



# Office of Community Planning and Development, Washington, DC

## Community Development Block Grant Property Acquisition and Disposition Activities



**To:** Marion M. McFadden, Deputy Assistant Secretary for Grant Programs, DG  
**From:** //signed//  
David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia  
Region, 3AGA  
**Subject:** HUD Did Not Always Provide Adequate Oversight of Property Acquisition and  
Disposition Activities

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's oversight of Community Development Block Grant property acquisition and disposition activities.

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 215-430-6734.



**Audit Report Number: 2016-PH-0001**

**Date: June 30, 2016**

## **HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities**

# Highlights

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## **What We Audited and Why**

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We audited the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant program's property acquisition and disposition activities. We conducted the audit as part of our annual audit plan. Our audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its Block Grant program.

## **What We Found**

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HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six, totaling \$20.1 million, had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. These conditions occurred because HUD did not have adequate controls to ensure that it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities. As a result, five activities had unsupported draws totaling nearly \$12.2 million, and one of those activities also had ineligible costs totaling \$4,214. HUD had no assurance that funds spent for these acquisition and disposition activities complied with applicable HUD and Federal requirements.

## **What We Recommend**

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We recommend that HUD (1) enforce its monitoring findings and require the City of New Orleans, LA, and Miami-Dade County, FL, to provide documentation to support costs totaling \$6.1 million or reimburse their programs from non-Federal funds for any costs that they cannot support; (2) develop and implement controls to ensure that it expeditiously takes action to enforce grantee compliance with monitoring findings or pursue one of the established remedies for noncompliance; (3) require the Cities of Saint Paul, MN, and Washington, DC, to provide documentation to support \$6.1 million in unsupported payments or reimburse their programs from non-Federal funds for any costs that they cannot support; and (4) direct its field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

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# Background and Objective

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The Community Development Block Grant program was established by Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383 as amended, 42 U.S.C. (United States Code) 530.1, and is one of the U.S. Department of Housing and Urban Development's (HUD) longest continuously running programs. The program provides annual grants on a formula basis to entitled States, cities, and counties to develop viable urban communities by providing decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. Entitlement grantees have the flexibility to develop their own programs and funding priorities. However, to be eligible for funding, every activity except program administration and planning must meet one of the following three national objectives: (1) benefit low- and moderate-income persons, (2) aid in preventing or eliminating slums or blight, or (3) address certain urgent needs in a community because conditions pose an immediate threat to the health and welfare of the community.

Acquisition and disposition activities are 2 of the 17 basic eligible activities for which program funds may be used. Acquisition is defined as acquiring, in whole or in part, by the recipient – through purchase, long-term lease, donation, or otherwise – real property for any public purpose. Disposition is defined as disposing of – through sale, lease, donation, or otherwise – any real property acquired with program funds or its retention for public purposes, including reasonable costs of temporarily managing such property or property acquired under urban renewal, provided that the proceeds from any such disposition will be program income. Acquisition and disposition activities accounted for 1.9 percent of all Block Grant disbursements from fiscal years 2012 to 2014, with more than \$201 million disbursed for these activities.

Fiscal year	Total program funds disbursed	Total program funds used for acquisition and disposition activities	Percentage of total funds disbursed
2012	\$3,882,915,749	\$63,871,307	1.6
2013	3,565,021,407	74,915,997	2.1
2014	3,339,636,410	62,384,491	1.9
<b>Totals</b>	<b>\$10,787,573,566</b>	<b>\$201,171,795</b>	<b>1.9</b>

Acquisition and disposition activities have an inherently higher risk compared to other activities because the projects are generally more complicated and involve several partners, such as developers, management companies, and other entities. These activities can take a long time to complete, mitigating the intended program benefits by delaying compliance with a national objective.

Our audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its Block Grant program.

