



OFFICE OF INSPECTOR GENERAL

OFFICE OF EVALUATION



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

HUD's Internal Audit Requirement for Disaster Relief Appropriations Act of 2013 Grantees

Program Evaluations Division

MEMORANDUM

May 3, 2017

To: Cliff Taffet
General Deputy Assistant Secretary for the Office of Community
Planning and Development, D

From: 
Brian Pattison
Assistant Inspector General for Evaluation, G



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

Subject: HUD's Internal Audit Requirement for Disaster Relief Appropriations Act of 2013
Grantees, 2016-OE-0011S

Please see the attached final report on our evaluation of the U.S. Department of Housing and Urban Development's (HUD) internal audit requirement for Disaster Relief Appropriations Act of 2013 grantees. Our evaluation examined whether and to what extent grantees were implementing the Office of Community Planning and Development's (CPD) internal audit requirement. We observed two areas in which CPD could help to strengthen how grantees implement the requirement. We made two recommendations to address our observations.

We have included comments on our report from CPD in appendix B. CPD acknowledged the two recommendations and provided proposed actions to satisfy these recommendations. We look forward to receiving additional information on CPD's plans. Within 90 days, please provide details on your proposed management decision for the recommendations as well as target dates for implementing corrective actions.

Attachment

cc: Janet Golrick, Acting Deputy Secretary, Office of Secretary, S
Sheila Greenwood, Chief of Staff, Office of Secretary, S
Linda Cruciani, Acting General Counsel, Office of General Counsel, CAG
Stanley Gimont, Deputy Assistant Secretary for Grant Programs (Acting), DG
Jessie Handforth Kome, Deputy Director, Office of Block Grant Assistance, DGB
Tennille Parker, Director, Disaster Recovery and Special Issues Division, DGBE
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Executive Summary

HUD's Internal Audit Requirement for Disaster Relief Appropriations Act of 2013 Grantees

Report Number: 2016-OE-0011S

May 3, 2017

Why We Did This Evaluation

The U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development (CPD) manages more than \$14 billion in disaster recovery funding that Congress appropriated through the Disaster Relief Appropriations Act of 2013 (Public Law (PL) 113-2). CPD distributed the funds to 34 grantees as Community Development Block Grant Disaster Recovery grants.

PL 113-2 required grantees to establish adequate procedures to detect fraud, waste, and abuse of disaster recovery funds. To assist grantees in meeting this statutory requirement, CPD required disaster grantees to establish an internal audit activity.

Internal audits assure that a grantee's internal controls mitigate program risk and ensure that organizational goals and objectives are met.

CPD's Disaster Recovery and Special Issues Division requested this evaluation. It determined whether and to what extent PL 113-2 disaster grantees implemented CPD's internal audit requirement.

Results of Evaluation

CPD manages disaster grants and provides monitoring and technical assistance for grantees to ensure that they comply with HUD and Federal requirements. To ensure that grantees perform and deliver on the terms of the disaster grants, CPD requires disaster grantees to establish an internal audit activity. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. To address our objectives, we interviewed a nonstatistical sample of 12 of the 34 PL 113-2 disaster grantees.

We observed that (1) CPD's guidance for implementing the internal audit requirement was vague and (2) CPD's level of interaction with disaster grantees concerning the internal audit requirement was inconsistent.

Recommendations

We recommend that CPD provide clearer guidance and instruction to PL 113-2 disaster grantees to assist them in establishing an effective internal audit activity. Once finalized, such guidance would benefit future disaster grantees required to establish an internal audit activity. We also recommend that CPD establish a recurring training and discussion forum among the PL 113-2 grantees and CPD that enables grantees to share ideas and receive guidance and information about CPD's expectations regarding the internal audit requirement.

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Background

In late October 2012, Hurricane Sandy devastated portions of the Mid-Atlantic and Northeastern United States. More than 650,000 homes were damaged or destroyed, and hundreds of thousands of businesses were damaged or forced to close, at least temporarily. On January 29, 2013, the President signed the Disaster Relief Appropriations Act of 2013 (Public Law (PL) 113-2). The Act appropriated about \$50 billion in disaster recovery funding to 19 Federal agencies for areas affected by Hurricane Sandy and other disasters.¹ Of this amount, the U.S. Department of Housing and Urban Development (HUD) received more than \$14 billion, which was allocated to 34 grantees for expenses related to disaster relief, long-term recovery, restoration of housing and infrastructure, and economic revitalization. (See table 1 for a list of PL113-2 disaster grantees and the amount each received.) To receive HUD funding, disaster grantees were required to submit an action plan to HUD detailing the proposed use of all funds, including criteria for eligibility and how the use of these funds would address long-term recovery, restoration of infrastructure, and housing and economic revitalization in the most affected and distressed areas. Once HUD approved the action plans, the grantees could begin distributing HUD-awarded funds for disaster recovery activities and services.

HUD's Office of Community Planning and Development (CPD) manages the disaster grants and provides monitoring and technical assistance for grantees to ensure that they comply with HUD and Federal requirements. To ensure that grantees complied with the terms of the grant, PL 113-2 required disaster grantees to

- have proficient financial controls;
- establish adequate procedures to prevent duplication of benefits;
- ensure the timely expenditure of funds; and
- establish procedures to detect and prevent waste, fraud, and abuse of funds.

CPD required disaster grantees to establish an internal audit activity to meet the requirements of PL 113-2. On March 5, 2013, CPD issued a Federal Register notice requiring disaster grantees to include in their action plan (1) a description of their internal audit activity and (2) an organizational diagram showing that the responsible audit staff members were independent of the office that administered the disaster recovery grant.²

¹ U.S. Government Accountability Office (GAO) report, GAO-15-515, Hurricane Sandy: An Investment Strategy Could Help the Federal Government Enhance National Resilience for Future Disasters, July 2015

² Federal Register Notice 14329, Vol. 78, No. 43

Table 1 – PL 113-2 disaster grantees

Grantee	Grant amount	Grantee	Grant amount	Grantee	Grant amount
* New York State	\$4,416,882,000	Tuscaloosa, AL	\$43,932,000	Missouri	\$11,844,000
* New York City, NY	4,213,876,000	Minot, ND	35,056,000	* St. Tammany Parish, LA	10,914,916
* New Jersey	4,174,429,000	* DuPage County, IL	31,526,000	Illinois	10,400,000
* Colorado	320,346,000	Pennsylvania	29,986,000	Luzerne County, PA	9,763,000
Connecticut	159,279,000	Maryland	28,640,000	Jefferson County, AL	9,142,000
* Joplin, MO	113,276,000	Springfield, MA	21,896,000	Dauphin County, PA	7,632,000
Oklahoma	93,700,000	Rhode Island	19,911,000	* Shelby County, TN	7,464,000
Cook County, IL	83,616,000	Vermont	17,932,000	* Massachusetts	7,210,000
Louisiana	64,379,084	* Birmingham, AL	17,497,000	* North Dakota	6,576,000
Chicago, IL	63,075,000	Jefferson Parish, LA	16,453,000	* Texas	5,061,000
Moore, OK	52,200,000	New Orleans, LA	15,031,000		
Alabama	49,157,000	Tennessee	13,810,000		
*Shows nonstatistical sample of disaster grantees included in the scope of our evaluation					

