



Issue Date	September 28, 2010
Audit Report Number	2010-KC-1008

TO: Ray E. Willis, Director, Region V, Office of Community Planning and Development, 5AD

FROM: //signed//  
Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The City of East St. Louis Awarded Block Grant Program Funds to Recipients Without Adequately Verifying Their Eligibility

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the City of East St. Louis' (City) Community Development Block Grant (Block Grant) program because it is the 10th largest recipient in the State of Illinois and is the largest Illinois recipient of Block Grant funds outside the Chicago area.

The objective of our review was to determine whether the City properly verified the eligibility of Block Grant-funded housing rehabilitation recipients.

### **What We Found**

The City awarded more than \$1.2 million in Block Grant funds to 143 recipients without adequately verifying their eligibility to receive housing rehabilitation assistance. Specifically it did not verify eligibility criteria such as evidence of flood insurance, homeowners insurance, code compliance, and income eligibility.

## **What We Recommend**

We recommend that the U.S. Department of Housing and Urban Development (HUD) require the City to provide supporting documentation or reimburse its Block Grant program for more than \$1.2 million expended on ineligible recipients. Additionally, we recommend that HUD require the City to develop and implement a quality assurance plan to ensure that all program recipients meet program eligibility requirements and provide training to ensure future compliance.

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

## **Auditee's Response**

We provided the discussion draft of the audit report to the City on September 10, 2010. The City provided its written comments on September 24, 2010. It generally disagreed with our finding, but did agree that its documentation was not complete and accepted the majority of our recommendations.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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Title I of the Housing and Community Development Act of 1974 established the Community Development Block Grant (Block Grant) program, a flexible program that provides communities with resources to address a wide range of unique community development needs. According to 24 CFR (Code of Federal Regulations) 570.202(a)(1), one permitted use of Block Grant funds is to finance the rehabilitation of privately owned buildings and improvements for residential purposes.

The City of East St. Louis (City) participates in the Block Grant program as an entitlement community. These grants are allocated to larger cities and urban counties to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons. The U.S. Department of Housing and Urban Development (HUD) determines the amount of each entitlement grant by a statutory dual formula which measures community needs in relationship to those of other metropolitan areas. The City received almost \$3.7 million for fiscal years 2007 and 2008 combined. It used these funds for several purposes including housing rehabilitation, code enforcement, and public services.

The City's Block Grant program is currently administered by its Community Development Department (Department), which is located in the City's municipal building. Additionally, the City is subject to the Financially Distressed City Law and is accordingly under the control of the State-established East St. Louis Financial Advisory Authority, which provides oversight and assistance. The City had a home repair program, senior modification program, and the emergency home repair program with maximum grant amounts of \$15,000, \$9,999, and \$9,999, respectively, in 2008. Through these housing rehabilitation programs, the City addressed the national objective of meeting substandard housing concerns and ensuring decent housing and a suitable living environment for low- to moderate-income homeowners.

This is our second audit report on the City's Block Grant program. Our first report disclosed that the City did not properly allocate \$917,669 and \$58,205 in salary and building expenses, respectively, or properly document its process for securing a \$49,924 consulting services contract (report number 2010-KC-1003, dated March 26, 2010).

Our objective was to determine whether the City properly verified the eligibility of Block Grant-funded housing rehabilitation recipients.

## RESULTS OF AUDIT

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### Finding 1: The City Awarded Block Grant Program Funding to 143 Applicants Without Adequately Verifying Their Eligibility

The City awarded Block Grant program funding to 143 recipients without adequately verifying their eligibility to receive housing rehabilitation assistance. This deficiency occurred because the City had inadequate controls over the recipient eligibility screening process. As a result, it could not support that it properly spent more than \$1.2 million of its Block Grant funds.

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The City awarded Block Grant program funding to 143 of 147 applicants reviewed without adequately verifying their eligibility to receive housing rehabilitation assistance. It selected these applicants for home improvements through the home repair, senior modification, and emergency home repair programs. Appendix C contains a schedule of the deficiencies identified in each of the 143 applications reviewed.