# Results of Audit

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## **Finding: HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities**

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HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed,<sup>1</sup> 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six, totaling \$20.1 million, had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. These conditions occurred because HUD did not have adequate controls to ensure that it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities. As a result, five activities had unsupported draws totaling nearly \$12.2 million, and one of those activities also had ineligible costs totaling \$4,214. HUD had no assurance that \$12.2 million spent for these activities complied with applicable requirements.

### **HUD Did Not Enforce Corrective Actions Related to Monitoring for Two Activities**

While HUD had monitored 7 of the 14 activities reviewed, it did not enforce findings for 2 activities totaling \$6.1 million. Specifically, although two field offices issued findings and corrective actions as a result of their monitoring reviews, they did not enforce their corrective actions. The two inadequate monitoring reviews are discussed below.

Grantee (activity ID)	HUD field office	Date of last documented followup	Met national objective	Amount drawn	Unsupported costs
New Orleans, LA (4663)	New Orleans	September 2009	No	\$4,959,911	\$4,959,911
Miami-Dade County, FL (3660)	Miami	March 2014	No	1,161,616	1,161,616
<b>Totals</b>				<b>\$6,121,527</b>	<b>\$6,121,527</b>

- New Orleans, LA (4663) – In September 2009, HUD’s New Orleans field office notified the grantee that it had failed to maintain documentation to show that its acquisition activity, with draws totaling nearly \$5 million, had met a national objective. HUD also reminded the City that there were many outstanding findings from prior years that had

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<sup>1</sup> Appendix C identifies the 14 activities.

not been resolved and required the City to respond to its letter within 15 days. While the field office indicated that the City had provided some additional documentation, it said that the documentation was not sufficient to close its finding for the acquisition activity. As of April 2016, HUD expected to close its finding by December 2016, more than 7 years after HUD first notified the City of its monitoring findings.

- Miami-Dade County, FL (3660) – In December 2013, HUD’s Miami field office notified the grantee that it had failed to maintain documentation to show that its disposition activity, with draws totaling more than \$1.1 million, had met a national objective. HUD required the County to produce supporting documentation or reimburse its program within 30 days. The County produced two spreadsheets indicating that the funds had been used for staff salaries to carry out various real estate and environmental review functions; however, it did not provide evidence to show that the activity had met a national objective. In March 2014, the Deputy Assistant Secretary for Grant Programs sent a letter to the County indicating that it had failed to demonstrate that a national objective had been met and requiring the County to reimburse its program using non-Federal funds by May 15, 2014. While HUD indicated that it was preparing to send the grantee another letter, it had not enforced the repayment of funds as of April 2016.

These conditions occurred because HUD did not have adequate controls to ensure that its headquarters and field offices followed up on and enforced findings and corrective actions. HUD’s Community Planning and Development Monitoring Handbook 6509.2 advised field offices to send a letter of warning to grantees that did not respond to findings, warning them of the possible consequences for failure to comply. It also required field offices to contact the headquarters program office for guidance on carrying out progressive sanctions when grantees were unresponsive or uncooperative. Further, regulations at 24 CFR (Code of Federal Regulations) 570.913 stated that when a recipient fails to comply with applicable requirements, the HUD Secretary would terminate, reduce, or limit payments to the recipient. However, neither the two field offices nor the headquarters program office followed the established procedures.

### **HUD Did Not Monitor Six Acquisition or Disposition Activities**

The 5 HUD field offices responsible for 6<sup>2</sup> of the 14 acquisition and disposition activities reviewed, with draws totaling \$20.1 million, had not monitored the activities. We reviewed the grantee program files for each of the six activities to determine whether the activities met a national objective and whether funds were used for eligible costs and supported with adequate documentation. Although three of the six activities met program requirements, \$6.1 million in draws for the remaining three activities did not meet a national objective, were not eligible, or were not supported with adequate documentation.

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<sup>2</sup> HUD did not monitor activity 1515, Westchester County, NY. However, we did not include it in the finding because HUD was undergoing litigation with the grantee and not monitoring it was the appropriate course of action.

