



Issue Date February 12, 2007

Audit Report Number 2007-BO-0001

TO: Nelson R. Bregon, General Deputy Assistant Secretary, Office of Community Planning and Development, D

FROM: 
John A. Dvorak, Regional Inspector General for Audit, New England, 1AGA

SUBJECT: The Hartford Office of Community Planning and Development Did Not Always Adequately Monitor Community Development Block Grant Program Participants or Follow HUD Requirements

HIGHLIGHTS

What We Audited and Why

As part of our annual plan, we initiated a review of the U.S. Department of Housing and Urban Development's (HUD) Hartford, Connecticut, Office of Community Planning and Development (CPD) due to indications of inadequate monitoring identified during a previous HUD Office of Inspector General (OIG) external audit.¹ Our audit objectives were to determine whether the Hartford CPD office (a) ensured that Community Development Block Grant (CDBG) funds were used for activities that met one of the three primary national objectives and (b) adequately monitored program participant activities to ensure their eligibility and proper classification.

What We Found

As part of their on-site monitoring of program participants, the Hartford CPD office appeared to ensure that CDBG funds were used for activities that met one of the three primary national objectives and were eligible and properly classified

¹ HUD OIG Audit Report # 2006-BO-1001, issued October 7, 2005.

but we were unable to verify they did.² However, it did not always adequately monitor CDBG program participants or follow HUD requirements. It did not always issue required monitoring letters in a timely manner, maintain or complete required documentation, and perform adequate followup. Inadequate monitoring allows findings and concerns to go uncorrected, placing CDBG funds at unnecessary risk. Further, the lack of an administrative record and required documentation negatively impacts HUD and makes enforcing sanctions more difficult.

What We Recommend

We recommend that the general deputy assistant secretary, Office of Community Planning and Development, implement additional oversight and a plan to ensure that: (1) the CPD staff are familiar with and understand the monitoring requirements of HUD Handbook 6509.2, REV-5, (2) monitoring letters are prepared and provided to the program participants within 45-days, (3) correct handbook exhibits are used, completed, and prepared electronically before issuance of the monitoring letter, (4) all correspondence, documentation, and working papers relating to the monitoring and conclusions are maintained in the official field office files, (5) adequate followup is performed, documented, and communicated to program participants within required timeframes, and (6) the director of the Hartford HUD Office of Community Planning and Development is complying with the procedures and policies described in the recommendations 1 through 5. We did not make any recommendations regarding meeting a primary national objective, eligibility or classification since we could not make a determination based on the information available at the Hartford CPD office.

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

Auditee's Response

We provided HUD officials with a draft audit report on January 12, 2007. We held an exit conference with HUD officials on January 17, 2007, to discuss the draft report, and we received their written comments on February 2, 2007. HUD generally agreed with the facts, conclusions, and recommendations in this report. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix C of this report.

² The documentation maintained gives the appearance that the activities met a national objective and were eligible and properly classified, but this may not be the case and can only be verified through a review of additional detailed documentation and records maintained by the respective program participant, which was not part of our review and was a scope limitation for this audit (see the section on Scope and Methodology).

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BACKGROUND AND OBJECTIVES

The U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing and a suitable living environment and expand economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations.

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1,180 general units of local government and states. The CDBG entitlement program allocates annual grants to larger cities and urban counties to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.

The Hartford, Connecticut, CPD provides CDBG funds to 23 entitlement cities in Connecticut. For fiscal years 2004, 2005, and 2006, HUD provided more than \$137.7 million in CDBG funding to these cities. Each HUD CPD is responsible for monitoring the performance of its CDBG program participants. In 2000, the Hartford CPD was composed of a program director and 11 staff members. Since that time, it has lost five staff positions, including four CPD staffs and one program assistant.

The Hartford CPD office performs an annual risk assessment for CDBG program participants to identify candidates for monitoring. Monitoring is an integral management control technique and a Government Accountability Office standard. It is an ongoing process that assesses the quality of a program participant's performance over time. Monitoring provides information about program participants that is critical for making informed judgments about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste, and abuse. It is the principal means by which HUD

- Ensures that programs and technical functions are carried out efficiently, effectively, and in compliance with applicable laws and regulations;
- Assists program participants in improving their performance, developing or increasing capacity, and augmenting their management and technical skills; and
- Stays abreast of the efficacy of CPD-administered programs and technical functions within the communities these programs serve.

