



City of Passaic, NJ

Community Development Block Grant Program



Issue Date: September 30, 2014

Audit Report Number: 2014-NY-1010

TO: Anne Marie Uebbing
Director, Office of Community Planning and Development, Newark Field Office,
2FD

FROM: //SIGNED//
Edgar Moore
Regional Inspector General for Audit, New York-New Jersey Region, 2AGA

SUBJECT: The City of Passaic, NJ Expended Community Development Block Grant Funds
for Eligible Activities but Needs to Address Administrative Weaknesses

Enclosed is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG), final audit report on our review of the City of Passaic, NJ's 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 Web site. 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 212-264-4174.



September 30, 2014

The City of Passaic, NJ, Expended Community Development Block Grant Funds for Eligible Activities but Needs To Address Administrative Weaknesses

Highlights

Audit Report 2014-NY-1010

What We Audited and Why

We audited the City of Passaic, NJ's Community Development Block Grant (CDBG) program in support of the Office of Inspector General's (OIG) goal of improving the U.S. Department of Housing and Urban Development's (HUD) execution of its fiscal responsibilities. We selected the Authority based on a risk assessment of grantees administered by the HUD Newark, NJ, field office that considered grantee funding, HUD's 2013 risk score, and prior OIG audits. The audit objective was to determine whether City officials had adequate controls to ensure that the program was administered in accordance with HUD regulations and program requirements.

What We Recommend

We recommend that HUD instruct City officials to execute the necessary subrecipient agreements, provide documentation to support that assisted activities were properly administered and completed, and strengthen controls over the maintenance of CDBG-funded activity files and subrecipient monitoring.

What We Found

City officials generally disbursed funds for eligible activities, but there were administrative control weaknesses, which lessened assurance that the program was administered in accordance with HUD regulations and funds were adequately safeguarded. Specifically, the following deficiencies were found in 5 of 15 project activities reviewed: 2 subrecipient agreements had not been executed for activities obligating \$551,954 in CDBG funds, and \$306,710 was obligated for 2 activities after the term of the subrecipient agreements had expired. In addition, 2 subrecipient agreements were not amended when the authorized funding was increased by \$173,740, and the City could not be assured that a subrecipient delivered \$60,000 in CDBG-funded services. We attribute these deficiencies to City officials' unfamiliarity with HUD regulations and weaknesses in subrecipient monitoring. However, in response to the audit, at the exit conference City officials provided two retroactively executed memorandums of understanding and evidence of satisfactory performance for the \$551,954 in obligated funds, and two amended subrecipient agreements whose initial term had expired, which will provide greater assurance that the \$306,710 will be expended as intended.

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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). With the mandate to improve the lives of low- and moderate-income individuals, the primary objective of the program is to develop viable urban communities by providing decent housing, suitable living environments, and expanded economic opportunities. The program gives annual grants on a formula basis to entitled cities, urban counties, and States to address social, economic, environmental, and housing problems in their communities. To be eligible for funding, every CDBG-funded activity, except program administration and planning, must meet one of the program's three national objectives: (1) benefit low- and moderate-income persons, (2) aid in preventing or eliminating slums or blight, or (3) address a need with a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community. To receive an annual CDBG entitlement grant, a grantee must submit a consolidated plan that provides the grantee's goals for the program to the U.S. Department of Housing and Urban Development (HUD) for approval.

The City of Passaic was incorporated in 1917 and operates under an elected mayoral-council form of government. The City was designated an entitlement community by HUD and was awarded \$1.3 million and \$1.6 million in CDBG program funds in fiscal years 2012 and 2013, respectively. The City's CDBG program is administered through its Department of Community Development to implement community development projects. Examples of community development projects include park and field rehabilitation, street and sewer improvements, summer youth employment activities, and senior and disabled citizen health and recreation services.

The audit objective was to determine whether City officials had adequate controls to assure that the CDBG program was administered in accordance with HUD regulations and program requirements.

RESULTS OF AUDIT

Finding: There Were Control Weaknesses in the Administration of the CDBG Program

City officials generally disbursed CDBG funds for eligible activities, but there were weaknesses in City officials' administration of subrecipient agreements, which lessened assurance that the program was administered in accordance with HUD regulations and funds were adequately safeguarded. Specifically, weaknesses were found in 5 of 15 Integrated Disbursement and Information System (IDIS)¹ activities reviewed. City officials did not (1) execute subrecipient agreements for two activities for which \$551,954 was obligated, (2) extend two subrecipient agreements when \$306,710 was obligated after the term of the agreements had expired, (3) amend two subrecipient agreements when the authorized funding was increased by \$173,740, and (4) ensure that a subrecipient delivered \$60,000 in CDBG-funded services. We attribute these deficiencies to City officials' unfamiliarity with HUD regulations and weaknesses in subrecipient monitoring. However, in response to the audit, at the exit conference City officials provided two retroactively executed memorandums of understanding² and evidence of satisfactory performance for the \$551,954 in obligated funds, and two amended subrecipient agreements whose initial term had expired, which will provide greater assurance that the \$306,710 will be expended as intended.

