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**MEMORANDUM NO.**  
2009-CH-1801  
(Reissued)<sup>1</sup>

July 29, 2009

**MEMORANDUM FOR:** Jorgelle Lawson, Director of Community Planning and Development,  
5ED

**FROM:** Heath Wolfe, Regional Inspector General for Audit, 5AGA

**SUBJECT:** The City of Cincinnati, Ohio, Lacked Sufficient Capacity to Effectively and  
Efficiently Administer Its Neighborhood Stabilization Program

### **INTRODUCTION**

We audited the City of Cincinnati's (City) Neighborhood Stabilization Program. The audit was part of the activities in our fiscal year 2009 annual audit plan. We selected the City based upon the results of our three previous audits of the City's HOME Investment Partnership Program (HOME). Our objective was to determine whether the City had the capacity to effectively and efficiently administer its Neighborhood Stabilization 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.

### **BACKGROUND**

***The Program.*** Authorized under Title III of the Housing and Economic Recovery Act (Act), as amended, the Neighborhood Stabilization Program provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes to stabilize neighborhoods and stem the decline in value of neighboring homes. HUD allocated more than \$3.9 billion in Neighborhood Stabilization Program funds to grantees.

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<sup>1</sup> This report was amended and reissued to clarify that the City applied as part of a consortium for additional funding under the Neighborhood Reinvestment Program amendments enacted as part of the American Recovery and Reinvestment Act of 2009.

**The City.** Organized under the laws of the State of Ohio, the City is governed by a mayor and a nine-member council, elected to two-year terms. The City's Department of Community Development and Planning's (Department) Housing Division (Division) administers the City's Neighborhood Stabilization Program. The Department's overall mission is to work with diverse neighborhood partners to leverage financing and other funding for quality housing, distinct commercial properties, small business development opportunities, and community based programs. The City's records are located at 805 Central Avenue, Cincinnati, Ohio.

HUD allocated nearly \$8.4 million in Neighborhood Stabilization Program funds to the City based upon the funding formula developed by HUD pursuant to the Act. On March 19, 2009, HUD entered into a grant agreement with the City for the full amount allocated. The City's revised Neighborhood Stabilization Program budget included the following: more than \$810,000 to establish financing mechanisms for purchase and redevelopment; nearly \$2.2 million for the purchase and rehabilitation of abandoned or foreclosed homes or residential properties in order to sell, rent, or redevelop the homes or properties; nearly \$2.5 million to demolish blighted structures; \$2.1 million for the redevelopment of demolished or vacant properties; and more than \$830,000 for planning and administration costs.

Congress amended the Neighborhood Stabilization Program and increased its funding as part of the American Recovery and Reinvestment Act of 2009. The City submitted an application as part of a consortium to HUD, dated July 15, 2009, which totaled nearly \$60 million in additional Neighborhood Stabilization Program funds under the American Recovery and Reinvestment Act of 2009. The application is currently under review by HUD.

Effective June 2007, the City executed an agreement with HUD and the U.S. Department of Justice to settle all outstanding issues regarding the City's improper use of HOME funds for the Huntington Meadows apartment project. The settlement agreement required the City to reimburse its HOME program \$3.95 million.

We issued three audit reports [Office of Inspector General (OIG) Audit Report numbers 2007-CH-1017, 2008-CH-1010, and 2008-CH-1014] on the City's HOME program from September 30, 2007, through September 26, 2008. We found that the City did not adequately manage its HOME program. It incorrectly reported HOME program match contributions in its consolidated annual performance and evaluation reports (consolidated reports) to HUD, lacked sufficient documentation to support HOME program match contributions it reported in its consolidated reports to HUD, inappropriately used HOME and American Dream Downpayment Initiative (Initiative) funds, failed to ensure that it sufficiently protected HOME funds, lacked documentation to support its use of HOME and Initiative funds, and did not accurately report HOME program activity data in HUD's Integrated Disbursement and Information System because the City's management did not implement adequate procedures and controls to ensure that its HOME program was operated according to HUD's and its own requirements. These deficiencies had existed with the City's HOME program for at least three years.

## **METHODOLOGY AND SCOPE**

To accomplish our objective, we reviewed

- Applicable laws; the *Federal Register*, dated October 6, 2008; HUD's regulations at 24 CFR [*Code of Federal Regulations*] Parts 85, 91, and 570; OIG Audit Report numbers 2007-CH-1017, 2008-CH-1010, and 2008-CH-1014; HUD's Program grant agreement with the City; and HUD's Columbus Office of Community Planning and Development's monitoring reports for the City's HOME and Community Development Block Grant (Block Grant) programs from 2005 through 2008.
- The City's 2008 action plan substantial amendment for the Program, policies and procedures, 2005 through 2007 comprehensive annual financial reports, consolidated reports, staffing assignments, job descriptions, and organization charts.

We also interviewed the City's employees and HUD's staff.

We performed our on-site audit work from April through May 2009 at the City's office located at 805 Central Avenue, Cincinnati, Ohio. The audit covered the period January 2007 through March 2009 and was expanded as determined necessary.

## **RESULTS OF REVIEW**

1. The City did not have sufficient capacity to effectively and efficiently administer its Neighborhood Stabilization Program.

The *Federal Register*, dated October 6, 2008, stated that HUD encouraged each local jurisdiction receiving an allocation of Neighborhood Stabilization Program funds to carefully consider its administrative capacity to use those funds within the statutory deadline versus the capacity of a state administrator. Further, HUD expected that after such consideration, some local jurisdictions would choose to apply for less than the full amount of the funds allocated to them.

### Policies, Procedures, and Controls

As of June 30, 2009, the City had not established adequate policies and procedures. On May 1, 2009, it provided its draft policies and procedures manual (draft manual) dated May 2009. However, the draft manual was incomplete. It lacked sections covering policies and procedures for the rental program, the redevelopment of demolished or vacant properties for public facilities, financial management, acquisition and relocation, labor standards, construction management, initial occupancy and leasing of rental projects, ongoing occupancy and long-term compliance, project monitoring, project closeout, and other federal requirements. Further, the draft manual did not contain management's monitoring procedures to ensure that funds were used appropriately. On June 30, 2009, the City provided a revised draft policies and procedures manual (revised draft manual). The revised draft manual included the sections mentioned above that were missing in the draft manual. However, the revised draft manual did not contain management's monitoring procedures to ensure that funds were used appropriately.

As previously stated, we found that the City did not adequately manage its HOME program. The following issue we identified in OIG Audit Report number 2008-CH-1010, if left uncorrected, could also impact the Neighborhood Stabilization Program.

