



Fort Bend County Community Development Department, Richmond, TX

Community Planning and Development Programs



To: Stacia L. Johnson, Community Planning and Development Director, 6ED
//signed//
From: Kilah S. White, Regional Inspector General for Audit, 6AGA
Subject: The Fort Bend County Community Development Department, Richmond, TX,
Did Not Always Comply With Office of Community Planning and Development
Program Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Fort Bend County Community Development Department, Richmond, TX.

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 (817) 978-9309.



Audit Report Number: 2017-FW-1013

Date: September 14, 2017

The Fort Bend County Community Development Department, Richmond, TX, Did Not Always Comply With Office of Community Planning and Development Program Requirements

Highlights

What We Audited and Why

We audited the Fort Bend County Community Development Department based on our risk analysis and as part of our annual audit plan to review Office of Community Planning and Development (CPD) funds. The audit objective was to determine whether the Department (1) properly carried out its activities as shown in its submission to the U.S. Department of Housing and Urban Development (HUD) in an economical, efficient, and effective manner; (2) complied with program requirements; and (3) had adequate controls to ensure compliance with HUD regulations.

What We Found

The Department generally carried out its activities as submitted; however, it did not comply with some requirements for its Community Development Block Grant, HOME Investment Partnerships, and Emergency Solutions Grant programs. Further, the Department did not always ensure compliance with HUD regulations. Specifically, it did not (1) perform cost analyses and independent cost estimates for contracts totaling \$240,010, (2) include required provisions in its agreements, (3) monitor subrecipients, (4) report and properly use \$22,872 in program income, or (5) properly match \$3,301 in HOME funds as required. These conditions occurred because the Department did not have adequate controls over its programs. Further, it was unaware of some requirements and believed other requirements were not feasible due to its lack of staff resources. As a result, the Department paid \$266,183 in questioned costs and could not provide reasonable assurance to HUD that it properly administered, adequately safeguarded, and spent its HUD funds in accordance with requirements.

What We Recommend

We recommend that the Director of HUD's Houston Office of Community Planning and Development require that the Department develop and implement procedures to ensure that future contracts and subrecipient agreements address the issues identified in this report and confirm that it has done so. In addition, we recommend that HUD require the Department to (1) repay or support the \$240,010 in unsupported procurement payments, (2) report \$22,872 in program income, and (3) pay \$3,301 in match liability.

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Background and Objective

The Fort Bend County Commissioners Court created the Fort Bend County Community Development Department in 1992 to administer the Community Development Block Grant (CDBG) program and other Federal housing programs. In 1994, Fort Bend County was designated a participating jurisdiction and as such, became eligible to receive a grant directly from the U.S. Department of Housing and Urban Development (HUD) through the HOME Investment Partnerships program. In 1995, Fort Bend County became eligible to receive a grant through the Emergency Solutions Grant (ESG) program. Since that time, the Department's scope has expanded to include the administration of several other programs.

Under the CDBG program, HUD awards grants to State and local governments to aid in the development of viable urban communities. Recipients are required to use grant funds to provide decent housing and suitable living environments and to expand economic opportunities, principally for persons of low and moderate income. In addition, each CDBG-funded activity must meet one or more of the following three national objectives:

- benefit low- and moderate-income persons,
- aid in preventing or eliminating slums or blight, or
- address a need with a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

The HOME program provides grants to States, units of general local government, and insular areas to implement local housing strategies designed to increase affordable housing opportunities for low- and very low-income families.

ESG provides grants to States, units of general local government, and insular areas to support essential services related to emergency shelter and street outreach, rehabilitation and conversion of buildings to be used as emergency shelters, operation of emergency shelters, short-term and medium-term rental assistance, and housing relocation and stabilization services.

