



Issue Date February 10, 2009
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Audit Report Number 2009-AT-1002
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TO: Mary D. Presley, Director, HUD Atlanta Office of Community Planning and Development, 4AD

*James D. McKay*

FROM: James D. McKay, Regional Inspector General for Audit, 4AGA

SUBJECT: The City of Augusta, Georgia Needs to Improve Controls Over its Community Development Block Grant Façade Program

## **HIGHLIGHTS**

### **What We Audited and Why**

We reviewed the City of Augusta's (City) Community Development Block Grant (CDBG) Façade Rehabilitation Grant (façade) program due to concerns of mismanagement and abuse regarding the City's program. Our objectives were to determine whether the City's façade program complied with federal requirements and whether program activities met the national objectives of the CDBG program.

### **What We Found**

The City did not have adequate controls over its financial management of the façade program. A review of the City's program drawdown reports showed payments totaling \$180,817 that were not recorded in the general ledgers. This condition occurred because the City did not ensure that all transactions were recorded in the general ledgers. As a result, \$180,817 in program funds was unsupported. In addition, HUD could not be assured that the remaining \$270,175 in program funds would be accurately recorded or expended in a timely manner.

The City did not adequately monitor its façade program. It did not verify the program match requirements or complete façade grants in a timely manner. In addition, it did not ensure that program files were complete and contained all information required by its policies and procedures. This condition occurred because City management and staff did not follow and enforce program requirements. As a result of not adequately monitoring its façade program, the City could not ensure that the owners followed program requirements.

### **What We Recommend**

We recommend that the Director of HUD's Atlanta Office of Community Planning and Development require the City to (1) properly support or repay the façade program \$180,817 from non-federal funds and establish controls to ensure that all program transactions are accurately recorded in the general ledgers and (2) establish controls to ensure that the remaining \$270,175 in program funds is used for its intended purpose or reprogrammed to fund other eligible CDBG activities. We also recommend that the Director ensure that the City establishes controls to ensure that staff follows written policies and procedures for administering the façade program.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided a copy of the draft report to the City on January 6, 2009, and held an exit conference on January 13, 2009. The City provided written comments on January 27, 2009. The City generally agreed with the findings and recommendations.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report. The City also provided attachments with its response that are available for review upon request.

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## **BACKGROUND AND OBJECTIVES**

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Title I of the Housing and Community Development Act of 1974 (Public Law 93-383) established the Community Development Block Grant (CDBG) program. The Façade Rehabilitation Grant (façade) program is available for grantees to use under the CDBG program. All CDBG activities must meet one of the following national objectives:

- (1) Benefit low- and moderate-income persons,
- (2) Aid in the prevention or elimination of slums and blight, or
- (3) Meet certain community development needs having a particular urgency.

The City of Augusta (City) uses the façade program to revitalize historic commercial structures to help stimulate economic growth in the Central Business District, Central City Revitalization District, and neighborhoods that are severely blighted and in a state of disrepair. The City's façade program was established in 1980. Its mission is to create positive change by promoting self-sufficiency through partnership in economic development, quality housing, and neighborhood reinvestment.

The Augusta Housing and Community Development department administers the funding on behalf of the City. The U.S. Department of Housing and Urban Development (HUD) provided the City's façade program \$564,615 for program years 2000 through 2006. Its allocation for the program is approximately \$100,000 annually, depending on funding.

Our audit objectives were to determine whether the City's façade program complied with federal requirements and whether program activities met the national objectives of the CDBG program.

## RESULTS OF AUDIT

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### Finding 1: The City Did Not Have Adequate Controls over Its Financial Management of the Façade Program

The City did not have adequate controls over its financial management of the façade program. A review of the City's program drawdown reports showed payments totaling \$180,817 that were not recorded in the general ledgers. This condition occurred because the City did not ensure that all transactions were recorded in the general ledgers. In addition, the City did not ensure that obligated program funds were expended in a timely manner. As a result, \$180,817 in program funds was unsupported, and HUD could not be assured that the remaining \$270,175 in program funds would be accurately recorded and expended in a timely manner.

