

City Response – The City concurs with Recommendation 1A and will reimburse its CDBG line of credit from non-federal funds. The City is training staff in federal procurement to ensure compliance by working with the City's Department of Finance Purchasing Division.

- 1B. Reimburse its CDBG line of credit for \$572,929 in ineligible costs for its violation of Federal requirements and procurement procedures when it acquired a property with CDBG funding. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 1B and will reimburse its CDBG line of credit with non-Federal funds. The City has determined that the use of the facility purchased at 1620 1st Street NW will change and sell the property to the Department of Senior Affairs at fair market value. The City has completed its public process to change the use and has submitted documentation to HUD for approval and direction on the final amount to be paid. Once approved, the City will complete the transfer and reimburse its CDBG line of credit.

Comment 1

Comment 2

**Ref to OIG
Evaluation**

Auditee Comments

Comment 3

1C. Implement technical assistance and guidance received from HUD to ensure compliance with requirements.

City Response – The City concurs with Recommendation 1C. The City has contracted with USONA Development, LLC to provide technical assistance to ensure compliance with federal reporting requirements and reporting in IDIS. The City will continue to utilize its HUD field representative for ongoing technical assistance.

Comment 4

1D. Obtain technical assistance from HUD related to differentiating between subrecipients and contractors and ensuring that the correct procurement requirements are followed when obtaining a subrecipient or contractor.

City Response – The City concurs with Recommendation 1D and is in the process of updating its policies and procedures to ensure that all federal procurement requirements are followed when obtaining a subrecipient or contractor. The City will use separate agreements specific to its subrecipients and contractors.

Comment 4

1E. Update its CDBG written agreements to include the specific language required.

City Response - The City concurs with Recommendation 1E and has amended the 2016 written agreements to include all federal requirements. It has included these updates in all 2017 and future CDBG written agreements.

Comment 4

1F. Develop contracts to include all Federal requirements and to be signed by both the City and the contractors awarded bids with CDBG funding.

City Response - The City concurs with Recommendation 1F and has worked with its legal staff and has updated CDBG contracts to include all program and federal requirements and will ensure files contain signed contracts by both the City and the contractors awarded bids with CDBG funding.

Comment 4

1G. Amend and implement its conflict-of-interest policy and procedures to ensure that it complies with Federal conflict-of-interest requirements and includes elected and appointed positions.

City Response - The City concurs with Recommendation 1G and has developed a conflict-of-interest policy to ensure compliance with federal conflict-of-interest requirements to include elected and appointed officials.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 5

Finding 2:

[The City Did Not Comply With Environmental Review Requirements.](#)

HUD OIG Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to:

- 2A. Support that environmental requirements and client eligibility were met for dental services or repay \$59,604 to its CDBG line of credit from non-Federal funds.

City Response - The City disagrees with Recommendation 2A asking the City to repay. The City has supporting documentation that all public service activities are exempt under 58.34. (a) Except for the applicable requirements of 58.6, the responsible entity does not have to comply with the requirements of this part or undertake any environmental review, consultation or other action under NEPA and the other provisions of law or authorities cited in 58.5 for the activities exempt by this section or projects consisting solely of the following exempt activities:

(4) Public services that will not have a physical impact or result in any physical changes, including but not limited to services with employment, crime prevention, child care, health, drug abuse education, counseling, energy conservation and welfare or recreational needs.

See Attachment 2A

- 2B. Support that environmental requirements were met for the roof replacement of a food bank or repay \$260,000 to its CDBG line of credit from non-Federal funds.

City Response - The City disagrees with Recommendation 2B asking the City to repay. The City is providing supporting documentation that an Environmental Review was conducted for the roof replacement of a food bank. It was a categorically excluded activity and was converted to exempt on August 3, 2015.

See Attachment 2B

- 2C. Support that environmental requirements were met for homeowner rehabilitation or repay \$181,053 to its CDBG line of credit from non-Federal funds.

