



Issue Date	July 22, 2003
Audit Case Number	2003-DE-1802

TO: Guadalupe M. Herrera, Director, Denver Office of Community Planning and Development, 8AD

Robert C. Gwin

FROM: Robert C. Gwin, Regional Inspector General for Audit, 8AGA

SUBJECT: HUD Community Planning and Development Programs
City of Boulder
Boulder, Colorado

INTRODUCTION

We completed a review of the City of Boulder, Colorado administration of the HUD Community Planning and Development Programs that consisted of the HUD Community Development Block Grant and HOME Investment Partnerships programs. The objective of the review was to determine if the City of Boulder implemented a control structure that ensured that the grant activities were effectively accomplished and that the corresponding funds were properly expended.

The City of Boulder's Department of Housing and Human Services (Boulder) is the department designed to administer the HUD Community Planning and Development Programs. Records pertaining to Boulder's Community Planning and Development Programs are maintained at the City of Boulder's office located at 1101 Arapahoe Avenue, Boulder, Colorado 80302.

We reviewed the management controls over the administration of the Community Planning and Development Programs. Boulder implemented effective procedures and controls that ensured Boulder's projects were established and administered in accordance with applicable Boulder and HUD requirements. Our review period was January 1, 2000 through December 31, 2002. We expanded the scope as needed to verify the information reviewed during the audit period.

We accomplished our objective by reviewing Boulder's policies and procedures; reviewing Boulder's annual plans and reports required by HUD; reviewing project files,

accounting records, and other reports and documents maintained by Boulder relating to the Community Planning and Development programs; and interviewing Boulder staff who perform functions relating to the HUD programs. We also reviewed Boulder's annual plan and performance report files maintained by HUD; pertinent data maintained in HUD's Integrated Disbursement and Information System; and interviewed appropriate Denver HUD Office of Community Planning and Development staff. We performed the review work during January through April 2003. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

We used a non-statistical sample to select the project files to be reviewed. For the Community Development Block Grant Program, we selected 6 of the 58 projects established during our audit period. We randomly selected one open and one closed project for each year of our audit period. For the 27 HOME Investment Partnership Program projects, we randomly selected one project for each year of our audit period for a total of three projects. The samples represent about 10 percent of the projects. We determined that Boulder had effective project administration procedures and did not identify problems with the projects reviewed.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

We appreciate the courtesies and assistance of the personnel of the City of Boulder Department of Housing and Human Services and the personnel of the Denver Office of Community Planning and Development. Should you have any questions, please contact Ernest Kite, Assistant Regional Inspector General for Audit, at (303) 672-5452.

SUMMARY

Boulder had established effective management controls over the administration of the HUD programs. They had effective procedures for determining the projects to be funded and for monitoring the progress of the projects. Boulder had procedures for establishing and maintaining records for the projects and other activities related to the programs. The accounting records for the projects were adequately maintained. For the projects reviewed during our audit, we did not identify any ineligible projects or inappropriate use of program funds. Boulder was preparing the plans and reports required by HUD; however, these reports did not always contain all the required data. More specifically, Boulder must submit the Consolidated Plan and Annual Actions Plans to HUD on a periodic basis detailing information about the City of Boulder's administration of the HUD funded Community Development and Planning Programs. However, some of the required information was not incorporated into these plans; thereby limiting HUD's ability to review and evaluate Boulder's program plans. Also, Boulder is required to submit a Consolidated Annual Performance and Evaluation Report to HUD at the end of each grant year. HUD requirements

specify the necessary information and statistics to be included in the annual consolidated report. However, some of the required information was not included in Boulder's annual submission to HUD. As a result, HUD had limited information to review and evaluate Boulder's Community Development and Planning Program activities.

We discussed the geographic distribution and other report deficiencies with Boulder officials during the preliminary exit conference on March 4, 2003, and they said that they would include the information in future Plans and Reports. We transmitted the draft audit memorandum report to Boulder on June 10, 2003 for their review and written comments. Boulder provided their written comments by letter dated June 17, 2003. Boulder's written response was received on June 24, 2003 and has been included in Appendix A. Boulder's agreed in their response that a greater level of detail would be useful in their plans and would endeavor to provide the level of detail and accountability required by the regulations governing the Community Development Block Grant and HOME grants.