HUD began revising its monitoring procedures for the CDBG program with the issuance of a March 14, 2005, memorandum (In-Depth Monitoring of Community Planning and Development Programs) and continuing with the issuance of HUD Handbook 6509.2, REV-5 (Community Planning and Development Monitoring Handbook), in September 2005. As late as August 2006,

HUD continued providing additional guidance related to the monitoring of CPD programs to its field offices.

Due to the changes in the regulations, our audit focused on the monitoring performed after the issuance of the March 14, 2005, memorandum. Therefore, our audit was limited to the monitoring of seven CDBG entitlement grantees that received more than \$81.8 million in CDBG funds during fiscal years 2004, 2005, and 2006. Our audit was further limited to include only the activities monitored by the Hartford CPD during its review. The Hartford CPD office and our audit focused on the monitoring of 45 activities totaling more than \$6.6 million.³

Our objective was to determine whether the Hartford CPD office

- Ensured that CDBG funds were used for activities that met one of the three primary national objectives and
- Adequately monitored grantees' activities to ensure their eligibility and proper classification.

³ The \$6.6 million may not be part of the \$81.8 million because the monitoring reviews included activities funded in previous years; therefore, CDBG funds from prior years may have been reviewed. We provided the total dollars funded to put our monitoring review within the context of the amount of funds authorized.

RESULTS OF AUDIT

Finding 1: The Hartford CPD Did Not Always Adequately Monitor CDBG Program Participants or Follow HUD Requirements

The Hartford CPD office did not always adequately monitor CDBG program participants. It did not also always follow HUD requirements such as issue required monitoring letters in a timely manner, maintain or complete required documentation, and perform adequate followup of monitoring findings. These deficiencies were attributed to the staff's unfamiliarity with new HUD requirements and an oversight by the staff as they transitioned from one fiscal year to the next. Inadequate monitoring allows findings and concerns to go uncorrected, placing CDBG funds at unnecessary risk. Further, the lack of an administrative record and required documentation negatively impacts HUD and makes enforcing sanctions more difficult.

Monitoring Was Not Always Adequate and Did Not Always Follow HUD Requirements

The on-site monitoring of program participants performed by the Hartford CPD office between March 2005 and August 2006 was not always adequate and did not always meet HUD requirements. The Hartford CPD office did not always

- Prepare and transmit the monitoring letter within the required 45-days,
- Use the correct handbook exhibits for all activities reviewed,
- Completely fill out the handbook exhibits as required,
- Maintain the required monitoring file, and
- Adequately follow up on monitoring findings and concerns.

Appendix B summarizes the deficiencies found during our review of the seven on-site monitoring reviews performed by the Hartford CPD office. The deficiencies are discussed in greater detail below.

Monitoring Letters Were Not Always Transmitted within 45-Days

Within 45 days after completion of monitoring, the Hartford CPD office was required to send a monitoring letter to the program participant describing the results in sufficient detail to clearly describe the areas that were covered and the basis for the conclusions. Our review of seven on-site monitoring reviews

performed by the Hartford CPD office determined that monitoring letters were not sent within 45 days for five of the seven program participants. On average, monitoring letters were sent 154 days⁴ after completion of monitoring.

In the most serious instance, the Hartford CPD office, as of December 15, 2006, had not issued a monitoring letter to one program participant, although the on-site monitoring was completed in August 2005. CPD staff attributed this to an oversight on their part as they transitioned from one fiscal year to the next. The director stated that he followed up with the program participant in September 2006 and plans to provide a monitoring letter.

Correct Handbook Exhibits Were Not Always Used

With the issuance of HUD Handbook 6509.2, REV-5, in September 2005, the use of handbook exhibits became mandatory. Our review of seven on-site monitoring reviews performed by the Hartford CPD office determined that the correct handbook exhibits were not always used for three of the four covered program participants. Three of the reviews were performed before September 2005; therefore, the requirement did not apply.