The Department is located at 301 Jackson Street, Richmond, TX. Between 2014 and 2015, the Department received the following HUD funding:

Program year	CDBG	HOME	ESG	Total
2014	\$2,190,757	\$466,953	\$171,760	\$2,829,470
2015	2,222,391	436,211	195,277	2,853,879

The objective of our audit was to determine whether the Department (1) properly carried out its activities as shown in its submission to HUD in an economical, efficient, and effective manner; (2) complied with program requirements; and (3) had adequate controls to ensure compliance with HUD regulations.

Results of Audit

Finding: The Department Did Not Always Comply With Program Requirements

The Department generally carried out its activities as submitted to HUD; however, it did not always comply with CDBG, HOME, and ESG requirements. Specifically, it did not ensure that it (1) performed cost analyses and independent cost estimates, (2) included required provisions in its contracts and grant agreements, (3) adequately monitored subrecipients, (4) reported and properly used program income, or (5) properly calculated HOME match liability. These conditions occurred because the Department did not have adequate controls over its programs. Additionally, the Department was unaware of some requirements and believed other requirements were not feasible because it did not have adequate staff resources. As a result, it could not provide reasonable assurance to HUD that it properly administered, adequately safeguarded, and spent its HUD funds in accordance with requirements. In addition, the Department had \$266,183 in questioned costs.

The Department Did Not Comply With CDBG Procurement and Monitoring Requirements

The Department did not comply with HUD requirements for its CDBG program. HUD required¹ that the Department perform a cost analysis and independent cost estimate in connection with every procurement action before receiving bids or proposals. Although the Department procured five contracts totaling \$240,010, it did not perform required cost analyses and cost estimates.

Table 1: Procured contracts

Type of contract ²	Unsupported contract amount	Cost analysis not performed	Independent cost estimate not performed
Engineering	\$74,500	X	X
*Engineering	66,010	X	X
*Inspection	99,500	X	X
Total	240,010		

*Two contracts each; five contracts total

¹ 24 CFR (Code of Federal Regulations) 85.36(f), Contract cost and price

² The Department also did not comply with the cost analysis and independent cost estimate requirements for its HOME program. The three engineering contracts totaling \$140,510 were for CDBG procurements, while the two inspection contracts totaling \$99,500 were for HOME procurements.

CDBG Procurement Contracts and Grant Agreements Lacked Required Provisions

The Department's procurement contracts lacked required provisions.³ For example, none of the reviewed contracts included provisions regarding compliance with energy efficiency⁴ and access to the contractor's records and books⁵ as components of the agreements as required.

In addition, grant agreements executed between the Department and four of its CDBG subrecipients did not always comply with HUD requirements. Specifically, the agreements did not address the following requirements outlined in 24 CFR (Code of Federal Regulations) 570.503(b)(5):

- use of debarred, suspended, or ineligible contractors or subrecipients⁶ and
- affirmatively furthering fair housing.⁷

The Department used the County's procurement policy; however, its usefulness was limited because the policy did not address the Department's procurement process or requirements for its CDBG program. Following the County's policy was ineffective since it did not help the Department ensure that it complied with HUD program requirements, such as performing cost analyses and estimates and including essential provisions in contracts and grant agreements. The Department agreed to add the required provisions to its future subrecipient grant agreements.

The Department Did Not Always Monitor Subrecipients

The Department did not adequately monitor its subrecipients. Specifically, regarding the CDBG subrecipients,⁸ the Department did not conduct onsite monitoring reviews or perform grant closeout reviews in 2014 or 2015. This deficiency violated the Department's monitoring policy in effect from 2011 through 2015, which stated, "On-site monitoring is conducted annually." The Department monitored its CDBG subrecipients in 2016.

