



The City of Joplin, MO
CDBG Disaster Recovery Program



Issue Date: January 29, 2014

Audit Report Number: 2014-KC-1002

TO: Dana Buckner, Director, Office of Community Planning and Development,
Kansas City, KS, 7AD

//**signed**//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The City of Joplin, MO, Complied With CDBG Disaster Recovery Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of the City of Joplin, MO.

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 Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



January 29, 2014

The City of Joplin, MO, Complied With CDBG Disaster Recovery Regulations

Highlights

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What We Audited and Why

We selected the City of Joplin, MO's Community Development Block Grant (CDBG) Disaster Recovery program for audit because the City was awarded more than \$45 million in CDBG Disaster Recovery funds in April 2012 and an additional \$113 million in May 2013. In addition, we had not audited the City's activities for at least 10 years. Our audit objective was to determine whether the City complied with CDBG Disaster Recovery regulations.

What We Recommend

There are no recommendations.

What We Found

The City complied with CDBG Disaster Recovery regulations. It generally performed contracting activities, obligated and expended its disaster funds, and conducted other initial program actions in accordance with applicable regulations. This was a limited audit since the City had procured only two Disaster Recovery-related items, obligated only \$50,000, and expended only \$20,280 of its \$45.2 million in Disaster Recovery funds at the time of our audit. We audited 100 percent of the City's obligations and 49 percent of its expenditures. This is the first in a series of audits that we plan to conduct on the City's CDBG Disaster Recovery program.

TABLE OF CONTENTS

Background and Objective	3
Results of Audit	
Finding: The City Complied With CDBG Disaster Recovery Regulations	4
Scope and Methodology	6
Internal Controls	8
Appendix	
A. Auditee Comments	9

BACKGROUND AND OBJECTIVE

Joplin, MO, is located in southern Jasper County and northern Newton County in the southwestern corner of Missouri. On May 22, 2011, an EF-5 tornado, ½ to ¾ mile wide, touched down at the edge of the city limits. According to the enhanced Fujita (EF) scale, an EF-5 tornado is the most intense and destructive tornado and ranks the highest in the EF scale category. The tornado traveled on the ground throughout Joplin to the eastern city limits and continued into the Duquesne, MO, and rural Jasper and Newton Counties. The tornadic winds were estimated at more than 200 miles per hour, and 161 people lost their lives.

The storm damaged or destroyed an estimated 7,500 residential dwellings in Joplin. Of the 7,500 dwellings, approximately 4,000 homes were destroyed, displacing an estimated 9,200 people. Approximately 553 businesses were destroyed or severely damaged, with 4,500-5,000 employees affected. Approximately 3,000 employees remained employed in some capacity, and 500 businesses have since reopened or are in the process of reopening. More than 13 Federal agencies supported critical emergency needs and functions for Jasper and Newton Counties. In addition, more than 176,869 citizen volunteers from across the country provided more than 1.1 million hours of community service by helping with cleanup, repairs, and home construction.

Section 239 of the U.S. Department of Housing and Urban Development (HUD) Act of 2012 (Public Law 112-55) provided up to \$400 million, to remain available until expended, in Community Development Block Grant (CDBG) funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster. HUD awarded more than \$45.2 million to the City of Joplin with the stipulation that all funds be spent within its jurisdiction.

Further, the Disaster Relief Appropriations Act of 2013 (Public Law 113-2) provided \$16 billion, to remain available until September 30, 2017, in CDBG funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013. The City was awarded more than \$113.2 million, with the stipulation that the City expend all funds in the portions of Jasper and Newton Counties located within the City's jurisdiction.

HUD signed the \$45.2 million Funding Approval/Agreement (form HUD-7082) for the City on September 15, 2012, and the City signed it on October 16, 2012. At the time of our audit, HUD and the City had not executed a Funding Approval/Agreement for the \$113.2 million CDBG Disaster Recovery grant.

Our audit objective was to determine whether the City complied with CDBG Disaster Recovery regulations.

RESULTS OF AUDIT

Finding: The City Complied With CDBG Disaster Recovery Regulations

The City complied with CDBG Disaster Recovery regulations. It generally performed contracting activities, obligated and expended its disaster funds, and conducted other initial program actions in accordance with applicable regulations. This was a limited audit since the City had procured only two Disaster Recovery-related items and obligated and expended only a small amount of its Disaster Recovery funds at the time of our audit.

Contracting Activities Complied With Regulations

The City had completed one procurement for its Disaster Recovery grant administrator. It issued the request for proposal on November 8, 2012, and received six proposals. On April 15, 2013, the Joplin City Council authorized the city manager to execute the agreement for more than \$1.5 million, and the city manager signed the contract on April 23, 2013. The City performed this procurement in accordance with applicable policies and procedures.