Subrecipient Agreements Not Executed as Required by Program Regulations

City officials funded two activities without executing subrecipient agreements and two activities without extending the term of the agreement. Regulations at 24 CFR (Code of Federal Regulations) 570.503 require that grantees sign a written agreement with a subrecipient before disbursing CDBG funds to the subrecipient and that the agreement remain in effect during any period the subrecipient has control over CDBG funds, including program income. Agreements were not executed for two street improvement projects with the City's Division of Engineering totaling \$551,954.

The City's director of community development stated that the previous CDBG program manager was unfamiliar with CDBG regulations and did not execute the required subrecipient agreements. The lack of agreements specifying the exact work and timeframes for completion could affect City officials' ability to monitor the implementation of the subrecipient's work and ensure that the expenditure of \$551,954 was appropriate. However, in response to the audit, City officials

¹ IDIS is HUD's drawdown and reporting system. The system allows grantees to request grant funding from HUD and report on what is accomplished with these funds.

² The memorandums of understanding contained the necessary provisions required by a subrecipient agreement.

executed retroactive memorandums of understanding (MOU) for these activities, which they provided at the exit conference, along with documentation to support that the desired performance had been provided. Also at the exit conference, City officials provided a 2009 MOU for \$72,005 that had been disbursed for a park rehabilitation project with the City's Department of Recreation and Cultural Affairs. As a result, HUD is now assured that the \$623,959 was expended for eligible activities and expected performance.

Subrecipient Agreements Not Amended When Needed

While City officials executed a subrecipient agreement for the disbursement of \$306,710 for two activities, the subrecipient did not execute contracts for the work until after the subrecipient agreement had expired, and City officials did not amend the agreement to extend the time of performance. The officials could not explain why the term of the agreements had not been extended. We attribute this to City officials' unfamiliarity with CDBG regulations and inadequate monitoring to ensure that subrecipient agreements were executed and remained in effect while the subrecipients had access to CDBG funds. The lack of agreements specifying the exact work and timeframes for completion could affect City officials' ability to monitor the implementation of the subrecipient's work and ensure that the \$306,710 was used appropriately. At the exit conference, City officials provided recently executed amended subrecipient agreements to extend the time of performance, ensuring the City's ability to monitor the subrecipients' progress.

City officials also did not amend two subrecipient agreements with the City's Department of Recreation and Cultural Affairs to show an increase in funding of \$160,548 and \$13,192. Regulations at 24 CFR 570.503(a)(1) show that a subrecipient agreement must include a description of the work to be performed, a schedule for completing the work, and a budget and that these items must be in sufficient detail to provide a sound basis for the recipient to monitor performance under the agreement. The subrecipient agreements showed that any increase or decrease in the amount of funds available to the subrecipient from HUD should be in written amendments to the subrecipient agreements. However, no amendment to the agreement was made. We attribute these deficiencies to City officials' not monitoring subrecipient expenditures against budgeted amounts as required by CDBG regulations. As a result, program funding was awarded in excess of the approved budgets.

Subrecipient Planned Performance Not Supported

City officials awarded \$60,000 in CDBG funds to a nonprofit organization for repair and renovation of its Masonic lodge to address building code violations and upgrades necessary to allow it to provide youth services or other programs for low- to moderate-income families of Passaic. While the final drawdown was in

September 2013, the organization had not provided documentation showing that it provided the promised public service as required by the subrecipient agreement. Regulations at 24 CFR 570.501(b) show that grantees are responsible for ensuring that CDBG funds are used in accordance with all program requirements. We attribute this condition to City officials' inadequate evaluation of the subrecipient's capacity to deliver the public service activity outlined in the subrecipient's application for CDBG funding and the subrecipient agreement.

As a result, CDBG funds were provided for an unsupported activity. On February 19, 2014, City officials sent a letter to the organization telling it to comply with the subrecipient agreement. The organization had experienced operating difficulties and notified City officials that it was working to implement the promised services.