Source: Community Development Block Grant Disaster Recovery program website as of February 16, 2017

Purpose of an Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The internal audit activity provides assurance that established internal controls are adequate to mitigate risks, governance processes are effective and efficient, and organizational goals and objectives are met.³ Generally accepted government auditing standards (GAGAS) highlight the importance of independence in both mind and appearance so that third parties can view auditors' opinions, findings, conclusions, judgements, and recommendations about a program as impartial.⁴ In addition, the internal audit process serves as a valuable tool to senior management and executives by offering an unbiased perspective about potential strengths and weaknesses in a program.⁵ Throughout this report, when we refer to the term "traditional internal audit activity," we are referring to internal audit activities that incorporate traditional auditing principles. These principles include independence, objectivity, competence, and the use of risk assessments as stated in GAGAS and the Institute of Internal Auditors' (IIA) professional auditing standards.⁶

³ The Institute of Internal Auditors' website

⁴ The U.S. Government Accountability Office issues GAGAS. These standards provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. GAGAS is used by auditors of government entities and entities that receive government awards.

⁵ The Institute of Internal Auditors' website

⁶ IIA is a professional association, the mission of which is to provide leadership for the profession of internal auditing. IIA provides internal auditing standards and other professional practice guidance.

Findings

CPD's Guidance for Implementing the Internal Audit Requirement Was Vague

Federal Register Notice 14329 was the only guidance CPD issued related to its internal audit for PL 113-2 disaster grantees. This notice stated that grantees should include in their action plan (1) a description of their internal audit activity and (2) an organizational chart showing that responsible audit staff members were independent from the disaster office administering the grant. However, the notice did not provide a rationale for the requirement to establish an internal audit activity, especially when other layers of oversight existed, such as CPD and grantee monitoring reviews, single audits,⁷ and Office of Inspector General (OIG) audits and investigations. In addition, the notice did not provide a clear expectation of what the internal audit activity should resemble or the types of issues it should address. For example, the notice did not (1) provide examples of the types of activities or processes that internal auditors should review or (2) reference the type of professional auditing standards auditors should use, such as GAGAS or IIA.

This lack of guidance led to inconsistent implementation approaches. Based on our review of action plans and grantee interviews and documentation, we found the following:

- Only 1 of the 12 grantees was fully compliant with CPD's internal audit requirement by including in its action plan a description of its internal audit activity and an organizational chart showing independence from the disaster grant office. Additionally, only 4 of the remaining 11 grantees were partially compliant with the notice by providing a description of the internal audit activity in their respective action plans (table 2, columns 1 and 2).
- Eight of the twelve grantees sampled had established a traditional internal audit process for their disaster grant programs (table 2, column 3). These grantees were generally proactive in performing oversight of their disaster grants by creating annual audit plans based on prior monitoring results. These grantees also generally incorporated GAGAS or IIA professional auditing standards, such as independence and the use of risk-based methods, to provide oversight of their disaster grant.
- The four grantees that had not established a traditional internal audit activity took a more reactive approach and usually performed oversight of their disaster grant only as issues arose. Two of these grantees had nontraditional views of what constituted an internal audit activity. For example, their internal audit activity also performed the day-to-day grant administrative functions, such as allocating funds to contractors for completed disaster grant activities, which they considered to be part of their internal audit oversight

⁷ Entities that receive Federal funds, including States and local governments, are subject to audit requirements commonly referred to as "single audits" under the Single Audit Act of 1984, as amended in 1996. The Single Audit Act was enacted to standardize the requirements for auditing Federal programs. The Act provides that grantees are subject to one audit of all of their Federal programs versus separate audits of each Federal program, hence the term "single audit."

responsibilities. Such practices could impair the audit activity's independence and objectivity.

Table 2 – PL 113-2 grantees' implementation of HUD's internal audit requirement

	Internal audit activity described in action plan	Organizational chart showing independence	Established traditional internal audit activity	Completed internal audit of the disaster grant
Grantee 1			X	
Grantee 2	X	X	X	X
Grantee 3				
Grantee 4			X	
Grantee 5	X		X	X
Grantee 6			X	
Grantee 7				
Grantee 8	X		X	X
Grantee 9	X		X	
Grantee 10				
Grantee 11	X		X	X
Grantee 12				

As seen in column 4 of table 2 above, since the enactment of the internal audit requirement 4 years ago, only 4 of the 12 grantees had completed an internal audit of their disaster grant program. Two of these grantees were allocated nearly \$4 billion each yet had completed only one internal audit of their disaster grants in the last 4 years, both of which were completed in 2016. Grantees required to perform internal audits frequently do not fulfill CPD's original intent, in which grantees execute audits of their disaster grant programs to mitigate fraud, waste, abuse, and mismanagement of grant funds. However, because CPD's current internal audit guidance does not require grantees to conduct internal audits of their respective disaster grants, CPD cannot hold grantees responsible for failing to complete internal audits.

We concluded that CPD's lack of guidance concerning the implementation of the internal audit requirement has contributed to inconsistencies among grantees in their internal audit design and implementation. In addition, this shortcoming has delayed grantees' performance of internal audits for their respective disaster programs. Clearer guidance from CPD would help grantees properly establish an internal audit activity. Additionally, working with current grantees to establish internal audit guidance and standards will assist CPD when it receives other disaster recovery appropriations.

CPD's Level of Interaction With Disaster Grantees Concerning the Internal Audit Requirement Varied

Monitoring and technical assistance visits are CPD's main vehicles to ensure that grants are administered in accordance with Federal and HUD requirements.⁸ According to CPD, the agency is required to monitor and provide technical assistance to grantees at least once annually. These visits provide CPD an opportunity to address potential weaknesses in the grantees' management of their disaster grant.