Comment 6

**Ref to OIG
Evaluation**

Auditee Comments

Comment 7

City Response - The City disagrees with Recommendation 2C asking the City to repay. The City is providing supporting documentation showing environmental requirements were met for homeowner rehabilitation.

See Attachment 2C

- 2D. Reimburse its CDBG line of credit for \$73,186 in ineligible costs for its statutory violation of environmental requirements when it rehabilitated a home without completing the environmental review and obtaining flood insurance before construction began. Reimbursement must be from non-Federal funds.

Comment 8

City Response - The City partially agrees with Recommendation 2D, as the owner did have flood insurance before construction began and Albuquerque does participate in the National Flood Insurance Program. Unfortunately, the home was rehabilitated before a no-effect letter was received from SHPO. The City requests reconsideration of something less than full reimbursement.

See Attachment 2D

- 2E. Provide training for staff members to ensure that they know their roles and responsibilities with respect to CDBG program oversight and that documentation and other requirements are met.

Comment 9

City Response - The City concurs with Recommendation 2E and has recently filled its Community Development (CD) Division Manager position. The program position will oversee the CDBG program and ensure federal requirements are adhered to. The roles and responsibilities of staff will be outlined and included in the revised policies and procedures. Since December 2016, staff has received over 360 combined hours of HUD related training.

Finding 3:
[The City Did Not Ensure That Expenditures Were Reasonable, Eligible, and Adequately Supported](#)

HUD OIG Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to:

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1

3A. Reimburse its CDBG line of credit for \$507,218 in ineligible costs for its violation of its home rehabilitation policy and procedure when it exceeded the allowed maximum assistance per home with no cost justifications. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 3A and will reimburse its CDBG line of credit with non-Federal funds. The City will implement changes to its policies and procedures to assure approvals are documented and properly maintained for the home rehabilitation program.

Comment 10

3B. Reimburse its CDBG line of credit for \$110,647 in ineligible costs for the rehabilitation costs that exceeded the allowed HOME value limits. Reimbursement must be from non-Federal funds.

City Response - The City requests a reconsideration and recalculation of the cost exceeding the value limits since funds will be returned per 3A above, thereby reducing the amount in ineligible costs.

Comment 1

3C. Reimburse its CDBG line of credit for \$474 in ineligible costs for violation of Federal travel regulations. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 3C and agrees that payments were in excess of allowed federal travel regulations. The City will repay \$474 out of non-federal funds. The City is in the process of updating grant funded travel policy and procedures.

Comment 11

3D. Reclassify the \$9,476 to program administration and recalculate its cap to determine whether it exceeded the allowed 20 percent. Any amount that is over the allowed cap would be ineligible, and repayment of the overage amount to its CDBG line of credit would be required. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 3D and agrees that the accounting function performed by YDI is in fact administrative expense, not program delivery, and will reclassify the cost. The reclassification does not cause the City to exceed Planning & Administration Cap of 20%.

3E. Support payroll wages charged to the CDBG grant or repay \$69,254 to its CDBG line of credit from non-Federal funds.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1

City Response – The City concurs with Recommendation 3E and will repay the \$69,254 out of non-federal funds. The City has implemented an override process for salaries charged to the General Ledger to match timesheets. This is done on a biweekly basis.

3F. Implement recommendations made from its internal and external auditors that will ensure compliance with applicable regulations related to cost reasonableness and eligibility and that costs are adequately supported.

Comment 12

City Response - The City concurs with Recommendation 3F and is currently revising its CDBG policies and procedures to incorporate and implement recommendations from its internal and external auditors which shall be completed by June 30, 2018, to be in compliance by the City's 2018 Program Year. The City implemented the Cost and Price Analysis worksheet for program year 2016.