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#### Unrecorded Drawdown Transactions

The City's façade program received \$564,615 for program years 2000 through 2006. As of October 15, 2008, the City had drawn down \$294,440 for façade grants. It had 17 active façade grants, approximately \$30,000 each, during the period January 1, 2005, through July 31, 2008. The City obligates funds to various façade grants through the HUD Integrated Disbursement Information System (IDIS). Once the funds are obligated, the City draws down the obligated funds and then provides payments to contractors that work on the façade grant.

Regulations at 24 CFR [*Code of Federal Regulations*] 570.506 state that grantees shall maintain financial records, including source documentation, to support how the CDBG funds provided to such entities are expended.

The City did not ensure that all transactions were accurately recorded in the general job ledgers. A review of the general job ledgers and IDIS drawdown reports for the 17 façade grants showed that 10 grants had payments totaling \$180,817 that were not recorded in the general job ledgers. The City was not able to provide the general job ledgers showing the entries for these 2005 payments. The former financial officer stated that when she arrived in 2005, many of the payments were incorrectly posted because the person who held the position previously did not know how to record transactions correctly. She stated that she had attempted to correct the mistake but was unable to account for all of the 2005 façade payments. Since 2005, the City had improved its recording of façade payment transactions in its general job ledgers.

## Façade Program Funds Not Expended in a Timely Manner

The City also did not spend the funding obligated for the façade program in a timely manner. The City had \$270,175 in program funds from 2000 to 2006 that was obligated but not expended on the program. More than half of the \$270,175 was obligated more than four years earlier. The following table shows the funds that were obligated and expended under the façade program.

Program year	Amount funded	Amount expended	Balance
2000	\$ 81,600	\$ 59,600	\$ 22,000
2001	\$ 50,000	\$ 20,147	\$ 29,853
2002	\$ 50,000	\$ 50,000	
2003	\$100,000	\$ 64,424	\$ 35,576
2004	\$175,020	\$ 32,800	\$142,220
2005 <sup>1</sup>	\$ 7,995	\$ 7,995	
2006	<u>\$100,000</u>	<u>\$ 59,474</u>	<u>\$ 40,526</u>
Totals	<u>\$564,615</u>	<u>\$294,440</u>	<u>\$270,175</u>
*No funding was allocated for program years 2007 and 2008.			
<sup>1</sup> Funded with recaptured Urban Development Action Grant funds.			

HUD officials stated that although there are no formal deadlines for expending obligated funds, the funds should be expended within a reasonable period, usually within four to five years. The City could not explain why it was not able to track the funds obligated to ensure that they were expended within a reasonable period. It was not aware that the façade program funds had not been expended. By not using the obligated funds on a timely basis, the City did not demonstrate the need for the funds and did not use the funds for their intended purpose.

## Conclusion

Overall, the City needs to improve its controls over the financial management of the façade program. The City could not provide support to show that \$180,817 in program funds was recorded in the general job ledgers. In addition, it did not ensure that obligated program funds were expended in a timely manner. As a result, HUD could not be assured that the remaining \$270,175 in program funds would be accurately recorded and expended in a timely manner.

## Recommendations

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

- 1A. Require the City to repay the program from non-federal funds any portion of the \$180,817 determined to be unsupported.
- 1B. Require the City to revise its policies and procedures to include recording CDBG payments, identifying documentation to be maintained, and establishing controls to ensure that all transactions are accurately recorded.
- 1C. Require the City to establish controls to ensure that the remaining \$270,175 in façade program funds is expended in a timely manner for its intended purpose or reprogram the funds for other eligible CDBG activities.

## Finding 2: The City Did Not Adequately Monitor Its Façade Program

The City did not adequately monitor its façade program. It did not verify program match requirements in a timely manner. In addition, it did not ensure that program files were complete and contained all information required by its policies and procedures. This condition occurred because City management and staff did not follow and enforce program requirements. As a result of not adequately monitoring its façade program, the City could not ensure that the owners followed program requirements.

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### **Façade Program Requirements**

The City is responsible for administering and monitoring the façade program. Its policies and procedures state that it is responsible for ensuring that façade grant activities meet the national objectives of the CDBG program, as well as ensuring that owners meet the match requirements of the façade grant.

The City awarded façade grants that contained match requirements based on the location of the property. If the property was located in the historical Central Business District of Augusta, the owner was required to match the amount spent by the City on the exterior façade with interior improvements that would bring the property up to building, fire, and life safety codes. If the property was located in the Central City Revitalization or Enterprise Zone District, the owner was required to employ one full-time low/moderate-income person within 90 days after the final payment was made on the project and maintain the position for five years. The City's internal guidance states that all match requirements must be verified within 90 days of the grant's final payment.

