



DuPage County, Wheaton, IL

Community Development Block Grant Disaster Recovery Program

**Office of Audit, Region 5
Chicago, IL**

**Audit Report Number: 2017-CH-1010
September 30, 2017**





To: Ray E. Willis, Director of Community Planning and Development, 5AD

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, 5AGA

Subject: DuPage County, IL, Did Not Always Comply With Federal Requirements Regarding the Administration of Its Community Development Block Grant Disaster Recovery Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of DuPage County's Community Development Block Grant Disaster Recovery program.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 312-353-7832.



Audit Report Number: 2017-CH-1010

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DuPage County, IL, Did Not Always Comply With Federal Requirements Regarding the Administration of Its Community Development Block Grant Disaster Recovery Program

Highlights

What We Audited and Why

We audited DuPage County's Community Development Block Grant Disaster Recovery program. The audit was part of the activities in our fiscal year 2017 annual audit plan. We selected the County's program for review because the County had spent the most program funds authorized under the Disaster Relief Appropriations Act of 2013 in Region 5's jurisdiction.¹ Our objective was to determine whether the County administered its program in accordance with Federal requirements.

What We Found

The County did not always comply with Federal requirements regarding the administration of its program. Specifically, it (1) used program funds in place of County funds budgeted for a project, (2) obligated program funds for ineligible activities, and (3) did not perform a cost or price analysis for a consulting contract. As a result, the U.S. Department of Housing and Urban Development (HUD) and the County lacked assurance that more than \$569,000 in program funds was available for eligible program activities. Further, HUD and the County lacked assurance that nearly \$99,000 in program funds used to pay for project management services was reasonable.

What We Recommend

We recommend that the Director of HUD's Chicago Office of Community Planning and Development ensure that the County does not use program funds to reimburse the County bond proceeds budgeted for the Armstrong Park project but used to pay for flood protection improvements and use the remaining proceeds budgeted for the project for eligible program activities. We also recommend that the Director require the County to (1) deobligate program funds obligated for ineligible activities, (2) support that the use of funds for project management services was reasonable or reimburse its program from non-Federal funds, and (3) improve its procedures and controls to address the weaknesses cited in this audit report.

¹ The County had spent the most program funds among grantees located in Region 5 as of October 26, 2015. Region 5's jurisdiction consists of the States of Illinois, Indiana, Wisconsin, Ohio, Michigan, and Minnesota.

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Background and Objective

Community Development Block Grant Disaster Recovery funds were authorized under the Disaster Relief Appropriations Act of 2013 for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas affected by Hurricane Sandy and other eligible events occurring during 2011 through 2013 for which the President declared a major disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974. The funds were to be used for activities authorized under Title I of the Housing and Community Development Act of 1974 as amended. The U.S. Department of Housing and Urban Development (HUD) designated more than \$31.5 million in Community Development Block Grant Disaster Recovery funds to the County through three allocations to address the flooding that impacted the County's jurisdiction in 2013. The following table shows the date when the funds were available and the of amount funds allocated.

Allocation	Date	Fund amount
First	December 2013	\$7,000,000
Second	June 2014	18,900,000
Third	January 2015	5,626,000
Total		31,526,000

The County's Community Development Commission administers the County's program. The Commission was established in 1975 as a cooperative effort of the municipalities in the County and the County board. Its main responsibility is to advise the board on various programs, including the County's program. The County's board entered into memorandums of understanding with the County's Stormwater Management Department to manage three program-funded flood mitigation infrastructure construction projects: Armstrong Park phases 1 and 2, West Branch DuPage River Flood Control, and the Springbrook Culvert.

The Department's mission is to reduce the existing potential for stormwater damage to public health, safety, life, and property. The County's program records are located at 421 North County Farm Road, Wheaton, IL. As of February 9, 2016, the County had obligated nearly \$11.4 million and disbursed more than \$8.1 million in program funds for the three infrastructure projects and administrative costs and to buy out residential properties.

Our objective was to determine whether the County administered its program in accordance with Federal requirements. Specifically, we wanted to determine whether (1) program funds were used in place of County funds originally budgeted for program projects, (2) program funds were obligated for ineligible activities in its construction contracts for the projects, and (3) services were appropriately procured.

