

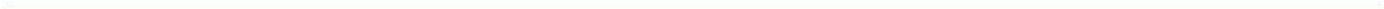


The City of Detroit's Housing and Revitalization Department, Detroit, MI

Lead Hazard Reduction Demonstration Program

**Office of Audit, Region 5
Chicago, IL**

**Audit Report Number: 2020-CH-1001
October 02, 2019**





To: Matthew Ammon, Director of Lead Hazard Control and Healthy Homes, L

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: The City of Detroit's Housing and Revitalization Department, Detroit, MI, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of Detroit Housing and Revitalization Department's 2014 Lead Hazard Reduction Demonstration Grant Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (312) 353-7832.



Audit Report Number: 2020-CH-1001

Date: October 02, 2019

**The City of Detroit's Housing and Revitalization Department, Detroit, MI,
Did Not Administer Its Lead Hazard Reduction Demonstration Grant
Program in Accordance With HUD's Requirements**

Highlights

What We Audited and Why

We audited the City of Detroit's Housing and Revitalization Department's Lead Hazard Reduction Demonstration Grant Program based on our analysis of the U.S. Department of Housing and Urban Development's (HUD) Office of Lead Hazard Control and Healthy Homes' grantees in Region 5's jurisdiction.¹ Our audit objective was to determine whether the Department administered the Program in accordance with HUD's requirements.

What We Found

The Department did not administer the Program in accordance with HUD's requirements. Specifically, it did not (1) maintain documentation to support that healthy homes assessment and data collection services were cost reasonable, (2) ensure that landlords gave preference in renting vacant assisted units to targeted families, (3) maintain adequate lead inspection documentation to support that lead-based paint hazard control activities were necessary, (4) obtain HUD approval before spending healthy homes supplemental funds in excess of \$5,000 per unit, and (5) calculate annual income correctly for one assisted household. As a result, the Department and HUD lacked assurance that more than \$616,000 in Program funds was used in accordance with HUD's requirements.

What We Recommend

We recommend that the Director of HUD's Office of Lead Hazard Control and Healthy Homes require the Department to (1) support that the contract for healthy homes assessment and data collection services was cost reasonable, (2) support that landlords gave preference in renting vacant assisted units to targeted families, (3) support that lead-based paint hazard control activities were necessary, (4) coordinate with HUD to determine whether healthy homes supplemental funds used in excess of \$5,000 per unit were used for eligible activities, and (5) implement adequate procedures and controls to address the findings cited in this audit report.

¹ The region contains six States: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

Table of Contents

| | |
|----------------------------------------------------------------------------------------------------------|-----------|
| Background and Objective..... | 3 |
| Results of Audit | 4 |
| Finding: The Department Did Not Administer Its Program in Accordance With HUD’s Requirements..... | 4 |
| Scope and Methodology..... | 9 |
| Internal Controls..... | 11 |
| Appendixes..... | 13 |
| A. Schedule of Questioned Costs | 13 |
| B. Auditee Comments and OIG’s Evaluation..... | 14 |

Background and Objective

The Lead Hazard Reduction Demonstration Grant Program is authorized by Section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992. The purpose of the Program, administered by the U.S. Department of Housing and Urban Development's (HUD) Office of Lead Hazard Control and Healthy Homes, is to assist States, cities, counties-parishes, Native American tribes, or other units of local government in identifying and controlling lead-based paint hazards in eligible privately owned rental or owner-occupied housing. The healthy homes supplemental funding is authorized under Section 502 of the Housing and Urban Development Act of 1970.

The City of Detroit's Housing and Revitalization Department was founded in 2014. The Department's mission is to finance, underwrite, and administer housing and community investments that enhance the quality of life for the residents of Detroit. One of the Department's tasks involves providing grant support to homeowners and rental property owners to help pay for the removal of lead hazards. The Department administers the Program on behalf of the City.

In November 2014, the City was awarded \$3.637 million in Program funds² under grant number MILHD0266-14. As of December 2018, the Department had spent all Program funds, including nearly \$2.6 million to address lead-based paint and other health hazards in 222 units.