#### **The City Did Not Properly Verify Applicant Eligibility**

##### Grants Without Evidence of Income Eligibility

The City provided grants to 23 applicants without obtaining documentation showing that they were income eligible. Regulations at 24 CFR 570.506(b)(4)(iii) require that the City maintain records to show the size and income of each household occupying rehabilitated housing. In addition, 24 CFR 570.208(a)(3) requires that the applicants for housing rehabilitation assistance not exceed HUD's moderate income guidelines. For project #1749, the City did not adequately document the homeowner's income as it possibly exceeded the income limits for eligibility. It did not use the homeowner's most recent Social Security income information, and the homeowner was less than \$200 below the limit in the previous year. For project #1724, the City did not consider indications that there was an additional resident living in the house. In this project, the trash bill was listed under a name that was not on the application, and the City did not document the income of this person.

##### Grants Without Evidence of Lottery Winnings

The City provided two grants to applicants without providing documentation that they went through a lottery process to receive home repair assistance. City procedures state that a lottery system should be used to select eligible low- to moderate-income participants for the home repair program. The City did not provide records of the lottery drawing.

### Grants Without Evidence of Homeownership or Residency

The City provided grants to seven applicants without providing documentation that they owned or were living in the assisted houses. City procedures state that eligible applicants must be the owners of the property and living in the home. For project #1728, county and Social Security records revealed that the homeowner was living in the State of Tennessee. The City had access to this information but repaired the homeowner's house in East St. Louis. For project #1606, the applicant had a rent-to-own agreement on the house, which is prohibited by City policy. The City repaired the house.

### Grants With Outdated Documents and Previously Assisted Applicants

The City provided grants to eight applicants that had been previously assisted, some of which had outdated eligibility documentation. City procedures state that applicants cannot receive grants for rehabilitation or home buyer's assistance more than once within 5 years. For project #1593, the City improperly awarded a grant to an applicant in 2008 who received assistance in 2004. The City used the documents submitted in 2004 to determine her eligibility in 2008.

### Grants Without Evidence of Insurance, Tax, or Code Compliance

The City provided 134 grants to applicants without providing documentation showing that they had homeowners' insurance policies in force, paid their property taxes, or complied with local codes. City policy requires applicants to provide proof of homeowner's insurance and paid taxes before receiving rehabilitation assistance. In addition, homeowners will be disqualified if they violate local codes. The application further explains that some of the criteria for disqualification are inoperable vehicles in yard; tall weeds; poor sanitary conditions such as pests, rodents, and garbage; and the unsound structure of the home.

In the case of project #1837, the City did not document compliance with local codes as the inspector did not completely fill out the initial inspection form. In addition, the City obtained a homeowner's insurance application and policy declaration page but no evidence that the homeowner had paid the policy premium or the property taxes.

### Grants Without Evidence of Environmental Compliance

The City provided 96 grants to applicants without documenting flood insurance, compliance with the National Historical Preservation Act, or environmental review requirements. Regulations at 24 CFR 570.200(a)(4) require the City to comply with the environmental review procedures set forth in 24 CFR Part 58. This regulation requires adherence to floodplain management, historic properties, and HUD environmental standards, among other requirements. Regulations at 24

CFR 58.6(a)(1)(ii) require that when a community is participating in the National Flood Insurance Program, flood insurance protection is to be obtained as a condition of the approval of financial assistance to the property owner. Regulations at 36 CFR 800.3 require the City to determine whether any proposed rehabilitation work might have the potential to affect any historic properties. It also requires the City to identify and consult with the appropriate State historic preservation officer. In addition, 24 CFR Part 58 requires the City to comply with environmental review requirements to ensure that all properties that are proposed for HUD programs are free of hazardous materials when a hazard could affect the health and safety of occupants or conflict with the intended use of the property. In the case of project #1685, the City did not obtain a flood insurance policy, obtain a letter from the Illinois Historic Preservation Agency, or complete an environmental checklist.

### **Controls Over Recipient Eligibility Screening Were Inadequate**

The City had inadequate controls over the recipient eligibility screening process.

#### Supervisory Review

The City did not require that supervisors review eligibility determinations. For each applicant, either an intake specialist or supervisor obtained the applicant's documents and determined his or her eligibility. The City's home rehabilitation policies and procedures did not require supervisory reviews to be performed by a second person at the point of determining eligibility. In addition, the City did not have a quality control plan that required a periodic review of a sampling of the files either before or after the award. Supervisory review is critical and ensures that errors in processing are promptly detected and rectified and that staff is given adequate guidance.