Results of Audit

Finding: The County Did Not Always Comply With Federal Requirements Regarding the Administration of Its Program

The County did not always comply with Federal requirements regarding the administration of its program. Specifically, it used (1) program funds in place of County funds budgeted for a project, (2) obligated program funds for ineligible activities, and (3) did not perform a cost or price analysis for a consulting contract. These weaknesses occurred because the County needs to improve its procedures and controls to ensure that it complies with Federal requirements. As a result, HUD and the County lacked assurance that more than \$569,000 in program funds was available for eligible program activities. Further, HUD and the County lacked assurance that nearly \$99,000 in program funds used to pay for project management services was reasonable.

Program Funds Were Used in Place of County Funds Budgeted for an Infrastructure Project

In October 2010, the County issued more than \$67 million in general obligation alternate revenue bonds and budgeted \$5 million in bond proceeds for the Armstrong Park infrastructure project. The County's action plan for the program, dated March 4, 2014, which addressed the first allocation of program funds, stated that the County would finance the project using (1) more than \$3 million in program funds, (2) \$5 million in bond proceeds, and (3) \$3 million in other County funds.² The County's first and second amendments to its action plan, dated September 11, 2014, and April 28, 2015, addressed the second and third allocations of program funds, respectively. According to the amendments,³ the project would be financed with an additional \$6.2 million in program funds. Lastly, the County's third amendment to its action plan, dated April 20, 2016, stated that the project would be financed with an additional \$250,000 in program funds to complete the project. Therefore, the amount of program funds budgeted for the project totaled nearly \$9.5 million (more than \$3 million + \$6.2 million + \$250,000).

According to 76 FR (Federal Register) 71062, dated November 16, 2011, if a cost has already been or will be paid from another source, it is presumed to violate the necessary and reasonable standard. Therefore, contrary to this requirement, the County designated program funds for the Armstrong Park project in place of the bond proceeds that it had stated in its action plan would be used for the project. The County provided documentation to support that more than \$4.5 of the \$5 million in bond proceeds had been designated for other eligible program activities. However, it was not able to provide sufficient documentation for the remaining more than \$460,000.

² The County's director of community services stated that a specific source for the \$3 million in other County funds had not been identified when the action plan was drafted.

³ The County's amendment number 1 to the action plan stated that using the additional program funds for the project would allow the County to use its funds to complete other infrastructure projects to alleviate flooding in accordance with the President's Climate Change Initiative.

As a result of our audit, on August 9, 2016, the County's board approved a resolution to use the remaining more than \$460,000 in bond proceeds for the construction of flood protection improvements within the Graue Mill subdivision in Hinsdale, IL, which was an eligible program activity. On January 4, 2017, the County used \$452,444 in bond proceeds for the improvements. The County did not provide documentation to show that it had used the remaining \$7,677 (\$460,121 - \$452,444).

According to the County's director of community services, the County used program funds in lieu of the general obligation alternate revenue bonds budgeted for the Armstrong Park project primarily because the costs had been higher than expected and allocating additional program funds to the project would assist the County in ensuring that at least 50 percent of its program funds were used to meet the low-moderate income service area requirement. Further, according to the County's Stormwater Management Department's chief engineer, the construction of flood protection improvements within the Graue Mill subdivision in Hinsdale, IL, was supposed to be funded by the State of Illinois' Department of Natural Resources. However, the State of Illinois' Department of Natural Resources later informed the County that these funds would be suspended due to a lack of a State budget. Therefore, the County chose to use a portion of the general obligation alternate revenue bonds originally budgeted for the Armstrong Park project for the flood protection improvements within the Graue Mill subdivision. The County believed that it could use program funds in place of the bonds proceeds.

Program Funds Were Obligated for Ineligible Activities

We reviewed the County's four construction contracts⁴ for the three infrastructure projects to determine whether the contracts included ineligible activities. Contrary to HUD's regulations at 24 CFR (Code of Federal Regulations) 570.207(b)(2),⁵ the County obligated \$109,270 in program funds for ineligible activities in its construction contracts for the West Branch DuPage River Flood Control (nearly \$81,000 for ecological management for 4 years, more than \$19,000 for restoration monitoring and reporting for 4 years, and more than \$7,000 for rain garden monitoring and reporting for 2 years) and Springbrook Culvert (\$2,000 for maintenance and management of buffer areas for 2 years) projects. These activities were supposed to be performed more than 1 year after the projects had been completed; therefore, they were not a part of the actual construction of the projects.