The City provided HOME-funded assistance for rental rehabilitation projects with improper units, lacked documentation to support that units were eligible, and failed to ensure that it sufficiently protected HOME funds. The City's revised HOME program rental rehabilitation manual addressed the issues identified for rental rehabilitation activities. The City also used the HOME program rental rehabilitation manual in the revised draft manual for the policies and procedures for the City's rental program. Therefore, the revised draft manual includes policies and procedures for the City's rental program that were not applicable to the Neighborhood Stabilization Program. For example, the revised draft manual contains references to HUD's Integrated Disbursement and Information System even though HUD's Disaster Recovery and Grants Reporting system was utilized for the reporting on Neighborhood Stabilization Program activities.

The Department's housing division manager said that the City had not been able to complete the revised draft manual due to the limited amount of time it was given to implement the Neighborhood Stabilization Program, HUD not providing adequate training or sufficient guidance regarding policies and procedures, and changes to the program's requirements. The City could have completed the revised draft manual if it had an additional staff person dedicated only to developing the revised draft manual or contracted with another organization to develop the revised draft manual.

The City expressed a need and requested that HUD consider it a high priority for technical assistance in further developing its policies, procedures, and controls to ensure that funds are used effectively and efficiently.

#### Staffing

HUD awarded the City an average of about \$4.2 million in HOME funds and about \$4 million in Block Grant funds for fiscal years 2007 through 2009 to be administered by the Department's Division. Under the Neighborhood Stabilization Program, HUD awarded an additional \$8.4 million to be administered by the Department's Division. As of May 13, 2009, the Division had a total of 10 employees that devoted the equivalent of about 6.7 staff years annually to administer the day-to-day operations of the HOME and Block Grant programs. One additional staff position was assigned to administer the day-to-day operations of the Neighborhood Stabilization Program. The following table shows the average annual amount of HOME and Block Grant funds along with the projected annualized Neighborhood Stabilization Program funds to be administered by the Division; the staff resources to administer each program; and the average annual amount of funds to be administered per employee.

	<b>HOME</b>	<b>Block Grant</b>	<b>Neighborhood Stabilization</b>
<b>Average amount of funds awarded per year*</b>	\$4, 195,290	\$4,026,710	\$2,090,398
<b>Number of employees to administer the programs **</b>	<u>4.8</u>	<u>1.9</u>	<u>1</u>
<b>Average amount of funds administered per employee</b>	<u>\$874,019</u>	<u>\$2,119,321</u>	<u>\$2,090,398</u>

\* - The Neighborhood Stabilization Program funds were divided by four to conservatively spread these funds over the four years during which the City must disburse the funds.

\*\* - These numbers do not include management or administrative support staff for the programs.

The Division's community development analyst, who was recently hired to administer the day-to-day operation of the Neighborhood Stabilization Program, had minimal experience with the planned activities. The Department's housing division manager said that there were three senior community development analysts and one community development analyst, with more than five years of experience with community planning and development programs, who could provide assistance in the administration of the Program. However, the City had not budgeted the four employees' time for the Neighborhood Stabilization Program. Further, each of the four employees spent from 75 to 100 percent of their time on the City's HOME and/or Block Grant programs. Therefore, if the City used the four employees to assist with the Neighborhood Stabilization Program, it would need to reduce staff time in administering its HOME and/or Block Grant programs.

Initially, the City's Neighborhood Stabilization Program budget included less than \$512,000 for planning and administration costs although the City was allowed to use more than \$836,000. On May 21, 2009, the City's council passed a revised budget that allocated more than \$836,000 for planning and administration costs. The revised budget included nearly \$210,000 in salary over four years for an administrative specialist to handle administrative support duties. However, the hiring of the additional employee would not be sufficient to ensure that the City had adequate staff to effectively and efficiently administer the Program. In addition, the revised budget included planning and administration costs that could be directly charged to the activities as delivery costs.

The City based its Neighborhood Stabilization Program staffing needs on discussions among the Department's director, deputy director, and housing division manager and the City's Office of Budget and Evaluation's community development administrator regarding the demands of the program and what the City's council would approve for planning and administration costs. The City did not conduct a formal analysis to determine the staffing needs for the City's Neighborhood Stabilization Program.

2. HUD's Columbus Office of Community Planning and Development did not include special conditions in its Neighborhood Stabilization Program grant agreement with the City.

HUD's regulations at 24 CFR 85.12 state that a grantee may be considered high risk if it has a history of unsatisfactory performance or has not conformed to the terms and conditions of previous awards. Special conditions and/or restrictions shall correspond to the high-risk condition and shall be included in the award.

On February 24, 2009, HUD's Director of Field Management provided guidance on Neighborhood Stabilization Program grant agreements to all of the directors of the Office of Community Planning and Development. The guidance addressed when a special condition must be included in the Neighborhood Stabilization Program grant agreement with the grantee. The guidance stated that if a grantee's Neighborhood Stabilization Program funds totaled at least three times its fiscal year 2008 Block Grant fund allocation or had unresolved monitoring findings or other serious actions, a special condition must be included in the Program grant agreement with the grantee. The guidance also included the following standard language to be included in grant agreements:

Pursuant to 24 CFR 85.12(a)(1), (2), (4), or (5), a special condition applies to the Neighborhood Stabilization Program grant agreement due to past performance in the Block Grant program. The Program grantee shall submit documentation describing how past Block Grant program performance issues have been resolved or are now being resolved and explain how they will not impact the administration of the Program. If the Program grantee fails to submit such documentation within 60 days from the date HUD signed the Program grant agreement, HUD may withhold the Program grantees authority to incur additional obligations of Program funds or take other actions authorized under 24 CFR 85.12(b).

The Assistant Director of Financial Management in HUD's Office of Block Grant Assistance stated that the special conditions referred to the Block Grant program since Neighborhood Stabilization Program funds were considered a special allocation of Block Grant funds. However, if a grantee had a history of unsatisfactory performance in another community planning and development program, such as the HOME program, and that unsatisfactory performance was applicable to the grantee's Neighborhood Stabilization Program, it would be appropriate to include special conditions in the grant agreement.

As previously stated, the City executed an agreement with HUD and the U.S. Department of Justice to reimburse its HOME program \$3.95 million to settle all outstanding issues regarding the City's improper use of HOME funds for the Huntington Meadows apartment project. In addition, we identified significant deficiencies in the City's administration of its HOME program, which included issues applicable to the City's Neighborhood Stabilization Program. Further, the Division administers both the Neighborhood Stabilization Program and the HOME program. However, HUD's Columbus Office of Community Planning and Development did not place special conditions in its Neighborhood Stabilization Program grant agreement with the City since the Act stated that the Program funds should generally be treated as though the funds were Block Grant funds and HUD's Columbus Office of Community Planning and Development had not previously identified significant issues with the City's Block Grant program. After we brought it to the Columbus Office of Community Planning and Development's attention and after additional

consideration, the Office recognized that the previous issues identified with the City's HOME program may have warranted the inclusion of special conditions in the grant agreement.