Conclusion

While City officials generally disbursed CDBG funds for eligible activities, there were weaknesses in the administration of subrecipient agreements, which lessened assurance that the program was administered in accordance with HUD regulations and funds were adequately safeguarded. As a result of these weaknesses, City officials did not always execute subrecipient agreements or extend subrecipient agreements when the term of the agreements had expired. Additionally, officials did not amend subrecipient agreements when the authorized CDBG funding was increased or ensure that a subrecipient delivered the planned service. We attribute these conditions to City officials' unfamiliarity with HUD regulations and weaknesses in subrecipient monitoring to ensure compliance with subrecipient agreement timeframes, obligated amounts, and accomplishments. However, at the exit conference, City officials provided two retroactively executed memorandums of understanding and evidence of satisfactory performance for the \$551,954 in obligated funds, and two amended subrecipient agreements whose initial term had expired, which will provide greater assurance that the \$306,710 will be expended as intended.

Recommendations

We recommend that the Director of HUD's Newark, NJ, Office of Community Planning and Development instruct City officials to

- 1A. Strengthen controls over CDBG-funded activity files to ensure that up-to-date subrecipient agreements and evidence of completion of planned activities are maintained.
- 1B. Ensure that performance is satisfactorily completed under the two subrecipient agreements for \$306,710 that were amended to extend the time of performance, thus providing assurance that these funds will be put to better use.
- 1C. Execute amended subrecipient agreements or provide documentation to support that the two subrecipient agreements for which the funding was increased were

amended. If adequate documentation is not provided, the \$173,740 should be repaid to the City's CDBG program, ensuring that the funds are put to better use.

- 1D. Strengthen controls over the City's administration of its subrecipients to ensure that subrecipient agreements are executed before disbursing funds and amended when the award or time of performance changes.
- 1E. Provide documentation showing that the \$60,000 drawdown for the renovation of the building will result in provision of the promised services. If this documentation cannot be provided, the amount should be repaid to the City's program from non-Federal funds.
- 1F. Strengthen controls over the award of CDBG funds to ensure that the entities funded can perform the planned activities.

SCOPE AND METHODOLOGY

The audit focused on whether Authority officials had established adequate controls to administer their CDBG program in accordance with applicable regulations. We performed the audit fieldwork from February to June 2014 at the City's office at 633 Passaic Street, Passaic, NJ.

To accomplish the audit objective, we

- Reviewed HUD's CDBG program regulations and the Authority's program policies and procedures.
- Documented and obtained an understanding of the City's financial and administrative controls.
- Interviewed HUD field office and City officials.
- Reviewed the City's independent public accountant reports and HUD monitoring reports for program years 2012 through 2013.
- Reviewed the City's financial and management data reported in IDIS, HUD's Line of Credit Control System (LOCCS), and the Federal Audit Clearinghouse System and reconciled the data to the City's records. Our assessment of the reliability of these data was limited to the data sampled and was reconciled with data in the City's records. As a result, we did not assess the reliability of these systems.
- Reviewed the City's HUD-approved CDBG annual plans for fiscal years 2012 and 2013, annual contributions contracts, LOCCS vouchers for payments, purchase order schedules, contract files, general ledgers, and payment registers.
- Applied computer-assisted auditing techniques to identify questionable transactions and payments with CDBG program funding.
- Selected and reviewed a sample of 15 activities for which \$2.4 million was drawn down, representing 77 percent of the \$3.1 million drawdown in IDIS for 62 reported activities during that period.

The review generally covered the period March 1, 2010, through June 30, 2013, and was extended as needed to accomplish our objective. 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

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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding of resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Reliability and validity of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in the reports.

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:

- Authority officials did not have adequate controls over the administration of subrecipient grant agreements when subrecipient agreements were not executed or amended when necessary and subrecipient performance was not supported, which lessened assurance that the program was administered in accordance with HUD regulations and funds were adequately safeguarded.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Unsupported ^{1/}	Funds to be put to better use ^{2/}
1B		\$ 306,710
1C	\$ 173,740	
1E	60,000	
Total	<u>\$233,740</u>	<u>\$306,710</u>

- 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.
- 2/ Recommendation 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 recommendation improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other saving that are specifically identified. In this case, if HUD implements the recommendation that City officials ensure that performance under two subrecipient agreements is satisfactorily completed, HUD will have greater assurance that the \$306,710 obligated will have been expended for the intended purpose.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



CITY OF PASSAIC, NEW JERSEY
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September 9, 2014

Mr. Edgar Moore
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development

Mr. Moore:

We appreciate the opportunity to respond to the Office of Inspector General's (OIG) report dated August 11, 2014 on the City of Passaic's Community Development Block Grant (CDBG) Program. We believe most issues cited in the report can be dismissed with clarification and documentation. The issues at 2(B) and 3 below, however, will require a short period of time to complete easy resolutions that are already underway. Documentation will be forwarded to HUD as soon as these issues are resolved.