In the first instance, the CPD staff failed to use an exhibit or used the incorrect exhibit for three of the six activities reviewed. The staff also failed to use the required monitoring summary form designed to serve as the basis for the exit conference and the monitoring letter. In the second instance, the staff failed to use an exhibit or used the incorrect exhibit for three of the nine activities reviewed. In the third instance, the staff failed to use the required monitoring summary form. The CPD staff attributed these deficiencies to their oversight and lack of formal training.

Handbook Exhibits Were Not Always Completely Filled Out

In addition to the requirement mandating the use of the handbook exhibits, HUD Handbook 6509.2, REV-5, chapter 2-7(C), states that specific responses to the exhibit questions are expected and that all exhibit questions must be clearly answered, including the “Yes/No/NA” box and the “Basis for Conclusion” text box. Our review of seven on-site monitoring reviews performed by the Hartford CPD office determined that the handbook exhibits were not always completely filled out for three of the four covered program participants. Three of the reviews were performed before September 2005; therefore, the requirement did not apply.

⁴ This average will actually be higher than 154-days, as the Hartford CPD office has not provided a monitoring letter to two of the seven program participants. For those two program participants, we used a cutoff date of December 15, 2006, to calculate the number of days from the completion of monitoring.

The CPD staff stated that they did not fill out the exhibits completely because some of the questions were self-explanatory, redundant, and time consuming and because of a lack of formal training. The staff also stated that they understood the requirements and would need to do a better job in the future.

In the first instance, the CPD staff failed to completely fill out four of the exhibits. In the second instance, the staff failed to completely fill out two of the exhibits. In the third instance, the staff failed to completely fill out one of the exhibits. HUD recognizes that this approach can take more time initially but believes it yields higher quality reviews that provide a better picture of a program participant's grant program for supervisory staff, future CPD staff for the program participant, and others who may need to review the program participant's performance of HUD's monitoring efforts.

Monitoring File Was Not Always Maintained

HUD Handbook 6509.2, REV-5, chapters 2-13 and 2-14, stress the importance of building an administrative record and adequately documenting each step in the monitoring process. Our review of seven on-site monitoring reviews performed by the Hartford CPD office determined that the monitoring file was not maintained for one of the seven program participants. Although this particular review was performed before the issuance of the handbook, the previous edition of the handbook (Handbook 6509.2, REV-4) required all correspondence and working papers relating to monitoring visits and conclusions to be in CPD's grantee file. During our review, the Hartford CPD office was able to reconstruct a monitoring file.

Adequate Followup Was Not Always Performed

HUD requires followup actions to be documented and communicated to program participants and also provides timeframes for followup and review of submitted information from the program participant. Our review of seven on-site monitoring reviews performed by the Hartford CPD office determined that adequate followup did not occur for two of the seven program participants.

In the first instance, the CPD staff stated that the program participant's response was not adequate but failed to inform the participant. It has been more than a year since the completion of the monitoring. In the second instance, the CPD staff stated that he had verbal assurances of corrective action and that he performed a followup visit in September 2006, more than a year after the completion of the initial monitoring, to confirm that corrective action had been taken. As of December 5, 2006, the CPD staff had not entered this information into the Grants

Management Process system. We consider this an incomplete record, and without adequate documentation, we could not determine whether the issues were adequately resolved.

Conclusion

The on-site monitoring of seven program participants, performed by the Hartford CPD office between March 2005 and August 2006, was not always adequate and did not always meet HUD requirements. Inadequate monitoring allows findings and concerns to go uncorrected, placing CDBG funds at unnecessary risk. For example, our audit of the City of Hartford Office of Grants Management⁵ found that the city did not always award grants to subrecipients for eligible activities. Two of the ineligible activities we identified, totaling \$517,671, had been previously reviewed and found to be eligible by the Hartford CPD staff. These ineligible activities should have been detected and reported as part of HUD's monitoring activities. Further, the lack of an administrative record and required documentation negatively impacts HUD and makes enforcing sanctions more difficult. HUD Handbook 6509.2, REV-5, chapter 2-14, states:

The cost to HUD of not maintaining such documentation is substantial and potentially embarrassing. This is especially true when a program participant has been carrying out similar activities or projects over a period of time and HUD reviewers have been reassigned or changed. Support documentation becomes extremely significant when HUD seeks to take enforcement actions that are challenged.