The objective of our audit was to determine whether the Department administered its program in accordance with HUD's requirements. Specifically, we wanted to determine whether the Department (1) maintained documentation to support that healthy homes assessment and data collection services were cost reasonable, (2) ensured that landlords gave preference in renting vacant assisted units to families with a child under the age of 6 years, (3) maintained adequate lead inspection documentation to support lead-based hazard control activities, (4) obtained appropriate HUD approval before using healthy homes supplemental funds, and (5) properly calculated income for households residing in assisted units.

² The \$3.637 million in Program funds consisted of \$3,237,160 in Lead Hazard Reduction Demonstration Grant funds and \$399,840 in healthy homes supplemental funding.

Results of Audit

Finding: The Department Did Not Administer Its Program in Accordance With HUD's Requirements

The Department did not administer its Program in accordance with HUD's requirements. Specifically, it did not (1) maintain documentation to support that healthy homes assessment and data collection services were cost reasonable, (2) ensure that vacant rental units were prioritized for families with a child under 6 years of age, (3) maintain adequate lead inspection documentation to support lead-based paint hazard control activities, (4) obtain HUD approval before using healthy homes supplemental funds in excess of \$5,000 per unit, and (5) calculate annual income correctly for one assisted unit. These conditions occurred because the Department lacked adequate procedures and controls to ensure compliance with HUD's requirements. In addition, the Department's staff lacked a sufficient understanding of HUD's requirements. As a result, the Department and HUD lacked assurance that more than \$616,000 in Program funds was used appropriately.

The Department Did Not Maintain Documentation To Support That Healthy Homes Assessment and Data Collection Services Were Cost Reasonable

The Department executed a contract, effective October 2015, with a nonprofit entity to provide healthy homes assessment and data collection services. However, it did not maintain documentation to support that the contracted services were cost reasonable.³ In May 2015, the City's Office of Contracting and Procurement issued a request for proposals⁴, and the nonprofit entity was the only entity that responded. After the request for proposals' submission due date, the City's Office of Contracting and Procurement collected information from three additional entities to evaluate the nonprofit entity's proposal based on four factors including pricing. Based on a June 2015 summary template completed by the procurement evaluation committee, consisting of Office of Contracting and Procurement and Department staff members, the nonprofit entity's proposal ranked first in comparison to the information collected from the three additional entities. However, the Department could not provide the source pricing

³ According to 2 CFR (Code of Federal Regulations) 225 Appendix A (C)(1)(a), to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

⁴ The City's Office of Contracting and Procurement oversees the procurement process involving the healthy homes assessment and data collection services.

documentation from the three additional entities supporting that the amount paid to the nonprofit entity for the healthy homes assessment and data collection services was cost reasonable.⁵

According to the Department's program manager, the City's Office of Contracting and Procurement was responsible for conducting a price analysis and providing all procurement documents to the Department. However, the Department lacked written internal policies and procedures for obtaining documentation from the City's Office of Contracting and Procurement. When the procurement officer overseeing the contract was no longer employed by the City's Office of Contracting and Procurement, the Department did not ensure that it had received all documentation relating to the contract. Therefore, the Department could not provide the source pricing documentation. As a result, HUD and the Department lacked assurance that \$361,850 in program funds paid to the nonprofit entity for healthy homes assessment and data collection services was cost reasonable.

The Department Did Not Ensure That Vacant Rental Units Were Prioritized for Families With a Child Under 6 Years of Age

The Department did not ensure that property landlords gave preference in renting eight vacant assisted units to families with a child under 6 years of age. According to the Residential Lead-Based Paint Hazard Reduction Act of 1992, as amended, section 1011(a)(1), property landlords must give priority in renting assisted units for not less than 3 years following the completion of lead abatement activities, to families with a child under 6 years of age.

According to the Department's program manager, its staff was aware that property landlords had to give preference to families with a child under 6 years of age. The Department requires property landlords to sign an agreement certifying that they will market assisted units to families with children for 3 years. However, the Department did not have procedures and controls for monitoring landlords for compliance with HUD's requirements or its required agreement. As a result, it lacked assurance that \$112,917 in Program funds used to assist eight vacant units was prioritized for families with a child under 6 years of age. After our audit, the Department created an affirmative marketing plan monitoring checklist to assist its staff in monitoring property landlords' compliance with the preference requirement.