BACKGROUND

The City of Boulder is a HUD designated Entitlement City for the Community Development Block Grant Program. The Community Development Block Grant Program was authorized under Title I of the Housing and Community Development Act of 1974, as amended. HUD entitlement funds are to be used for eligible activities that meet one of the National Objectives for activities funded under the Block Grant Program: benefiting low- and moderate-income persons; which aid in the prevention or elimination of slums or blight; or designed to meet community development needs having a particular urgency. For grant years 2000, 2001, and 2002, Boulder received CDBG funds totaling \$3,555,000. They allocated the funds to 58 projects during these years.

HUD also approved Boulder's participation in the HOME Investment Partnerships Program (HOME). The HOME Program was authorized under the HOME Investment Partnerships Act at title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. HUD allocates funds by formula for the purpose of strengthening public-private partnerships and to expand the supply of decent, safe, sanitary and affordable housing. For grant years 2000, 2001, and 2002, Boulder received HOME funds totaling \$1,981,000. They allocated the funds to 27 projects during these years.

FINDING

ANNUAL REPORTS REQUIRED BY HUD WERE NOT FULLY DEVELOPED

Annually Boulder, in conformity with HUD requirements, is obligated to submit various plans and reports to HUD concerning their entitlement Community Development and Planning Programs. Such information is to provide a basis for Boulder to plan and administer its HUD funded programs as well as to measure and evaluate its progress in carrying out the programs. Boulder prepared and submitted the necessary plans and reports to HUD; however, these reports did not always contain all the required data.

Without all the needed information and data, HUD is limited in its ability to properly review and evaluate the HUD funded programs implemented by Boulder. Furthermore, Boulder could be impacted in carrying out the HUD programs and ensuring that all the HUD requirements are being met.

Once every 5 years, Boulder is required to prepare and submit to HUD a Consolidated Plan describing activities planned for both Community Development Block and HOME grants. As part of this submission, Boulder is to include an Annual Action Plan detailing the grantee's activities for the upcoming year. The most recent Consolidated Plan was submitted in 2000 for the program year starting January 1, 2000. Also HUD requires the submission of an Annual Action Plan for each of the subsequent four years following the Consolidated Plan. Boulder submitted the required Annual Action Plans for 2001 and 2002. In addition, HUD also requires the submission of Consolidated Annual Performance and Evaluation Reports at the end of each program year detailing the activities of the HUD funded programs for the previous year. Boulder submitted these performance and evaluation reports for 2000 and 2001. The 2002 report was not yet due at the time of our site work.

The criteria applicable to the Consolidated Plan, Annual Action Plans and Consolidated Annual Performance and Evaluation Reports were contained in Title 24 of the Code of Federal Regulations, Part 91. The requirements are detailed and contain specific information that must be included in specific sections of the required documents. While Boulder submitted to HUD the required submissions, Boulder did not include all of the necessary information and data into them. As a result, HUD was not provided with full information with which it could review and evaluate Boulder's activities under its Community Development Block Grant and HOME programs. The deficiencies relating to each of the three submissions, the Consolidated Plan, Annual Action Plan, and the Consolidated Annual Performance and Evaluation Report, are discussed below:

Consolidated Plan

HUD regulations in Title 24, Code of Federal Regulation, Section 91.205 through 230 details the requirements to be incorporated into the Consolidated Plan that Boulder submits to HUD once every five years. The main required sections include: Consultations, Citizen Participation Plan, Housing and Homeless Needs Assessment, Housing Market Analysis, Strategic Plan, Annual Action Plan, Certifications, and Monitoring Standards and Procedures.

Boulder prepared the required Consolidated Plan for 2000 and for the most part, included all of the required information and requirements. However, the Strategic Plan section did not: describe the basis for assigning the priority given each category of priority needs; include what funds would reasonably be expected to be available; and specifically address "activities to encourage public housing residents to become more involved in management and participate in homeownership."

The Annual Action Plan that was incorporated into the Consolidated Plan lacks some of the required information. These items are discussed in the following section.