On September 9, we attended an exit conference with OIG staff during which we presented our response along with back up documentation for each issue raised in the report. A summary of those discussions, which is organized by issue, is provided below. All references to exhibits refer to the documents provided to OIG staff during the exit conference. We would welcome the opportunity to discuss these issues further if necessary.

- (1) **Issue Cited in Report:** Three subrecipient agreements were not executed for activities obligating \$623,959 in CDBG fund. Agreements were not executed for two street improvement projects with the City's Division of Engineering totaling \$551,959 and one \$72,000 park rehabilitation project with the City's Department of Recreation and Cultural Affairs.

OIG Recommendation: Provide documentation showing that subrecipient agreements were executed or that the desired performance was obtained for the three completed activities for which subrecipient agreements were not provided. If this support cannot be provided, the \$623,959 in funds should be repaid to the City's CDBG program from non-federal funds.

City Response: The street activities referenced in this concern include HUD Activity #683 – 2009 Streets Improvements (\$291,613.02) and HUD Activity #735 – 2010 Streets Improvements (\$260,341.28). These two activities were managed directly by the Department of Community Development in 2009 and in 2010 with direction from the City Council and Action Plan as to which streets would be rehabilitated. Although the Community Development Department was overseeing these activities directly at the time and did not think an MOU was necessary, we have retroactively executed MOUs with the Department of Engineering to cover the services they provided to the Department for these activities. [See Exhibit #2 and #3.]

The park rehabilitation project referenced in this concern is HUD Activity #688, which is Park Rehabilitation at Memorial Park in the amount of \$72,005. This activity is covered in a Memorandum of Understanding (MOU) between the Department of Community Development and the Department of Human Services (DHS), which had been executed in 2009 and covered various

Comment 1

Comment 2

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 3

HUD activities that these two departments undertook jointly. A copy of this MOU is attached as Exhibit #1.

We believe the MOUs referenced here and provided to OIG staff include the required provisions of a subrecipient agreement and should meet the written agreement requirements for these activities. Additionally, the OIG recommendation provides that the City may show that the desired performance was obtained for these three activities. During the exit conference, the City presented OIG staff with back-up documentation to evidence that the desired performance was obtained. These activities were completed and all funds were disbursed. We are hopeful that the documentation submitted will clear these concerns and no repayment will be necessary.

(2) (A) **Issue Cited in OIG Report:** \$306,710 was obligated for two activities after the term of the subrecipient agreements had expired, the subrecipient did not execute contracts for the work until after the subrecipient agreement had expired, and City officials did not amend the agreement to extend the time of performance.

(B) **Issue Cited in OIG Report:** Two subrecipient agreements were not amended when the authorized funding was increased by \$173,740. Further, City officials did not amend two subrecipient agreements with the City's Department of Recreation and Cultural Affairs to reflect an increase in funding of \$160,548 and \$13,192, respectively.

OIG Recommendation for Issues 2A and 2B: Execute amended subrecipient agreements or provide documentation to support that the four subrecipient agreements in which the funding or the time for performance was increased were amended or that the desired performance was obtained. If adequate documentation is not provided, the \$480,450 should be repaid to the City's CDBG program from non-federal funds.

Comment 4

City Response for Issue 2(A): Amended subrecipient agreements have been executed for the following activities to extend the period of performance as noted below. These amendments were provided to OIG staff during the exit conference. Further, the City confirmed that the desired performance was obtained for these activities. The City is hopeful that the submission of this documentation and clarification will clear these concerns and no repayment will be necessary.