### **RECOMMENDATIONS**

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

- 1A. Implement adequate policies, procedures, and controls to ensure that Neighborhood Stabilization Program funds are used effectively and efficiently and in accordance with applicable requirements.
- 1B. Hire additional staff and/or contract with another organization to assist in administering the Neighborhood Stabilization Program to ensure that the City has sufficient capacity to effectively and efficiently administer program funds. This may require the City to revise its budget by reallocating planning and administrative costs that could be directly charged to Neighborhood Stabilization Program activities as delivery costs to the specific activity costs within the budget and/or reorganize staff within the Division.

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

- 2A. Include special conditions in its Neighborhood Stabilization Program grant agreement with the City. The special conditions should include but not be limited to (1) requiring the City to submit documentation describing how past HOME program performance issues were resolved or are now being resolved and explain whether they will impact the administration of the Neighborhood Stabilization Program, (2) performing additional monitoring, and (3) providing technical assistance to the City.

# AUDITEE COMMENTS AND OIG's EVALUATION

## Ref to OIG Evaluation

## Auditee Comments

June 30, 2009

Mr. Brent Bowen, Assistant Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
77 West Jackson Boulevard, Suite 2646  
Chicago, Illinois 60604-3507

SUBJECT: City of Cincinnati Neighborhood Stabilization Program Capacity  
HUD Office of Inspector General Memorandum #2009-CH-180X  
Issue Date: July XX, 2009

Dear Mr. Bowen:

This letter serves as the City of Cincinnati's response to HUD Columbus Audit Memorandum #2009-CH-180X dated June 17, 2009. The Audit Memorandum is dated July XX, 2009. The cover letter is dated June 17, 2009. The City of Cincinnati has been working diligently to correct the issues raised by the federal Housing and Urban Development (HUD) Office of Inspector General (OIG) during their review of the City of Cincinnati's Neighborhood Stabilization Program (NSP1). We will continue to review our programs and processes, seek training and technical assistance and make all necessary changes to improve our service delivery to the citizens of the City of Cincinnati while also complying with HUD regulations and guidance.

Office of Inspector General Results of Review

1. The City did not have sufficient capacity to effectively and efficiently administer its Neighborhood Stabilization Program.

### **POLICIES, PROCEDURES, AND CONTROLS**

March 18, 2009 is the effective date of the formula grant agreement between the City of Cincinnati and HUD related to a Neighborhood Stabilization Program (NSP1) award in the amount of \$8.3 million. Prior to this award, a number of City staff attended a minimum of three training sessions held by the Ohio Conference for Community Development (OCCD), HUD, and/or the State of Ohio on at least three occasions in an effort to seek the most updated information related to regulations and expectations of the program. One training session included the Office of the Inspector General. Additionally, the City worked with its federal lobbyist (The Ferguson Group) in search of more information about NSP1 requirements. The City's NSP1 program model was

## **Comment 1**



**Ref to OIG Evaluation**

**Auditee Comments**

based entirely on the initial and subsequent publications of HUD's regulations and information provided at training sessions.

Prior to HUD's notification of the grant award in March, there had been no communication related to a review of the City's proposal and recommendations nor were there reporting requirements evident beyond those stated in the grant application presented in the form of program regulations.

The City of Cincinnati's director of the Department of Community Development (DCD) was notified by the OIG around April 7, 2009 of the OIG's intent to conduct a survey related to the City's capacity to manage NSP1 funding. The entrance conference between the City and the OIG was held April 15, 2009. It is important to note that this required the City to juggle the timing of this OIG review process with the most critical start-up work needed in the field by DCD housing staff assigned to get NSP1 up and running. It is also important to note that this OIG audit was conducted when no NSP1 funds had been expended.

**Comment 2**

While the City anticipated a survey based on initial discussion with the OIG, the process was conducted in the same manner as an audit. This OIG visit, which started on the same day as the Entrance Conference ran concurrently with the timing City staff needed to formalize its execution of processes, pre-planned for NSP1. While preliminary legwork had been done with respect to community planning and partnership building, processes, procedures and controls were not finalized due to the City's need to assess and solidify the planning and partnerships by moving them to contract execution through a Scope of Work and Budget.

**Comment 3**

The NSP1 documents provided to the OIG represented the best information available to the City from a variety of sources. These sources included a comprehensive HUD program procedures manual that the City has been compiling that represents information from the HUD national website, HUD-Columbus, the Ohio Conference for Community Development (OCCD), and/or the State of Ohio's meeting/training sessions. One item requested by the OIG was a procedures manual for NSP1. In conducting our research and working with Columbus – HUD staff, the City was unable to find a complete NSP1 manual available at any other Ohio Participating Jurisdiction (PJ) or within regions we contacted. Additionally, there was no specific reference to an NSP1 manual on the hud.gov website that the City could use as a point of reference. Furthermore, none of the training sessions attended or regulations researched by the City suggested a policies and procedures manual must be in place prior to the start of the program. Our plan was to use working documents until HUD finalized all NSP1 regulations and then add pertinent NSP1 sections to the department's comprehensive manual already being developed. The current draft of the NSP manual is represented in Attachment I.

**Comment 2**

**Comment 4**

**Comment 5**

The City also sought information from colleagues at the Hamilton County (OH) Office of Community Development and from other communities applying for NSP1 funds.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comments 4 and 6**

**Comment 7**

Further, the City initiated communication between the City and Columbus HUD as staff questions arose. Therefore, the City feels the OIG expectation of having a written manual that represented the full scope of NSP1 within one month of being funded may have been an inequitable expectation. This is especially true given that some regulations were still in transition and/or inaccessible from the HUD Office. Also, some regulations changed. An example would be the inability of the City's Office of Budget and Evaluation to access the DRGR system although passwords had been requested in the fall of 2008, and by May 2009, there was still no access. Information was provided to the OIG that demonstrated the City's willingness to access DRGR but HUD's inability to provide necessary assistance hindered the process. Without access, the City was unable to write this portion of a procedures manual, as it was still theory and not hands-on application.

**Comment 8**

Following an on-site OIG review that began on April 15, 2009 and lasted until approximately May 8, 2009, more requests were made by the OIG as the review continued from Chicago via email requests and phone calls that lasted through the end of May 2009. The content in the Audit for NSP1 found in the Exit Conference held with the OIG, included language from previous HUD OIG audits. This blurred the City's understanding of what was needed in the response to the NSP1 Audit.

