



**U.S. Department of Housing and Urban Development**  
**Office of Inspector General**  
Region VIII Office of Audit  
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Denver, Colorado 80202-4801

MEMORANDUM NO: 2009-DE-1801

September 24, 2009

MEMORANDUM FOR: LeRoy Brown, Director, Denver Office of Community Planning and Development, 8AD

**//signed//**

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

SUBJECT: Adams County, Colorado Had Weaknesses That Could Significantly Affect Its Capacity to Administer Its Recovery Act Funding

### **INTRODUCTION**

In accordance with our goal to review funds provided under the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (Recovery Act), we conducted a capacity review of Adams County's (County) operations. Our objective was to determine whether there was evidence indicating that Adams County lacked the capacity to adequately administer Recovery Act funding.

### **METHODOLOGY AND SCOPE**

Our review was based on information reviewed and conclusions made about the County's controls during our audit of the County's HOME Investment Partnerships Program (HOME) and our audit of the County's Community Development Block Grant (CDBG) program. The results of our HOME review were issued on February 11, 2009, in audit report number 2009-DE-1001. The results of our CDBG review were issued on September 17, 2009, in audit report number 2009-DE-1005. In addition, we obtained an understanding of Recovery Act legislation and program guidance, reviewed the County's Recovery Act grant, and interviewed County staff.

We used the *Internal Control – Integrated Framework*, generally referred to as the Committee of Sponsoring Organizations (COSO) report, as a framework to evaluate the County's capacity to administer its Recovery Act funding. The COSO report was published in September 1992 and was a joint project of five organizations which formed the Committee of Sponsoring Organizations of the Treadway Commission. The COSO report describes the five interrelated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring.

## BACKGROUND

Under the Recovery Act, the U.S. Department of Housing and Urban Development (HUD) allocated more than \$1.3 million in funding to the County. This amount included \$836,047 in Homelessness Prevention and Rapid Re-Housing Program funding and \$546,776 in additional CDBG funding. Additionally, the County received more than \$4.6 million under HERA for the Neighborhood Stabilization Program I.

For the Office of Community Planning and Development's formula programs for fiscal years 2007 to 2009, HUD awarded the County more than \$9.5 million. This amount included funding under CDBG, HOME, and Emergency Shelter Grants (ESG). The chart below shows the allocations per program per fiscal year.

Fiscal year	CDBG	HOME (includes ADDI*)	ESG	Total
2009	\$2,044,403	\$1,142,423	\$89,627	\$3,276,453
2008	\$2,013,040	\$1,038,321	\$89,042	\$3,140,403
2007	\$2,066,399	\$1,091,343	\$0	\$3,157,742
	<u>\$6,123,842</u>	<u>\$3,272,087</u>	<u>\$178,669</u>	<u>\$9,574,598</u>

\* ADDI = American Dream Downpayment Initiative

At the time of our prior audits of the County's HOME and CDBG programs, the County administered both programs through the Community and Economic Opportunity Department. On July 8, 2009, after the completion of our on-site work, the County consolidated its Community and Economic Opportunity Department with its Social Services Department to create a new Human Services Department. It stated that one reason for the consolidation was to coordinate the expertise and oversight of contracting and grant processes.

## RESULTS OF REVIEW

We found weaknesses that could significantly affect the County's capacity to administer its Recovery Act funding. In our report on the County's HOME program, we reported that the County

- Lacked detailed written policies and procedures regarding the administration of HOME funds,
- Assigned nearly all of the roles and responsibilities related to the administration of HOME funds to its program manager, and
- Did not ensure that the program was consistently administered by knowledgeable and capable management staff.

In our report on the County's CDBG program, we reported that the County did not

- Have written policies and procedures for the administration of its CDBG funds,
- Monitor the use of its CDBG funds,
- Maintain documentation showing that its activities met national objectives,

- Compare disbursement requests to existing contracts to ensure that CDBG funds were spent in accordance with the contract, and
- Have a process in place to eliminate known conflicts of interest.

While the County had consolidated its departments in an effort to coordinate its expertise and oversight of contracting and grant processes, the HOME and CDBG programs continued to be administered by the same division as during our prior two audits. We recognize that management from the new Human Services Department was learning the regulations for the HOME and CDBG programs and developing written policies and procedures for these programs. However, until these changes are made and placed into effect, the weaknesses found during both of our prior audits, which could significantly affect the County's capacity to administer its Recovery Act funding, will continue to exist.

### **AUDITEE RESPONSE**

We provided Adams County the draft memorandum on September 17, 2009, and requested its comments by September 24, 2009. In an email dated September 18, 2009, Adams County informed our office that it chose not to provide written comments to the memorandum. However, Adams County did state it takes the findings seriously and will continue to establish policies, procedures, and oversight processes to prevent any further deficiencies or violations of regulations in the future.

### **RECOMMENDATIONS**

We recommend that the Director of the HUD Denver Office of Community Planning and Development

- 1A. Increase monitoring and oversight of the County's administration and disbursement of HERA and Recovery Act funds.
- 1B. Ensure that Adams County management and staff fully implement an acceptable internal control structure by preparing and implementing effective written policies and procedures for the administration of Recovery Act and HERA funding.