See Attachment 3F

Finding 4

[The City Did Not Maintain Required Documentation or Adequately Monitor or Accurately Report Its Subrecipients' Activities](#)

HUD OIG Recommendations

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development require the City of Albuquerque's Department of Family and Community Services to:

4A. Support that subrecipient 1 met a national objective, environmental requirements, and client eligibility or repay \$123,831 to its CDBG line of credit from non- Federal funds.

Comment 13

City Response - The City disagrees with Recommendation 4A asking the City to repay. The City has supporting documentation at its offices, representing a 54-client file sample that have been reviewed for compliance. This is a sample of the approximately 5,000 client files that are properly maintained and available for review at the agency. Albuquerque Healthcare for the Homeless is a designated homeless services provider, whose sole mission is to provide quality health care at its facility located at 1217 1st Street NW to Albuquerque's homeless population. The agency obtains documentation to verify client eligibility and maintains such records in the client files. This program is listed under the Public Service category that was qualified as exempt and explained in response 2A for environmental review. It also meets the Low- Moderate Income Limited Clientele National Objective.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1

4B. Support that subrecipient 2 met a national objective, environmental requirements, and client eligibility or repay \$69,000 to its CDBG line of credit from non- Federal funds.

City Response - The City concurs with Recommendation 4B to repay its CDBG line of credit from non-Federal funds. The City will implement changes to its policies and procedures to assure approvals and documentation are properly maintained for its social services programs.

Comment 14

4C. Support that subrecipient 3 met a national objective, environmental requirements, and client eligibility or repay \$304,975 to its CDBG line of credit from non- Federal funds.

City Response – The City disagrees with Recommendation 4C asking the City to repay. The City has supporting documentation which represents approximately 1,800 files. These documents are available for review at the City’s Family & Community Services Department.

Comment 1

4D. Reimburse its CDBG line of credit for \$565 in ineligible costs for its failure to provide subrecipient oversight, which should have identified that the subrecipient had incorrectly applied eligibility requirements for homeless clients served. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 4D to repay its CDBG line of credit from non-Federal funds. The City is developing policies and procedures as well as providing training to staff and subrecipients to assure proper administration of the program in accordance with HUD regulation.

Comment 1

4E. Reimburse its CDBG line of credit for \$1,400 in ineligible costs for its failure to provide subrecipient oversight, which should have identified the ineligibility of clients whose income exceed the threshold as reported. Reimbursement must be from non-Federal funds.

City Response - The City concurs with Recommendation 4E to repay its CDBG line of credit from non-Federal funds. The City is developing policies and procedures as well as providing training to staff and subrecipients to assure proper administration of the program in accordance with HUD regulation.

4F. Develop and implement written CDBG policies and procedures, which detail the requirements, including but not limited to (1) meeting Federal procurement

**Ref to OIG
Evaluation**

Auditee Comments

Comment 15

requirements, (2) executing written agreements for all subrecipients and contractors that meet minimum requirements, (3) documenting all conflicts of interest, (4) complying with HUD environmental review requirements, (5) maintaining documentation to support that its CDBG-funded projects met one or more national objectives, (6) properly and accurately monitoring subrecipients for compliance with all requirements, and (7) consistently and accurately reporting activities in IDIS.

City Response - The City concurs with Recommendation 4F and is developing updated CDBG policies and procedures to meet the requirements outlined in Recommendation 4F.

We recommend that the Director of HUD's Albuquerque Office of Community Planning and Development:

- 4G. Suspend the City of Albuquerque's Department of Family and Community Services' CDBG program funds until the City shows that it has the capacity to implement an effective program in compliance with all requirements and all recommendations in this report are met.

City Response - The City offers alternative recommendations to Recommendation 4G. Instead of suspending the City's Family and Community Service's CDBG program, the City of Albuquerque is requesting an extension of the designation "A High Risk Grantee" by the local HUD office for an additional year to allow the City the opportunity to continue administering its CDBG Program in Albuquerque.

Based on the progress made by the City of Albuquerque on the conditions to the 2016 CDBG Grant Agreement, the City's Family and Community Services Department is working diligently with the local HUD CPD office to ensure effective management of the CDBG program.