#### Training

The City did not provide adequate training to staff members to handle red flags in the submitted documentation. While the staff members had received general Block Grant program training more than 4 years earlier, since then, they had not received any Block Grant program training related to determining the eligibility of applicants. Regular program training is necessary to ensure that staff members have the most up-to-date knowledge. Properly trained staff members are necessary to ensure that various red flags in the files are identified and resolved. These red flags might not necessarily indicate that the applicants are ineligible, but they need to be resolved to ensure that only eligible applicants receive assistance. Staff members need to be able to review income, residency, insurance, and other documents for indications that the applicant might be ineligible for rehabilitation assistance.

## The City Misspent Block Grant Funds

As a result of the conditions described above, the City could not support that it properly spent more than \$1.2 million of its Block Grant funds. The following table lists the unsupported grants by program year and program type.

Unsupported grants identified by program and year

Program type	Program year		
	2006	2007	2008
Emergency repair	\$ 18,590	\$ 203,129	\$ 437,534
Senior modification	\$ 0	\$ 63,000	\$ 241,220
Home repair	\$ 4,938	\$ 60,419	\$ 200,164
<b>Total</b>	<b>\$ 23,528</b>	<b>\$ 326,548</b>	<b>\$ 878,918</b>

## Conclusion

The City had inadequate controls and could therefore not support that it properly spent more than \$1.2 million of its Block Grant funds. It needs to provide supporting documentation to HUD or reimburse its Block Grant program from non-Federal funds for any grants awarded to ineligible recipients. In addition, the City should develop and implement a quality assurance plan to ensure that all program recipients meet program eligibility requirements and provide training to ensure future compliance.

## Recommendations

We recommend that the Director of the HUD Chicago Office of Community Planning and Development require the City to

- 1A. Provide documentation showing that the recipients were eligible or reimburse its Block Grant program \$1,228,994 expended on ineligible recipients.
- 1B. Develop and implement a quality assurance plan to ensure that all program recipients meet program eligibility requirements.
- 1C. Provide training to staff members to ensure that they properly determine the eligibility of program applicants.

## SCOPE AND METHODOLOGY

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To accomplish our objectives, we reviewed applicable laws and regulations, interviewed City staff, and reviewed City policies and procedures.

We used reports obtained from HUD's Integrated Disbursement and Information System as background information for our review. The reports from this information system revealed that there were 364 homeowner repair projects with at least one drawdown during the 5 year period covering March 2005 through February 2010. The total funded amount for these projects was \$3,311,455. Specifically, we used the reports to select all homeowners that received at least \$5,000 in housing rehabilitation assistance from March 2008 through February 2010. We also selected any homeowners receiving housing rehabilitation assistance between March 2005 through February 2010 who either received assistance more than once during the 5-year period or whose name or address matched employees, elected officials, or contractors of the City. This process led to a sample of 147 projects. However, we did not rely on these data for our conclusion. All conclusions were based on additional reviews performed during the audit.

We reviewed the projects' files identified through our sample selection process to determine whether the applicants met the eligibility criteria set by the City and Block Grant program requirements. We also verified property ownership and tax records on the St. Clair County Assessor's Web site and flood risk assessments on the National Flood Insurance Program Web site as needed.

Our audit period generally covered March 2008 through February 2010, and we expanded it as explained in the sample selection above. We performed our audit work onsite at the City's municipal building located at 301 River Park Drive, East St. Louis, IL, from March to August 2010.

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

# INTERNAL CONTROLS

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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.

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## Relevant Internal Controls

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

- Controls to ensure that Block Grant funds were disbursed only to eligible recipients.

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 Deficiency

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

- The City did not have adequate controls in place to ensure that Block Grant rehabilitation funds were disbursed only to eligible recipients.

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

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Recommendation number	Unsupported 1/
1A	\$1,228,994

1/ 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.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments



**From the Office of Deletra M. Hudson, City Manager**

301 River Park Drive • East Saint Louis, Illinois 62201  
Office: (618) 482-6664 • Fax: (618) 482-6648 • Email: deletra.hudson@cesl.us

September 24, 2010

Ronald J. Hosking  
Regional Inspector General for Audit  
Region VII Office of Audit  
Gateway Tower II, 5<sup>th</sup> Floor  
400 State Avenue  
Kansas City, KS 66101-2406

**SUBJECT: The City Awarded Block Grant Program Funds to Recipients Without Adequately Verifying Their Eligibility**

Dear Mr. Hosking:

We recently received the draft audit report from your office, and we met with members of your staff to discuss the draft. As a part of your audit process, we were asked to provide the City's response to the finding of non-compliance based on the above referenced subject.