Grantee (activity ID)	HUD field office	Met national objective	Amount drawn	Ineligible costs	Unsupported costs
Saint Paul, MN (383)	Minneapolis	No	\$4,299,963	\$0	\$4,299,963
Washington, DC (1515)	Washington, DC	No	1,451,209	4,214	1,446,995 <sup>3</sup>
Washington, DC (1729)	Washington, DC	Yes	5,096,807	0	319,783
Contra Costa County, CA (1170)	San Francisco	Yes	4,520,680	0	0
Hillsborough County, FL (2623)	Jacksonville	Yes	3,220,000	0	0
Council Bluffs, IA (408)	Omaha	Yes	1,551,786	0	0
<b>Totals</b>			<b>\$20,140,445</b>	<b>\$4,214</b>	<b>\$6,066,741</b>

Program regulations at 24 CFR 570.200(a)(2) required the grantee to maintain evidence that each of its assisted activities met national objective requirements. Further, program regulations at 24 CFR 570.506 required the grantee to maintain evidence to show how program funds were used, including invoices, schedules containing comparisons of budgeted amounts and actual expenditures, construction progress schedules signed by appropriate parties, and documentation appropriate to the nature of the activity. Regulations at 2 CFR Part 225, appendix A, paragraph (C)(1), also required costs to be reasonable, necessary, and adequately documented. The three completed activities for which the grantees did not meet applicable HUD program and Federal requirements are discussed below.

- City of Saint Paul, MN (383) – Contrary to regulations at 24 CFR 570.200(a)(2), the grantee did not demonstrate that its disposition activity, with draws totaling \$4.3 million, had met a national objective. While the program file showed that the funds were used for property maintenance expenses for approximately 350 residential and commercial properties located around the City, it did not show how the activity had met the selected national objective. Regulations at 24 CFR 570.208(a)(3) state that eligible activities include those that provide or improve permanent residential structures, which will be occupied by low- and moderate-income households. However, while the grantee had disposed of at least 283 properties, it did not provide documentation to show that the properties sold were used to benefit low- and moderate-income persons.
- Washington, DC (1515) – Contrary to regulations at 24 CFR 570.200(a)(2), the grantee did not demonstrate that its disposition activity, with draws totaling more than \$1.4 million, had met a national objective. While the program file showed that the funds were related to the redevelopment of a shopping center, it did not show how the

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<sup>3</sup> To avoid double counting, we reduced the more than \$1.4 million in unsupported costs by \$4,214 in ineligible costs.

activity had benefited low- and moderate-income persons. In January 2016 the anchor store for the redevelopment project had pulled out of the project and as a result, this project may not meet national objective requirements for some time. Further, contrary to regulations at 24 CFR 570.506 and 2 CFR Part 225, appendix A, paragraph (C)(1)(j), the grantee also did not adequately support \$391,748 of the more than \$1.4 million in draws for this disposition activity because it 1) did not provide documentation to support expenditures totaling \$280,493, 2) could not show that expenditures totaling \$103,279 were for this activity, 3) provided inadequate documentation to support expenditures totaling \$7,562, and 4) may have paid a \$414 invoice twice. The grantee also incurred \$4,214 in unnecessary late fees because it did not make timely payments for utility services.

- Washington, DC (1729) – Contrary to regulations at 2 CFR Part 225, appendix A, paragraph (C)(1)(j), the grantee did not adequately support \$319,783 in draws for its acquisition activity. The program file showed that the \$5.1 million drawn was used for acquisition and predevelopment costs of an apartment complex and had been used to benefit low- and moderate-income persons. However, \$319,783 of the \$5.1 million was unsupported because the invoices were not complete and construction management and operating costs were not always supported. The City did not maintain adequate documentation, such as completed invoices and other documentation, required to support construction services paid for with program funds.