Based on monitoring reports and technical assistance records CPD submitted for fiscal years 2015 and 2016, 9 of the 12 grantees received a monitoring or technical assistance visit in fiscal year 2015, and 8 of the 12 grantees received the same type of oversight in fiscal year 2016. One grantee did not receive either type of oversight during both years. Our finding suggests that CPD is not meeting its own requirements to offer annual monitoring and technical assistance.

The monitoring reports typically included only general statements in the scope section regarding review of the internal audit activity or referred to the single audit. The technical assistance documentation did not directly mention grantee internal audit activities. Therefore, we were unable to determine the degree of CPD review and the value CPD provided to grantees regarding their internal audit activity during these visits.

During interviews with grantees' internal audit officials, we found that grantee responses varied with regard to their interaction with CPD about the internal audit requirement. Five internal audit officials stated that they did not interact with CPD about the internal audit requirement. The seven other officials stated that they received guidance on the requirement either when Federal Register Notice 14329 was published or sometime later during a CPD monitoring visit. Typically, those who spoke with CPD about internal audit activities were officials from large State or city governments, most of which received a large HUD grant allocation. On the other hand, those who did not speak with CPD about the internal audit requirements were generally government officials from smaller States and cities. Many of the smaller localities had not established robust internal audit activities. One of these stated that it was unaware of CPD's internal audit requirements and had never conducted an audit of its PL 113-2 disaster grant. CPD's lack of attention to smaller localities is concerning because those localities generally have fewer resources, such as financial, information technology, and personnel, to draw from than larger States and cities. For example, the town of Joplin, MO, which was devastated by tornados in 2011, has a much smaller government structure to lead rebuilding efforts when compared to the State of New York.⁹

The lack of interaction with CPD staff has delayed grantees' establishment of internal audit activities. For example, one of the internal audit officials stated that his office did not establish an internal audit activity until early 2016. CPD officials noted that they offered training to

⁸ HUD's technical assistance is designed to provide resources, tools, and support for recipients of HUD funding. This assistance includes training and indepth program assistance and capacity building to improve the design and delivery of programs and services funded by HUD.

⁹ At more than \$113 million in grant dollars received, Joplin, MO, had the sixth highest grant total of the 34 grantees.

grantees, which addressed internal audit requirements and professional auditing standards that should be used when establishing an internal audit. However, this training was offered only once in March 2013, shortly after HUD allocated funds to grantees. Since this training was offered only once, CPD did not account for grantees' inability to maintain internal audit awareness over time, especially as staff turnover occurred throughout the life cycle of the grant. Based on CPD's varied interactions with grantees, we are concerned that some grantees may not be fully executing the internal audit process as CPD intended.

Conclusion and Recommendations

Our review of CPD's internal audit requirements for PL 113-2 grantees revealed that grantees' understanding of and CPD's communication about these requirements were lacking. Specifically, grantees were at a disadvantage because the current requirement does not include audit standards, such as those that GAGAS or IIA prescribe, which grantees could have used to establish and implement their respective internal audit activities. In addition, we are concerned that CPD's limited interaction with smaller grantees has made it more difficult for these grantees to establish satisfactory internal audit processes. As a result, we believe that grantees may not be fulfilling CPD's intended purpose to detect fraud, waste, abuse, and mismanagement of HUD disaster grant funds.

Grantee Disaster Program Offices' Perception About Internal Audit

We issued a questionnaire to each of the 12 grantees' disaster program offices. The results from this questionnaire allowed us to assess the program offices' attitudes toward the internal audit requirement for their disaster grants.

A majority of disaster program offices were satisfied with the level of interaction they received from their internal audit offices as well as the value added to their disaster program offices through internal audit. However, a few grantees saw less value in their internal audit processes because of a lack of disaster management knowledge by their internal audit staff or because internal audit efforts duplicated other forms of oversight performed for their grants.

Therefore, we recommend that CPD

1. Provide clearer guidance and instruction to PL 113-2 disaster grantees to assist them in establishing an effective internal audit activity.
2. Establish a recurring training and discussion forum among the PL 113-2 grantees and CPD that enables grantees to share ideas and receive guidance and information about CPD's expectations regarding the internal audit requirement.

Appendixes

Appendix A – Scope and Methodology

We conducted our evaluation because of a request from CPD’s Disaster Recovery and Special Issues Division (DRSI). DRSI was specifically interested in gaining a “big-picture” view of the internal audit requirement for PL 113-2 disaster grantees.

Our objectives were to

- (1) Assess CPD’s guidance for CPD’s internal audit requirement and
- (2) Determine CPD’s level of interaction with disaster grantees concerning internal audit requirements.


To address our objectives, we selected a nonstatistical sample that included 12 of the 34 PL 113-2 disaster grantees. Our sample was based on the dollar amount allocated to disaster grantees. Specifically, we chose to examine eight grantees allocated the highest and lowest grant amounts, regardless of the grantee’s location. In addition, we chose to sample four more grantees from smaller municipalities. In total, we assessed six States, three cities, two counties, and one parish. These included Colorado; Massachusetts; New Jersey; New York State; North Dakota; Texas; Birmingham, AL; Joplin, MO; New York City, NY; DuPage County, IL; Shelby County, TN; and St. Tammany Parish, LA. As part of our review of these 12 grantees, we interviewed senior internal audit staff members, issued a questionnaire to disaster office staff, and reviewed documentation related to grantee internal audit activities, including CPD monitoring and technical assistance reports from fiscal years 2015 and 2016.

We completed this evaluation under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (January 2012).

Appendix B – Agency Comments and OIG Response

Reference to OIG Response

Office of Community Planning and Development Comments




U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

APR 21 2017

MEMORANDUM FOR: Brian Pattison, Assistant Inspector General for Evaluation, G

FROM: 
Clifford Taffel, General Deputy Assistant Secretary, D

SUBJECT: Draft OIG Evaluation Report 2016-OE-0011S:
HUD's Internal Audit Requirement for Disaster Relief
Appropriations Act of 2013 Grantees Community Development
Block Grant Disaster Recovery

The Office of Community Planning and Development (CPD) has reviewed the draft evaluation report regarding the implementation of the requirement that Community Development Block Grant disaster recovery (CDBG-DR) grantees have an internal audit function. HUD instituted the requirement for CDBG-DR grantees that received awards from the Disaster Relief Appropriations Act, 2013 Public Law (P.L.) 113-2. CPD recommended that the Office of Inspector General (OIG) evaluate this topic as a means of improving upon HUD's compliance efforts. This evaluation examined whether and to what extent CDBG-DR grantees were implementing the internal audit requirement. CPD offers the following comments regarding the OIG draft report.

OIG Observation # 1: CPD's guidance for implementing the internal audit requirement was vague.