### **Comment 1**

The City of East St. Louis does not agree with the Finding of non-compliance which states that we awarded Block Grant program funds to recipients without adequately verifying their eligibility. However, we do agree that our files did not contain all of the proper documentation per HUD's regulations and requirements, but in the majority of the cases, we do have the documentation (letters on historic properties, floodplain management, property tax verification, etc.) in our office and/or at our disposal. With that in mind, we have already started collecting the additional documentation and information necessary to complete the files, and we will work directly with HUD to provide a more detailed response to address the schedule of deficiencies prepared by your office.

### **Comment 2**

Additionally, we have started the process to secure the assistance of an outside consultant to revise our policies and procedures in an effort to improve our day-to-day operations and ensure compliance with all of the applicable laws and regulations. We have also requested technical assistance from HUD for which we are anxiously awaiting their response.

If you have any questions or require more information, please contact me at 618-482-6785 or Arthur Johnson, Community Development Director, at 618-482-6639.

Sincerely,

  
Deletra Hudson  
City Manager

### **OIG Evaluation of Auditee Comments**

- Comment 1** During the audit, we requested all of the files for the projects in our sample. The City provided its fiscal and program files for these projects which did not always contain proper supporting documentation. Without the required documentation, the City cannot prove that it verified the eligibility of the recipients.
- Comment 2** The City's efforts to implement changes should help ensure compliance with laws and regulations and improve its day-to-day operations.

## Appendix C

### SCHEDULE OF DEFICIENCIES

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
1	1409	Home Repair	\$4,938								x		x			
2	1433	Emergency	\$4,850	x	x			x					x		x	
3	1455	Home Repair	\$3,450								x		x			
4	1458	Home Repair	\$4,650								x		x	x		
5	1497	Emergency	\$4,990										x	x		
6	1499	Emergency	\$4,050				x				x	x	x	x	x	x
7	1502	Home Repair	\$4,463										x	x		
8	1521	Emergency	\$4,700										x		a	
9	1535	Home Repair	\$5,200										x			
10	1540	Emergency	\$4,500		x								x		a	
11	1544	Emergency	\$5,000								x		x			
12	1546	Emergency	\$8,550										x		a	
13	1550	Senior	\$5,985										x	x		
14	1556	Emergency	\$9,800								x		x			
15	1569	Home Repair	\$5,257										x			
16	1572	Home Repair	\$9,000								x		x			
17	1573	Home Repair	\$13,750								x		x	x		
18	1574	Home Repair	\$14,650								x		x	x		
19	1575	Senior	\$8,950										x		x	
20	1576	Senior	\$7,500											x		
21	1577	Senior	\$10,000										x			
22	1578	Senior	\$8,250								x		x		x	x
23	1579	Senior	\$7,315								x		x	x		x
24	1581	Senior	\$9,000										x	x		

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
25	1586	Emergency	\$10,000										x			
26	1587	Emergency	\$8,600								x		x		a	
27	1588	Emergency	\$6,033						x				x	x		
28	1589	Emergency	\$9,950										x			
29	1590	Emergency	\$15,390		x						x					
30	1591	Emergency	\$8,900										x			
31	1592	Emergency	\$9,925		x								x			
32	1593	Emergency	\$5,000						x	x						
33	1594	Emergency	\$8,100								x		x			
34	1596	Emergency	\$9,325										x			
35	1597	Emergency	\$9,400										x	x		
36	1598	Emergency	\$4,950								x		x			
37	1604	Emergency	\$15,400										x		x	
38	1605	Emergency	\$7,630												x	
39	1606	Emergency	\$8,800				x				x				x	
40	1607	Emergency	\$8,752										x	x	a	
41	1608	Emergency	\$6,204										x			
42	1609	Emergency	\$7,070										x		a	
43	1610	Emergency	\$8,650										x			
44	1618	Emergency	\$7,200											x	x	
45	1619	Senior	\$6,000								x		x		x	x
46	1665	Senior	\$9,300		x								x		x	
47	1666	Senior	\$7,100										x		x	
48	1667	Senior	\$9,000								x		x		x	x
49	1668	Home Repair	\$7,100			x					x		x	x	x	
50	1669	Senior	\$9,425										x	x	x	
51	1670	Senior	\$9,400											x	x	
52	1671	Senior	\$5,000								x		x	x	x	x
53	1672	Senior	\$8,055	x							x		x	x	x	x