The City completed one procurement for moving two temporary housing units. That procurement was also performed properly.

The City had not entered the obligations and expenditures for these two procurement activities into HUD's Disaster Recovery Grant Reporting (DRGR) system at the time of our audit, as they were initially paid for using the City's revolving funds. However, the City planned to seek reimbursement for these activities from Disaster Recovery funds.

The City Had Obligated and Expended a Small Amount From the Grant

Although the total Disaster Recovery grant amount was \$45.2 million, the City had entered obligations of only \$50,000 and disbursements of only \$20,280 into DRGR at the time of our audit. We audited those obligations and found that they were proper.

The City expended administrative funds on payroll, training, and public notices in the local newspaper. The expenses were eligible and properly supported.

The City Properly Managed Other Initial Activities

The City's approved action plan for the first round of disaster funding allocated under Public Law 112-55 identified nine separate activities that the City planned to complete using its disaster funds. The activities were all eligible. The City also used the correct national objectives for each of the proposed activities.

The Joplin Homebuyers Assistance Program is intended to assist home buyers with downpayments and closing costs, as well as helping homeowners build equity in their homes. At the time of our audit, only one applicant had closed on a home. The applicant met all of the program criteria; the residence was located in the tornado zone, the household annual income did not exceed 120 percent of the area median income, and the amount of assistance (\$26,576) was more than \$1,000 but less than \$30,000. In addition, the declaration of deed restriction and covenant had been properly executed for a period of 10 years.

The City conducted various environmental reviews for the Joplin Homebuyers Assistance Program, the temporary housing unit relocation, land acquisition, and Trails construction projects. The City prepared the proper environmental review documentation for each of these projects.

Recommendations

There are no recommendations.

SCOPE AND METHODOLOGY

We performed onsite work between September and November 2013 at City Hall, located at 602 South Main Street, Joplin, MO. Our audit period generally covered April 1, 2012, through September 30, 2013; however, we expanded the scope as necessary because some Joplin Homebuyers Assistance Program documentation, contractor progress reports, accounting records, and various environmental review documents relevant to the City's CDBG Disaster Recovery program were not finalized until October 2013. This is the first in a series of audits that we plan to conduct on the City's CDBG Disaster Recovery program.

To accomplish our objective, we

- Interviewed pertinent HUD, City, and CDBG Disaster Recovery grant administrator staff;
- Reviewed Public Laws 112-55 and 113-2, the Stafford Act, applicable portions of the Code of Federal Regulations, Federal Register notices, and Office of Management and Budget circulars;
- Reviewed applicable HUD handbooks and Community and Planning Development notices, the City's CDBG Disaster Recovery policies and CDBG program manual, and the City's purchasing and procurement policies and procedures;
- Reviewed the grant agreement executed between HUD and the City;
- Analyzed and reviewed contracts executed between the City and contractors;
- Obtained HUD's limited monitoring review of the City's CDBG Disaster Recovery program;
- Reviewed the City's audited financial statements; and
- Reviewed Joplin City Council meeting minutes and agendas.

Our audit focused on contracting activities, obligations and expenditures, and program implementation. Our audit was limited to only two procurement actions. These were the City's procurement for its CDBG Disaster Recovery grant administrator and the movement of two temporary housing units. The City had obligated only \$50,000 and expended only \$20,280 from the first CDBG Disaster Recovery grant, all of which was for administrative activities only. We audited 100 percent of the City's obligations from this grant.

For the City's expenditures, we selected a sample of 3 of the City's 11 CDBG Disaster Recovery expenditures. In our sample, due to the potential for high risk, we selected the two largest monthly expenses the City incurred in 2012 and 2013. We selected an additional sample item due to high payroll expenditures. The cumulative dollar amount of the expenditures tested was more than \$10,000 of the total \$20,280 (49 percent) in expenditures reported in DRGR at the time of our audit.

For program implementation, we reviewed the City's action plans, the Joplin Homebuyers Assistance Program, and the City's environmental reviews and associated documentation.

We primarily used data from the City's files to meet our audit objective. In addition, we used DRGR as support, corroborated by other evidence, for the City's obligation and expenditure of

CDBG Disaster Recovery funds. We determined that the DRGR data were sufficiently reliable to meet our objective.

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 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:

- Controls over compliance with CDGB Disaster Recovery 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.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Separate Communication of Minor Deficiencies

We reported minor deficiencies to the auditee in a separate management memorandum.

Appendix A

AUDITEE COMMENTS

Auditee Comments

The auditee elected not to provide written comments.