Therefore, adequate monitoring and complete administrative records and supporting documentation are important and necessary to protect HUD's interest.

Recommendations

We recommend that the general deputy assistant secretary, Office of Community Planning and Development implement additional oversight and a plan to ensure that:

- 1A. The CPD staff are familiar with and understand the monitoring requirements of HUD Handbook 6509.2, REV-5.
- 1B. Monitoring letters are prepared and provided to the program participants within 45-days.

⁵ HUD OIG Audit Report # 2006-BO-1001, issued October 7, 2005.

- 1C. Correct handbook exhibits are used, completed, and prepared electronically before issuance of the monitoring letter.
- 1D. All correspondence, documentation, and working papers relating to the monitoring and conclusions are maintained in the official field office files.
- 1E. Adequate followup is performed, documented, and communicated to program participants within required timeframes.
- 1F. The director of the Hartford HUD Office of CPD is complying with the procedures and policies described in the recommendations 1A through 1E.

SCOPE AND METHODOLOGY

To accomplish our audit objectives, we

- Reviewed regulations pertaining to the CDBG program, including the *Code of Federal Regulations*, HUD handbooks/guidebooks, and Community Planning and Development CDBG notices;
- Conducted interviews with Hartford CPD staff;
- Obtained and documented a listing of the Connecticut CDBG entitlement cities, as well as the CDBG funding received by each during the audit period;
- Obtained and documented risk assessments, desk reviews, and/or on-site monitoring reviews performed by the Hartford CPD during the audit period; and
- Reviewed the seven CDBG entitlement grant cities monitored by the Hartford CPD office between March 14, 2005, and August 31, 2006.

As part of their on-site monitoring of program participants, the Hartford CPD office appeared to ensure that CDBG funds were used for activities that met one of the three primary CDBG national objectives, and were eligible and properly classified.⁶ However, we were unable to make these determinations whether they did because the documentation in the monitoring files maintained by the Hartford CPD office was limited to what the CPD staff determined was needed, which did not necessarily include everything that the CPD staff reviewed during their monitoring or that the program participant maintained. Therefore, our assessment was inconclusive based on the limited documentation in the monitoring files, and the appearance that they did is based on the representations of the CPD staff that the activities met a national objective, and were eligible and properly classified.

We performed the majority of our fieldwork from July through December 2006. The audit generally covered the period March 14, 2005, to August 31, 2006, but was expanded when necessary.

We performed our review in accordance with generally accepted government auditing standards.

⁶ The documentation maintained gives the appearance that the activities met a national objective, and were eligible and properly classified, but this may not necessarily be the case and can only be verified through a review of additional detailed documentation and records maintained by the respective program participant which was a scope limitation for this audit.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Policies and procedures that management implemented to reasonably ensure that CDBG program monitoring complied with HUD requirements and that the intended objectives were met;
- Policies and procedures that management implemented to ensure that CDBG program participant activities met one of the three primary national objectives; and
- Policies and procedures that management implemented to ensure that CDBG grant expenditures were eligible, properly classified, and adequately supported.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following item is a significant weakness:

- The Hartford CPD office did not have controls in place to ensure that CDBG program monitoring complied with HUD requirements and that the intended objectives were met (see finding 1).