The chief engineer stated that the activities were necessary for the projects to meet performance standards and receive regulatory approval; therefore, it believed the costs were eligible. However, the County's Stormwater and Floodplain Ordinance, which the projects must comply with, referred to the period after the completion of the construction as a maintenance and monitoring period.

⁴ The County procured two separate construction contracts for the Armstrong Park project.

⁵ See appendix C for applicable criteria.

A Cost or Price Analysis Was Not Performed for a Consulting Contract

We reviewed the County's six service contracts⁶ to determine whether the County appropriately procured the services. Of the six contracts reviewed, the County did not perform a cost or price analysis to support that the cost of a contract⁷ for program management consulting services was reasonable as required by 24 CFR 85.36(f)(1). The County disbursed \$98,507 in program funds under the contract before it closed in March 2017.

The County's former program manager said that although the County conducted an online search of consulting rates in the local area, it could not find useful information. In addition, according to the County's staff, for another consulting contract, the County paid an independent contractor \$75 per hour for the County's weatherization program. It was also the County's understanding that consulting firms generally charged two to three times more than their hourly pay rate to account for business overhead. Therefore, the County believed that paying \$140 to \$150 per hour for project management services was reasonable, considering the level of knowledge and services required.

In response to our audit, the County obtained and provided excerpts from six consulting service contracts.⁸ The hourly labor rates for five of the six contracts ranged from \$105 to \$215 per hour.⁹ The County believed that the labor rates contained in these contracts supported that the amount it paid for the project management services contract was reasonable. However, the six partial contracts did not always specify the scope of work to be performed under the contracts. Further, the County did not provide the procurement documentation associated with the contracts to support that the hourly rates in the partial contracts were reasonable.

Conclusion

The weaknesses described above occurred because the County needs to improve its procedures and controls to ensure that (1) program funds were not used in place of County funding budgeted for projects, (2) construction contracts for program-funded projects did not contain ineligible activities, and (3) a cost or price analysis was conducted for contracts associated with its program. As a result, HUD and the County lacked assurance that more than \$569,000 (\$452,444 + \$7,677 + \$109,270) in program funds was available for eligible program activities. Further, HUD and the County lacked assurance that nearly \$99,000 in program funds used to pay for project management services was reasonable.

Recommendations

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

⁶ The four construction contracts for the three infrastructure projects, one consulting contract for program management services, and one contract for engineering and planning services.

⁷ The contract was not to exceed \$270,000.

⁸ The partial contracts were executed with grantees that were not under the jurisdiction of the County.

⁹ We were unable to determine the hourly labor rate for the sixth contract.

- 1A. The County does not reimburse itself with program funds for the \$452,444 in County bond proceeds originally budgeted for the Armstrong Park project and used to pay for flood protection improvements in the Graue Mill subdivision in Hinsdale.
- 1B. The \$7,677 (\$460,121 - \$452,444) in remaining County bond proceeds originally budgeted for the Armstrong Park project are used for eligible program activities.

We recommend that the Director of HUD's Chicago Office of Community Planning and Development require the County to

- 1C. Deobligate the \$109,270 in program funds obligated for ineligible activities in its construction contracts for the West Branch DuPage River Flood Control and Springbrook Culvert projects.
- 1D. Support or reimburse its program from non-Federal funds \$98,507 for the program funds used for project management services without sufficient documentation to support that the use of the funds was reasonable.
- 1E. Improve its procedures and controls to ensure that the County administers the program in accordance with Federal requirements.

Scope and Methodology

We performed fieldwork from February through April 2016 at the County's office located at 421 North County Farm Road, Wheaton, IL, and at HUD's Chicago regional office located at 77 West Jackson Boulevard, Chicago, IL. The audit generally covered the period January 1, 2014, through December 31, 2015, and was expanded as necessary.