Regulations at 24 CFR 85.40 state that grantees must monitor grant and subgrant supported activities to assure that performance goals are being achieved and must cover each program, function, or activity.

### **Verification of Match Requirements Not Completed in a Timely Manner**

The City did not verify match requirements in a timely manner for three of the seven façade grants reviewed. Two façade grants that contained funding match requirements had final payment dates of September 15, 2005, and September 16, 2005, respectively. However, the match requirement was not verified until



October 10, 2007, for both projects. One additional façade grant contained job creation requirements and had a final payment date of July 2, 2008. As of October 31, 2008, the façade grant had not been verified to determine whether the job creation requirement was met.

### **Grants Not Completed in a Timely Manner**

The seven files reviewed met the national objectives of the CDBG program. However, the City did not complete the grants in a timely manner. Although there is no formal guidance in this regard, City officials stated that their goal was to complete façade grants within one year. Three of the seven files reviewed took more than 18 months to process from the submission of the application to construction completion. One of the grants took more than four years to complete. Another grant was applied for in May 2007; however, it was only in the design phase, and no construction had been initiated. By not completing the projects on a timely basis, the City did not fully benefit from the program's intended purpose.

### **Incomplete Program Files**

The City did not ensure that façade program files were complete and contained all information required by their policies and procedures. Each of the seven files reviewed contained different information. The City's policies and procedures for administering the façade program include a checklist listing all of the steps to be taken and documents to be maintained in the files. None of the files contained all of the documentation listed on the checklist. We identified instances in which inspection reports, building permits, bid tabulation sheets, and other pertinent information related to the project administration were not contained in the files. This condition occurred because the City did not follow its policies and procedures by ensuring that all files were complete. As a result, it could not be assured that the grants were administered in accordance with its policies and procedures.

### **Conclusion**

The City needs to improve its monitoring of the façade program. It did not verify match requirements or complete grants in a timely manner. In addition, it did not ensure that façade program files were complete and contained the required documentation. The City acknowledged the delay in completing façade grants

and stated that it was establishing procedures to correct these deficiencies. As a result of these deficiencies, the City did not ensure that the owners followed the façade program requirements.

## **Recommendations**

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

- 2A. Require the City to establish controls to ensure that it follows its policies and procedures to ensure that façade grants are adequately monitored and completed in a timely manner.
- 2B. Require the City to establish controls to ensure that it follows its policies and procedures to ensure that files are complete and contain all pertinent information according to the checklist in its policies and procedures manual.

## SCOPE AND METHODOLOGY

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To accomplish our objectives, we

- Researched HUD handbooks, the *Code of Federal Regulations*, and other requirements and directives that govern the City's CDBG program;
- Obtained and reviewed the City's Integrated Disbursement and Information System drawdown reports and general ledgers;
- Reviewed façade project files and independent audit reports;
- Reviewed the City's consolidated annual performance and evaluation reports for its CDBG program;
- Reviewed the City's policies and procedures used to administer its façade program activities; and
- Interviewed officials of the Atlanta HUD Office of Community Planning and Development and the City's staff.

HUD provided the City's façade program \$564,615 for program years 2000 through 2006. As of October 15, 2008, \$294,440 had been drawn down for the façade grants. The City had 17 active façade grants, approximately \$30,000 each, during the period January 1, 2005, through July 31, 2008. We selected seven files and reviewed the project files, along with inspecting the façade work at the properties, for compliance with federal and auditee regulations. Four of the seven files were for properties that were specifically identified with potential program deficiencies. We also reviewed the process used to award the façade grants to ensure that the recipients met the selection criteria for the grants.

Our review generally covered the period January 1, 2005, through July 31, 2008. We performed our review from September through November 2008 at the offices of the City's Housing and Community Development department located in Augusta, Georgia.

We performed our review 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 conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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.

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## Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Policies and procedures that management has implemented to reasonably ensure that resource uses are consistent with laws and regulations.
- 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 significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses:

- The City did not have adequate controls over its financial management of the façade program (see finding 1).
- The City did not adequately monitor its façade program (see finding 2).