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
54	1673	Senior	\$5,600								x		x		x	
55	1674	Emergency	\$9,950								x		x		x	
56	1675	Emergency	\$9,600	x									x			
57	1680	Emergency	\$9,000										x	x	a	
58	1681	Emergency	\$7,300								x			x	x	
59	1682	Emergency	\$6,500										x		x	
60	1683	Emergency	\$7,700								x		x		x	
61	1685	Senior	\$9,700								x			x	x	x
62	1686	Senior	\$6,800								x		x	x		
63	1687	Senior	\$9,895								x			x		
64	1688	Senior	\$9,900								x		x			
65	1689	Emergency	\$13,162		x								x	x		
66	1690	Emergency	\$9,200											x		
67	1691	Emergency	\$9,975										x			
68	1692	Emergency	\$6,500								x					
69	1693	Emergency	\$9,150								x					
70	1694	Emergency	\$9,400								x		x			
71	1695	Emergency	\$9,999										x			
72	1696	Emergency	\$8,200								x		x			
73	1699	Emergency	\$7,250										x			
74	1701	Emergency	\$9,500		x						x		x			
75	1702	Emergency	\$8,100								x					
76	1705	Senior	\$9,920		x						x		x	x		
77	1709	Emergency	\$9,800								x		x			
78	1711	Emergency	\$9,500										x		x	
79	1713	Emergency	\$9,995										x			
80	1714	Senior	\$8,650								x		x		x	
81	1715	Senior	\$9,220										x	x	x	X
82	1717	Home Repair	\$8,150										x			

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
83	1718	Home Repair	\$8,750	x							x	x	x		x	
84	1719	Senior	\$7,800								x	x	x		x	
85	1720	Home Repair	\$10,000								x					
86	1721	Emergency	\$9,950								x	x	x		x	
87	1722	Home Repair	\$10,400									x	x		x	
88	1723	Home Repair	\$7,665									x	x			
89	1724	Home Repair	\$8,840		x							x				
90	1726	Home Repair	\$9,980									x			x	
91	1727	Home Repair	\$7,950			x					x			x	x	
92	1728	Emergency	\$10,000					x				x				
93	1731	Emergency	\$8,500									x				
94	1732	Emergency	\$4,895						x			x				
95	1736	Emergency	\$8,900		x							x			x	
96	1739	Emergency	\$1,900						x	x	x	x	x		x	
97	1740	Home Repair	\$14,710								x	x				
98	1741	Home Repair	\$15,610								x	x	x			
99	1742	Home Repair	\$13,135								x	x			x	
100	1743	Home Repair	\$9,200									x			x	
101	1744	Home Repair	\$12,740								x	x			x	
102	1745	Emergency	\$9,500		x						x	x			x	
103	1746	Emergency	\$9,400		x						x	x			x	
104	1747	Emergency	\$8,900	x				x			x	x			a	
105	1749	Senior	\$9,250	x							x	x			x	X
106	1750	Home Repair	\$12,300						x			x	x			
107	1751	Home Repair	\$12,994								x	x			x	
108	1752	Emergency	\$6,900									x	x		x	
109	1753	Emergency	\$6,800								x	x			x	
110	1754	Emergency	\$9,700									x			x	
111	1757	Senior	\$7,725				x				x	x			x	