To accomplish our audit objective, we reviewed

- Applicable laws; Federal regulations at 2 CFR Part 225; HUD's regulations at 24 CFR Parts 85 and 570; the Federal Register, dated November 16, 2011, March 5, 2013, December 16, 2013, June 3, 2014, and January 8, 2015; HUD's grant agreement with the County for program funds; financial data in HUD's Disaster Recovery Grant Reporting system;¹⁰ and HUD's files for the County's program.
- The County's action plan for program funding and the first three amendments to the action plan, dated September 11, 2014, April 28, 2015, and April 20, 2016, respectively; the County's comprehensive annual financial report and single audit report for the fiscal year ending 2014; quarterly performance reports from October 2014 through March 2016; accounting records, policies and procedures, and organizational charts; and memorandums of understanding for its infrastructure projects.

In addition, we interviewed the County's employees and HUD's staff.

Finding

We reviewed all four of the County's construction contracts for the three infrastructure projects for which it had obligated or disbursed program funds as of February 2016. Additionally, we reviewed all of the County's six contracts for services that had been executed as of February 2016. Since we performed 100 percent testing of the County's infrastructure projects and service contracts as of February 2016, we did not project the results.

We relied in part on data from the County's accounting systems. Although we did not perform a detailed assessment of the reliability of the data, we performed minimal levels of testing and found the data to be adequately reliable for our purposes.

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

¹⁰ HUD's Disaster Recovery Grant Reporting system is primarily used by HUD staff to review grant funded activities and monitor program compliance related to the Program and other special appropriations.

objective(s). 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:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The County needs to improve its procedures and controls to ensure that its program complies with Federal requirements (see finding).

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/
1A		\$452,444
1B		7,677
1C		109,270
1D	\$98,507	
Totals	98,507	569,391


- 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/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the County implements our recommendations, it will ensure that program funds are not used in place of County funds budgeted to fund infrastructure projects and program funds are not obligated for ineligible activities. Instead, these funds will be available for eligible program activities.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



DUPAGE COUNTY

Community Development
630-407-6600
Fax: 630-407-6601

Family Center
422 N. County Farm Rd.
Wheaton, IL 60187
630-407-2450
Fax: 630-407-2451

Housing Supports and Self-Sufficiency
630-407-6500
Fax: 630-407-6501

Intake and Referral
630-407-6500
Fax: 630-407-6501

Psychological Services
505 N. County Farm Rd.
Wheaton, IL 60187
630-407-6400
Fax: 630-407-6401

Senior Services
630-407-6500
Fax: 630-407-6501

630-407-6500
Fax: 630-407-6501
csprograms@dupageco.org
www.dupageco.org/community

COMMUNITY SERVICES

September 14, 2017

Ms. Kelly Anderson
Regional Inspector General for Audit
Region 5
U.S. Department of Housing and Urban Development
77 W. Jackson Blvd.
Chicago, IL 60604

Dear Ms. Anderson:

Thank you for the opportunity to provide written comments to the discussion draft audit report that was provided to us on September 1, 2017.

The County has provided much documentation related to the audit, which began with survey work on January 27, 2016. Our comments will focus on the recommendations outlined to the Director of HUD's Chicago Office of Community Planning and Development.

1A. The County does not reimburse itself with program funds for the \$452,444 in County bonds proceeds originally budgeted for the Armstrong Park project and used to pay for flood protection improvements in the Graue Mill subdivision in Hinsdale.

1B. The \$7,677 (\$460,121-\$452,444) in remaining County bond proceeds originally budgeted for the Armstrong Park project are used for eligible program activities.

The County believes recommendations 1A and 1B are unnecessary as they have already been satisfied.

During the course of the Audit, the County provided documentation outlining the expenditure of \$4,539,879 of the \$5 million in bond proceeds that were to be directed to the Armstrong Park project, as outlined in the County's first CDBG-DR Action Plan. As stated in the discussion draft audit report, the County allocated the remaining \$460,121 toward flood protection improvement in the Graue Mill subdivision in Hinsdale, an eligible activity. To date, the County has spent \$556,000 in bond proceeds on the Graue Mill project, well above the \$460,121 remainder from Armstrong Park. The County has not, and will not, seek any reimbursement from program funds for this work.

