



U.S. Department of Housing and Urban Development
Region 4, Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388
(404) 331-3369

**MEMORANDUM NO.
2011-AT-1801**

November 24, 2010

MEMORANDUM FOR: Mary D. Presley, Director, HUD Atlanta Office of Community Planning and Development, 4AD

//signed//

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

SUBJECT: The City of Columbus, GA, Demonstrated the Capacity to Obligate Its NSP-1 Funds

INTRODUCTION

We completed a review of the City of Columbus, GA's (City) Neighborhood Stabilization Program (NSP-1). We selected the City for review based on its overall slow progress in obligating its grant funds before the 18-month deadline and, in particular, obligating at least 25 percent of its grant funds for occupants with incomes below 50 percent of the median income in the locality (LH25 set-aside).

Our objective was to determine whether the City had demonstrated the capacity to properly obligate all NSP-1 grant funds and at least 25 percent of the grant toward the LH25 set-aside by the September 5, 2010, statutory deadline. As of September 5, 2010, the City had committed 100 percent of its \$3.1 million NSP-1 grant and met its LH25 set-aside requirements.

METHODOLOGY AND SCOPE

To accomplish our objective, we

- Reviewed and obtained an understanding of relevant Housing and Economic Recovery Act (HERA) legislation, the Federal Register, and U.S. Department of Housing and Urban Development (HUD) regulations;

- Interviewed HUD staff and reviewed program files for the City;
- Interviewed City staff and reviewed files and records including its NSP-1 grant agreement with HUD, board minutes, annual independent audits, financial records, procurement records, and contracts;
- Reviewed the City's relevant controls including applicable policies and procedures;
- Performed site inspections of the NSP-1 project sites; and
- Analyzed data from HUD's Disaster Recovery Grant Reporting system and the corresponding reporting to the public by the City on its Web site.

We reviewed 100 percent of the City's obligations toward its \$3.1 million NSP-1 grant and performed detailed testing of the procurements for its obligations toward the LH25 requirement.

Our review generally covered the period March 1, 2009, through May 31, 2010, and we extended the period as needed to accomplish our objective. We performed onsite review work from June through September 2010 at the City's office located at 420 10th Street, Columbus, GA.

BACKGROUND

The City's government was created by legislative act in the State of Georgia from the unification of two governments, the City of Columbus and Muscogee County. Beginning January 1, 1971, Columbus became a consolidated city-county government. In January 2001, the consolidated government assumed responsibility for providing municipal services to Bibb City. The City is governed by a mayor and 10 council members elected by the voters. The mayor serves a 4-year term and also functions as a public safety director. Members of the city council serve 4-year staggered terms. The city manager is appointed by the mayor and confirmed by the council and is responsible for the day-to-day operations of the government.

The Community Reinvestment office is responsible for administering the NSP-1 grant and other HUD grants including the Community Development Block Grant, HOME Investment Partnerships Program, and Emergency Shelter Grant. The Community Reinvestment office reports to the deputy city manager.

On March 5, 2009, HUD awarded the City an NSP-1 grant of more than \$3.1 million. NSP-1 grants were provided through HERA funding to States and units of general local government for the redevelopment of abandoned and foreclosed-upon homes and residential properties. Section 2301(c)(1) of HERA requires the grantee to use all of its NSP-1 funds not later than 18 months after the receipt of the funds or September 5, 2010. Section 2301(f)(3)(A)(ii) further requires that not less than 25 percent of the NSP-1 funds be used for the purchase and redevelopment of

abandoned or foreclosed-upon homes or residential properties that will be used to house individuals or families with incomes that do not exceed 50 percent of area median income, which is the LH25 set-aside requirement. NSP Policy Alert, Volume 3, dated April 2010, defines “use” as the obligation of funds for approved specific activities that must be linked to a specific address and/or household.

RESULTS OF REVIEW

The City demonstrated the capacity to properly obligate its entire \$3.1 million NSP-1 grant by the September 5, 2010, statutory deadline. This capacity was evidenced by the City’s substantial progress in committing its grant funds during our review. Specifically,

- As of September 5, 2010, the City had obligated 100 percent of its NSP-1 grant funds and fulfilled the LH25 set-aside requirement by obligating more than 25 percent of its funds toward low-income occupants.
- Detailed testing of the LH25 set-aside obligations revealed that the obligations were incurred and entered into for eligible uses and could be linked to a specific address or household.
- Site inspections of the LH25 set-aside projects verified that the activity existed and the funds were obligated to be used as intended for the projects.

During the review, we identified the following concerns regarding the classification of obligations, support for obligations, and reporting process:

- The City obligated \$219,767 in acquisition, rehabilitation, and downpayment assistance costs for two properties that were improperly classified as LH25 set-asides. The properties were sold to individuals whose income exceeded the LH25 income requirements. We discussed this matter with the City during the review, and it reclassified the invalid LH25 obligations.
- The City could not locate the procurement records for the lead-based paint contract it awarded. It obligated and paid \$29,612 for lead-based paint abatement services provided by a contractor that was under contract with the City. We discussed this matter with the City, and it agreed to locate and provide these documents to HUD’s Office of Community Planning and Development for review.
- The City did not maintain up-to-date NSP-1 quarterly performance reports on its Web site. It had not posted its March 31, 2010, and June 30, 2010, quarterly performance reports on its Web site. We discussed this matter with the City and, it posted the missing quarterly reports on its Web site.

Our review of the City's actions taken or planned regarding the issues indicated its willingness to make necessary improvements.

RECOMMENDATIONS

Based on the results of the review, this memorandum contains no recommendations.

AUDITEE RESPONSE

We provided a draft memorandum to the City on November 18, 2010. We explained that the City's comments were not necessary, but if it chose to provide comments, we requested that they be provided within 10 days. The City generally agreed with the memorandum and declined an exit conference and had no comments since the report has no findings or recommendations.