The Department Did Not Maintain Adequate Lead Inspection Documentation To Support Lead-Based Paint Hazard Control Activities

Of the 20 assisted units selected for review, the Department did not maintain adequate lead inspection documentation to support that lead-based paint hazard control activities were necessary for 19 units. According to HUD's requirements, only those lead-based paint hazards

⁵ According to 2 CFR 225 Appendix A (C)(2)(c), in determining reasonableness of a given cost, consideration should be given to market prices for comparable goods or services.

identified and clearly documented in the lead inspection report were eligible for reimbursement.⁶ The unsupported lead-based paint hazard control activities consisted of window and door replacements, paint stabilization on walls and ceilings, adding drywall, replacing exterior siding, and replacing kitchen cabinets.

According to the Department's inspection staff, to comply with HUD's Lead Safe Housing Rule, it assumed that certain components were lead hazards even when they had not been tested for lead-based paint or the lead inspection results did not identify the components as lead hazards. However, HUD's 2014 Program Notice of Funding Availability states that the presumption of the presence of lead-based paint or lead-based paint hazards is not allowed. Even though the Department's current inspection staff attended training courses organized by the State of Michigan licensed trainers and the State's Department of Community Health, they have not attended training on HUD's Program requirements for identifying lead-based paint hazards. Therefore, the Department's inspection staff was not fully aware of the applicable Program requirements related to identifying lead-based paint hazards. As a result, the Department paid \$70,266 in Program funds for the unsupported lead-based paint hazard control activities completed in the 19 assisted units.

The Department Did Not Obtain HUD Approval Before Spending Healthy Homes Supplemental Funds

The Department did not obtain HUD approval before spending healthy homes supplemental funds in excess of \$5,000 per unit for four units that had remediation work completed in 2018. According to HUD's Office of Lead Hazard Control and Healthy Homes' Policy Guidance 2016-01, section 4(c), issued in August 2016, a HUD government technical representative's approval is required before proceeding on healthy homes supplemental remediation work that is estimated to cost more than \$5,000 per unit. The amount of Program funds used for each of the four units ranged from \$12,950 to \$26,375, totaling \$71,930.

According to the Department's program manager, its staff was not aware of the requirement to obtain HUD approval until attending a 2018 training course. However, HUD's staff members stated that they sent program policy guidance to grantees electronically when they were issued. Therefore, the Department should have been aware of the Policy Guidance 2016-01 requirements before the remediation work had been completed for the four units. As a result, HUD and the Department lacked assurance that the use of \$51,930 ($\$71,930 - (\$5,000/\text{unit} * 4 \text{ units})$) in healthy homes supplemental funds was appropriately approved.

⁶ HUD's Office of Lead Hazard Control and Healthy Homes' Policy Guidance 2013-01, section 4

The Department Did Not Correctly Calculate Income For One Assisted Household

Of the 20 households residing in assisted owner-occupied units selected for review, the Department did not correctly calculate annual income for one household. For the one household, the Department did not include bonus income when determining the household's income as required by 24 CFR (Code of Federal Regulations) 5.609(b)(1). If bonus income had been included in the income calculation, the household's income would have exceeded the low-income threshold.⁷

According to the Department's program manager, staff members did not include the bonus income as identified in the household's pay stubs provided to the Department because they believed the bonus income was nonrecurring. However, neither HUD's requirements nor the Department's internal guidelines for income determination stated that if bonus income is nonrecurring it should be excluded from a household's income calculation. Therefore, the Department's staff did not have a full understanding of HUD's and its own requirements for bonus income. Furthermore, we located information online supporting that the employer provided yearly bonus income, thus the household's bonus income was recurring. As a result, the Department lacked assurance that \$19,500 in Program funds spent on one assisted unit was for a household that was income eligible.

Conclusion

The Department lacked adequate procedures and controls to ensure compliance with HUD's requirements. In addition, the Department's staff lacked a sufficient understanding of HUD's requirements. As a result, the Department and HUD lacked assurance that more than \$616,000 in Program funds was used appropriately.