The monitoring policy also stated that a "more frequent monitoring schedule is developed" if a subrecipient is considered high risk, such as those with previous compliance or performance issues and those with timeliness problems. Review of the Department's files showed that four of its CDBG subrecipients had timeliness problems. For example, two of the subrecipients did not provide required reports in January 2014. In addition, one of these two subrecipients submitted reports late nine times and the other submitted reports late three times. Two other CDBG subrecipients also failed to submit monthly and annual reports in a timely manner. Although these subrecipients clearly met the Department's threshold for more frequent monitoring, the Department did not fulfill its monitoring responsibilities. These conditions occurred because the Department did not have adequate controls to ensure proper subrecipient oversight. The

³ 24 CFR 85.36(i)3, 4, 5, 6, 10, 11, and 13

⁴ 24 CFR 85.36(i)13

⁵ 24 CFR 85.36(i)10

⁶ 24 CFR 570.609

⁷ 24 CFR 570.601

⁸ The Department also did not consistently monitor its ESG subrecipients. The situation described here also applied to the Department's ESG subrecipients over the same timeframe.

Department explained that it did not have enough personnel on staff to monitor its subrecipients. As a result, subrecipients did not complete routine tasks, and the Department could not assure HUD that it met program requirements or that its subrecipients performed according to grant agreements, thus putting HUD funds at risk.

The Department Did Not Comply With Certain HOME Requirements

For its HOME program, the Department did not always comply with HUD requirements related to program income, matching, and file documentation. Specifically, it did not report \$22,872 in program income in HUD’s Integrated Disbursement and Information System (IDIS)⁹ as required. In addition, the Department’s required consolidated annual performance and evaluation reports from 2013 to 2015 reported no program income.¹⁰ However, analysis of the Department’s HOME reports showed that it earned \$22,872 in program income between September 2012 and March 2015.

HUD required¹¹ the Department to use program income before making additional drawdowns from HOME funds. As table 2 shows, the Department earned program income from September 2012 through March 2015. However, in violation of requirements, it made HOME drawdowns for 30 months before using program income in April 2015.

Table 2: Program income received

Program income		
Check amount	Date	Source
\$2,500.00	9/14/2012	Downpayment assistance lien
3,843.07	11/7/2014	Housing rehabilitation lien payoff
9,672.78	1/30/2015	Housing rehabilitation lien payoff
6,856.51	3/10/2015	Housing rehabilitation lien payoff
22,872.36		

When we brought the matter to the Department’s attention, a director stated that the failure to report program income was an oversight since receiving program income was rare. The director also said the Department did not know there was a requirement to use program income before drawing additional HOME funds. Not understanding or being aware of program requirements led to the Department’s not properly reporting program income and using HOME funds when program income funds were available. Both of these actions violated HUD requirements. As a result, the Department did not report \$22,872 in program income, and it could not assure HUD that it properly administered HOME funds in accordance with requirements.

⁹ IDIS is the drawdown and reporting system for the four CPD formula grant programs: CDBG, HOME, Housing Trust Fund, ESG, and Housing Opportunities for Persons With AIDS (HOPWA) and for the CPD competitive grant program HOPWA Competitive.

¹⁰ 24 CFR 92.502(a). The participating jurisdiction must report all program income in HUD’s computerized disbursement and information system.

¹¹ 24 CFR 92.502(c)(3)

Match Liability Was Not Properly Calculated

The Department did not always properly calculate its HOME match liability. HUD required participating jurisdictions to match or make a permanent contribution to affordable housing of no less than 25 percent of the total HOME funds drawn.¹² The Department's and HUD's¹³ matching liability reports did not agree. The Department asserted that its calculations were correct and stated that it could not "vouch" for HUD's IDIS reports. The Department suggested that the identified discrepancies could be the result of using a program year instead of the Federal fiscal year to calculate the liability.

We performed our own calculation based on the Department's program year of September 1 through August 31. Our calculations agreed with the Department's calculations for 2013 and 2015. However, the Department incorrectly calculated the match liability requirement for 2014. It did not include an eligible disbursement in its calculation, which resulted in an understated disbursement amount. The Department agreed and explained that not including the \$13,205 disbursement in its 2014 match liability calculation was an oversight. As a result, the HOME match fund was deficient by \$3,301 in 2014.