Jack T. Knuepfer Administration Building, 421 N. County Farm Road, Wheaton, Illinois 60187

Comment 1

Comment 1

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

1C. Deobligate the \$109,270 in program funds obligated for ineligible activities in its construction contracts for the West Branch DuPage River Flood Control and Springbrook Culvert projects.

The County objects to recommendation 1C as it disagrees that the \$109,270 expenditure referenced was for ineligible activities.

Comment 2

The County's ordinance follows closely the philosophy of the Army Corps of Engineers which clearly outlines that compliance with the required establishment of stream stabilizing vegetation, particularly of native species of plants, cannot be achieved in the first year's growing cycle. During subsequent growing cycles the contractor is required to ensure full establishment which includes on-going work to ensure successful integration of plantings until such time as full establishment is achieved. Only then can the permit be closed and the project considered complete. The OIG's audit characterized this work as ineligible because it is listed as monitoring and maintenance, implying it is routine and on-going. This characterization is incorrect because in this context the maintenance work is the final phase of the Contractor's obligation to bring the project to completion.

Comment 3

1D. Support or reimburse its program from non-Federal funds \$98,507 for the program funds used for project management services without sufficient documentation to support that the use of the funds was reasonable.

The County objects to the potential reimbursement suggested in recommendation 1D as the County has demonstrated several measures by which the expenditure can be considered reasonable.

Comment 3

DuPage County received a total CDBG-DR allocation of \$31,526,000, an amount that is 10 times greater than its typical annual allocation. With a limited staff, the County was faced with the decision to recruit, hire, and train staff specifically for the administration of the time-limited CDBG-DR program, or to seek assistance from outside contractors. The County issued an RFP for qualified contractors to assist with program management. Prior to the issuance of the RFP, the County attempted to locate information specific to CDBG-DR program management consulting rates but was unsuccessful. Instead the County relied upon its staff experience in working with other professional services contracts and researched other consulting costs in the Chicago market. During the course of the audit, the County provided the OIG with information from CDBG-DR program consultant contracts from CDBG-DR recipients in Minot, North Dakota; the State of New Jersey; Springfield, Massachusetts; Luzerne County, Pennsylvania; and the State of New York. In every instance the blended hourly rate in those contracts was more than what DuPage County paid to its contractor. The OIG is correct that not every one of these examples included the full scope of work, but the County provided all detail that was included in the example contracts.

Comment 3

The total \$98,507 expenditure for the consultant contract represents the following:

- 0.3% of the total CDBG-DR allocation
- 0.6% of the total CDBG-DR expended to date
- 6.2% of the total allowed CDBG-DR administration expense of \$1,576,300 (5% of \$31M)

To characterize this expense as unreasonable is not reflective of the cost of program administration. The contractor worked with DuPage County for a 2-year period. Assuming the County could have hired one fully-trained Senior Community Development Specialist for that time period, the fully allocated cost of that position would have been approximately \$158,920 (\$58,000 per year x 37% fringe rate x 2 years). To date DuPage County has expended a total of \$16,926,304 in CDBG-DR funds, with a total of \$404,235

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

spent on administration. Based upon current spending, the County could have spent \$814,815 on administrative expenses. Instead, the \$404,235 that was actually spent represents 2.48%, less than half, of the 5% administrative spending that is allowed by program regulations. DuPage County has been administering the Disaster Recovery funds utilizing the most efficient program management model, keeping administration costs as low as possible so that program funds are directed to assist in recovery to the greatest extent possible.

1E. Improve its procedures and controls to ensure that the County administers the program in accordance with Federal requirements.

The County has no objections to this recommendation and welcomes any available technical assistance from the HUD Office of Inspector General and the HUD Office of Community Planning and Development.

Thank you again for the opportunity to respond. If you need any additional information to complete your report, please feel free to contact me at 630/407-6457.