Recommendations

We recommend that the Director of HUD's Office of Lead Hazard Control and Healthy Homes require the Department to

- 1A. Support that healthy homes assessment and data collection services were cost reasonable or reimburse its Program \$361,850 from non-Federal funds.
- 1B. Support that landlords gave preference in renting eight vacant units to families with children under 6 years of age or reimburse its Program \$112,917 from non-Federal funds for the lead-based paint hazard control activities completed at these assisted units.

⁷ According to the Residential Lead-Based Paint Hazard Reduction Act of 1992, as amended, section 1011(a)(2), assisted owner-occupied units must be the principal residence of low-income households.

- 1C. Support that lead-based paint hazard control activities were necessary at 19 assisted units or reimburse its Program \$70,266 from non-Federal funds for the unsupported lead-based paint hazard control activities completed at these assisted units
- 1D. Coordinate with HUD's Office of Lead Hazard Control and Healthy Homes to determine whether \$51,930 in healthy homes supplemental funds used for four units in excess of \$5,000 per unit was for eligible activities. If the activities are deemed ineligible, the Department should reimburse its Program the appropriate amount from non-Federal funds.
- 1E. Support that one household residing in an assisted unit was income eligible or reimburse its Program \$19,500 from non-Federal funds for the lead-based paint hazard control activities completed in the assisted unit.
- 1F. Implement adequate procedures and controls to ensure that (1) documentation is maintained to support that contracted services are cost reasonable, (2) landlords give preference in renting assisted vacant units to families with children under 6 years of age, (3) lead inspection documentation properly supports lead-based paint hazard control activities, (4) HUD approval is obtained when more than \$5,000 per unit in healthy homes supplemental funds is budgeted to assist units, and (5) its staff is fully knowledgeable of the Program requirements.

Scope and Methodology

We performed our onsite audit work between November 2018 and June 2019 at the Department's offices located at 2 Woodward Avenue, Detroit, MI. The audit covered the period November 28, 2014, through October 24, 2018.

To accomplish our audit objective, we interviewed staff from HUD's Office of Lead Hazard Control and Healthy Homes and the Department's employees. In addition, we obtained and reviewed the following:

- The Residential Lead-Based Paint Hazard Reduction Act of 1992, as amended; Federal regulations at 24 CFR Part 225; HUD's regulations at 24 CFR Parts 5 and 85; HUD Office of Lead Hazard Control and Healthy Homes' notices; the Program's notice of funding availability; and Program grant terms and conditions.
- The Department's accounting records, annual audited financial statements, policies and procedures, work plan, files for assisted units, and procurement files.

Vacant Unit Review

Using the Department's records, we determined that eight vacant units had been assisted using Program funds. We reviewed all eight assisted units (100 %) to determine whether the Department had assurance that property landlords gave preference in renting assisted units to families with a child under 6 years of age. We chose to review 100 percent of the vacant units because the universe of vacant units was relatively small.

Lead Inspection Review

From the Department's records of 222 units assisted under the Program, we selected 20 units to review to determine whether each unit's lead inspection results supported the lead-based paint hazard control activities. The selected units consisted of (1) two units for each of the eight inspectors who developed the lead-based paint hazard control activities included in the work specifications and (2) four units that had the highest amount of Program funds used to complete its lead-based paint hazard control activities. We used this nonstatistical sampling method since it resulted in selecting an equitable number of units for each of the inspectors who developed the lead-based paint hazard control activities. Because we used a nonstatistical sampling method, our results were not projected to the universe.

Healthy Homes Supplemental Funds Review

Using the Department's records, we determined that the Department used more than \$5,000 per unit in healthy homes supplemental funds to assist four units. We reviewed all four assisted

units to determine whether the Department obtained appropriate HUD approval before using the funds. We chose to review 100 percent of the units assisted with healthy homes supplemental funds because the universe was relatively small.

Income Review

From the Department's records of 222 units assisted under the Program, we selected 20 units to review for the accuracy of household income calculations to support income eligibility. These units were selected because they were the highest income households according to the Department's records. Because we used a nonstatistical method, our results were not projected to the universe.