Annual Action Plan

HUD regulations in Title 24, Code of Federal Regulation, Section 91.220 details the requirements to be incorporated into the Annual Action Plan that Boulder submits to HUD each year. The main required sections include Application, Federal and Other Resources, Actions to be taken, Geographic distribution, Homelessness and other special needs, and Other actions. In addition, Boulder is required to submit specific information relating to each of the Community Development Block Grant and HOME programs. Boulder did prepare the required Annual Action Plan for 2000 that was part of the 2000 year Consolidated Plan and for the 2001 and 2002 years. For the most part, all of the requirements were met. However, some of the sections of the Action Plans did not properly detail the necessary information specified by the HUD regulations. These included:

- The Actions To Be Undertaken section of the Annual Action Plan in all three years reviewed described in detail the local objectives and priority needs and the proposed accomplishments as required by the HUD regulations. However, several activities in this section did not show the estimated number and type of families that would benefit from the activity. Also, several activities did not show the target completion date.
- The Geographic Distribution section information, required in Title 24 Code of Federal Regulations, part 91.220(d) was not properly incorporated in any of the Action Plans we reviewed. Boulder did have the needed geographic distribution information and submitted the information reports to HUD with the Consolidated Plan; however, it was not actually included in the Action Plans.
- The Other Actions section in all three Annual Action Plans did not contain the required information relating to public housing resident initiatives. The Annual Action Plans for 2001 and 2002 did not address developing the institutional structure. The 2002 Annual Action Plan did not address lead-based paint activities.

Consolidated Annual Performance and Evaluation Reports

Section 91.520 of Title 24 of the Code of Federal Regulations details the required information to be included in the performance report that is submitted to HUD annually. This annual report is to show the progress that the grantee has made in carrying out its strategic and annual plans. The report is to include: a description of resources made available, investment of available resources, geographic distribution and location of investments, families and persons assisted and actions taken to affirmatively further fair housing. In addition, other specific information is to be provided that relates directly to the individual Community Development Block Grant and HOME programs.

Boulder did prepare its annual performance reports, titled Consolidated Annual Performance and Evaluation Reports, for 2000 and 2001 as required in 24 CFR 91.520. The 2002 annual performance report was not due at the time of the audit site work. Each Consolidated Annual Performance and Evaluation Report contained the Community Development Block Grant Grantee Performance Report, the HOME Annual Performance Report, and the Self Evaluation Report. Boulder provided the majority of the required information. However, some deficiencies were noted in the HOME Annual Performance Report sections. Specially:

- The results of on-site inspections were not documented in the 2000 and 2001 Consolidated Annual Performance and Evaluation Reports. HUD had already identified this deficiency and Boulder officials submitted the inspection report for 2001 and indicated that they would submit the results in the Reports in future years.
- Data on the amount and use of program income for projects, including the number of projects and owner and tenant characteristics were not documented in the 2000 and 2001 Reports.

The Boulder official responsible for preparing the Plans and Reports submitted to HUD makes a diligent effort to ensure that they were prepared in conformity with HUD requirements. However, while all the necessary data was gathered by Boulder, not all of the required information was included in the HUD reports. This stems primarily from the fact that Boulder did not have a consolidated source for the reported information. Had procedures been established for the consolidated collection of the needed information, then the impact of not having information readily available could have been reduced.

The implementation of such procedures to obtain and collect the needed administrative and report information not only will ensure that the necessary data is included in the reports to HUD but also will aid Boulder in its planning, administration, and evaluation of its HUD programs and to ensure that the HUD requirements are being fulfilled.

AUDITEE COMMENTS

Boulder in their June 17, 2003 written comments to the draft audit memorandum report stated that they agree that a greater degree of detail would be useful in their plans. Boulder stated that they became aware of the annual report deficiencies in the summer of 2002 and that a plan had been developed whereby HUD would assist the City of Boulder with improvement in this area. In addition, the HUD Office of Community Planning and Development had committed to provide technical assistance in the development of the City of Boulder's next iteration of its Consolidated Plan that is due in 2006.

Boulder further stated that the City had worked closely with HUD to develop both the 2002 Consolidated Annual Performance and Evaluation Report and 2003 Annual Plan update. Drafts were submitted to HUD for their review and comment prior to submittal. Changes and suggestions by the HUD staff were incorporated into the documents subsequently submitted to and approved by HUD. In addition, Boulder stated that they

would endeavor to provide the level of detail and accountability required by the regulations governing the Community Development Block Grant and HOME grants.

Boulder requested that statements included in the finding attributed to one Boulder official be removed. Boulder felt the paragraph reflects an attitude that does not exist in this employee or the organization and has no place in the report.