Sincerely,



Mary A. Keating
Director

OIG Evaluation of Auditee Comments

- Comment 1 The County's director of community services stated that the County believed recommendations 1A and 1B were unnecessary since they had already been satisfied. The director also stated that the County used \$556,000 in bond proceeds for the Graue Mill project. It had and will not reimburse itself with program funds for the bond proceeds used for the project.
- The County provided sufficient documentation to support only that it used more than \$452,000 of the remaining more than \$460,000 in bond proceeds for improvements within the Graue Mill subdivision in Hinsdale, IL. It has not provided documentation to show that it used the remaining nearly \$8,000. The County should work with HUD's Chicago Office of Community Planning and Development to resolve recommendations 1A and 1B.
- Comment 2 The director of community services stated that the County disagreed that it used more than \$109,000 for ineligible activities. The director also stated that the activities were necessary to close the permit for the projects and consider the projects complete. It was incorrect to consider the activities as ineligible since the maintenance work was the final phase of the contractors' obligation to complete the projects.
- The audit report stated that the County **obligated** more than \$109,000 for ineligible activities. The activities were to be performed more than 1 year after the completion of the initial construction. The County's Stormwater and Floodplain Ordinance referred to the period after the completion of the construction as a maintenance and monitoring period. Further, regulations at 24 CFR 570.207(b)(2) state that the general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services is ineligible.
- Comment 3 The director of community services stated that the County objected to the potential reimbursement of nearly \$99,000 in program funds used for project management services since it has shown several measures by which the use of the funds could be considered reasonable. The director also stated that the County relied upon its staff's experience in working with other professional services contracts and researched other consulting costs in the Chicago market. During the audit, it provided information from six consulting contracts associated with other program recipients. Although the six contracts did not always specify the full scope of work, it provided all of the detail that was included in the contracts and the blended hourly rate in the contracts was more than what the County paid its contractor. Finally, the director stated that to describe the program funds used for project management services as unreasonable was not reflective of the cost of program administration.

However, the County did not perform a cost or price analysis to support that the cost of the contract for program management consulting services was reasonable as required by the regulations at 24 CFR 85.36(f)(1). Further, the County did not provide the procurement documentation associated with the six partial consulting services contracts to support that the hourly rates in the partial contracts were reasonable. While we recognize that the County has not used the maximum amount of program funds allowable for administrative expenses as of September 2017, the County was required to properly procure the program management consulting services and support that its use of program funds for the services was reasonable.

Comment 4 The director of community services stated that the County had no objections to improving its procedures and controls to ensure that it administers the program in accordance with Federal requirements. The County should work with HUD's Chicago Office of Community Planning and Development to resolve recommendation 1E.

Appendix C

Applicable Requirements

Finding

HUD's grant agreement with the County for the program, dated November 8, 2016, states that the regulations at 24 CFR Part 570 are part of the grant agreement and the County must comply with all waivers and alternative requirements in the Federal Register, dated March 5, 2013.

78 FR 14344, dated March 5, 2013, states that HUD guidance to assist in preventing a duplication of benefits is provided in 76 FR 71060, dated November 16, 2011. Grantees under this notice are subject to the November 16, 2011, notice.

76 FR 71061, dated November 16, 2011, states that the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 directs administrators of Federal assistance to ensure that no person, business concern, or other entity will receive duplicative assistance and imposes liability to the extent that such assistance duplicates benefits available to the person for the same purpose from another source. Page 71062 states that a grantee must determine whether a cost is necessary and reasonable. If a cost has already been or will be paid from another source, it is presumed to violate the necessary and reasonable standard. Page 71063 states that when providing funds for the repair, replacement, rehabilitation, or new construction of public facilities or improvements, a grantee must address whether other sources of funds are available for that same purpose and for that specific project because funds used directly by grantees and other government entities for public facilities or other purposes are subject to the duplication of benefits prohibitions under the Act.

Regulations at 24 CFR 85.36(f)(1) state that grantees must perform a cost or price analysis in connection with every procurement action, including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals.

Regulations at 24 CFR 570.200(f)(1) state that activities may be undertaken subject to local law by the grantee through procurement contracts governed by the requirements of 24 CFR 85.36.

Regulations at 24 CFR 570.207(b)(2) state that the general rule is that any expense associated with repairing, operating, or maintaining public facilities, improvements, and services is ineligible. Examples of ineligible operating and maintenance expenses are the maintenance and repair of publicly owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking, and other public facilities and improvements.