## 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	<u>\$180,817</u>	
1C		<u>\$270,175</u>

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

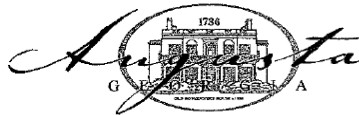
2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. For recommendation 1C, the \$270,175 represents funds that could be used to complete additional façade grants or be reprogrammed for other CDBG activities.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



## Housing & Community Development Department

Chester A. Wheeler, III  
Director

January 27, 2009

Mr. James D. McKay, Regional Inspector General  
U. S. Department of Housing and Urban Development  
Region 4 Office of the Inspector General  
Office of Audit, Box 42  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, Georgia 30303-3388

RE: Response to the Office of Inspector General's (OIG) Draft Audit Report:  
Review of the City of Augusta's Community Development Block Grant Façade  
Rehabilitation Grant Program (Years 2003 - 2007)

The City has reviewed the Office of Inspector General's draft audit of the Façade Rehabilitation Grant Program issued January 6, 2009. We appreciate this opportunity to respond to the two (2) findings and five (5) recommendations which are outlined as follows:

#### **Finding #1: The City Did Not Have Adequate Controls over Its Financial Management of the Façade Program**

The City did not have adequate controls over its financial management of the Façade Program. A review of the City's program drawdown reports showed payments totaling \$180,817 that were not recorded in the general ledgers. This condition occurred because the City did not ensure that all transactions were recorded in the general ledgers. In addition, the City did not ensure that obligated program funds were expended in a timely manner. As a result \$180,817 in program funds was unsupported and HUD could not be assured that the remaining \$270,175 in program funds would be accurately recorded and expended in a timely manner.

#### **Response to Finding #1:**

The City agrees with the auditors' assessment of the financial management of the Façade Program and the slow expenditure of Façade funds. However, the City takes exception to the lack of supporting documentation for \$180,817.

### Comment 1

Housing and Community Development Department  
925 Laney Walker Blvd., 2<sup>nd</sup> Floor - Augusta, Georgia 30901  
(706) 821-1797 - Fax (706) 821-1784 - TDD (706) 821-1783  
www.augustaga.gov



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During the last ten (10) years, the City's Housing and Community Development Department has had four (4) financial officers. Upon employment, they were not knowledgeable of the grant programs administered by the department. Therefore, the individuals had to become knowledgeable of an enormous amount of information and software systems without very little guidance.

Also, we need to mention that during this time, checks were printed and issued from the Housing and Community Development (HCD) office. The payments were processed by an employee unfamiliar with the county software program during the absence of a finance officer and was untrained in proper accounting procedures and the job ledger information was omitted and coding errors occurred.

As the former Financial Officer expressed, she attempted to correct the mistakes, but was unable to account for all of the individual 2005 Façade payments.

Therefore, the payments were "lumped together" in summary form and recorded as CDBG expenditures in the General Ledger. Consequently, detailed individual Façade transactions were not recognizable for certain 2005 payments.

The following procedures were implemented and have been followed since 2006;

All payments are routed to the staff member responsible for the project, the assistant director, department finance officer, and the department director for approval prior to payment and drawdown from HUD.

Each payment includes the general ledger codes along with the correct job ledger codes and are simultaneously recorded in the general ledger and job ledger. The county software package now requires that each transaction recorded into the general ledger include the job ledger information. There is a job ledger established for each IDIS activity. The job ledger is then reconciled to HUD's IDIS system on a monthly basis.

All bank account reconciliations are prepared on a monthly basis by the financial officer and are approved by the department director.

These procedures will ensure that all transactions have been properly recorded in both the general ledger and job ledger systems. See Attachment #2 "Finding #1 Recommendation #1B" for general ledger procedures.

The City acknowledges that façade funds were not obligated and expended timely. During years 2004 through 2005, the program was delayed due to a change in the façade

**Comment 1**

**Comment 1**

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guidelines which was requested by a commissioner and approved by the Commission. The Commission requested that Façade grants be available for commercial structures in South

Augusta. However, the existing Façade Program only covered the inner city's Central Business which was designated as a slum/blight area in 1983. The South Augusta area was not included in the designated slum/blight area. Under the existing program, property owners were required to match the façade grant dollar-for-dollar.