**Comment 8**

Given the most recent conversation within the OIG and Columbus HUD at the 2<sup>nd</sup> Exit Conference on June 26, 2009 and a subsequent conference call with Columbus HUD on Monday, June 29<sup>th</sup>, there is still some lack of clarity in terms of how HUD's OIG wants the City to respond in terms of documentation needed. The confusion is related to the many references of past audit findings instead of NSP1-specific recommendations. The City will provide the OIG with the most thorough information available given the short response time available from June 26th until the due date of July 1, 2009.

**Comment 8**

While there are areas that were unclear, the City of Cincinnati appreciates the analysis conducted by the Office of the Inspector General associated with the assessment of the NSP1 capacity. The City is always interested in best practices from the OIG, HUD leadership and other communities that can be used to foster an environment that utilizes the most effective and efficient strategies in a holistic approach toward reaping programmatic results. The City of Cincinnati also understands the gravity associated with federal funding and knows it is imperative that our community benefits from the Formula and Stimulus allocations which we have been fortunate to receive.

**CAPACITY AND EXPERIENCE**

The following information provides background on the environment City Administration was working within when developing the original staffing plan submitted with the NSP1 application. The City of Cincinnati has a centralized Human Resources function, which, when asked, does not have a formal staffing analysis process. Given the limited resources and the short time frame for the development of the grant application, senior staff in the Community Development Department and Office of Budget and Evaluation

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

worked to put together a staffing plan based on their experience with staffing needs on other projects recognizing the City's dwindling General Fund and CDBG dollars which would typically be used to leverage HUD funding. The NSP1 plan included the hiring of two individuals. The plan also contained approximately \$95,000 in flexible funding that would allow the department to adapt once the City had a better understanding of the NSP1 requirements. This flexible funding was placed under the category of pre-program costs, but was available to be moved to other line items because the City was able to use current CDBG administrative resources to fund most pre-program costs. The Administration's initial staffing plan was amended by City Council to include funding for only one staff person and eliminated other flexible resources within the Administration's plan. Since that time, the Administration has and will continue to work with City Council to amend the planned use of administrative dollars to best meet the needs of the program. Details related to these efforts are outlined below.

**Comment 9**

The following data is not being provided to negate the OIG's recommendation to build capacity within the City of Cincinnati to handle HUD funds. However, this information provides a more in-depth outline of the City's programmatic landscape for managing HUD dollars and specifically addresses NSP1 staffing and experience concerns presented by the OIG. Collectively, the number of experienced staff is beyond what was originally outlined by the OIG.

**Comments 9 and 10**

For the purposes of this document, we will highlight specific staff that impact NSP1 outcomes as our part of the DCD "team." An important facet of NSP1 that is not evident in the Housing staffing calculation provided by the OIG was the work of DCD's Operations/Fiscal division and DCD's Property Maintenance Code Enforcement (PMCE) division who are an integral part of NSP1 program implementation. DCD's fiscal staff will be responsible for the important and timely financial processing aspects of NSP1. It is anticipated that these staff members will contribute the following to NSP1: Supervising Accountant @ 3%, Senior Accountant @ 1%, Administrative Specialist @ 3%, and Accounting Technician II @ 3%. DCD's fiscal staff will also process vouchers, interface with the City's financial system and the DRGR system, and provide fiscal oversight of contracts.

**Comments 9 and 11**

Additionally, leadership and staff in DCD's PMCE division as well as the Vacated Building Task Force will be responsible for a major component of NSP1. The Vacated Building Task Force consists of five Inspectors and a supervisor who identifies blighted buildings, enforces the Vacated Building Maintenance Licensing Ordinance, and refers non-compliant condemned and blighted buildings to the Hazard Abatement Program (demolition and barricade programs). Of the \$8.3 million in NSP1 funding, these individuals will be responsible for the implementation of \$2.4 million earmarked for Hazard Abatement and Demolition. Specific activities include supervision of the overall program operations. The breakdown is as follows: Division Manager @ 20%, blighted building Inspections supervision and Demolition Program Management Supervisor @ 70%, Demolition Inspections and Demolition Contract Compliance Inspector II @ 70%.

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**Auditee Comments**

**Comments 9 and 11**

additional and back-up Demolition Inspections and Demolition Contract Compliance Inspector II @ 52%, Blighted Building identification, inspection and enforcement includes the following inspectors: Inspector II @ 70%, Inspector II @ 70%, Inspector II @ 70%, and an Accounting/Administrative Technician @ 30%.

**Comments 9 and 11  
Comment 12**

The PMCE team has been researching and formalizing a plan of action toward the NSP1 objectives since the Grant was first confirmed as a formula allocation the City would receive. This division has already proven experience and capacity to meet the demolition of blighted buildings objective of NSP1 and is currently well over a 40% completion rate. The following has already been handled by PMCE related to NSP1: 128 blighted buildings have already been processed in the high needs neighborhoods; each of these buildings has been condemned, had a title search completed by a Real Estate Attorney (under City contract), had a report prepared by a Certified Property Manager (under City contract), as to whether the buildings are depreciating property values, has been evaluated by Police as to degree of moral hazard and crime nuisance, and has been evaluated by the Fire Department as to the degree of fire hazard. These structures have also been through a Public Nuisance Hearing where the owner and any interested parties, neighbors and public are invited to testify to the degree of blight, hazard presented and provided testimony as to whether the building should be demolished.

**Comment 12**

Seventy-five of the 128 confirmed blighted buildings have completed Environmental Reviews (by City Planning Staff) and were put out for competitive bid. These bids were received and are either under contract or awaiting contract award in the total amount of \$767,559.20 (Attachment II). Contracts are awarded to 8 to 10 local private demolition contracting companies. In addition to these 128 blighted buildings, another 30 buildings in the high needs neighborhoods are condemned, in the Demolition Program, and awaiting a Public Nuisance Hearing. Overall, a total of 158 blighted buildings are in process (Attachment III).

There are an additional 307 condemned buildings in the 10 high needs neighborhoods for a total of 465 buildings. It is estimated that it would cost \$6.5 million dollars to rid these areas of blighted buildings (Attachment IV).

**DCD STAFFING ANALYSIS**

The following changes relate to staffing concerns as recommended by HUD through a revised Administrative Plan for NSP1 funds. Attachment V represents DCD's Organizational Structure.