The OIG indicates that the *Federal Register* Notice HUD published on March 5, 2013, (78 FR 14329) was the only guidance CPD issued related to the internal audit requirement for P.L. 113-2 grantees. The OIG also indicated that the Notice did not provide a description of the rationale for the requirement to establish an internal audit activity or examples of expectations for internal audits. The internal audit requirement and function, however, was discussed in training provided for grantees in March 2013, but with no additional training. The OIG recommended that CPD provide clearer guidance and instruction to assist P.L. 113-2 grantees in establishing an effective internal audit function.

HUD Comment:
During the monitoring reviews, CPD has identified grantees who have not fully implemented the internal audit requirement; grantees who did not understand the internal audit function as a requirement distinct from the [former] Office of Management and Budget Circular A-133 single audit requirement; or grantees who did not have an internal audit function. In light of the information gained from these monitoring reviews, CPD had requested that the OIG evaluation team undertake this review. The OIG evaluation confirms CPD's concerns with the implementation of this requirement and provides feedback that will inform CPD's future guidance and/or training on implementing this requirement.

www.hud.gov espanol.hud.gov

Comment 1

Appendix B – Agency Comments and OIG Response (continued)

Reference to OIG Response

Comment 2

Office of Community Planning and Development Comments

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OIG Observation # 2: CPD's level of interaction with disaster grantees concerning the internal audit requirement varied.

The OIG evaluation indicated that monitoring and technical assistance visits are CPD's main vehicles to ensure that grants are administered in accordance with HUD and other federal requirements. The report also indicates that, "...according to CPD, the agency is required to monitor and provide technical assistance to grantees at least once annually. These visits provide CPD an opportunity to address potential weaknesses in the grantees' management of their disaster grant." The OIG noted, however, that CPD is not meeting its own requirements for offering annual monitoring and technical assistance. The report also indicated that the monitoring reports typically included only general statements in the scope section regarding review of the internal audit activity or referred the separate, federal single audit requirement. Documentation of CPD technical assistance provided to grantees also did not directly mention grantee internal audit activities. Therefore, the OIG was unable to conclude the degree of CPD's review and the value of assistance. The OIG recommends that CPD establish a recurring training and discussion forum among the P.L. 113-2 grantees and that CPD enable grantees to share ideas, receive guidance and information about CPD's expectations regarding the internal audit requirement.

HUD Comment:

To clarify the requirement regarding monitoring, CPD issued guidance on August 19, 2013, to CPD field offices that administer CDBG-DR grants under Public Law 113-2. Specifically, CPD required that all grantees under the appropriation be monitored and that all grantees would receive a quarterly review action that could be monitoring, technical assistance, or a review of the quarterly performance report referenced in attachment A.


The OIG is correct that monitoring and technical assistance strategies vary and that the internal audit function may not always be part of a monitoring review. To ensure that a monitoring review would include the internal audit function, CPD modified the monitoring exhibits for CDBG-DR grants in December 2015, referenced in attachment B (Exhibit 6-1) to include a specific question regarding the completion of the internal audit. If a grantee has not completed an internal audit as described in its Action Plan, the grantee is in noncompliance with the requirement and will receive a Finding. CPD expects that monitoring reviews subsequent to such a Finding would include internal audit functions. Nevertheless, CPD will also provide additional guidance and/or training to HUD staff regarding the internal audit requirement and expectations for monitoring reviews.

If you would like to discuss these matters, please do not hesitate to contact Tennille Parker, Director, Disaster Recovery and Special Issues Division, at (202) 402-4649.

Attachment(s)

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments



OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

AUG 1 9 2013

MEMORANDUM FOR: All Community Planning and Development Directors and Office of Block Grant Assistance (DGB)

FROM: Yolanda Chavez, Deputy Assistant Secretary for Grant Programs, DG

THROUGH: Ronée Ryles, Director, Office of Field Management, DOF

SUBJECT: Risk Analysis and Monitoring for 2011, 2012, and 2013, Community Development Block Grant Disaster Recovery (CDBG-DR) Grants for FY 2013 through 2018 [Excludes Hurricane Sandy Grantees]

I. Purpose

This memorandum establishes the procedures for the risk analysis and monitoring of 2011, 2012, and 2013 CDBG-DR grantees. The methodology for conducting a risk analysis for Community Planning and Development (CPD) CDBG-DR grantees as outlined in Notice: CPD-12-02, *Implementing Risk Analysis for Monitoring Community Planning and Development Grant Programs in FY 2012 and 2013*, in Attachment A-8. Furthermore, Chapter 6 Disaster Recovery Community Development Block Grant Supplemental Grants, of Handbook 6509.2 REV-6, Chg 1, *Community Planning and Development Monitoring Handbook*, provides the monitoring exhibits for CDBG-DR grants. The monitoring exhibits have been incorporated in Community Planning and Development's (CPD) Grants Management Process (GMP) system, a computer-based information system which is utilized to provide a documented record of the conclusions and results of a CPD grantee monitoring visit. For CPD Headquarters, these monitoring visits will be recorded on the Disaster Recovery and Special Issues Division's SharePoint site. In order to supplement Handbook 6509.2 REV-6, Chg 1, additional guidance, in the form of instructions and exhibits, for the monitoring of 2011, 2012 and 2013, grantees, may be provided by the Office of Block Grant Assistance (OBGA).

The Department has determined that all 2011, 2012, and 2013 CDBG-DR grantees should be frequently monitored and provided technical assistance, since section 904(c) under Title IX of the Disaster Relief Appropriations Act, 2013 (P.L. 113-2, approved January 29, 2013) contains a timely expenditure requirement of two-years from the date the Department obligates funds to the grantee (funds are obligated to a grantee upon the Department's signing of the grantee's CDBG-DR grant agreement). Regarding the timely expenditure of funds and prevention of waste, fraud, abuse, and duplication of benefits requirements associated with these grants, the Wednesday, May 29, 2013, Federal Register notice (78 Fed. Reg. 32262), states that the Department "will institute risk analysis and on-site monitoring of grantee management as well as collaborate with the HUD Office of Inspector General to plan and implement oversight of these funds [78 Fed. Reg. 32264, III]." Furthermore, the requirements described in section

Attachment A

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

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VI.A. Grant Administration, of the March 5, 2013, Federal Register notice apply to these grants [78 Fed. Reg. 32264, III].