Table 3: Match liability comparison

Year	Disbursements requiring match			Match liability amounts		
	OIG*	Fort Bend	Difference	OIG	Fort Bend	Difference
2013	\$374,850	371,218	\$3,632**	\$93,713	\$92,805	\$908**
2014	226,136	212,931	13,205	56,534	53,233	3,301
2015	66,367	66,367	0	16,592	16,592	0

* OIG = Office of Inspector General

** The Department met its match obligation for these amounts in the previous year.

¹² 24 CFR 92.218, Matching contribution requirements

¹³ HUD's report PR 33 (HOME Matching Liability Report) displays a grantee's HOME match liability for the requested Federal fiscal year and all prior years. The report displays total disbursements, those disbursements requiring matching funds, and the match liability amount.

The Department's HOME Files Lacked Adequate Documentation

The Department did not ensure that its files contained adequate documentation to show that it met program requirements.¹⁴ For example, it did not update income eligibility for clients; include the date of completion for rehabilitation work in its grant agreements; or include notices to proceed, after-rehabilitation evaluation calculation forms, or signed statements approving the proposed work. The Department explained that it had limited storage space and did not print routine attachments unless they were necessary for its records. However, the Department agreed to correct the identified deficiencies going forward.

The Department Used Outdated ESG Regulations in Its Agreements

Review of the Department's three ESG grant agreements showed that it used outdated regulations when referencing matching fund, record-keeping, and reporting requirements in the agreements¹⁵ with its subrecipients. For example, the grant agreement with an ESG subrecipient, dated February 15, 2016, still used 24 CFR 576.51 for the matching funds reference instead of 24 CFR 576.201. This matching regulation citation changed in April 2012.

The Department stated that it was not aware of this requirement and that going forward it would use the most recent regulations and add the provisions to the subrecipients' grant agreements.

Conclusion

The Department generally carried out its activities as submitted to HUD; however, it did not always comply with CPD program requirements. Specifically, it did not perform cost analyses and independent cost estimates, include required provisions in its contracts and grant agreements, adequately monitor subrecipients, report and properly use program income, or properly calculate HOME match liability. The Department's lack of adequate controls over its programs, not understanding or being unaware of some HUD requirements, and the challenges it faced because it was understaffed caused the conditions discussed in this report. Therefore, the Department could not provide reasonable assurance to HUD that it properly administered, adequately safeguarded, and spent \$266,183 in HUD funds in accordance with requirements.

Recommendations

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

- 1A. Support the \$240,010 in unsupported procurement payments or repay its CDBG program from non-Federal funds.
- 1B. Report \$22,872 in program income to HUD and properly use program income.
- 1C. Correct its HOME matching liability report to include the recalculated amount for 2014 and pay the matching liability of \$3,301.

¹⁴ 24 CFR 92.508(a)(3)

¹⁵ The Department cited 24 CFR 576.51, 53, 57, and 59 for 2014-2016 grant agreements instead of 24 CFR 576.201 and 576.500.

- 1D. Confirm that it has developed and implemented written procurement procedures to ensure that future contracts and subrecipient agreements address the procurement and required provision issues identified in the report.
- 1E. Ensure that all program files include required documentation and support.
- 1F. Monitor subrecipients annually as stated in its monitoring policy.
- 1G. Train its staff regarding HUD requirements and regulations or seek technical assistance.

Scope and Methodology

We conducted our audit at the Department and our office in Houston, TX, between January and April 2017. Our audit scope generally covered the Department's CDBG program for the period January 1, 2014, through December 31, 2016. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our objective, we reviewed

- Relevant laws, regulations, and program guidance.
- The Department's organizational structure and written policies for the program.
- The Department's audit and HUD monitoring reports.
- The Department's grant agreements and action plans.
- The Department's subrecipient agreements and monitoring documentation.
- Expenditure and project reports for CDBG, HOME, and ESG from IDIS.
- The Department's files for the sampled CDBG-funded projects to determine whether the Department adequately documented the program's national objectives.
- The Department's files for the sampled CDBG-funded procurements to determine whether the Department complied with Federal procurement rules and regulations.
- The Department's administrative expenditures to determine whether the expenditures exceeded a 20 percent threshold and whether the Department used funds for allowable purposes.