The only alternative was to create another component of the Façade Program for the Central City Revitalization or Enterprise Zone Districts which included South Augusta. Subsequently, the new component of the program was added which required the property owners to match the grant by creating a job for a low to moderate income person. Guidelines were developed for the new program component which consumed a substantial amount of staff time.

Another delay in expending Façade funds was a lack of supervision of the staff person responsible for managing the program.

Currently, the City is making substantial progress in completing facades. During Year 2008, four (4) facades were completed.

**Comment 1**

Regarding the lack of supporting documentation for Façade payments totaling \$180,817.18, the majority of the documentation was in the individual façade project files which were reviewed by the auditor.

**OIG Recommendations to Resolve Finding #1:**

**OIG Recommendation #1A.**

Require the City to repay the program from non-federal funds any portion of the \$180,817.18 determined to be unsupported.

**Comment 1**

**Response #1A:** City staff has located all supporting documentation for the \$180,817.18, which includes invoices, contractor's request for payments, and copy of checks issued. Therefore, no repayment of funds is required. See Attachment #1 - "Finding #1 Recommendation #1A Response".

**OIG Recommendation #1B.**

Require the City to establish policies and procedures to record CDBG payments, identify documentation to be maintained and establish controls to ensure that all transactions are accurately recorded.



**Comment 2**

**Response #1B:** The City agrees with this recommendation. Procedures for processing payments and recording transactions have been established and being implemented. Supporting documentation to be maintained consists of:

- Copy of Check issued for payment
- Invoice from vendor or Payment Request from Contractor
- IDIS Drawdown Form completed by staff initiating draw (Attachment #3 Finding #1)
- Reimbursement Request completed by staff (Attachment #4 Finding #1)
- Copy of IDIS screen-shot showing amount drawn and invoice number

All supporting documentation is copied by the Administrative Assistant and filed in the individual project file. The original supporting documentation is maintained in the Financial Officer's files.

**OIG Recommendation #1C.**

Require the City to establish controls to ensure that the remaining \$270,175 in façade program funds is expended in a timely manner for its intended purpose or reprogram the funds for other eligible CDBG activities.

**Comment 2**

**Response #1C.**

The City agrees with this recommendation. Of the Façade balance listed above, \$36,045.66 has been expended with a balance of \$234,129.34 as of January 26, 2009. Currently, two (2) structures have been approved for façade grants obligating \$70,000 which includes two (2) facades grants (\$60,000) and architectural fees, advertisements and plan copies (\$10,000). These structures should be completed approximately June or July 2009.

An additional two (2) Façade applications are being processed which should be underway and completed approximately August 2009.

The City is in the process of reprogramming \$154,129.34 in Façade funds which will be submitted to Commission February 2009. This will leave a balance of \$80,000 to be used for the above two (2) approved applications and architectural fees for the applications being processed. Grant funds for the remaining two (2) applications being processed will be paid from 2009 grant funds. See Attachment #5 "Finding #1 Recommendation #1C Response".

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**Finding #2: The City Did Not Adequately Monitor Its Façade Program**

The City did not adequately monitor its Façade Program. It did not verify program match requirements in a timely manner. In addition, it did not ensure that program files were complete and contained all information required by its policies and procedures. This condition occurred because City management and staff did not follow and enforce program requirements. As a result of not adequately monitoring its Façade Program, the City could not ensure that the owners followed program requirements.

**Response to Finding #2:**

The City agrees with this finding. City staff managing the Façade Program did not adequately monitor the program for compliance with match requirements, established policies and procedures and did not maintain orderly, accurate and complete project files.

**OIG Recommendations to Resolve Finding #2:**

**OIG Recommendation #2A.**

Require the City to establish controls to ensure that it follows its policies and procedures to ensure that façade grants are adequately monitored and completed in a timely manner.

**Response #2A.**

The City agrees with this recommendation. During 2008, City management transferred administration and oversight of the Façade Program from the Housing Division to the Program Division. Since this change, policies, procedures, checklists, project tracking through the Façade Project Management chart and monitoring procedures have been established and staff managing the Façade Program is closely supervised by the CD Manager and Assistant Director of Programs. These supervisors meet with the Façade Program coordinator weekly (Tuesday) to review projects' status, problems and any potential façade project delays. Also, the Façade Project Management Chart is displayed on the bulletin board near the Assistant Director and updated by the Façade Coordinator as project actions/changes occur. (See Attachments #6 and #7.) With these standards in place, the City will ensure that Façade projects are monitored and completed in a timely manner.