In the Tuesday, March 5, 2013, Federal Register notice (78 Fed. Reg. 14329), the Department provided guidance on the performance review authorities and grantee reporting requirements in the Disaster Recovery Grant Reporting (DRGR) System. Citing the statutory requirement at 42 U.S.C. 5304(e), that at least on an annual basis, reviews and audits will be made of the Department's grantees, "as necessary to determine whether the grantee has carried out its activities in a timely manner, whether the grantee's activities and certifications are carried out in accordance with the requirements of the [Housing and Community Development Act of 1974, as amended] HCD Act and other applicable laws, and whether the grantee has the continuing capacity to carry out those activities in a timely manner [78 Fed. Reg. 14337, VI.A.2.a.]," the Department, therefore, desires to mitigate the risks that are associated with the monetary size and two-year expenditure deadline of these CDBG-DR grants by "increasing its monitoring and technical assistance effort to coincide" with this time frame [78 Fed. Reg. 14337, VI.A.2.a.].

II. Background

Each CPD Field Office is responsible for developing monitoring strategies encompassing CPD grantees and programs to be monitored during the fiscal year. The purpose of a monitoring strategy is to define the scope and focus of monitoring efforts, including the establishment of a framework for determining the appropriate level of monitoring for CPD grantees consistent within the available resources. The work plan documents the Field Office's decisions regarding where to apply staff and travel resources for monitoring, training, and/or technical assistance.

Because the Department had determined that the 2011, 2012, and 2013 CDBG-DR grantees should be frequently monitored and provided technical assistance, the following has been provided:

- The 2011, 2012, and 2013 CDBG-DR grantees are eligible and will be offered technical assistance through OneCPDTA to coincide with various disaster recovery related activities to aid in complying with the two-year expenditure deadline.
- Monies have been made available for Headquarters and Field Office staff to use specifically for monitoring CDBG-DR grantees receiving funds under Disaster Relief Appropriations Act, 2013 (P.L. 113-2) and that Headquarters and Field Office staff may use these administrative monies to conduct these monitoring's as an additional resource in creating the work plan document to prioritize CDBG-DR monitoring.
- The Department will collaborate with its Office of the Inspector General to plan and implement oversight of these funds.

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

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III. Hurricane Sandy CDBG-DR Risk Analysis and Monitoring Methodology

Because it has been determined that all 2011, 2012, and 2013 CDBG-DR grantees are to be monitored, the CPD Headquarters and the applicable Field Offices should develop monitoring strategies based on the following assumptions:


- CPD Headquarters and the applicable Field Offices should undertake a review action quarterly with each grantee that is within its jurisdiction. This action may include monitoring each 2011, 2012, and 2013 CDBG-DR grantee, whether on-site or remotely. Also, the action may be to review performance reports or through the provision of technical assistance.
- Monitoring 2011, 2012, and 2013 CDBG-DR grantees should begin in FY13, as funding has been made available under the Disaster Relief Appropriations Act, 2013 (P.L. 113-2), and other such appropriations for this purpose.
- When performing risk analysis on these grantees, Exception Category X should be utilized in order to ensure that these grantees are monitored, applying the aforementioned sections of the May 29, 2013 and March 5, 2013, Federal Register notices as the justification for this [78 Fed. Reg. 32264, III. And 78 Fed. Reg. 14337, VI.A.2.a.].
- This guidance is applicable for the utilization of current risk analysis notice CPD-12-02, and any revision, rerelease, or subsequent version thereof, through 2018.
- The Field Office may count the monitoring of 2011, 2012, and 2013 CDBG-DR grantees towards its annual monitoring goal, as part of the 30% discretionary grantee monitoring.
- Monitoring should be performed using Headquarters Disaster Recovery and Special Issues Division and Field Office staff, supplementing them with other available Headquarters staff. Headquarters and Field Office staff may be accompanied by a more experienced Headquarters or Field Office staff members who have specialized experience in areas such as finance, environmental reviews, relocation, or other areas.

The CPD Headquarters and Field Offices will utilize the CDBG-DR exhibits within Chapter 6 Disaster Recovery Community Development Block Grant Supplemental Grants, of Handbook 6509.2 REV-6, Chg 1, *Community Planning and Development Monitoring Handbook*. Moreover, CPD Headquarters and Field Offices will utilize any additional monitoring guidance, in the form of additional instructions and exhibits that are issued by OBGA, for the monitoring of Hurricane Sandy grantees, documenting such efforts in GMP for the Field Offices and the Disaster Recovery and Special Issues Division SharePoint for Headquarters.

If you have any questions concerning this matter, you may contact Tennille Parker, Acting Director, Disaster Recovery and Special Issues Division, at (202) 402-4649.

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

 OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-7000	AUG 1 9 2013
<p>MEMORANDUM FOR: Community Planning and Development Directors in the Field Offices of Baltimore (3BD); Boston (1AD); Hartford (1ED); Newark (2FD); New York City (2AD); and Office of Block Grant Assistance (DGB)</p>		
<p>FROM: Yolanda Chávez, Deputy Assistant Secretary for Grant Programs, DC</p>		
<p>THROUGH: René Ryles, Director, Office of Field Management, DOF</p>		
<p>SUBJECT: Risk Analysis and Monitoring for Hurricane Sandy Community Development Block Grant Disaster Recovery (CDBG-DR) Grantees for FY 2013 through 2018</p>		
<p>I. Purpose</p> <p>This memorandum establishes the procedures for the risk analysis and monitoring of Hurricane Sandy CDBG-DR grantees. The methodology for conducting a risk analysis for Community Planning and Development (CPD) CDBG-DR grantees as outlined in Notice: CPD-12-02, <i>Implementing Risk Analysis for Monitoring Community Planning and Development Grant Programs in FY 2012 and 2013</i>, in Attachment A-8. Furthermore, Chapter 6 Disaster Recovery Community Development Block Grant Supplemental Grants, of Handbook 6509.2 REV-6, Chg 1, <i>Community Planning and Development Monitoring Handbook</i>, provides the monitoring exhibits for CDBG-DR grants. The monitoring exhibits have been incorporated in Community Planning and Development's (CPD) Grants Management Process (GMP) system, a computer-based information system which is utilized to provide a documented record of the conclusions and results of a CPD grantee monitoring visit. For CPD Headquarters, these monitoring visits will be recorded on the Disaster Recovery and Special Issues Division's SharePoint site. In order to supplement Handbook 6509.2 REV-6, Chg 1, additional guidance, in the form of instructions and exhibits, for the monitoring of Hurricane Sandy grantees, may be provided by the Office of Block Grant Assistance (OBGA).</p> <p>The Department has determined that all Hurricane Sandy CDBG-DR grantees should be frequently monitored and provided technical assistance, since section 904(c) under Title IX of the Disaster Relief Appropriations Act, 2013 (P.L. 113-2, approved January 29, 2013) contains a timely expenditure requirement of two-years from the date the Department obligates funds to the grantee (funds are obligated to a grantee upon the Department's signing of the grantee's CDBG-DR grant agreement). In the Tuesday, March 5, 2013, Federal Register notice (78 Fed. Reg. 14329), the Department provided guidance on the performance review authorities and grantee reporting requirements in the Disaster Recovery Grant Reporting (DRGR) System. Citing the statutory requirement at 42 U.S.C. 5304(e), that at least on an annual basis, reviews and audits</p>		