We did not rely on computer-generated data to support our audit conclusions. Our audit conclusions are based on source documentation maintained by the Department.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

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

- The Department lacked adequate procedures and controls to ensure compliance with HUD's requirements. In addition, the Department's staff lacked a sufficient understanding of HUD's requirements (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

| Recommendation number | Unsupported 1/ |
|-----------------------|------------------|
| 1A | \$361,850 |
| 1B | 112,917 |
| 1C | 70,266 |
| 1D | 51,930 |
| 1E | 19,500 |
| Total | \$616,463 |

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

Appendix B

Auditee's Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



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September 20, 2019

Kelly Anderson
Regional Inspector General for Audit, Chicago Region, 5 AGA

Subject: Response to City of Detroit's Housing and Revitalization Department Lead Hazard Reduction Demonstration Program Audit

Dear Ms. Anderson:

This letter is to provide a response to the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of the review conducted of the City of Detroit Housing and Revitalization Department's (HRD) FY14 Lead Hazard Reduction Demonstration Grant Program.

Finding: HRD did not maintain documentation to support that Healthy Homes assessment and data collection services were cost reasonable.

Response: The City's Office of Contracting and Procurement (OCP) was responsible for the procurement of Healthy Homes assessment and data collection services. The Evaluation Committee Ranking Template (Exhibit A) identified that four firms were evaluated. OCP determines awards based on several factors, not only cost, and attests to the fact that all procurement rules were appropriately followed. OCP has provided the attached letter with their policy statement on procurement selection (Exhibit B). OCP requests that if the letter is insufficient in response to OIG's audit finding, that OIG contact [REDACTED], Deputy Chief Procurement Officer, at [REDACTED] or [REDACTED].

Finding: HRD did not ensure that vacant rental units were prioritized for families with a child under 6 years of age.

Response: Staff understood this to be a requirement starting at the end of the grant and was prepared to begin desk monitoring after closeout. The Policies and Procedures have been updated to reflect that monitoring of rental units will be done yearly from the completion of the unit. All landlords sign a document with the application stating that they understand and agree to comply with prioritizing vacant units to families with children under the age of 6. HRD has a policy, procedure and corresponding documents in order to properly follow-up and document landlord compliance with prioritizing families with children under 6 years of age when filling a vacant unit during the lien period (Exhibit C). These documents have been distributed to landlords that participated in the program.

Finding: HRD did not maintain adequate lead inspection documentation to support lead-based paint hazard control activities.

Comment 1

Comment 2
Comment 3

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

Response: HRD inspection staff was using the Lead Safe Housing Rule rather than 24 CFR Part 35 regulations when writing the scopes of work. This created differences between the work that was done and the allowable costs. Staff has since been trained on requirements specific to the Lead Hazard Reduction funds. All inspection staff attended trainings on May 8 and May 22, 2019 which included training on new HRD policies and procedures and policy guidance from the Office of Lead Hazard Control and Healthy Homes (OLHCHH).

Finding: HRD did not obtain HUD approval before spending Healthy Homes Supplemental Funds.

Comment 5

Response: Staff was originally unaware of the requirement to send Healthy Homes Supplemental Funding over \$5,000 per unit to the OLHCHH for approval. Staff believes all costs were eligible if a request for approval had been requested prior to entering into a contract for the work. All costs associated with Healthy Homes were identified and reported in the Healthy Homes Assessment Report and considered high priority. Reliance on allowable costs and restrictions was informed by the Notice of Funding Availability (NOFA) dated June 11, 2014 on page 19 and 23 (Exhibit D).

After HRD staff became aware of the requirement no units exceeded the \$5,000 Healthy Homes limit.

Finding: HRD did not correctly calculate income for one assisted household.

Comment 6

Response: HRD staff considered the bonus pay to be nonrecurring or sporadic income listed under 24 CFR Part 5 Annual Income Exclusions (Exhibit E).