If you have any questions, you may contact me at (505) 768-2870, or dchanlin@rahn.gov.

Sincerely,



Douglas H. Chaplin

- c: Robert J. Perry, Chief Administrative Officer - City of Albuquerque
Michael Riordan, Chief Operations Officer - City of Albuquerque
Jacob Williams, ARIGA, HUD OIG, Office of Audit - Houston Field Office
Dana Young, CFE, CICA, Auditor-in-Charge, HUD OIG - Albuquerque Field Office
Kimberly Randall, Deputy AIG for Audit - Western Field Operations
FCS Tiger Team, City of Albuquerque

Comment 16

OIG Evaluation of Auditee Comments

- Comment 1 The City agreed with recommendations 1A, 3A, 3C, 3E, 4B, 4D, and 4E to reimburse its CDBG line of credit from non-Federal funds.
- Comment 2 The City concurred with recommendation 1B and will reimburse its CDBG line of credit. However, the City requested that the amount to be reimbursed be based on the fair market value because the City is changing the use for the property purchased. The City noted that it had completed the public notification process and had submitted documentation to HUD for approval and direction of the final amount to be paid.

We understand that the City's reference to the fair market value of the property and its public notification process is in accordance with 24 CFR 570.505. However, the change in use is outside the audit scope and is an on-going process. The recommendation was based on the procurement cost. Resolution of the recommendation and the amount to be paid will be determined as part of the audit resolution process with HUD.

- Comment 3 The City agreed with recommendation 1C and contracted with a company to provide technical assistance to ensure compliance with Federal reporting requirements and reporting in IDIS. The City also stated it would continue to use its HUD field representative for ongoing technical assistance.
- Comment 4 The City agreed with recommendations 1D, 1E, 1F, and 1G, and outlined the steps it is taking to ensure compliance, including updating policies and procedures, using separate agreements or contracts specific to its subrecipients and contractors, and updating and amending written agreements and contracts to include all Federal requirements.
- Comment 5 The City disagreed with recommendation 2A. The City provided supporting documentation in an attachment that all public service activities are exempt under 24 CFR 58.34(a) except for the applicable requirements of 24 CFR 58.6.

We agree with the City that public service activities are exempt under 24 CFR 58.34(a) except for the requirements of 24 CFR 58.6. However, the City did not have documentation to show that its dental services for the homeless met the environmental requirements of 24 CFR 58.6.

The attachment provided by the City is the same documentation originally reviewed during the audit. As stated in finding two, the environmental review record must contain all verifiable source documents and relevant data used in the review and decision-making process as support for its determination. The City provided an exemption determination for activities listed at 24 CFR 58.34 checklist. However, the City, as the responsible entity did not complete and attach the required 24 CFR 58.6 compliance checklist. To be in compliance with

24 CFR 58.6, the City must have documentation that supports flood zones and flood insurance, coastal barrier improvement act, and runway clear zones requirements. At the time of our review, this documentation was not part of the record that the City provided us. Therefore, we maintain our recommendation that the City needs to provide the required supporting documentation that environmental requirements were met or repay \$59,604 to its CDBG line of credit from non-Federal funds.

The City did not address the second part of the recommendation related to client eligibility as part of this recommendation, but addressed the issue under recommendation 4A. Therefore, our response to client eligibility is found at comment 13.

Comment 6 The City disagreed with recommendation 2B. The City provided supporting documentation in an attachment to show that an environmental review was conducted for the roof replacement of a food bank. The City further stated that the project was a categorically excluded activity that was converted to exempt.

The attachment contained documents that were not part of the City's original environmental record reviewed during the audit. In addition, both the original environmental record and the attachment lacked source documentation to support the 17 compliance factors. As previously noted, the environmental review record must contain all verifiable source documents and relevant data used in the review and decision-making process as support for its determination. We maintain our recommendation that the City support that environmental requirements were met for the roof replacement of a food bank or repay \$260,000 to its CDBG line of credit from non-Federal funds.