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

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will be made of the Department's grantees, "as necessary to determine whether the grantee has carried out its activities in a timely manner, whether the grantee's activities and certifications are carried out in accordance with the requirements of the [Housing and Community Development Act of 1974, as amended] HCD Act and other applicable laws, and whether the grantee has the continuing capacity to carry out those activities in a timely manner [78 Fed. Reg. 14337, VI.A.2.a.]," the Department, therefore, desires to mitigate the risks that are associated with the monetary size and two-year expenditure deadline of these CDBG-DR grants by "increasing its monitoring and technical assistance effort to coincide" with this time frame [78 Fed. Reg. 14337, VI.A.2.a.].

II. Background

Each CPD Field Office is responsible for developing monitoring strategies encompassing CPD grantees and programs to be monitored during the fiscal year. The purpose of a monitoring strategy is to define the scope and focus of monitoring efforts, including the establishment of a framework for determining the appropriate level of monitoring for CPD grantees consistent within the available resources. The work plan documents the Field Office's decisions regarding where to apply staff and travel resources for monitoring, training, and/or technical assistance.

Because the Department had determined that the Hurricane Sandy grantees should be frequently monitored and provided technical assistance, the following has been provided:

- Hurricane Sandy grantees have participated in CDBG-DR Administrative Training in Newark, New Jersey, during March 2013.
- Hurricane Sandy grantees are being provided with technical assistance through OneCPDTA to coincide with various disaster recovery related activities to aid in complying with the two-year expenditure deadline.
- Monies have been made available for Headquarters and Field Office staff to use specifically for monitoring CDBG-DR grantees, and that Headquarters and Field Office staff may use these administrative monies to conduct these monitoring's as an additional resource in creating the work plan document to prioritize CDBG-DR monitoring.
- Hurricane Sandy grantees covered under this are: The states of Connecticut, Maryland, New Jersey, New York, Rhode Island, and the city of New York.

III. Hurricane Sandy CDBG-DR Risk Analysis and Monitoring Methodology

Because it has been determined that all Hurricane Sandy CDBG-DR grantees are to be monitored, the CPD Headquarters and the applicable Field Offices should develop monitoring strategies based on the following assumptions:

- CPD Headquarters and the applicable Field Offices should undertake a review action quarterly with each grantee that is within its jurisdiction. This action may include monitoring each 2011, 2012, and 2013 CDBG-DR grantee, whether on-site or remotely. Also, the action may be to review performance reports or through the provision of technical assistance.

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

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- Monitoring Hurricane Sandy CDBG-DR grantees should begin in FY13, as funding has been made available under the Disaster Relief Appropriations Act, 2013 (P.L. 113-2), and other such appropriations for this purpose.
- When performing risk analysis on these grantees, Exception Category X should be utilized in order to ensure that these grantees are monitored, applying the aforementioned section of the March 5, 2013, Federal Register notice as the justification for this [78 Fed. Reg. 14337, VI.A.2.a.].
- This guidance is applicable for the utilization of current risk analysis notice CPD-12-02, and any revision, rerelease, or subsequent version thereof, through 2018.
- The Field Office may count the monitoring of Hurricane Sandy CDBG-DR grantees towards its annual monitoring goal, as part of the 30% discretionary grantee monitoring.
- Monitoring should be performed using Headquarters Disaster Recovery and Special Issues Division and Field Office staff, supplementing them with other available Headquarters staff. Headquarters and Field Office staff may be accompanied by a more experienced Headquarters or Field Office staff members who have specialized experience in areas such as finance, environmental reviews, relocation, or other areas.

The CPD Headquarters and Field Offices will utilize the CDBG-DR exhibits within Chapter 6 Disaster Recovery Community Development Block Grant Supplemental Grants, of Handbook 6509.2 REV-6, Chg 1, *Community Planning and Development Monitoring Handbook*. Moreover, CPD Headquarters and Field Offices will utilize any additional monitoring guidance, in the form of additional instructions and exhibits that are issued by OBGA, for the monitoring of Hurricane Sandy grantees, documenting such efforts in GMP for the Field Offices and the Disaster Recovery and Special Issues Division SharePoint for Headquarters.

If you have any questions concerning this matter, you may contact Tennille Parker, Acting Director, Disaster Recovery and Special Issues Division, at (202) 402-4649.

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

Exhibit 6-1		6509.2 REV-6 CHG-2	
Disaster Recovery CDBG Supplemental Grants			
Guide for Review of Overall Management of CDBG Disaster Recovery Grants			
Name of Grantee:		Appropriation(s):	
Staff Consulted:			
Name(s) of Reviewer(s)		Date	

NOTE: Most questions that address requirements contain the citation for the source of the requirement (statute, regulation, *Federal Register* notice, or grant agreement). However, in some instances, a controlling document (i.e., grant agreement or *Federal Register* notice) is provided without a specific citation. This is because rules can vary significantly from appropriation to appropriation, causing the grant agreements and published Notices to vary accordingly. If deficiencies are identified in these instances, HUD should ensure that program violation citations are appropriately noted. In addition, a statute or *Federal Register* Notice may only apply to certain grantees; carefully review the citation to determine its applicability. If a requirement is not met, HUD must make a finding of noncompliance. All other questions may not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "finding" (24 CFR 570.900(b)(5) and 24 CFR 570.901 for entitlement and state grantees under Public Law 113-2 (paragraph 26 of March 5, 2013 Notice) and 24 CFR 570.495 for state grantees).

Instructions: This Exhibit should be used to monitor overall management of a CDBG disaster recovery (CDBG-DR) grant. It is divided into three sections: Overall Management; Financial Thresholds; and Capacity and Performance. For purposes of monitoring CDBG-DR grants awarded to Entitlement communities, this Exhibit should supplement Exhibit 3-17. For purposes of monitoring CDBG-DR grants awarded to states and state grant recipients, this Exhibit should supplement Exhibit 4-6. Per the *Federal Register* Notices issued by the Department, CDBG-DR state grantees are provided a waiver and alternative requirement that allows them to carry out activities directly or through a subrecipient.