OIG EVALUATION OF AUDITEE COMMENTS

Boulder has initiated action to improve its annual submissions to HUD. Statements made in the draft report that Boulder considers not to reflect the attitude of its employees or the City of Boulder has been revised. The report is giving recognition that the Boulder staff has made a diligent effort to include all of the required information and data in the reports that are submitted to HUD. However, Boulder does not have a consolidated source for the accumulation of such needed information and data. Accordingly, Boulder needs to implement a process for the accumulation of the information in a consolidated source that will help facilitate Boulder's preparation and submission of the required reports and information to HUD.

RECOMMENDATIONS

We recommend that HUD Office of Community Planning and Development:

- 1A. Require Boulder to develop appropriate procedures for the collection and consolidation of needed information for the Consolidated Plans, Annual Action Plans, and Consolidated Annual Performance and Evaluation Reports and for providing assurances that these plans and reports submitted to HUD are in full compliance with the HUD requirements.
- 1B. Provide technical assistance to Boulder in implementing Recommendation 1A.
- 1C. Review the procedures established by Boulder in Recommendation 1A for adequacy and review the next submission of the plans and reports to HUD to ensure that they are properly prepared.

AUDITEE COMMENTS

Housing and Human Services
City of Boulder



Children Youth and Families Division
Children's Services
CVF Mediation Services
Family Resource Schools
Prevention & Intervention Programs
Youth Opportunities Program

Community Services Division
Policy Planning
Human Rights
Human Services Fund

Housing Division
Planning
Funding
Direct Services

Senior Services Division
Senior Centers
Community Resources
Contract Services
Education & Recreation

June 17, 2003

Robert C. Gwin
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Rocky Mountain Region
633 17th Street
North Tower
14th Floor
Denver, CO 80202-3607

Dear Mr. Gwin.

This letter is in response to the draft report on the recent audit of the City of Boulder's Community Development Block Grant (CDBG) and the HOME Investment Partnership ACT (HOME) programs.

Finding #1:

Annual Reports Required by HUD Were Not Fully Developed

The City agrees that a greater level of detail would be useful in our plans. We were made aware of annual report deficiencies in the summer of 2002 by CPD staff from the Rocky Mountain Region Office. On July 31, 2002, we held a phone consultation with CPD staff and expressed our openness to working with HUD to address this issue and developed a plan to assist the City with improvement in this area. The plan stipulated that CPD staff would provide technical assistance to City of Boulder staff on the development of its 2002 Consolidated Annual

P.O. Box 791 Boulder, Colorado 80306 (303) 441-3140

Performance and Evaluation Report (CAPER) and its 2003 Annual Plan. Further, CPD staff committed to providing technical assistance on the development of the City's next iteration of its Consolidated Plan. The next Consolidated Plan is due in 2006.

City staff worked closely with CPD staff to develop both the 2002 CAPER and 2003 Annual Plan update. Drafts of each document were submitted to CPD staff for review and comment prior to submittal. Changes and suggestions made by CPD staff were incorporated into the documents subsequently submitted to HUD. Both documents have been approved by the Rocky Mountain Regional office.

The City plans to develop, with assistance from CPD staff, a work plan for its 2006 - 2011 Consolidated Plan in 2004.

AUDITEE COMMENTS

The City takes exception to comments included on page 6, second paragraph of the draft report. The Boulder official did not make the comments attributed to her in this paragraph. The City feels that this paragraph reflects an attitude that does not exist in this employee or the organization and has no place in the report. We respectfully request that this paragraph be removed from the final report.

Boulder is proud of the efforts we have undertaken as a community to meet the needs of low and moderate income persons and look forward to continuing our partnership with HUD to continue making strides in this area. In addition, we will endeavor to provide the level of detail and accountability required by the regulations governing the CDBG and HOME grants.

As always, don't hesitate to contact us if we can provide any additional information or clarification on any of the information provided.

Sincerely,


John Pollak
Co-Director of Housing
And Human Services

DISTRIBUTION OUTSIDE OF HUD

The Honorable Susan M. Collins, Chairman, Committee on Government Affairs
The Honorable Joseph Lieberman, Ranking Member, Committee on Government Affairs
The Honorable Thomas M. Davis, III, Chairman, Committee on Government Reform
The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform
Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice
Andy Cochran, House Committee on Financial Services
Clinton C. Jones, Senior Counsel, Committee on Financial Services
Kay Gibbs, Committee on Financial Services
W. Brent Hall, U.S. General Accounting Office
Steve Redburn, Chief Housing Branch, Office of Management and Budget
Linda Halliday, Department of Veterans Affairs, Office of Inspection General