These conditions occurred because HUD’s risk assessment procedures did not specifically address oversight of property acquisition and disposition activities. HUD’s Community Planning and Development Notice 14-04 stated that each field office was responsible for developing a work plan with monitoring strategies encompassing the grantees and programs to be monitored. HUD’s Community Planning and Development Monitoring Handbook 6509.2 provided additional guidance for monitoring, including the selection of grantees, but did not specify which programs, projects, or activities to monitor. While field offices used this guidance when performing risk assessments to select which program to monitor, the selection of activities was subjective and based on field office staff’s knowledge of grantee performance.

## **Conclusion**

HUD did not always provide adequate oversight of property acquisition and disposition activities under its Block Grant program. As a result, five activities had unsupported draws totaling nearly \$12.2 million, including nearly \$11.9 million in draws for four activities<sup>4</sup> that had not met a national objective. Further, one of the five activities had ineligible costs totaling \$4,214. HUD had no assurance that funds spent for these property acquisition and disposition activities complied with applicable HUD and Federal requirements. If HUD does not improve its risk assessment procedures and controls over monitoring, it may fail to detect additional activities that do not comply with applicable requirements.

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<sup>4</sup> Four activities with draws totaling \$11.9 million: activity 4663, New Orleans, LA, \$5 million; activity 3660, Miami-Dade County, FL, \$1.2 million; activity 383, Saint Paul, MN, \$4.3 million; and activity 1515, Washington, DC, \$1.4 million

## Recommendations

We recommend that the Deputy Assistant Secretary for Grant Programs

- 1A. Direct the New Orleans, LA, field office to enforce its monitoring findings and require the grantee to provide documentation to support costs totaling \$4,959,911 or the grantee must reimburse its program from non-Federal funds for any costs that it cannot support.
- 1B. Enforce the Miami, FL, field office's monitoring findings and require the grantee to provide documentation to support costs totaling \$1,161,616 or the grantee must reimburse its program from non-Federal funds for any costs that it cannot support.
- 1C. Develop and implement controls to ensure that it expeditiously takes action to enforce grantee compliance with monitoring findings or pursue one of the established remedies for noncompliance.
- 1D. Direct the Minneapolis, MN, field office to require the grantee to provide documentation to support the \$4,299,963 in unsupported payments identified or the grantee must reimburse its program from non-Federal funds for any costs that it cannot support.
- 1E. Direct the Washington, DC, field office to require the grantee to provide documentation to support the \$1,766,778<sup>5</sup> in unsupported payments identified or the grantee must reimburse its program from non-Federal funds for any costs that it cannot support.
- 1F. Direct the Washington, DC, field office to require the grantee to repay its program \$4,214 from non-Federal funds for the ineligible costs associated with activity 1515.
- 1G. Direct field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

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<sup>5</sup> \$1,766,778 consists of \$1,446,995 for activity 1515 and \$319,783 for activity 1729

# Scope and Methodology

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We conducted the audit from September 2015 through April 2016 at HUD's offices located in Washington, DC, and our offices located in Pittsburgh, PA, and Richmond, VA. The audit covered the period January 1994 through August 2015 but was expanded when necessary.

To accomplish our objective, we reviewed

- Relevant background information;
- Applicable laws, regulations, guidance, and HUD notices;
- Data contained in HUD's Integrated Disbursement and Information System<sup>6</sup>;
- HUD risk assessments, monitoring reports, letters, and related correspondence; and
- Grantee program files.

We interviewed HUD officials located in Washington, DC, and in the field offices responsible for the activities selected for review. We also interviewed grantee staff for each of the activities reviewed.

To achieve our audit objective, we relied in part on computer-processed data from HUD's Integrated Disbursement and Information System to select a sample of acquisition and disposition activities for review. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes.