<p>Programs <i>are directly administered</i> by a state when:</p> <ul style="list-style-type: none"> ▪ The state develops the program guidelines/rules; ▪ A subrecipient applies directly to the state for funding to undertake activities. 	<p>Programs are <i>not directly administered</i> by a state when:</p> <ul style="list-style-type: none"> ▪ The state uses a method of distribution (MOD) to award funds to local governments; ▪ The state gives flexibility to units of local government to design and implement their own programs; and ▪ The state releases the funds, but local governments are responsible for environmental reviews.
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Some grantees may use a combination of the above: they may administer a portion of CDBG-DR funds directly and distribute another portion through a MOD. To monitor any CDBG-DR grant, obtain copies of the appropriate *Federal Register* Notice(s). See Attachment 6-1, "Document Reference Tool," to determine which *Federal Register* Notices are applicable.

Attachment B

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Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

Exhibit 6-1 Disaster Recovery CDBG Supplemental Grants		6509.2 REV-6 CHG-2						
5.	<p>Has the grantee notified the Department if it has updated its policies and procedures (e.g., financial controls, duplication of benefit procedures) referenced by its Certification Checklist and Revised Exhibit 3-18?</p> <p>NOTE: Grantees are not expressly required to notify HUD of updates to their policies and procedures; however, HUD may review these new policies and procedures to determine whether the grantee has carried out its CDBG-DR activities and certifications in accordance with requirements of the March 5, 2013, Notice, or to determine whether the grantee has continuing capacity to carry out its activities in a timely manner.</p> <p>[Notice published March 5, 2013; only applicable to grants under Public Law 113-2]</p> <p>Describe Basis for Conclusion:</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						
6.	<p>If the waiver of the requirement for consistency with the grantee's consolidated plan (requirements at 42 U.S.C. 12706, 24 CFR 91.325(a)(5), 91.225(a)(5), 91.325(b)(3), and 91.225(b)(3)) has expired, does the grantee's consolidated plan include its disaster recovery needs?</p> <p>Describe Basis for Conclusion:</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						
7.	<p>In regard to <i>timeliness</i>:</p>							
a.	<p>Has the grantee established a timeline for expending all grant funds?</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						
b.	<p>Does the grantee have adequate procedures to ensure programs and activities meet established end dates?</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						
c.	<p>Is the grantee current in submitting quarterly reports in the Disaster Recovery Grant Reporting (DRGR) system? [Applicable <i>Federal Register</i> notice(s)]</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						
d.	<p>As additional funds are allocated, or program goals change, is the grantee updating its expenditure and performance projections? [Applicable <i>Federal Register</i> notice(s); only applicable to grants under Public Laws 111-12 and 113-2]</p> <p>Describe Basis for Conclusion:</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> <td style="width: 33%;"><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>						
Yes	No	N/A						

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

6509.2 REV-6 CHG-2 Exhibit 6-1
Disaster Recovery CDBG Supplemental Grants

8. In regard to **monitoring**:

a. Do the grantee's policies and procedures address monitoring?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
b. Is the grantee monitoring recipients, subrecipients and contractors in accordance with its policies and procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
c. Have the grantee's CDBG-DR funds been monitored by internal audit staff? An answer of "no" establishes a finding only if the grantee is not in compliance with its Action Plan. If yes, for the funds audited, provide the following (attach additional pages as necessary): NOTE: The DRGR system has a module that collects this information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A

CDBG-DR Grant(s)	Date(s) of Internal Audit	Action(s) taken by Grantee in response to Internal Audit
[Insert grant number]		
[Insert grant number]		
[Insert grant number]		
[Insert grant number]		

Describe Basis for Conclusion:

B. FINANCIAL THRESHOLDS

9. Is the grantee projected to meet the 50% (or applicable) overall benefit requirement (at least 50% of funds to benefit low- and moderate-income (LMI) persons)?

NOTE: Some grantees have received an alternative requirement. If an alternative requirement applies to the reviewed grantee, please note this below, and indicate the applicable requirement. [Applicable appropriation law and <i>Federal Register</i> notice(s)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A

CDBG-DR Grant(s)	50% Requirement Amount (\$)	Currently Projected Amount for LMI Activities (\$)
[Insert grant number]		
[Insert grant number]		
[Insert grant number]		
[Insert grant number]		

Describe Basis for Conclusion:

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Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

Exhibit 6-1		6509.2 REV-6 CHG-2		
Disaster Recovery CDBG Supplemental Grants				
10.	Is the grantee in compliance with the 5% (or applicable) cap on administrative costs? NOTE: Some grantees may be subject to a different applicable cap on administrative costs. If this is the case for the reviewed grantee, please note this below, and indicate the allowable cap. [Applicable appropriation law and <i>Federal Register</i> notice(s)]		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A	
Describe Basis for Conclusion:				
11.	Does the amount expended for administration activities appear reasonable in comparison to the amount expended for the grant overall considering the cap on administrative expenditures?		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A	
		5% Administrative Cap (\$)	Amount Expended for Administration (\$)	Total Expenditures (\$)
		[Insert grant number]	[Insert grant number]	[Insert grant number]
		[Insert grant number]	[Insert grant number]	[Insert grant number]
		[Insert grant number]	[Insert grant number]	[Insert grant number]
Describe Basis for Conclusion:				
12.	Is the grantee in compliance with the 20% cap on overall planning and administration (i.e., no more than 5% may be spent on administration, allowing up to 15% to be spent on planning)? [Applicable appropriation law and <i>Federal Register</i> notice(s)]		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A	
Describe Basis for Conclusion:				
13.	Is the grantee in compliance with the 15% public services cap? [42 U.S.C. 5305(a)(8), and, as applicable, 24 CFR 570.201]		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A	
Describe Basis for Conclusion:				