Sincerely,



Donald Rencher, Director
Housing and Revitalization Department
City of Detroit

Cc: Matthew Ammon, Director of Lead Hazard Control and Healthy Homes
Michelle Miller, Deputy Director of Lead Hazard Control and Healthy Homes
Yolanda Brown, Programs Division Director, Lead Hazard Control and Healthy Homes
Victoria Jackson, Government Technical Representative, Lead Hazard Control and Healthy Homes

OIG Evaluation of Auditee Comments

Comment 1 The Department stated that evaluation ranking committee template (exhibit A) identified the four firms that were evaluated. In addition, the City's Office of Contracting and Procurement determines awards based on several factors, not only costs, and attests to the fact that all procurement rules were appropriately followed. The Department provided exhibit A – Evaluation Committee Ranking Template which summarized that an evaluation of four firms had been conducted. It also provided exhibit B – letter dated September 20, 2019, from the Deputy Chief Procurement Officer of the City of Detroit's Office of Contracting and Procurement, identifying the evaluation criteria used to award the contract for the healthy homes assessment and data collection services.

However, as stated in the audit report, the Department did not provide source pricing documentation, during the audit or in its' response to the audit report, supporting that the amount paid for healthy homes assessment and data collection services was cost reasonable. Exhibits A and B were not included in the report since they were not necessary to understand the Department's response. The exhibits are available upon request. The Department should work with HUD to resolve this issue. In order to protect the privacy of the Deputy Chief Procurement Officer, we redacted her name, office phone number, and office email address.

Comment 2 The Department stated that its staff understood that prioritizing of vacant units was a requirement starting at the end of the grant and it was prepared to begin monitoring after grant closeout.

However, according to Federal requirements, property landlords must give priority in renting assisted units for not less than 3 years following the completion of lead abatement activities, to families with a child under 6 years of age. Therefore, the 3 year time frame may no longer be applicable if the monitoring review is conducted after grant closeout.

Comment 3 The Department stated that its policies and procedures have been updated to reflect that monitoring of rental units will be done yearly from the completion of the lead-based paint hazard control activities. It provided exhibit C – Affirmative Marketing Plan for Single Family Housing which it plans to have landlords complete to ensure that vacant rental units are prioritized for families with children under the age of 6.

We acknowledge the Department's efforts to update its policies and procedures to ensure that vacant rental units are prioritized for families with children under the

age of 6. The Department should work with HUD's Office of Lead Hazard Control and Healthy Homes to ensure the updated policies and procedures fully comply with HUD's requirements. Exhibit C was not included in the report since it was not necessary to understand the Department's response. The exhibit is available upon request.

- Comment 4 The Department acknowledged that its inspection staff was using the Lead Safe Housing Rule when writing the scopes of work, which created differences between the work that was done and the allowable costs. It also stated that its staff has since been trained on Program requirements.

We acknowledge the Department's commitment to training its staff on HUD's Program requirements. The Department should work with HUD's Office of Lead Hazard Control and Healthy Homes to ensure that its' updated policies and procedures fully comply with HUD's requirements.

- Comment 5 The Department stated that its staff was originally unaware of the requirement to obtain HUD approval when using more than \$5,000 per unit in healthy homes supplemental funds. However, the Department believed the questioned healthy homes supplemental funds would have been eligible if prior approval was obtained. It provided exhibit D - Fiscal Year 2014 Program Notice of Funding Availability which identified eligible uses of healthy homes supplemental funds as an attachment.

The Department acknowledged that it did not obtain prior approval from its HUD government technical representative, as required by HUD's Office of Lead Hazard Control and Healthy Homes Policy Guidance 2016-01. The Department should provide the applicable documentation to HUD's Office of Lead Hazard Control and Healthy Homes to determine the eligibility of the questioned healthy homes supplemental funds. Exhibit D was not included in the report since it was not necessary to understand the Department's response. The exhibit is available upon request.

- Comment 6 The Department considered the bonus pay to be nonrecurring or sporadic income regarding our income finding. It provided exhibit E - HUD's Technical Guide for Determining Income and Allowances for the HOME Program which mentions that nonrecurring or sporadic income is excluded from annual income.

HUD's requirements at 24 CFR 5.609 (b)(1) indicate that bonus income should be included in determining household income. Additionally, we located information online supporting the bonus income was recurring on a yearly basis. Therefore, we

still conclude that the Department did not correctly calculate the income for the assisted household. The Department should work with HUD to resolve this issue. Exhibit E was not included in the report since it was not necessary to understand the Department's response. The exhibit is available upon request.