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
112	1758	Senior	\$8,800								x		x	x		
113	1759	Emergency	\$7,300				x				x		x		x	
114	1769	Emergency	\$9,875	x									x		a	
115	1770	Emergency	\$2,379						x	x			x			
116	1776	Emergency	\$9,300										x		x	
117	1777	Emergency	\$8,800		x						x	x			x	
118	1778	Emergency	\$7,600								x		x	x	x	
119	1783	Senior	\$7,635						x				x		x	
120	1784	Emergency	\$6,850												x	
121	1789	Senior	\$8,550								x		x	x	x	
122	1790	Emergency	\$8,950	x							x		x		x	
123	1805	Emergency	\$8,900										x	x	x	
124	1806	Emergency	\$7,400								x	x			x	
125	1811	Emergency	\$8,850												x	
126	1812	Senior	\$10,000								x		x		x	
127	1814	Emergency	\$9,950	x								x	x		x	
128	1815	Home Repair	\$10,325										x		x	
129	1816	Home Repair	\$13,600										x		x	
130	1817	Emergency	\$8,400								x		x		x	
131	1823	Emergency	\$10,025										x		x	
132	1824	Emergency	\$9,850										x		x	
133	1827	Home Repair	\$6,715										x	x	x	
134	1830	Emergency	\$10,000										x		x	
135	1832	Emergency	\$9,350										x		x	
136	1833	Emergency	\$8,720										x		x	
137	1834	Senior	\$9,975												x	
138	1836	Senior	\$7,520								x		x	x	x	
139	1837	Senior	\$8,500						x		x	x	x	x		
140	1838	Senior	\$9,100	x							x		x		x	

#	IDIS* #	Program	Amount paid	Income improperly calculated	Potential undocumented resident	Lottery evidence	Ownership of house	Applicant not living in the house	Previous assistance within 5 yrs	Outdated eligibility Documentation	Homeowners' insurance	Proof of paid property taxes	Incomplete code inspection	Flood insurance	Historic Preservation Act	Missing environmental review
141	1839	Senior	\$10,000									x	x	x		
142	1842	Senior	\$9,400								x	x		x		
143	1843	Emergency	\$9,909		x						x	x		x		
			\$1,228,994	10	14	2	4	3	8	3	68	7	122	41	73	10

a – For these projects, the City obtained the State historical preservation clearance after the rehabilitation work was completed.

\* IDIS = Integrated Disbursement and Information System

## Appendix D

### CRITERIA

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#### Code of Federal Regulations and United States Code

Regulations at 24 CFR 58.5 state that the responsible entity must certify that it has complied with the requirements that would apply to HUD under these laws and authorities and must consider the criteria, standards, policies, and regulations of these laws and authorities. The listed items that follow are historic properties, floodplain management and wetland protection, coastal zone management, sole-source aquifers, endangered species, wild and scenic rivers, air quality, farmland protection, HUD environmental standards, and environmental justice.

Regulations at 24 CFR 58.5(i)(2)(i) state that it is HUD policy that all properties that are being proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property.

Regulations at 24 CFR 58.6(a)(1)(ii) state that where the community is participating in the National Flood Insurance Program, flood insurance protection is to be obtained as a condition of the approval of financial assistance to the property owner.

Regulations at 24 CFR 58.10 state that the responsible entity must assume the environmental responsibilities for projects under programs cited in section 58.1(b). In doing so, the responsible entity must comply with the provisions of National Environmental Policy Act and the Council on Environmental Quality regulations contained in 40 CFR Parts 1500 through 1508, including the requirements set forth in this part.

Regulations at 24 CFR 570.200(a)(4), Compliance with environmental review procedures, state that the environmental review procedures set forth at 24 CFR Part 58 must be completed for each activity (or project as defined in 24 CFR Part 58), as applicable.

Regulations at 24 CFR 570.202(a)(1) state that Block Grant funds may be used to finance the rehabilitation of privately owned buildings and improvements for residential purposes.

Regulations at 24 CFR 570.208(a)(3) state that housing activities are eligible activities carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households. This would include but not necessarily be limited to the acquisition or rehabilitation of property by the recipient, a subrecipient, a developer, an individual home buyer, or an individual homeowner; conversion of nonresidential structures; and new housing construction.

Regulations at 24 CFR 570.506(b)(4)(iii) state that for each activity carried out for the purpose of providing or improving housing, which is determined to benefit low- and moderate-income

persons, the recipient must document the size and income of the household for each unit occupied by a low- and moderate-income family.

Regulations at 36 CFR 800.3(a) state that the agency official shall determine whether the proposed Federal action is an undertaking as defined in section 800.16(y) and if so, whether it is a type of activity that has the potential to cause effects on historic properties.

Regulations at 36 CFR 800.3(c) state that as part of its initial planning, the agency official shall determine the appropriate State Historic Preservation Officer (SHPO) or Tribal Historic Preservation Officer (THPO) to be involved in the Section 106 process. The agency official shall also determine whether the undertaking may occur on or affect historic properties on any tribal lands and if so, whether a THPO has assumed the duties of the SHPO. The agency official shall then initiate consultation with the appropriate officer or officers.

