



# Snohomish County Human Services Department, Everett, WA

## Community Development Block Grant Entitlement Program



**To:** Jack Peters, Director, Office of Community Planning and Development, Seattle Field Office, 0AD

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**From:** Ronald Hosking, Regional Inspector General for Audit, 7AGA

**Subject:** Snohomish County Generally Administered Its Community Development Block Grant Entitlement Program in Accordance With HUD Rules and Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Snohomish County's Community Development Block Grant entitlement 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 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.



**Audit Report Number: 2015-SE-1002**

**Date: September 30, 2015**

**Snohomish County Generally Administered Its Community Development Block Grant Entitlement Program in Accordance With HUD Rules and Regulations**

## Highlights

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### What We Audited and Why

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We audited Snohomish County's Community Development Block Grant (CDBG) entitlement program because the U.S. Department of Housing and Urban Development (HUD), as part of its 2014 monitoring report, noted findings and concerns related to the County's use of program income. In addition, the County's 2013 risk assessment concluded that procurement was an area of high risk. We also selected the County because it had not been audited by the Office of Inspector General in at least 8 years. Our objective was to determine whether the County administered its CDBG program in accordance with HUD rules and regulations.

### What We Found

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The County generally administered the CDBG entitlement program projects reviewed in accordance with applicable HUD rules and regulations. The CDBG-funded projects reviewed were eligible and properly procured, and program income was used appropriately.

### What We Recommend

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There are no recommendations.

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# Background and Objective

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## **Snohomish County Human Services Department**

Snohomish County is the third most populous county in the State of Washington with an estimated population of 745,900 in 2013. The mission of the County's Human Services Department is to help all persons meet their basic needs and develop their potential by providing timely, effective human services and building community. The Department's Housing and Community Services Division is responsible for administering, monitoring, and supporting the County's Community Development Block Grant (CDBG) entitlement program. During our audit period, the County spent more than \$5.7 million in CDBG entitlement funds and nearly \$1.2 million in program income on 67 projects.

## **Community Development Block Grant Entitlement Program**

The CDBG entitlement program provides annual formula grants to entitlement communities to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Entitlement communities develop their own programs and funding priorities, but each activity must meet one of the following national objectives for the program:

- Benefit low- and moderate-income persons,
- Prevent or eliminate slums or blight, or
- Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Our objective was to determine whether the County administered its CDBG program in accordance with HUD rules and regulations.

# Results of Audit

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## **Finding: The County Generally Administered Its CDBG Program in Accordance With HUD Rules and Regulations**

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The County generally administered its CDBG entitlement program in accordance with applicable HUD rules and regulations for the two housing capital projects, two public facility and infrastructure projects, and two public service projects reviewed. The CDBG-funded projects were eligible and properly procured, and program income was used appropriately.

### **CDBG Projects Were Eligible and Properly Procured**

The CDBG-funded projects were eligible and properly procured. We reviewed the following six projects:

#### Housing capital projects

- Activity 1359 – Minor Home Repair Program
- Activity 1380 – Minor Home Repair Program

#### Public facility and infrastructure projects

- Activity 1370 – Arlington Community Food Bank
- Activity 1373 – 48<sup>th</sup> Avenue West Sidewalks

#### Public service projects

- Activity 1382 – Domestic Violence Services
- Activity 1400 – Homeless Services

Of the six projects reviewed, all met at least one of the CDBG national objectives, all activities were supported and met the eligibility criteria, all met the necessary environmental review requirements, none had funds budgeted or used for an ineligible activity, and all were appropriately procured.

### **Program Income Was Used Appropriately**

There were no indications that the County used program income inappropriately. We analyzed how the County tracked the program income it generated and spent. While the County did not always use all of its program income before drawing additional grant funds, it distributed a substantial portion as required by 24 CFR (Code of Federal Regulations) 570.504(b)(2)(ii). Therefore, we considered the County's use of program income to be appropriate.

### **Recommendations**

There are no recommendations.

# Scope and Methodology

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The review generally covered the period January 1, 2013, through December 31, 2014. We performed our fieldwork from May through July 2015 at the County's offices located at 3000 Rockefeller Avenue, Everett, WA.

To accomplish our objective, we performed the following steps:

- Reviewed applicable requirements.
- Interviewed HUD and County staff.
- Obtained funding data from HUD's Line of Credit Control System.
- Determined the amount of entitlement funds and program income spent.
- Reviewed the files of the sampled CDBG-funded projects to determine eligibility in accordance with 24 CFR Part 570 and whether the proper procurement procedures in 24 CFR 85.36 were followed.
- Verified whether the County used its CDBG program income in compliance with 24 CFR 570.504.

## Sample Selection

During our audit scope, the County's CDBG expenses were assigned to 67 unique activity numbers. Three of these activity numbers identified administrative expenses, while the others corresponded to individual projects. The 64 CDBG-funded projects involved a total of more than \$5.7 million in program funds and fell into 3 categories: housing capital projects, public facility and infrastructure projects, and public service projects. From each of the three categories, we selected the two projects that used the most program funds. These six projects required more than \$2.1 million, which represented 36.8 percent of the CDBG program funds the County spent during our scope.

We selected projects from each category to review how the County documented compliance for the different ways it used its CDBG funds. We focused on the largest projects to evaluate a large portion of program funds by reviewing only a few projects. Since we were looking for specific examples of noncompliance, taking a statistical sample with results that would be representative and projectable would not have been cost effective. Also, given the number of projects, reviewing all of the project files would not have been cost effective.

We did not rely on computer-processed data as the basis for our conclusions. We verified eligibility and proper procurement using supporting documentation in the sampled project files.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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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:

- Policies and procedures implemented to ensure that the County's CDBG program is administered in compliance with the grant agreement and that projects are administered in compliance with HUD requirements.
- Policies and procedures implemented to ensure that grant funds are used appropriately.

We assessed the relevant controls identified above by evaluating the applicable policies and procedures. We also reviewed the files of the sampled projects and the County's use of program income, which demonstrated the effectiveness of the controls.

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 County's internal control.

# Appendix

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## Appendix A

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### **Auditee Comments**

The County declined the opportunity to provide a written response.