APPENDIXES

Appendix A

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SCHEDULE OF ACTIVITIES REVIEWED AND CDBG FUNDS PROVIDED

Program participant	Date of monitoring review	Activity reviewed	CDBG funds allocated	Activity year monitored
City of Middletown	April 2005	Middlesex Community CAD Certificate Program	\$15,000	2003
		Miller and Bridge Street Development Section 108 loan	\$300,000	2002
		Green Street Arts Center	\$225,000	2003
		Downpayment Assistance Program	\$191,800	2003
		North End Housing Initiative	\$145,000	2003
Total			\$876,800	
City of Bridgeport	May 2005	Charles D. Smith Foundation's summer camp	\$18,000	2004
		Learn to Work/Job Training Program by the Bridgeport Area Youth Ministry	\$10,000	2003
		Senior Citizens Program	\$25,000	2004
		Black Rock Senior Center	\$38,000	2000
		S.A.D.A. Senior Center	\$50,000	2003
		Residential rehabilitation	\$200,000	2004
Total			\$341,000	
City of Waterbury	August 2005	In-The-Making CBDO	\$24,000	2004
		Waterbury Day Nursery	\$15,000	2004
		Morris Foundation (substance abuse counseling)	\$12,300	2004
		Sidewalk improvements	\$250,000	2004
		Fire station improvements	\$400,000	2004
Total			\$701,300	
City of Manchester	June 2006	Samaritan Shelter improvements	\$14,000	2004
		Certified Nurses Aide training program	\$30,300	2004
		Lutz Museum accessible bathroom project	\$12,000	2004
		School Clinical Services	\$11,000	2004
		Job Training Program	\$27,800	2004
		Theater Program	\$2,500	2004
		Manchester Early Learning Opportunities	\$8,305	2004
Residential rehabilitation	\$307,658	2003		
Total			\$413,563	

SCHEDULE OF ACTIVITIES REVIEWED AND CDBG FUNDS PROVIDED (Cont.)

Program participant	Date of monitoring review	Activity	Funds allocated	Activity year monitored
City of Hartford	June 2006	University of Hartford - Upper Albany Main Street Program	\$125,000	2004
		University of Hartford - Entrepreneurial Program	\$55,000	2004
		Façade Improvement Program	\$822,557	2004
		HEDCO Merchants Revolving Loan Program	\$250,000	2004
		Neighborhood Traffic Calming Program	\$526,938	2004
		LISC Land Acquisition Program	\$72,500	2004
Total			\$1,851,995	
City of Bristol	August 2006	Christian Fellowship Center Storehouse - Soup Kitchen/Food Pantry	\$4,600	2005
		St. Vincent DePaul's Society of Bristol, Inc.	\$20,500	2005
		Boys & Girls Club Outreach Program	\$6,000	2005
		Department on Aging - Supplemental Dial-A-Ride	\$10,000	2005
		Literacy Volunteers	\$1,400	2005
		United Way – acquisition	\$50,000	2005
		Bristol Association for Retarded Citizens floor replacement	\$25,000	2005
		Bristol Community Organization’s Head Start play area	\$8,000	2005
		Residential rehabilitation	\$245,434	2005
Total			\$370,934	
State of Connecticut	August 2006	64-Tolland Slum and Blight	\$225,000	2002
		24-Coventry Street improvements	\$492,822	2002
		39-Mansfield Juniper Hill Community Center	\$500,000	2002
		79-East Haddam Senior Center - all activities from 2004 PER, FY02	\$325,000	2002
		31-Ellington residential rehabilitation	\$450,500	2002
		71-Windsor Adult Daycare	\$109,502	2002
Total			\$2,102,824	
Total of all activities reviewed			\$6,658,416	

Appendix B

SCHEDULE OF DEFICIENCIES

Program participant	Was activity properly classified?	Was monitoring letter provided within 45-days?	Number of days between monitoring and monitoring letter	Did CPD use correct handbook exhibits? (note 1)	Did CPD completely fill out the exhibits? (note 1)	Did CPD maintain an adequate monitoring file?	Did CPD perform adequate followup?
Middletown	N	N	91	N/A	N/A	Y	N
Bridgeport	Y	N	169	N/A	N/A	Y	Y
Waterbury	Y	N	491 ⁷	N/A	N/A	N	N
Hartford	Y	N	113	N	N	Y	Y
Manchester	Y	Y	43	Y	Y	Y	Y
State of CT(Note 2)	Unable to determine	N	126 ⁷	N	N	Unable to determine	Unable to determine
Bristol	Y	Y	44	N	N	Y	Y
Total “no” answers	1 of 7	5 of 7		3 of 4	3 of 4	1 of 7	2 of 7
Avg. # of days			154				

Note 1:

Three of the seven on-site monitoring reviews (Middletown, Bridgeport, and Waterbury) were conducted before the issuance of HUD Handbook 6509.2, REV-5, in September 2005.