To select a sample of acquisition and disposition activities, we obtained disbursement data as of April 2015<sup>7</sup> for 2,619 acquisition and disposition activities with draw amounts totaling \$452.9 million. Our review covered activities completed after August 2012,<sup>8</sup> open activities funded before 2011,<sup>9</sup> and all canceled activities. To obtain a sample of activities that represented a variety of HUD field offices, we selected the acquisition or disposition activity with the largest amount drawn for each of HUD's 10 regions. To obtain a sample of activities that represented a cross section of activity types and statuses, we selected the next two completed disposition

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<sup>6</sup> HUD's Integrated Disbursement and Information System is the drawdown and reporting system for its Block Grant program and includes information regarding activities across the Nation, including funding and accomplishment data. HUD uses this information to report to Congress and to monitor grantees.

<sup>7</sup> The data were current as of April 2015, and the activity completion dates were current as of September 2015.

<sup>8</sup> We focused on this period for completed activities because grantees are required to retain records for a period of not less than 4 years.

<sup>9</sup> We focused on this period for open activities because activities open for longer periods may not have met a national objective.

activities with the largest amounts drawn, the open disposition activity with the largest amount drawn, and the canceled acquisition activity with the largest amount drawn.

As shown in the chart below, we selected 14 acquisition and disposition activities totaling \$42.8 million to determine whether HUD had adequate oversight of property acquisition and disposition activities. Appendix C provides additional details on the 14 activities selected. Although this approach did not allow us to project to the population, it allowed us to select activities that represented all regions, 13 field offices, and 5 of 6 activity categories<sup>10</sup> which was sufficient to meet our audit objective.

Activity status	Total number of activities	Total amount drawn (in millions)	Number of activities selected for review	Amount drawn for activities selected for review
Completed	2,311	\$381.4	10	\$27,572,012
Open	184	66.9	3	14,813,866
Canceled	124	4.6	1	430,851
<b>Totals</b>	<b>2,619</b>	<b>\$452.9</b>	<b>14</b>	<b>\$42,816,729</b>

We requested monitoring reports from HUD’s field offices for the activities selected for review. We determined that HUD had monitored 7 of the 14 activities and had not monitored the other 7 activities selected for review. For the seven activities that were monitored, we reviewed HUD’s monitoring reports, along with related files, letters, e-mails, and supporting documentation. For one of the activities that had not been monitored, HUD was undergoing litigation with the grantee, and not monitoring it was the appropriate course of action. For the remaining six activities that had not been monitored by HUD, along with the one canceled activity selected, we obtained program files from the grantee. We reviewed the grantee program files to determine whether the activities met a national objective and whether program funds were used for eligible costs and supported with adequate documentation.

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.

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<sup>10</sup> We did not review any canceled disposition activities since they were insignificant in quantity and dollars drawn. There were only 5 canceled disposition activities in our universe and the activity with the largest dollar value had only \$16,139 in draws.

# 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.

## 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 program participants comply with program laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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:

- HUD's risk assessment procedures did not ensure that acquisition and disposition activities were adequately monitored.
- HUD did not have adequate controls to ensure that its headquarters and field offices followed up on and enforced findings and corrective actions.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>
1A		\$ 4,959,911
1B		1,161,616
1D		4,299,963
1E		1,766,778
1F	\$4,214	
<b>Totals</b>	<b>\$4,214</b>	<b>\$12,188,268</b>

- 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.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

### Comment 1



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

JUN 17 2016

Memorandum to: David E. Kasperowicz, Regional Inspector General for Audit, 3AGA

From:  Marion Mollegen McFadden, Deputy Assistant Secretary for Grant Programs, DG

Subject: CPD Comments on Draft Audit "Community Development Block Grant Property Acquisition and Disposition Activities"

Thank you for the opportunity to comment on the subject draft audit. In general, CPD does not take issue with Recommendations 1A through 1F although we will closely examine the funded CDBG activities that are at issue in Recommendations 1E and 1F to ensure there is no conflict with prior CPD monitoring efforts.