Thus far, the City has made progress with the completion of four (4) facades in Year 2008. Attached is the timeline for completion of the existing four (4) projects. (Attachment #8 "Finding #2 Recommendation #2A Response".

**Comment 2**

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As you are aware, construction projects do not necessarily proceed as planned. Because of the numerous steps/tasks required from time of submission of the Façade application to completion of project construction, it takes at least eight (8) months to complete the project. This is taking into consideration there are no delays.

Below are instances when delays may occur:

1. Applicants do not return legal documents such as the Façade Agreement, Easement, Deed to Secure Debt and Promissory Note within the two-week requirement;

Because this is a grant program, applicants are shocked when they discover we really do put an official recorded lien on the property for ten (10) years, or all grant related costs must be repaid if the match is not fulfilled or owner decides not to proceed with project, or owner is responsible for payment of any overage if construction costs exceeds grant amount. Suddenly, the process comes to a halt:

2. Property may be located in a historic district. In this instance, the State Historic Preservation Office (SHPO) must review and comment on the Façade plans and specifications. Their turn-around response always exceeds 30 days;
3. The Local Historic Preservation Committee must review the plans and specifications;
4. The project may not receive any bids, or just one bid or the bids are excessive. An existing Façade project was rebid three (3) times. The solution was to redesign the plans and rebid. Another project was bid twice;
5. Contractor may not return executed contract, performance and payment bonds, Subcontractor agreements, etc. in a timely manner;
6. Once construction starts, there are usually conflicts between the property owner and contractor, conflicts between contractor and architect; and
7. And lastly, getting the property owner to cooperate with staff in providing the match documentation within the required 90 days.

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**OIG Recommendation #2B.**

Require the City to establish controls to ensure that it follows its policies and procedures to ensure that files are complete and contain all pertinent information according to the checklist in its policies and procedures manual.

**Response #2B.**

The City agrees with this recommendation. The following procedures are in the process of being implemented by the City:

1. CD Manager will review each individual façade project file at the end of each month to ensure checklist is up-to-date and file contents includes all relevant project information.
2. CD Manager will initial and date the checklist indicating the project file has been reviewed. Any missing or incorrect information is noted on the checklist.
3. CD Manager will meet with Façade Program Coordinator and Assistant Director to discuss results of façade project files' inspection.

The City appreciates this independent evaluation process to help us improve our ability to effectively plan and manage our projects more efficiently. If you require further information or documentation, please contact me at (706) 821-1797.

Sincerely,



Chester A. Wheeler, III  
Director

CAW/rlw

**Comment 2**

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Attachments: 1) Supporting Documentation for \$180,817.18  
2) General Ledger Procedures  
3) IDIS Drawdown Form  
4) Reimbursement Form  
5) Status of Façade Funds  
6) Façade Monitoring Procedures  
7) Façade Management Chart  
8) Timeline for Façade Completion  
9) Façade File Checklist

cc: Frederick Russell, City Administrator  
Tameka Allen, Deputy Administrator  
Mary D. Presley, HUD Director, Atlanta Regional Office

## OIG Evaluation of Auditee Comments

**Comment 1** The City agreed with the assessment of the façade program financial management and the slow expenditures of the façade funds. However, the City took exception to the lack of supporting documentation for \$180,817. The City stated that the former financial officer attempted but was unable to account for all individual 2005 facade payments. The facade payments were "lumped together" in summary form and recorded as CDBG expenditures in the general ledger and detailed individual facade transactions were not recognizable for certain 2005 payments. The City stated that they located all of the supporting documentation for the \$180,817, which includes invoices, requests for payments, and copies of checks issued for the unsupported facade payments.

We reviewed the information provided by the City during the audit and determined payments totaling \$180,817 were not recorded in the general ledgers. The City did not provide documentation to support that the facade expenses, in lump sum form or individually, were recorded in the general ledgers. Although the City contends the facade payments were for eligible activities, the \$180,817 in facade payments remains unsupported because the City cannot identify the facade payments in its general ledgers.

**Comment 2** The City's agreement with the recommendation indicates its willingness to make necessary improvements. The procedures were provided after we completed our site work. Thus, we did not verify the information the City submitted. The City should provide the established procedures to HUD for review.