Therefore, the use of handbook exhibits was not applicable as reflected in the table above.

Note 2:

As of December 15, 2006, 126 days after monitoring completion, the Hartford CPD had not completed its monitoring file regarding its review of the State of Connecticut and had not issued the required monitoring letter. Therefore, we were unable to determine whether it properly classified the activities, performed adequate followup, or maintained an adequate monitoring file.

⁷ As of December 15, 2006, the Hartford CPD had not provided monitoring letters to the City of Waterbury or the State of Connecticut. We used December 15, 2006, as a cutoff date to calculate the number of days from the date of the exit conference.

Appendix C

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



U.S. Department of Housing and Urban Development

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New England

February 2, 2007

Memorandum for: John Dvorak, Regional Inspector General for Audit, New England, IAGA
From: Gary Reisine, Director, Community Planning & Development, Hartford Field Office, IED
Subject: Discussion Draft of the Audit Report on the Hartford Office's CDBG Monitoring

Thank you for the opportunity to comment on the discussion draft of your office's audit of Community Development Block Grant (CDBG) monitoring conducted by this office. The draft audit was presented to me, Program Manager Caroline Carlson, and Field Office Director Julie Fagan on January 17, 2007. Assistant RIGA Michael Motulski and auditors Todd Hebert and Jodi Desorcy presented the report, and invited us to provide a written response. A representative of the audit Action Official, General Deputy Assistant Secretary Nelson Bregon, requested that we be given until today, February 2, 2007, to prepare that response, which I now provide in this memo.

Comment 1

First, I concur with all findings of fact described in the draft audit report. The auditors performed a careful and diligent review, working closely with our staff to assure no records or facts were missed.

Second, I concur generally with the draft audit report's citation of the relevant handbooks, memorandums, and other authorities that provided the standard for monitoring that was conducted during the audit period. In some cases I believe there was more ambiguity or uncertainty about the interpretation of the monitoring standards than is presented in the draft report. As I will discuss below, for instance, CPD Headquarters has now confirmed that not all monitoring exhibits need to be completed, and that the CPD Director has reasonable discretion to approve the use of those that are relevant to identified risk areas.

Third, I concur with the draft report's recommendations, which I believe to be well grounded and appropriate to improving our procedures and operations. When the final audit is issued, we will carefully consider how we may best implement the recommendations and improve our monitoring. I believe much improvement has already occurred, but much work remains to be done.

That said, I wish to describe the context in which your auditors made their basic finding: that Hartford CPD did not always adequately monitor CDBG program participants or follow

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Ref to OIG Evaluation

Auditee Comments

Comment 2

HUD requirements. The context does not fully justify the finding or mitigate the problems caused by our weaknesses, but it provides some explanation. One important element in that context has not changed, and remains a danger to our ability to implement change.

The underlying and unchanging element in our ability to meet all our monitoring responsibilities during the audit period was a critical shortage of staff. As your auditors note in the report, Hartford CPD has lost five of twelve positions through attrition since 2000. We will lose one more through retirement at the end of March 2007, and may lose more in the next year. The resignation on short notice of a Senior CPD Representative in August 2005, early in the audit period, was particularly damaging to Hartford CPD's ability to reassign workload and meet all our responsibilities in Fiscal Year 2006. The prolonged medical absence of the CPD Director during the year, and her retirement in June of 2006, substantially increased the management burden of the Program Manager, who served for approximately five months as Acting CPD Director. In October of 2006, I was promoted from Senior CPD Representative to CPD Director. My old position has not been filled, and I have had to reassign yet more work to the diminished staff. I expect to spread out our workload in even heavier assignments in two months. Our total workload, measured by number of programs and funding dollars, has been about level since 2000. Measured by number of grants to be managed, it has steadily increased because of the spiraling number of competitive grants in our inventory. We monitor all our grant programs, and monitoring is but a small part of what we do, though a critical one.