With respect to Recommendation 1G, CPD suggests that it be re-worded for CPD to explore options to increase the monitoring focus on acquisition and disposition activities. The reality is that CPD's risk assessment process does not zero in on specific types of activities but calls for field staff for examine aspects of the grantee's program such as:

- Whether the grantee has staff capacity and ability to ensure programmatic compliance with the CDBG regulations, fulfill all grantee obligations, and design a program appropriate to the level of its capacity; and
- The complexity of the grantee's program design, primarily focusing on the number and variety of activities the grantee is undertaking, and whether these are new to the program and may pose a challenge to the grantee's staff in compliance and reporting.

Every activity undertaken by a CDBG grantee can pose some level of compliance risk and CPD's position is that it is important to evaluate that risk in the context of grantee capacity and program design. In this light, CPD is reluctant to begin calling out specific eligible activities for examination when attention to staff capacity and program design can serve the purpose of identifying potential areas of concern.

An alternative approach may be to amend the risk analysis criteria to incorporate consideration of activities where a significant amount of CDBG is being expended; a potential marker might be activities which are greater than 0.1% of the overall annual CDBG appropriation. Based on recent appropriations levels, the 0.1% threshold would be approximately \$3 million. An

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

approach of this nature would have required CPD field staff to consider the impact of many of the activities cited in the draft audit as part of the risk analysis process.

If you have any questions regarding this response, please contact Stan Gimont, Director, Office of Block Grant Assistance, at [stanley.gimont@hud.gov](mailto:stanley.gimont@hud.gov) or at (202) 402-4559.

## OIG Evaluation of Auditee Comments

Comment 1 HUD suggested that we update recommendation 1G to allow its Office of Community Planning and Development to explore options to increase the monitoring focus on acquisition and disposition activities. HUD contended that the risk assessment process does not focus on specific types of activities but instead examines the grantee's program and evaluates its risk to identify potential areas of concern, and explained that it is reluctant to call out specific eligible activities for examination when attention to staff capacity and program design can serve the purpose of identifying potential areas of concern. We believe that the risk assessment process should specifically target property acquisition and disposition activities because these activities have an inherently higher risk compared to other activities. The projects are generally more complicated and involve several partners, such as developers, management companies, and other entities. They can also take a long time to complete, which delays compliance with a national objective. We acknowledge that the risk assessment process is subjective, and that field office staff use their knowledge of grantees to examine aspects of the grantee's program such as staff capacity and program design. Our recommendation provides HUD flexibility to propose ways to add more oversight of acquisition and disposition activities. As part of the normal audit resolution process, HUD can propose ways to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

## Appendix C

### List of Sampled Activities

#	Grantee (activity ID)	Activity type (status)	HUD region - field office	Amount drawn
1	State of Wisconsin (13673)	Acquisition (open)	5 - Milwaukee	\$8,692,339
2	Washington, DC (1729)	Acquisition (completed)	3 - Washington, DC	5,096,807
3	New Orleans, LA (4663)	Acquisition (open)	6 - New Orleans	4,959,911
4	Contra Costa County, CA (1170)	Acquisition (completed)	9 - San Francisco	4,520,680
5	Saint Paul, MN (383)	Disposition (completed)	5 - Minneapolis	4,299,963
6	Hillsborough County, FL (2623)	Acquisition (completed)	4 - Jacksonville	3,220,000
7	Westchester County, NY (1515)	Acquisition (completed)	2 - New York City	2,781,000
8	Seattle, WA (4157)	Acquisition (completed)	10 - Seattle	2,675,000
9	Council Bluffs, IA (408)	Acquisition (completed)	7 - Omaha	1,551,786
10	Washington, DC (1515)	Disposition (completed)	3 - Washington, DC	1,451,209
11	Miami Dade County, FL (3660)	Disposition (open)	4 - Miami	1,161,616
12	Ft. Collins, CO (1816)	Acquisition (completed)	8 - Denver	1,072,811
13	Arlington, MA (925)	Acquisition (completed)	1 - Boston	902,756
14	Charlottesville, VA (1321)	Acquisition (canceled)	3 - Richmond	430,851
<b>Total</b>				<b>\$42,816,729</b>