**Comments 1, 9, and 11  
Comments 1 and 13**

Attachment VI represents the PMCE Division staff bios. Five new inspectors were hired in DCD's PMCE Division. This allowed PMCE to reassign more experienced staff to NSP1 thus addressing the OIG's experience and capacity. The salaries for these inspectors were moved to project delivery costs. This leveraging of resources is a direct result of the OIG's recommendation that the City Administration work with City Council

**Ref to OIG Evaluation**

**Auditee Comments**

**Comments 1 and 13**

to appropriate the full 10% of Administration funding allowable under NSP1. A further example of leveraging funds is PMCE's ability to receive reports for blighted structures from City Police and Fire with no cost to staff time allocated for NSP1.

**Comments 1 and 14**

Attachment VII represents the current Housing Division staff bios. Specifically, within the Housing Division, as a result of this Audit, the following changes have occurred or will occur by year-end. The division manager has been approved through Human Resources to hire an Administrative Specialist who will be assigned specifically to assist with NSP1 activities. This position will be responsible for preparing the NSP1 environmental review requests and relocation evaluation requests for other City agencies that perform these reviews. This position will also track project progress, maintain project records and documentation and assist in the preparation of quarterly reports for NSP1. He or she will also be a conduit between NSP1 Housing and Property Maintenance NSP1 activities. The City will seek individuals familiar with HUD programs as one of the requirements. Additionally, the individuals who will be strongly considered must be well versed in various software programs, knowledgeable in data collection for federal reporting, and have effective communication skills. He or she will also be trained in DRGR immediately following an orientation into DCD operations.

**Comment 1**

The Administrative Specialist's position is a direct follow-through on the OIG's recommendation that the City move the work of NSP1 inspectors' into the project delivery costs. This move freed up funds to hire with an anticipated date of the posting to be no later than July 13, 2009.

**Comments 1 and 15**

The Housing Division also plans to move forward with a request to promote an already-identified Senior Community Development Analyst into a supervisor's role. This individual will serve as a back up to the division manager on all housing projects. He will specifically oversee CDBG and HOME projects while the division manager ensures the infrastructure and partnerships related to NSP1 (and hopefully NSP2) activities are in place and producing results to meet the expressed timelines. This is another benefit of the OIG's recommendation to increase administrative funds.

**Comments 1 and 15**

Attachment VIII represents the Fiscal Division's staff bios. DCD will move two staff from Operations/Human Services to a new Monitoring function as soon as mid-July. We are currently revisiting the activities in the Business Development Division to determine whether a third staff person who is already on staff can be reassigned to assume monitoring responsibilities for CDBG funded projects.

The timing of this official move toward a Monitoring section was due to several factors that have come together around the same time: 1) one staff, formerly of the City's Contract Compliance office, recently joined the department and is completing orientation; 2) DCD needed to assess which staff currently handling the City's Human Services program that was recently revamped by City Council would be available to train on the monitoring functions for HUD programs while also facilitating the transition

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**Auditee Comments**

of Human Services responsibilities; 3) HUD will offer basic HOME training (August 5-6, 2009) that will allow these individuals to receive the most up-to-date information on regulations; and, 4) these staff will participate in a CDBG IDIS training specific to our Business Development Division on July 20, 2009. The City's Office of Budget and Evaluation is hosting this training in an effort to reduce the number of outstanding IDIS project activities.

**Comments 1 and 16**

In addition to the staffing changes above, DCD's deputy director will assume even more responsibility related to the overall implementation, compliance and outcomes of federal HUD programs. She currently drives the scheduling and performance of the monthly intra-City projects meetings, the quarterly IDIS problem-solving meetings, and communications with HUD-Columbus (along with the Housing division manager) to resolve outstanding issues and locate best practices.

The deputy director has been with DCD for over 2 years serving as the Administrative Officer under the director's leadership. She brings over 25 years of community services programming and community building experience including managing more than \$25 million in program initiatives funded by HUD, the Corporation for National Service, the Department of Justice, and Health and Human Services. Her background also includes the start up of nonprofit and government community based agencies. She has been a federal grantor, federal grantee, pass through entity for federal sub-granting, as well as a monitor/evaluator of programming strategies that follow federal regulations. She will specifically work with the Operations Manager to spearhead the development of the newly formed Monitoring Section and set monitoring targets for outcomes that ensure HUD compliance issues are addressed in a more timely way citywide. The tentative focus for the monitors is the targeting and closeout of projects in the IDIS system. The City hopes these initial changes will build confidence in the OIG that the amount of experienced staff working comprehensively on NSP1 activities is increasing.

**Comment 1**

The next phase of the internal DCD restructuring is a determination of exact percentages of time that will be assessed through time sheets required by City government. From that assessment, duties that are not covered sufficiently or that will improve performance of the department will be developed into role descriptions and move forward as requests to fill.

**Comment 1**

However, to further address HUD staffing concerns, it is important to note that DCD must get approval through the City Human Resource, Budgeting and Council structures to change staffing patterns. In previous years, DCD communicated its need for increased staffing annually through the formal City budget processes and/or through human resources upon the retirement or departure of staff. These requests resulted in the department's ability to retain staffing although the rest of the City had a hiring freeze. As needed, DCD redesigned staff job descriptions to tailor them to the needs of the department's programs and to address any deficiencies found in HUD audits, thus continuing to build infrastructure.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

**CITY DEPARTMENTAL STAFFING ANALYSIS**

The OIG report highlights major areas where the City has been focused on resolving concerns as quickly as possible. In order to do so sufficiently and to HUD's satisfaction, it is important to also note that HUD funding within the City of Cincinnati also requires additional analysis associated with processes, timelines and outcomes not controlled by DCD. While DCD receives the majority of HUD funds to implement programs, it works with a number of City departments to actually execute administrative processes. To gain a clear understanding of the HUD-funded landscape, DCD conducted an assessment of the number of individuals who work with federal dollars citywide in an effort to gauge actual administrative capacity. Communications have increased substantially over the last two years, as have collective results across City government.

**Comment 1**

A preliminary needs assessment for additional DCD staff is completed and was communicated to appropriate departments. Since some functions related to federal funds are not managed by DCD, the department also contacted the following offices to assess their staffing capacity related to the amount of their staff's HUD activity by percentage: Office of Budget and Evaluation, Finance Department, City Solicitor's Office (Law), City Planning, the Health Department, and the Office of the City Manager (for Contract Compliance). Each department was asked to identify staff that process any activities related to federal NSP1, HOME, CDBG, CDBG-R, LEAD, and HPRP programs. As it relates to LEAD activities, the City has received two LEAD grants – one implemented through DCD Lead Hazard Reduction Demonstration Grant and the other through the Health Department Lead Hazard Control Grant.