Comment 7 The City disagreed with recommendation 2C. The City provided supporting documentation in an attachment to show that environmental requirements were met for homeowner rehabilitation.

The documents in the attachment were not sufficient to support that the City met the environmental requirements for homeowner rehabilitation. Although some of the documents in the attachment were different from the documents reviewed during the audit, the information was incomplete. Compliance factors in the attachment did not have verifiable source documents, and some of the new documents provided, such as a map, did not mark the location of the rehabilitated property as required. Understanding the proximity of the property to the compliance factor being examined is part of the relevant data used in making the decision on whether there is an adverse effect. As previously noted, the environmental review record must contain all verifiable source documents and relevant data used in the review and decision-making process as support for its determination.

In addition, the documentation in the attachment was used to support all rehabilitated properties, when in fact, each property should have its own

environmental review record and not a master copy that covers all. We maintain our recommendation that the City support that environmental requirements were met for homeowner rehabilitation or repay \$181,053 to its CDBG line of credit from non-Federal funds.

Comment 8 The City partially agreed with recommendation 2D. The City provided documentation in an attachment showing that the homeowner had flood insurance before construction began and that Albuquerque participates in the National Flood Insurance Program. The City agreed that the home was rehabilitated before completion of the State historic preservation office letter of no effect. The City requested reconsideration of something less than full reimbursement.

We agree that the insurance policy was evidence of flood insurance and adjusted the report to remove references to flood insurance. However, the City violated statutory requirements when it rehabilitated the home before it had completed the environmental process. Therefore, we maintain that the City needs to reimburse its CDBG line of credit for the \$73,186 in ineligible costs.

Comment 9 The City agreed with recommendation 2E. The City stated that since December 2016 its staff has received more than 360 combined hours of HUD related training.

Comment 10 The City requested a reconsideration and recalculation of the cost exceeding the value limits in recommendation 3B because funds returned from recommendation 3A would reduce the amount of ineligible costs.

OIG did not duplicate the costs. The amount provided in recommendation 3A was already reduced by the amount identified in recommendation 3B as exceeding the value limits. Therefore, we maintain our recommendation that the City reimburse its CDBG line of credit for \$110,647 in ineligible costs that exceeded the allowed HOME value limits for homeowner rehabilitation projects.

Comment 11 The City agreed with recommendation 3D that the accounting function performed by the contractor was an administrative expense and not program delivery and agreed to reclassify the associated costs. The City stated that the reclassification of the costs did not cause the City to exceed the planning and administration cap of 20 percent.

Once the City has reclassified the costs, HUD will need to verify that the planning and administration cap did not exceed the 20 percent limit for each year.

Comment 12 The City agreed with recommendation 3F and is revising its CDBG policies and procedures to incorporate and implement recommendations from its internal and external auditors. The City further stated the revision and implementation of the policies and procedures would be completed by June 30, 2018, so that the City's 2018 program year would be in compliance. The City provided an attachment to

show that it had already implemented a cost and price analysis worksheet for program year 2016.

We acknowledge the City's efforts in resolving this recommendation. It will need to work with HUD during the audit resolution process to continue addressing this recommendation.

- Comment 13 The City disagreed with recommendation 4A. The City stated it had supporting documentation at its offices that represented a 54-client sample of approximately 5,000 client files that had been reviewed for compliance. It further stated that the subrecipient obtained documentation to verify client eligibility and the client files were properly maintained and available for review at the subrecipient's location. The City stated that the subrecipient is a designated homeless service provider whose sole mission is to provide quality health care to the Albuquerque's homeless population that met the low-moderate income limited clientele national objective. The City further stated in comment 5 that the program was listed under public service category, which qualified as exempt for environmental review.