Comment 3

The Office of Inspector General also chose to audit our CDBG monitoring during a review period that was exceptional and atypical. During the first few months of the audit period (March 14, 2005 through September 2005) we were operating under brand new instructions issued in a memorandum dated March 14, 2005, that substantially altered our monitoring strategies – particularly the way we selected risk areas and activities. At the same time, the Department was preparing a new Monitoring Handbook (6509.2, revision 5) that was issued in September 2005, and represented the greatest change in our monitoring procedures in the twenty-eight years I have been in CPD. The revised Handbook, with twenty-seven chapters, provided very detailed and specific requirements for what materials had to be examined and documented during monitoring, and what issues and questions had to be addressed. One or two teleconferences were held for field staff to be briefed on the Handbook. No training was made available. During the following year, at least four additional items of written guidance have been issued by the Department on CPD monitoring.

Comment 4

Comment 5

The new Handbook and associated guidance and instructions on risk analysis should provide the basis for vastly improved and more consistent monitoring of grants by CPD. I welcome it, and after a year's experience using the new monitoring exhibits, I think most of the Hartford CPD staff does as well. We are getting better at determining which exhibits to use, and completing them in a manner that creates a clear record. The CPD Program Manager and I are better learning how to assign and review monitoring work to assure completeness. A memorandum issued by GDAS Nelson Bregon on August 4, 2006, provides answers to many questions asked by field staff and directors about the new Handbook, and has been helpful to us this fiscal year. Among the issues it addresses is one we discussed (and disagreed about) with your auditors: do all exhibits need to be used, and who gets to decide? The answer is that it is "(t)he CPD Director's responsibility to ensure that the selected Exhibits bear a reasonable

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Ref to OIG Evaluation

Auditee Comments

Comment 4
Comment 2

relationship to the risk analysis results or are otherwise defensible...” We will endeavor to ensure the appropriate exhibits are used in the future. At times, this may mean that some generally related but non-essential exhibits are excluded.

My point is that the audit was conducted during a period of flux and uncertainty, and it is likely this contributed to some of the deficiencies identified. We are learning to use the new standards, and are learning, up to a point, to cope with ever-diminishing staff. We thank you for the courtesy and thoughtful efforts of Mr. Hebert and Ms. Desorcy, who spent months working with us, and whose work will contribute to the quality of our future monitoring.

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OIG Evaluation of Auditee Comments

- Comment 1** We acknowledge that the Hartford HUD Office of CPD concurs with all findings of fact, the report's citation of the relevant handbooks, memorandums, and other authorities that provided the standard for monitoring, and with the report's recommendations. We are encouraged that the Hartford HUD Office of CPD plans to implement the recommendations and improve their monitoring.
- Comment 2** We recognize that the attrition of staff may have impacted the overall productivity of the Hartford HUD Office of CPD over the last few years and we encourage the director to continue to strive for improvements in their monitoring of CDBG program participants.
- Comment 3** As explained in the "background and objectives" section of this report, due to the changes in the regulations, our audit focused on and evaluated the monitoring performed after the issuance of the March 14, 2005, memorandum that issued new instructions for monitoring. This was necessary to ensure our focus was on the revised procedures and monitoring activities performed under the revised procedures.
- Comment 4** We recognize that the issuance of HUD Handbook 6509.2, Rev-5, in September 2005, was the first substantial revision to the handbook since 1989. Nonetheless, key concepts of the handbook, including timeliness and adequate documentation, remained from the prior version. Also, as the auditee response points out, the revised handbook provided very detailed and specific requirements for what materials had to be examined and documented during monitoring.
- Comment 5** Although we openly questioned and discussed whether the handbook required the completion of all exhibits, we did not make a definitive determination and do not recall disagreeing with the staff. We agree the handbook is a bit ambiguous as to whether all of the exhibits require completion, but it is not ambiguous as to how the exhibits need to be completed. In fact, where the Hartford HUD Office of CPD decided that an exhibit was not required, we did not disagree. We focused our attention to areas where clearly required exhibits were not used and where exhibits used were not adequately completed. As reported in finding 1, HUD Handbook 6509.2, Rev-5, states that specific responses to the exhibit questions are expected and that all exhibit questions must be clearly answered, including the "Yes/No/NA" box and the "Basis for Conclusion" text box. Therefore, we stand by our determination.