We also interviewed the Department's staff and subrecipients.

From a universe of 18 CDBG and ESG projects totaling \$4.27 million, administered between January 1, 2014, and December 31, 2016, we selected for review a sample of four projects totaling \$661,739, based on the following qualifications: (1) multiple funding years, (2) not a local governing unit, (3) provided rehabilitation or home repair services, and (4) high dollar amount. We reviewed the Department's file documentation for the four projects to determine whether the Department maintained documentation to support its basis for meeting one or more of the three program national objectives and subrecipient oversight. We compared HUD's IDIS data to the Department's data but did not perform a complete assessment of computer-processed data regarding the national objective review because we did not rely on computer data to develop our conclusions. The test results are limited to the four projects reviewed and cannot be projected to the universe.

From a universe of nine CDBG and HOME contracts totaling \$388,870, procured between January 1, 2013, and December 31, 2016, we selected for review a sample of five contracts totaling \$240,010. We reviewed the Department's and Fort Bend County's file documentation for the five sample contract files to determine whether the Department procured the contracts in

accordance with Federal regulations. We did not assess computer-processed data for the procurement review because we did not rely on computer data to develop our conclusions. The test results are limited to the five contracts reviewed and cannot be projected to the universe.

From a universe of 584 Department CDBG drawdowns in IDIS totaling \$5.48 million, between December 20, 2013, and January 6, 2017, we extracted every 100th drawdown from the list starting at line item number 2. We then selected our sample of five vouchers by picking the 102nd, 202nd, 302nd, 402nd, and 502nd line items. We selected five vouchers totaling \$192,564 for testing. We reviewed the drawdowns to determine whether they were eligible and adequately supported. We determined that the IDIS data were reliable for our test purposes, but our reliability assessment was limited to the data reviewed and reconciled to the Department's data. The test results are limited to the five vouchers reviewed and cannot be projected to the universe.

From a universe of 25 HOME rehabilitation projects totaling \$1.03 million, we selected a sample of five projects totaling \$230,042. We selected one project per year and two of the most recently completed projects for review. We determined whether the Department properly used HOME funds. The test results are limited to the five projects reviewed and cannot be projected to the universe.

The Department had three ESG subrecipients with grants totaling \$488,188 during the audit period. We selected the two subrecipients with the largest award amounts totaling \$370,036 and conducted site visits and reviewed client files to determine whether the subrecipients complied with the grant agreements and ESG program requirements. We also selected for expenditure review the three largest disbursement amounts for each grant agreement and each subrecipient totaling \$70,754. The test results are limited to these reviewed sample items and cannot be projected to the universe.

We compared administrative expenditure data, covering program years 2014 through 2016, from IDIS with the total grant amount and determined that administrative costs did not exceed the 20 percent limit.

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.

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 implemented by the Department to ensure that it effectively administered its CDBG, HOME, and ESG program activities, including meeting program national objectives and procuring necessary contracts.
- Effectiveness and efficiency of operations - Policies and procedures implemented by the Department to ensure that it used its CDBG, HOME, and ESG grant funds efficiently, including ensuring that such use of funds was reasonable and necessary.
- Compliance with applicable laws and regulations - Policies and procedures implemented by the Department to ensure that it administered and adequately documented its CDBG, HOME, and ESG program activities in compliance with HUD requirements regarding procurements, subrecipient oversight, and administrative expenditures.

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:

- The Department did not have policies, procedures, and adequate controls in place to ensure that it procured services in accordance with HUD requirements.

- The Department did not have adequate controls in place to ensure that it properly documented, reported, matched, and spent its grant funds efficiently.
- The Department did not have adequate controls in place to ensure adequate oversight of its CDBG and ESG subrecipients and proper administration of its HOME program. Specifically, the Department did not monitor subrecipients, subrecipient grant agreements lacked required provisions, and the Department's HOME files lacked required documentation.