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

6509.2 REV-6 CHG-2	Exhibit 6-1 Disaster Recovery CDBG Supplemental Grants																										
<p>14. Is the grantee projected to meet the funding amount it identified as eligible for the Disaster Recovery Enhancement Fund (DREF)? If not, has the grantee completed all of the activities that qualified it to receive a DREF allocation? <i>[Federal Register notice published August 14, 2009 (74 FR 41146); only applicable to some grants under Public Law 110-329]</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> <td style="text-align: center;">N/A</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CDBG-DR Grant(s)</td> <td style="width: 33%; text-align: center;">Originally Identified As DREF-Eligible (\$)</td> <td style="width: 33%; text-align: center;">Currently Identified As DREF-Eligible (\$)</td> </tr> <tr> <td colspan="3">[Insert grant number]</td> </tr> <tr> <td colspan="3">Describe Basis for Conclusion:</td> </tr> </table>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Yes	No	N/A	CDBG-DR Grant(s)	Originally Identified As DREF-Eligible (\$)	Currently Identified As DREF-Eligible (\$)	[Insert grant number]			Describe Basis for Conclusion:											
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																								
	Yes	No	N/A																								
CDBG-DR Grant(s)	Originally Identified As DREF-Eligible (\$)	Currently Identified As DREF-Eligible (\$)																									
[Insert grant number]																											
Describe Basis for Conclusion:																											
<p>15. Has the grantee met, or is the grantee projected to meet its affordable rental housing requirement? <i>[Federal Register notices published October 30, 2006 (71 FR 63337) and August 14, 2009 (74 FR 41146); only applicable to grants under Public Laws 109-234 and 110-329]</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> <td style="text-align: center;">N/A</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CDBG-DR Grant(s)</td> <td style="width: 33%; text-align: center;">Minimum Required for for affordable rental (\$)</td> <td style="width: 33%; text-align: center;">Currently Obligated Amt. for affordable rental (\$)</td> </tr> <tr> <td colspan="3">[Insert grant number]</td> </tr> <tr> <td colspan="3">[Insert grant number]</td> </tr> <tr> <td colspan="3">[Insert grant number]</td> </tr> <tr> <td colspan="3">[Insert grant number]</td> </tr> <tr> <td colspan="3">Describe Basis for Conclusion:</td> </tr> </table>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Yes	No	N/A	CDBG-DR Grant(s)	Minimum Required for for affordable rental (\$)	Currently Obligated Amt. for affordable rental (\$)	[Insert grant number]			[Insert grant number]			[Insert grant number]			[Insert grant number]			Describe Basis for Conclusion:		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																								
	Yes	No	N/A																								
CDBG-DR Grant(s)	Minimum Required for for affordable rental (\$)	Currently Obligated Amt. for affordable rental (\$)																									
[Insert grant number]																											
[Insert grant number]																											
[Insert grant number]																											
[Insert grant number]																											
Describe Basis for Conclusion:																											
<p>16. Has the grantee met, or is the grantee projected to meet, its set-aside for impacted public housing authorities? Has the grantee addressed the public housing needs identified in its Action Plan? <i>[Federal Register notice published March 5, 2013(78 FR 14334); only applicable to some grants under Public Law 113-2]</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> <td style="width: 10%; text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> <td style="text-align: center;">N/A</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Public Housing Authority Set-Aside (\$)</td> <td style="width: 50%; text-align: center;">Expenditures for Public Housing to date (\$)</td> </tr> <tr> <td colspan="2">[Amount set-aside]</td> </tr> <tr> <td colspan="2">Describe Basis for Conclusion:</td> </tr> </table>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Yes	No	N/A	Public Housing Authority Set-Aside (\$)	Expenditures for Public Housing to date (\$)	[Amount set-aside]		Describe Basis for Conclusion:													
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																								
	Yes	No	N/A																								
Public Housing Authority Set-Aside (\$)	Expenditures for Public Housing to date (\$)																										
[Amount set-aside]																											
Describe Basis for Conclusion:																											
12/2015	6-6																										

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

Exhibit 6-1		6509.2 REV-6 CHG-2	
Disaster Recovery CDBG Supplemental Grants			
17.	Is the grantee projected to meet the expenditure requirement associated with its HUD-identified most impacted and distressed counties? [Public Law 113-2, Public Law 112-55, and applicable <i>Federal Register</i> Notices]		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	Most Impacted and Distressed Counties (MIC)	Required Expenditures in MICs (\$)	Expenditures in MICs to date (\$)
	[Insert MICs]		
	Describe Basis for Conclusion:		
18.	Is the grantee projected to meet any expenditure deadline(s) [e.g., twenty-four months for funds under Public Law 113-2]? [Public Law 113-2 and applicable <i>Federal Register</i> notices]		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	Expenditure Deadline(s)	Amount (\$)	Deadline (mm/dd/yy) Expenditures to date (\$)
	Initial Grant Agreement (Round #1)		
	Amended Grant Agreement (Round #2)		
	Amended Grant Agreement (Round #3)		
	Amended Grant Agreement (Round #4)		
	Amended Grant Agreement (Round #5)		
	Describe Basis for Conclusion:		
19.	If the grantee has received an expenditure deadline waiver for one or more activities, are those activities projected to meet their revised expenditure deadline(s)? [Public Law 113-2 and applicable <i>Federal Register</i> notices]		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	Describe Basis for Conclusion:		
C. CAPACITY AND PERFORMANCE			
20.	Has the grantee provided a current organizational chart, or other document identifying CDBG-DR roles and responsibilities?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	Describe Basis for Conclusion:		

Appendix B – Agency Comments and OIG Response (continued)

Office of Community Planning and Development Comments

6509.2 REV-6 CHG-2	Exhibit 6-1 Disaster Recovery CDBG Supplemental Grants																												
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OIG's Response to Management's Comments

- Comment 1 CPD acknowledged that this evaluation confirmed previous concerns that not all grantees have fully implemented an internal audit activity and that some grantees did not understand the internal audit function as a requirement distinct from the OMB A-133 single audit requirement. CPD further stated that our findings would contribute to CPD's future guidance or training on implementing the internal audit requirement. We are satisfied with management's response, and these actions, once implemented, should address our recommendation. We look forward to reviewing CPD's additional guidance or training on implementing the internal audit requirement. Within 90 days, CPD should provide us its proposed internal audit guidance for grantees or an internal audit training plan that highlights the method of delivery, curriculum, and target dates for grantee training. Resolved- Open
- Comment 2 CPD stated that, although it had a mechanism to identify grantees that had not implemented an internal audit function, it would provide additional guidance or training to HUD staff regarding the internal audit requirement and expectations for monitoring reviews. We are satisfied with management's response, and these actions, once implemented, should address our recommendation. We look forward to reviewing CPD's additional guidance or training for HUD staff on the internal audit requirement and expectations for monitoring reviews. Within 90 days, CPD should provide us its proposed guidance for HUD staff or a training plan that highlights the method of delivery, curriculum, and target dates for training HUD staff. Resolved- Open



The Office of Inspector General is an independent and objective oversight agency within the U.S. Department of Housing and Urban Development. We conduct and supervise audits, evaluations, and investigations relating to HUD's programs and operations. Our mission is to promote economy, efficiency, and effectiveness in these programs, while preventing and detecting fraud, abuse, and mismanagement.

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U.S. DEPARTMENT OF
HOUSING AND URBAN
DEVELOPMENT
OFFICE OF EVALUATION
Program Evaluations Division