**Comment 9**

Attachments IX, X, XI, XII and XIII represent flowcharts of the City's internal processes. From the data gathered the City has determined that, at a minimum, 100 positions within the City system contribute to the administration and implementation of programs funded by HUD. Of those positions, a total of 26 positions have time specifically dedicated to the NSP1 program. Seventeen of the NSP1 positions are senior level positions or require multiple years of City experience to qualify. The time dedicated to NSP1 by these positions is estimated to be the equivalent to 8.0 FTE. Other personnel throughout City departments will likely contribute to implementation of NSP1 although staff time may not be charged for these contributions to the NSP1 grant specifically. In addition, current funding either from CDBG administration or City General Fund resources will likely be needed to support the staff time dedicated to the NSP project. In this sense the budget of NSP1 administration funds is not necessarily comprehensive because it does not include project delivery expenses or other City resources that may be utilized.

**Comment 1**

The City has attached a table that lists all positions with time specifically dedicated to the NSP project (Attachment XIX). This table also lists all staff in DCD's Housing Division. As is evidenced by this table, a total of 6 analysts, 5 of whom are senior analysts, within the Housing Division of the Department of Community Development

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

spend the equivalent of 1.5 FTE on City General Fund Capital projects. The City's General Fund Capital resources depend in part on City income tax. These resources are declining due to the economic circumstances in 2010. Community Development's share of these resources is projected to decline by 7% in 2010 compared to the original 2010 budget. In 2010, due to the housing climate, the diversification of resources will likely increase focus on business development programs over housing programs in an effort to make the most community impact that could lead to increased tax revenue and more funds for the City to use as leverage. This will free up staff hours within the Housing Division that are currently dedicated to City projects. These staff hours can then be dedicated to HUD programs, such as NSP1.

**Comment 1**

**Comment 1**

While we have collected preliminary staffing results for HUD activity, a more thorough assessment must be conducted over the next few months to reduce the incidences of duplication of effort across City government, ensure all needs are covered related to HUD expectations, and verify that any recommendations for new positions have justification and funding to accomplish the goal. As needed, role descriptions will be revamped and/or created among the identified City departments. Following that process, the impacted department(s) will have to work through human resource processes as well as City Council processes since the City has a hiring freeze and an anticipated budget deficit. Therefore, with the exception of some NSP1 and HOME related changes within DCD, the City does not anticipate making any major staffing changes until the City's budget processes for the Consolidated Plan, Capital Budget, and General Operating Fund are completed later this year. However, the potential of additional federal funding, the clear expectations of HUD's OIG, and a projected City General Fund budget shortfall, forces the City to revisit HUD staffing. Changes will be made as required as quickly as possible.

**PARTNERSHIPS/CONSULTANTS**

DCD understands its role as the oversight entity that will ultimately be held accountable for NSP1 activities and outcomes. DCD prides itself on the ability to build partnerships and convene stakeholders relatively quickly and effectively.

**Comment 1**

Interdepartmental Collaborations

DCD has met with various departments on a regular basis to resolve all HUD-related items. In addition to monthly Projects Meeting and quarterly IDIS meetings, DCD staff has met with the Law Department, Budget Office, and the City Manager's Office to update the Manager and other senior staff on recommendations, suggestions and intent of the OIG. DCD reviewed staff time sheets to provide specific percentages of time spent on all DCD-related activities including federal funds and the City's General Fund. DCD met with specific departments requesting the same analysis of staff time. The result of the meeting is a strategy for short and long-term planning that re-evaluates the budget structure related to federal funding among all city departments to ensure staff focus and tracking of time associated administration of federal dollars is accurate and documented.



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**Auditee Comments**

**Comment 5**

**Comment 1**

**Comment 1**

DCD and the Office of Budget and Evaluation have already drafted sections for a procedures manual reflective of HUD NSP and other federally funded HUD programs. As mirrored by the need to evaluate all of the City's staffing processes thoroughly in order to create a comprehensive procedures manual reflective of all HUD NSP1 systems, DCD will work closely with other departments that impact this new program to assess their systems and ability to get things done in a timely way.

Over the last 2-3 years, DCD has been proactive in inviting departments to various training opportunities led by HUD and other entities related to HUD programs to ensure that all staff, regardless of department, work effectively together to meet outcomes. This is evidenced in the City's request to bring in ICF International, HUD's technical assistance provider, to assist the City in developing systems to reduce the number of open activities in the IDIS system. Once the City receives this report, we will immediately begin reviewing systems Citywide to meet the recommendations made by ICF. ICF International was also able to review and make recommendations for updating our procedures manual for our Rental Rehabilitation Program and our Section 3 process.

Community

Our community partners are a significant component of the delivery of services related to NSP1. The level of detail in the Scope of Work and Budget in current and future contracts with the various Community Development Corporations (CDCs) and other partners who actually complete the work is comprehensive, specific and time-driven.

There are 7 of the 10 priority NSP1 neighborhoods that have active Community Development Corporations (CDCs), experienced in acquisition/rehabilitation/resale activities. Of the three neighborhoods without a CDC, one is receiving only demolition of blighted buildings, which will be administered directly by DCD staff using contractors. The two remaining neighborhoods will collaborate with experienced developers to accomplish neighborhood projects.

National Development Council (NDC)

Another of the City's partners is the National Development Council (NDC), the oldest national non-profit community development organization in the U.S. The organization was founded in 1969. Its mission is to increase the flow of capital to underserved urban and rural areas for community development, job creation, economic opportunity, and small business development. NDC's relationship with the City of Cincinnati is tailored to the varied needs of DCD. NDC offers development assistance and professional training as well as small business financing and debt and equity for residential, commercial, public and non-profit facilities projects.

NDC regularly works with the City to review development project deals and assess the developer's capacity. NDC also works with the City to increase the flow of capital for

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affordable housing and neighborhood revitalization through development assistance by working with community partners to plan and execute their development strategies, with emphasis on getting the job done, whether it's an economic development program, a development project or multiple projects. Additionally, NDC finances through the NDC Corporate Equity Fund and can act as developer for affordable housing projects in our client communities. NDC's Housing and Economic Development Corporation offers clients the opportunity to address the challenges of building public facilities using a unique model. DCD's Business Development Division accesses NDC's small business lending arm, the Grow America Fund. This fund is the nation's only SBA-licensed Small Business Lending Company that is owned and operated by a non-profit organization. The Grow America Fund offers participating Community Partners a loan program that helps leverage their capital by four to one, and lend to eligible businesses at the lowest possible interest rates and for the longest possible terms. NDC is a leading participant in the Federal New Markets Tax Credit program, with \$376,000,000 in tax credit allocations through 2009. Our 38 projects in 18 states include neighborhood and downtown revitalization, new and expanded industrial enterprises, and cultural, recreation, social service and health care facilities.