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	\$240,010	
1B		\$22,872
1C		3,301
Totals	240,010	26,173

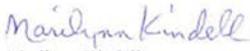
- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve 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 Department implements our recommendations, it will help to ensure that it effectively and efficiently administers its HUD grant funds.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

	COMMUNITY DEVELOPMENT Fort Bend County, Texas
Marilynn Kindell Director	(281) 341-4410 Fax (281) 341-3762
August 11, 2017	
Ms. Kilah S. White, Regional Inspector General for Audit, Region 6 U.S Department of Housing and Urban Development Office of Inspector General 819 Taylor Street, 13A09 Fort Worth, Texas 76102	
Attn: Ms. Danita Wade	
Dear Ms. White:	
Subject:	Fort Bend County, Texas Draft Audit Report Fort Bend County Community Planning and Development Programs
Fort Bend County staff and I appreciated meeting with Ms. Danita Wade and Ms. Ava Rousell regarding the above-referenced report. Please know that we take seriously the recommendations you made in the report. As discussed in the meeting, some of the recommendations have already been addressed and the County will work with the local U.S. Department of Housing and Urban Development field office to resolve all remaining issues.	
I have attached the County's response to the draft recommendations. If you have questions, please contact me.	
Sincerely,	
	
Marilynn Kindell Director	
301 Jackson Street • Richmond, Texas 77469	

Comment 1

**FORT BEND COUNTY, TX – RESPONSE TO DRAFT AUDIT
REPORT OF OFFICE OF INSPECTOR GENERAL**

1A. Support the \$240,010 in unsupported procurement payments or repay its CDBG program from non-federal funds.

Fort Bend County procured engineering professional services using competitive statement of qualification procedures where price is not used as a selection factor. This method of procurement is allowed under 2 CFR 200.320 (see below). Fort Bend County solicited competitive statement of qualifications. The submissions were evaluated based on experience of the professional service providers. The criteria for evaluation were set forth in the published solicitation. Once the submissions were evaluated and a service provider was selected, then the fee was negotiated.

(5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services.

Fort Bend County, working with Department of Homeland Security, Office of Inspector General, Emergency Management Oversight, New Orleans Sub Office, added sections 9.3 and 9.4 to its purchasing manual to address federal funds. The DHS OIG reviewed and approved the additions. The additions were approved by Fort Bend County on March 28, 2017. For Federally funded transportation projects, Fort Bend County uses a separate manual. This manual was last amended on November 4, 2014.

Comment 2

The total amounts drawn from the two inspection contracts was \$12,250, not \$99,500 as stated in your report.

Comment 3

1B. Report \$22,872 in program income to HUD and properly use program income

Fort Bend County received instructions from aaq@hudexchange.info regarding receipting and recording of expended program income in IDIS when the activities have been closed out in IDIS. The receipting and recording has been completed according to aaq's instructions. The documentation has been made available to the HUD OIG Auditor.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 4

1C. Correct its HOME matching liability report to include the recalculated amount for 2014 and pay the matching liability of \$3,301.

The matching liability report has been corrected to include the recalculated amount for 2014. The matching liability amount was met in the previous year. The corrected matching liability report will be included in the FY 2016 CAPER which will be submitted to HUD as required in November, 2017.

Comment 5

1D. Confirm that it has developed and implemented written procurement procedures to ensure that future contracts and subrecipient agreements address the procurement and required provision issues identified in the report.

In March of 2017, Fort Bend County revised its Purchasing manual to add 2 C.F.R. 200 Sections 200.318 through 200.326 as well as Appendix II. The Purchasing Department is updating the manual to add all additionally required federal language as it relates to HUD, and any other federal funds provided to Community Development.

Fort Bend County is developing procedures to ensure that subrecipient agreements include all required provisions.

Comment 5

1E. Ensure all that program files include required documentation and support.

Fort Bend County will ensure that all files will include required documentation and support. A checklist is being used for each program file and will be revised as needed to ensure that all required documentation and support is in each file.

Comment 5

1F. Monitor subrecipients annually as stated in its monitoring policy.