- HUD Activity #742 – Boys and Girls Club agreement has been extended until December, 2012 (Exhibit #4)
- HUD Activity #816 – Department of Recreation agreement has been extended until December, 2014 (Exhibit #5)

Comment 5

City Response for Issue 2(B): Given the increase in funding, the City will obtain a City Council resolution to authorize the increase in funds for the activities listed below. This resolution will be presented at the City Council meeting on September 23, 2014 and forwarded to OIG staff and the HUD Field Office immediately. Amended subrecipient agreements will be executed for these activities as well and submitted to HUD along with the resolution. Further, the City clarified during the exit conference that a small amount of funds will be drawn on these activities for the final invoices in the next couple weeks. At that time, these activities will achieve the desired performance. With the submissions and clarifications referenced here, we are hopeful that this concern can be cleared and no repayment will be necessary.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 6

Comment 6

- HUD Activity #822 for Pulaski Park Upgrades- The 2012 agreement with the Department of Recreation has been executed to include an increase of \$13,192 (**Exhibit #6**)
- HUD Activity #857 for Christopher Columbus Park- The 2013 agreement with the Department of Recreation has been executed to include an increase of \$160,548 (**Exhibit #7**)

(3) **Issue Cited in Report:** City officials awarded \$60,000 in CDBG funds to a nonprofit organization for repair and renovation of its Masonic lodge to address building code violations and upgrades necessary to allow it to provide for youth services or other programs for the benefit of low- to moderate-income families of Passaic. While the final drawdown was in September 2013, the organization had not provided documentation showing that it provided the promised public service as required by the subrecipient agreement.

OIG Recommendation: Provide documentation showing that the \$60,000 drawdown for the renovation of the building will result in provision of the promised services. If such support cannot be provided, the amount should be repaid to the City's program from non-Federal funds.

City Response: The sub-recipient has finalized their After-School and Community Center Program activities and has submitted its plan to the City. The program will be put in place during school year 2014-2015 and will be monitored by the City in approximately four months (January-February 2015) (**Exhibit #8**). Upon completing the monitoring, the City will send a monitoring report to OIG staff. We are hopeful that submission and clarification will clear this concern and no repayment will be necessary.

(4) **Overall Issue and Recommendation:** Strengthen controls over the City's administration of its subrecipients to ensure that subrecipient agreements are executed before funding activities and amended when the award or time of performance changes; Strengthen controls over the award of CDBG funds to ensure that the entities funded have the capacity to perform the planned activities.

City Response: Over the years the City has strengthened its controls by ensuring that subrecipient agreements are executed with other City departments when working in conjunction with those departments despite the fact that the Department of Community Development is primarily responsible for the administration of the projects. Additionally, the City will ensure that it follows the practice of reviewing all open activities annually to confirm whether any amendments are needed to written agreements.

Thank you for your time and assistance in these matters.

Sincerely,



Ronald Van Rensalier
Director of Community Development

Appendix B

OIG'S EVALUATION OF AUDITEE COMMENTS

- Comments 1** At the exit conference, City officials provided two memorandums of understanding (MOU) agreements that were retroactively executed in response to the audit report and additional documents not available during the audit to support that the planned performance was completed. A review of this documentation showed that the MOUs, although retroactively executed, would meet the requirements of a subrecipient agreement, and that the desired performance was obtained for the three completed activities for which \$551,954 was disbursed. Therefore, the report was revised to acknowledge that the two MOUs had been executed.
- Comment 2** At the exit conference, City officials provided a 2009 MOU along with other documentation that showed that the \$72,005 had been properly disbursed. A review of this MOU and other documentation showed that it detailed the scope of expected performance and that the expected performance was completed. Therefore, the report was revised to acknowledge that an MOU had been executed and the expected performance was delivered for the \$72,005 spent.
- Comment 3** City officials provided MOUs and documentation that activities for which CDBG funds were disbursed had been successfully completed. Therefore, our original recommendation 1A that documentation be provided to support that subrecipient agreements' had been executed and the expected performance delivered for the \$623,959 (\$551,959 + \$72,005) disbursed has been removed from the report. However, recommendation 1A was revised to require that City officials strengthen controls over the maintenance of CDBG-funded activity files to ensure that they maintain complete files to support disbursements for all CDBG-funded activities, including MOUs and subrecipient agreements. We also added a recommendation to ensure that performance is satisfactorily completed under the two subrecipient agreements for \$306,710 that were amended to extend the time of performance, thus providing assurance that these funds will be put to their intended use.
- Comment 4** City officials amended the two questioned subrecipient agreements to extend the time of performance. As a result, the City can now effectively monitor the subrecipient's performance, providing HUD greater assurance that the funds already disbursed will be expended as intended. However, evidence of successful completion of the planned activities for which \$306,710 was committed will still need to be given to HUD during the audit resolution process.
- Comment 5** City officials stated that they will seek City Council approval to increase the funding for activities 742 and 816, after which amended subrecipient agreements will be executed. Therefore, this documentation will need to be given to HUD during the audit resolution process to ensure that \$173,740 was properly spent.
- Comment 6** City officials' planned action is responsive to the report recommendation.