We disagree with the City's assertion that it had supporting documentation. During our site visit to the subrecipient, the subrecipient could not provide us with the specific client files that supported the 2013 CDBG funds it received. The subrecipient stated that during the 2013 timeframe, the City did not require the billings and information to be broken down based on the particular funding, such as CDBG or general funds. Therefore, the subrecipient was unable to provide us with a sample of client files that supported the 2013 CDBG funding.

We also disagree that the City supported the national objective of low-moderate income limited clientele. Our review of the City's files did not find documentation, such as the subrecipient's incorporation document, that supported the subrecipient serviced only the homeless. While the City has stated that the subrecipient is a designated homeless service provider that met the national objective requirement, we did not find supporting documentation that showed the activity involved a facility or service designed for the particular needs of or was used exclusively by the homeless as required by 24 CFR 570.506. Therefore, we maintain our recommendation that the City should provide the required supporting documentation that subrecipient 1 met client eligibility, a national objective, and environmental requirements or repay \$123,831 to its CDBG line of credit from non-Federal funds.

The City referred its response to the third part of the recommendation regarding environmental requirements to recommendation 2A. Therefore, our response to environmental requirements is found at comment 5.

- Comment 14 The City disagreed with recommendation 4C. The City stated it had supporting documentation that represented approximately 1,800 files and that the documents were available for review at the City's Department of Family and Community Services Office.

We disagree with the City's assertion that it had supporting documentation. During our review of client files at the City's Health & Social Services Center, we found files that lacked supporting documentation for client eligibility. Specifically, 11 of the 33 client files reviewed did not have supporting documentation for all household members' income or State assistance.

The City did not clarify which of the 1,800 files addressed national objective and environmental requirements. Therefore, we maintain our recommendation that the City needs to provide the required supporting documentation that subrecipient 3 met client eligibility, a national objective, and environmental requirements or repay \$304,975 to its CDBG line of credit from non-Federal funds.

Comment 15 The City agreed with recommendation 4F and said it was developing updated CDBG policies and procedures to meet the requirements as outlined in the recommendation.

Comment 16 Instead of suspending the City's CDBG program, the City offered an alternative to recommendation 4G that included the local HUD Office extending the City's designation as a high risk grantee for an additional year to allow the City the opportunity to continue administering its CDBG program to Albuquerque residents.

After consultation with HUD, we agree to the alternative that the City proposed and changed recommendation 4G in the report.

The City provided five attachments to its response that were too voluminous to include and can be provided upon request.

Appendix C

Summary of Retrofit Facility Purchase

On March 4, 2014, the Department of Senior Affairs notified the Property Division that it wanted to purchase a fire station to house one of its home services programs.³⁹ The fire station was approximately 3,611 square feet. On March 5, 2014, the Senior Affairs fiscal manager emailed the Department of Family and Community Services director requesting assistance from CDBG funding to acquire the fire station for the home services program. Senior Affairs could not acquire the fire station due to zoning issues. However, 4 months later on July 16, 2014, the Property Division contracted with an appraisal service to obtain an appraisal report on a different facility with a gross area of 8,590 square feet. There was no cost-benefit analysis to determine the amount of floor space needed to house the CDBG-funded retrofit program or why the program now needed a facility more than twice the size of the fire house. On October 1, 2014, a warranty deed was recorded showing that the City of Albuquerque had purchased the larger facility.

On February 3, 2015, HUD requested the City to provide details on who would be located in the facility and what work would be conducted in the facility. The City replied that the work would include all operations necessary to carry out the CDBG-funded retrofit program and that it had not been “officially” notified of any additional programs occupying the facility. The next day, on February 4, 2015, an interoffice memorandum from Senior Affairs to Family and Community Services stated that the property had more than enough space to house two additional non-CDBG-funded programs. The City informed HUD of its plan to house the non-CDBG activities nearly a year later on January 15, 2016, when it submitted an email to HUD requesting guidance on whether it should charge rent to the non-CDBG programs. HUD informed the City that because the retrofit facility had been purchased entirely with CDBG funding, it would be in violation of CDBG requirements⁴⁰ and would either have to ensure that all programs met a CDBG national objective or reimburse the CDBG program the fair market value for the portion of the building that would be used by the additional non-CDBG-funded programs. The City responded that it would reply to HUD after it had assessed the options provided.