**Comment 1**

NDC training and certification is an integral part of the City of Cincinnati's DCD staff professional development structure and is generally a requirement factored into staff promotions. As funds allow, staff attends training that is specially geared toward developing knowledge and skills essential to making deals happen through either the Housing Development Finance Professional (HDFP) Certification Program which explores the development process, financial analysis techniques and structuring and negotiating skills needed to successfully develop and finance affordable home ownership and rental housing development. Another option for staff is NDC's Economic Development Finance Professional (EDFP) Certification Program, a rigorous training series that explores the skills essential for the successful practice of economic development - business credit and real estate finance analysis techniques, loan packaging procedures, negotiating and problem solving skills and deal structuring techniques.

Community Development Corporation of Cincinnati (CDCA) including (CDCs) and Community Urban Redevelopment Corporations (CURCs)

The Cincinnati DCA is the trade association in the Greater Cincinnati and Northern Kentucky area for Community Development Corporations (CDCs), housing service providers, financial institutions, community resources, and committed individuals. CDCA's vision is of a Greater Cincinnati and Northern Kentucky with exciting communities that revitalize themselves through dedication and hard work in their Community Development Corporations and Community Urban Redevelopment Corporations. With resources from around the area they will provide a variety of housing, strong commercial districts, arts and open spaces for all their residents and work with DCD to help build capacity for the CDCs and CURCs.

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Local Initiatives Support Corporation (LISC)

Local Initiatives Support Corporation (LISC) is the nation's leading community development support organization. LISC helps resident-led, community-based development organizations transform distressed communities and neighborhoods into healthy places to live, do business, work, and raise families.

By providing capital, project training, and consultation, LISC supports the development of local leadership and the creation of affordable housing, commercial and community facilities, businesses and jobs. The Local Initiatives Support Corporation of Greater Cincinnati & Northern Kentucky works to bring new, significant, project-related financial and technical assistance to Community Development Corporations (CDCs) operating in Clermont and Hamilton Counties in Ohio and Boone, Campbell, and Kenton Counties in Kentucky.

LISC's work begins and ends with the premise that local residents can best identify community needs and develop solutions that solve neighborhood issues. Through its nuanced and tailored lending, granting, and technical assistance support, LISC provides individuals and communities with the capital and technical expertise they need to revitalize and rebuild neighborhoods. LISC empowers whole communities and gives residents a voice in shaping their local market, civic environment, and physical neighborhoods. The City will continue to work with LISC to engage neighborhood residents in physical development and strengthening capacity of local CDCs to plan and execute real estate projects.

Cincinnati Development Fund (CDF)

The Cincinnati Development Fund (CDF) is a non-profit lending institution established in 1988 to finance affordable housing development and community revitalization in the Greater Cincinnati Area. CDF fills a critical niche that is not sought after by traditional lenders, such as small projects, new developers, and complex financing structures. The primary business of the organization is to underwrite and service community development real estate loans that result in the creation or preservation of affordable housing, or revitalization of urban communities. CDF's Mission is to drive community revitalization by providing capital access and technical assistance. CDF's Vision is to be a national leader in community development where we bring financial institutions, nonprofit and commercial developers, and local governments together to create vibrant, diverse neighborhoods and strong central cities. The City and CDF regularly work together to analyze and leverage capital for development deals.

As NSP1 implementation continues, the City Administration will continue exploring the feasibility of external contracting for those services that are either cost-prohibitive or have timeliness issues if handled within current City structures. Unfortunately, that determination cannot be made by the required response date of the OIG. However, it is still on the table for review and decision. The funding made available by charging inspection costs to project delivery instead of administration would pay for these services.

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**Auditee Comments**

**Comment 1**

Other Resources in the State of Ohio

HUD Columbus and the City have maintained an ongoing resolution process for previous OIG audits and reporting. As part of the process HUD Columbus contracted with ICF International to provide DCD with onsite training and technical assistance for IDIS processing and Section 3 monitoring. ICF also assisted DCD with a Rental Rehabilitation Program manual re-write.

DCD staff is working with HUD - Columbus on draft reporting documents, reporting procedures as well as to resolve all OIG issues. We will continue to tap into HUD's staff knowledge about technical assistance providers who can help the City accomplish projects in a more quality-driven and quantitative manner. And, as always, we will consult our colleagues in Ohio and other communities to get information about their approaches related to NSP1 and other HUD programs.

Other partnerships will be developed throughout NSP1 implementation. As NSP1 progresses, other likely relationships will be with various lenders, national partners acquired by HUD, state and local organizations focused on NSP1 and other stimulus programs as well as nonprofit organizations.

**Comment 1**

**SUMMARY**

In closing, the City of Cincinnati reiterates that it is employing as many of the strategies recommended by the Office of the Inspector General as expeditiously as possible. The City further hopes that the information communicated in this document and all attachments demonstrates our commitment to continuous improvement, effectiveness and efficiency. We hope this will restore the Office of Inspector General's confidence that the Cincinnati is willing and focused on making our City the best operations possible.

Should you require additional information or wish to discuss this current or previous Audits further, please don't hesitate to contact Michael Cervay, Director, Department of Community Development at [Michael.Cervay@cincinnati-oh.gov](mailto:Michael.Cervay@cincinnati-oh.gov) or by phone at (513) 352-1947; or you may contact Dwendolyn Chester, Deputy Director, Department of Community Development at [Dwendolyn.chester@cincinnati-oh.gov](mailto:Dwendolyn.chester@cincinnati-oh.gov) or via phone at (513) 352-4881.

Sincerely,

/signed/  
Milton Dohoney, Jr.  
City Manager

**Ref to OIG Evaluation**

**Auditee Comments**

Attachments:

- I. Neighborhood Stabilization Program Draft Manual
- II. HAP – NSP1 Demolition – Under Contract or Out to Bid
- III. HAP – NSP1 Demolition – In Demolition and Program Nuisance
- IV. Condemned Buildings – NSP High Need
- V. DCD Organizational Structure
- VI. PMCE Division Staff Bios
- VII. Housing Division Staff Bios
- VIII. Fiscal Division Staff Bios
- IX. NSP Departmental Workflow Chart
- X. NSP Community Development Internal Workflow Chart
- XI. Expenses/Vouchers Departmental Workflow Chart
- XII. Commitment Form Departmental Workflow Chart
- XIII. Contracts Departmental Workflow Chart
- XIX. NSP Staffing Table

Cc:

Mark Mallory, Mayor, City of Cincinnati  
Milton Dohoney, Jr., City Manager, City of Cincinnati  
John Curp, Solicitor, City of Cincinnati  
Lea Eriksen, Director, Office of Budget and Evaluation, City of Cincinnati  
Joe Gray, Director, Finance, City of Cincinnati  
Michael Cervay, Director, Department of Community Development, City of Cincinnati  
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Herman Bowling, Housing Manager, Community Development, City of Cincinnati  
Oren Henry, Community Development Administrator, City of Cincinnati  
Jorgelle Lawson, Director, Office of Community Development and Planning, HUD  
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Richard Hendershot, Program Manager, Office of Community Development and  
Planning, HUD Columbus  
Robert Milburn, Program Officer, Office of Community Development and Planning,  
HUD Columbus

## OIG's Evaluation of Auditee Comments

**Comment 1** The City's commitment to provide Neighborhood Stabilization Program training to staff working on, reallocate and hire additional staff for, and directly charge salaries as delivery costs for the Neighborhood Stabilization Program, if fully implemented, should improve its capacity to effectively and efficiently administer its Neighborhood Stabilization Program.