Fort Bend County is conducting annual on-site monitoring as stated in its monitoring policy. Monitoring of CDBG subrecipients was conducted in 2016 and will be scheduled annually.

Fort Bend County, using guidance from Exhibit 28 of the revised HUD Community Planning and Development Monitoring Handbook 6509.2, monitored all ESG subrecipients in June and July, 2017. Monitoring of ESG subrecipients will be conducted annually.

Fort Bend County conducts desk-monitoring of CDBG and ESG subrecipients monthly.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 5

IG. Train its staff regarding HUD requirements and regulations or seek technical assistance.

Fort Bend County will train its staff to ensure that we are administering all programs according to HUD requirements and regulations. Staff will register for training via HUDexchange.info which is HUD's resource for providing assistance and information in support of HUD's partners in local communities. Further, staff will enroll in other relevant training. In addition, we will work closely with Fort Bend County's HUD CPD Representative and other HUD staff to ensure that program regulations and ever-changing guidelines are being closely followed.

OIG Evaluation of Auditee Comments

Comment 1 The Department stated that it procured engineering professional services using the competitive statement of qualification procedures as allowed under 2CFR 200.320.

The Department's response described the method of procurement it used to obtain three engineering services contracts. We do not dispute that the Department procured these contracts under the competitive proposals method. However, HUD also required the Department to perform a cost or price analysis for every procurement action where it used HUD grant funds, including competitive proposal procurements. This requirement included obtaining independent cost estimates before receiving bids or proposals. In addition, cost analyses must be performed when the offeror is required to submit the elements of the estimated cost, e.g., under professional, consulting, and architectural engineering services contracts.

As the report detailed, the Department did not complete cost estimates or cost analyses for its executed contracts. In addition, the Department's procurement policy in effect during the audit period did not include procedures for ensuring the requirements were met. The Department's procurement files did not detail how it negotiated fees for its engineering contracts to ensure it obtained a fair and reasonable price. Therefore, we did not revise the finding and \$240,010 remains unsupported.

Comment 2 The Department stated the total amount drawn from the two inspection contracts was \$12,250, not \$99,500 as stated in our report.

The amounts in Table 1 of the report reflect the contract amounts awarded, not the amounts drawn to date. We added clarifying language to the table.

Comment 3 The Department stated that it received instructions from HUD's online technical assistance tool regarding receipting and recording of expended program income in IDIS when the activities have been closed out in IDIS. The receipting and recording has been completed according to HUD's online guidance. The documentation has been made available to the HUD OIG auditor.

The documentation provided by the Department after the exit conference showed that it recorded the expended \$22,872 in program income on August 9, 2017, to satisfy the audit recommendation. We appreciate the Department's effort to address the recommendation in the report. At issuance of the final audit report, we will enter a management decision into HUD's Audit and Corrective Action Tracking System to show that final action has been completed.

Comment 4 The Department stated that the matching liability report has been corrected to include the recalculated amount for 2014 and that the matching liability amount was met in the previous year. The corrected matching liability report will be included in its CAPER to be submitted to HUD in November 2017.

We acknowledge the Department's effort to address the recommendation in the report. However, we do not agree that in 2013 the Department met its \$3,301 matching liability for 2014. The Department was unaware of the error until our review, and it corrected the error as a result of our review. We encourage the Department to work with HUD to resolve the finding and recommendation during the audit resolution process.

Comment 5 The Department stated it revised its purchasing manual in March 2017 to add certain requirements, and updated other requirements. It also stated that it was developing procedures to ensure that subrecipient agreements include all required provisions. The Department further committed to ensuring its files included required documentation and support, and it described recent subrecipient monitoring and plans for continued monitoring. Further, the Department detailed staff training plans and efforts to work closely with its HUD CPD representative.

We appreciate the Department's efforts to address the recommendations cited in the report. We encourage the Department to work with HUD to ensure that sufficient training is provided to its staff and to resolve the finding and recommendations during the audit resolution process.