Federal statutes at 16 U.S.C. (United States Code) 470.101(b)(3)(J) state that it shall be the responsibility of the SHPO to administer the State Historic Preservation Program and to advise and assist in the evaluation of proposals for rehabilitation projects that may qualify for Federal assistance.

## **City Criteria Home Repair Program**

The Home Repair Program is designed to assist homeowners in the city of East St. Louis with making repairs to their homes of qualified applicants. The maximum amount available will be \$15,000.

To Qualify:

- Persons must live in East St. Louis
- Household income must not exceed HUD moderate income guidelines
- Persons are to fill out application and provide proof of income for all household members, proof of ownership, proof of paid taxes, and proof of homeowners insurance, and or proof of flood insurance if in a flood plain. (Insurance is to be provided prior to work starting)
- Persons will sign a lead certification and home repair information sheet

Examples of Eligible Repairs include:

- Roofing repair/replacement
- Windows
- Storm/prime doors
- Weather stripping/siding

- Electrical and plumbing

All applications will be issued on a lottery drawing. The maximum amount of the grant will not exceed \$15,000. The amount is based on the inspector's determination and bid price. If the amount needed to address the home repair is more than \$15,000, CDBG will allow the homeowner to supplement the additional funds needed. Additional funds must be paid to CDBG prior to signing the contract and will be held by CDBG until work is complete. This will assure the funds are available to pay the contractor. If the homeowner does not have the additional funds necessary over \$15,000, the project will be denied.

The CDBG inspector will inspect the home to determine the needed repairs. The inspector will inspect all phases of the work through completion. The inspector will then request payment; homeowner will be requested to sign the final pay request. No interim payments will be made to contractors – only final payments when the work is complete. All checks will be issued in the name of the contractor or the contractor and the financial institution, based on the signed contract.

### **Senior Modification and Emergency Home Repair**

The Senior Modification program is designed to assist seniors 62 years and older, with emergency repairs only. The program is designed for families who have an emergency that is a hindrance to the family and or home. The maximum amount available will be \$9, 999.00.

The Emergency Home Repair program is designed to assist homeowners with emergency repairs. The program is designed for families who have an emergency that is a hindrance to the family and or home. The maximum amount available will be \$9, 999.00.

To Qualify:

- Persons must live in East St. Louis
- Household income must not exceed HUD moderate income guidelines
- Persons are to fill out application and provide proof of income for all household members, proof of ownership, proof of paid taxes, and proof of homeowners insurance, and or proof of flood insurance if in a flood plain. (Insurance is to be provided prior to work starting)
- Persons will sign a lead certification and home repair information sheet
- Applicants must be the owner of the property and living in the home (NO BOND FOR DEEDS).
- Must be a single family unit

Examples of Eligible Repairs include:

- Roofing repair/replacement
- Electrical and plumbing
- HVAC

The amount is based on inspector's determination and bid price not to exceed \$9,999.00. If the amount needed to address the emergency is more than \$9,999.00, CDBG will allow the homeowner to supplement the additional funds needed. The additional funds must be paid to CDBG prior to signing the contract and will be held by CDBG until work is complete. This will assure the funds are available to pay contractor. If the homeowner does not have the additional funds necessary over \$9,999.00 the project will be denied.

CDBG inspectors will inspect the home to determine the emergency needed. The inspector will inspect all phases of the work through completion. The inspector will then request payment; homeowners will be requested to sign the final request. No interim payments will be made to contractors only final payments when work is complete. All checks will be issued in the name of the contractor or the contractors and the financial institution, based on the signed contract.

**Criteria for Disqualification for the Home Repair, Senior Modification, and Emergency Home Repair programs:**

- Applicant is not a resident of East St. Louis
- Applicant does not own the home
- Application is incomplete
- Information on the application and other documents are falsified
- Tax bills or debts to the City of East St. Louis are delinquent
- Poor sanitary conditions, pests, rodents, odors, garbage, etc.
- The structure of home is unsound and further attempts at improvement prove to be hazardous and could further jeopardize its structure integrity
- Owner is violating local codes
- CDBG inspector would be endangering his personal safety by entering structure
- Applicant received grant for rehabilitation or homebuyer's assistance within past 5 years