**Comment 2** The City should finalize its policies, procedures, and controls applicable to activities before executing contracts with partners for the activities under the Neighborhood Stabilization Program.

**Comment 3** We did not request the City's procedures manual for its Neighborhood Stabilization Program. We requested the City's policies and procedures for its Neighborhood Stabilization Program.

**Comment 4** The City should finalize its policies, procedures, and controls for its activities under the Neighborhood Stabilization Program, as appropriate, and make any revisions to its policies, procedures, and controls if and when HUD revises the requirements for the Neighborhood Stabilization Program.

**Comment 5** We revised this memorandum to state the following:

- As of June 30, 2009, the City had not established adequate policies and procedures. On May 1, 2009, it provided its draft manual, dated May 2009.
- On June 30, 2009, the City provided a revised draft manual. The revised draft manual included the sections mentioned above that were missing in the draft manual. However, the revised draft manual did not contain management's monitoring procedures to ensure that funds were used appropriately.
- As previously stated, we found that the City did not adequately manage its HOME program. The following issue we identified in OIG Audit Report number 2008-CH-1010, if left uncorrected, could also impact the Neighborhood Stabilization Program.
- The City's revised HOME program rental rehabilitation manual addressed the issues identified for rental rehabilitation activities. The City also used the HOME program rental rehabilitation manual in the revised draft manual for the policies and procedures for the City's rental program. Therefore, the revised draft manual includes policies and procedures for the City's rental program that were not applicable to the Neighborhood Stabilization Program. For example, the revised draft manual contains references to HUD's Integrated Disbursement and Information System even though HUD's Disaster Recovery and Grants Reporting system was utilized for the reporting on Neighborhood Stabilization Program activities.

We removed the following from this memorandum:

- The City did not comply with HUD's regulations in providing downpayments, closing costs, homebuyer counseling, and home inspections. It inappropriately provided funds to households that were not income eligible and did not have documentation to support that activities were eligible. Although the policies and procedures for the City's downpayment program in the draft manual addressed the issues identified in our prior audit, the draft manual did not specify the hours of homebuyer counseling the potential home buyer would need to receive before obtaining a loan. According to the *Federal Register*, dated October 6, 2008, the grantee must require each Neighborhood Stabilization Program-assisted homebuyer to receive and complete at least eight hours of homebuyer counseling before obtaining a loan.

**Comment 6** Through the *Federal Register*, dated October 6, 2008, HUD notified the City that it allocated nearly \$8.4 million in Neighborhood Stabilization Program funds to the City. Further, the City submitted its 2008 action plan substantial amendment for the Neighborhood Stabilization Program on December 1, 2008. On April 17, 2009, we requested the City's policies and procedures for its Neighborhood Stabilization Program. The City provided its draft manual on May 1, 2009. As of May 1, 2009, the City had nearly seven months since it was notified that it was allocated Neighborhood Stabilization Program funds to finalize its policies, procedures, and controls for its activities under the Neighborhood Stabilization Program, as appropriate.

**Comment 7** Due to the limited amount of guidance HUD had provided grantees regarding and the City's inability to obtain access to HUD's Disaster Recovery and Grants Reporting system, we did not include in the audit memorandum that the City's draft policies lacked a section covering policies and procedures for reporting in HUD's Disaster Recovery and Grants Reporting system.

**Comment 8** We audited the City's capacity to administer its Neighborhood Stabilization Program and referred to significant issues from our prior audit reports on the City's HOME program because the issues were applicable to the City's Neighborhood Stabilization Program, and if left uncorrected, could also impact the City's capacity to effectively and efficiently administer its Neighborhood Stabilization Program.

**Comment 9** We recognize that the City has experienced staff that will provide support services for the Neighborhood Stabilization Program. However, our audit focused on the City's staff assigned to administer the day-to-day operations of the Neighborhood Stabilization Program.

During the audit, the City provided a listing of the Department's staff, including their duties, regarding the Neighborhood Stabilization Program. The listing only

included the Department's director, deputy director, housing division manager, recently hired community development analyst in the Division, and property maintenance code enforcement division manager. The listing stated that the property maintenance code enforcement division manager was responsible for the operation of the Property Maintenance Code Enforcement Division and supervised building inspectors that were responsible for identifying and enforcing property code violations, including the demolition of blighted buildings. The listing also stated that the Department requested an additional position to provide administrative support for the Neighborhood Stabilization Program and that there was other staff in the Department that will process payments and provide support services for the Neighborhood Stabilization Program. Further, the City only provided job descriptions for the Department's director, housing division manager, and senior community development analysts.

- Comment 10** The staff in the Department's fiscal division provided support services for the Neighborhood Stabilization Program.
- Comment 11** The City did not provide documentation to support that the staff in the Department's Property Maintenance Code Enforcement Division were administering the day-to-day operations of the Neighborhood Stabilization Program.
- Comment 12** The City should finalize its policies, procedures, and controls applicable to demolition activities under the Neighborhood Stabilization Program before conducting any additional work related to the demolition activities under the Neighborhood Stabilization Program.
- Comment 13** The City did not provide a revised budget to support that salaries for inspectors in the Department's Property Maintenance Code Enforcement Division were reallocated from administrative costs.
- Comment 14** The City did not provide documentation to support that the administrative specialist in the Department's Division would be administering the day-to-day operations of the Neighborhood Stabilization Program.
- Comment 15** The City did not provide documentation to support its plans to promote a senior community development analyst to a supervisory role and reallocate two staff from the Department's Operations Division or how the promotion of the senior community development analyst and reallocation of the two staff from the Department's Operations Division would benefit the Neighborhood Stabilization Program.
- Comment 16** The City did not provide documentation to support that the Department's deputy director would assume more responsibility over the City's HUD programs.