On August 15, 2016, the property division issued a memorandum of understanding between Family and Community Services and Senior Affairs related to the property. The memorandum of understanding stated that Senior Affairs had notified Family and Community Services that it needed the property for other programs as well as the retrofit program and found the property to be suited to Senior Affairs’ needs. The memorandum of understanding stated that HUD had not provided a response to the question about rent. The City did not follow the guidance that HUD had provided 4 months earlier.

³⁹ The Department of Senior Affairs oversees the home services program, which includes the CDBG-funded retrofit program and the non-CDBG-funded home chores and information and assistance programs.

⁴⁰ 24 CFR 570.505

Finally, the memorandum of understanding stated that Senior Affairs had procured the funds needed to purchase the facility directly, could transfer ownership of the facility, and would repay the CDBG line of credit \$572,929, based on the fair market appraisal it had received 2 years earlier in 2014. Both parties believed the property had not recognized a significant appreciation; therefore, the repayment amount would be the same as the amount of the original purchase. HUD notified the City on November 9, 2016, that based on the information in the memorandum of understanding, the transfer of the property did not appear to be legitimate in accordance with 24 CFR 570.505. HUD stated that to legitimately transfer the property, Family and Community Services and Senior Affairs would have to be two separate and distinct municipal corporations, organized in accordance with the laws and statutes of the State of New Mexico. Since they were not separate and distinct, the property transfer was not valid. HUD further stated that the property assessment was not valid because it was not an independent, third-party appraisal. HUD stated that for the property transfer to be valid in accordance with the regulations, the City needed to reimburse its line of credit from non-Federal funds the amount set forth after completing the notice requirements for a change of use in the retrofit facility property and obtaining a new independent, third-party appraisal.

Appendix D

Rehabilitation Projects That Exceeded Maximum Allowed Assistance

Project	Original cost	Final cost	Amount over \$65,000 limit
Property 1	\$124,800	\$130,974	\$65,974
Property 2	143,070	152,978	87,978
Property 3	64,394	122,830	57,830
Property 4	74,131	96,600	31,600
Property 5	65,582	88,715	23,715
Property 6	65,841	74,567	9,567
Property 7	66,031	77,511	12,511
Property 8	152,547	169,374	104,374
Property 9	65,605	73,186	0 ⁴¹
Property 10	65,603	178,669	113,669
Total	887,605⁴²	1,165,404	507,218

⁴¹ This project exceeded the limit; however, the environmental review was not performed correctly, and the total amount of the project was found ineligible under environmental requirements (finding 2).

⁴² The table total contains a \$1 difference due to rounding.

Appendix E

Rehabilitation Projects That Exceeded Value Limits

Project	Total rehabilitation cost	Forgivable loan amount	After rehabilitation value according to the City	HOME value limits ⁴³	Rehabilitation costs that exceeded value limits
Property 1	\$152,978	\$143,200	\$148,000	\$143,000	\$9,978
Property 2	96,600	81,849	155,000	150,000	5,000
Property 3	74,567	65,218	185,000	150,000	35,000
Property 4	169,374	151,720	195,000	150,000	45,000
Property 5 ⁴⁴	178,669	155,081	164,900	163,000	15,669
Totals:	672,189⁴⁵	597,069⁴⁶	847,900	756,000	110,647

⁴³ We used effective HUD value limits based on date the Community Development Division director approved the assistance on the qualification summaries we were provided.

⁴⁴ The after rehabilitation value according to the City information was not available; however, the Bernalillo County Appraisal District provided a value as shown.

⁴⁵ The table total contains a \$1 difference due to rounding.

⁴⁶ *ibid.*