



# Office of Community Planning and Development, Washington, DC

## Community Development Block Grant Direct Home- Ownership Assistance Activities



**To:** Stanley A. Gimont, Deputy Assistant Secretary for Grant Programs, DGB  
//signed//  
**From:** David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia  
Region, 3AGA  
**Subject:** HUD Can Improve Its Oversight of Community Development Block Grant Direct  
Home-Ownership Assistance Activities

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's oversight of Community Development Block Grant direct home-ownership assistance activities.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



**Audit Report Number: 2017-PH-0001**

**Date: September 5, 2017**

## **HUD Can Improve Its Oversight of Community Development Block Grant Direct Home-Ownership Assistance Activities**

# Highlights

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## **What We Audited and Why**

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We audited the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant program's direct home-ownership assistance activities. We conducted the audit because it was included in our audit plan based on recent HUD, Office of Inspector General, audits that found issues with home-ownership assistance in the HOME Investment Partnerships program. Our audit objective was to determine whether HUD had adequate oversight of Community Development Block Grant direct home-ownership assistance activities.

## **What We Found**

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HUD did not always provide adequate oversight of grantees' administration of Block Grant direct home-ownership assistance activities and a sufficient explanation of program requirements. The eight responsible field offices monitored seven of the nine grantees reviewed, but none monitored the grantees' home-ownership program. Grantees did not always follow program requirements for calculating household income, providing assistance to borrowers consistent with maximum downpayment assistance limits, ensuring that properties complied with lead-based paint requirements, and providing assistance to home buyers that met the low- and moderate-income national objective. These conditions occurred because field offices determined that other programs posed a greater risk, HUD's requirements were not always clear and field office staff interpreted statutory program requirements differently, and HUD had not provided grantees sufficient guidance to properly calculate household income. As a result, grantees made unsupported payments totaling \$227,260, and HUD lacked assurance that grantees properly administered the program in accordance with requirements.

## **What We Recommend**

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We recommend that HUD (1) direct responsible field offices to require the grantees identified by the audit to either provide documentation to support \$227,260 in unsupported payments or reimburse their programs from non-Federal funds for any costs that they cannot support, (2) provide guidance to field office staff to clarify the difference between a principal reduction and a downpayment for direct home-ownership assistance activities, (3) develop and implement guidance to communicate appropriate ways for grantees to calculate household income, and (4) reemphasize to the field offices the importance of using the correct monitoring guide to monitor direct home-ownership assistance activities.

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# Background and Objective

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The Community Development Block Grant program was established by Title I of the Housing and Community Development Act of 1974, Public Law 93-383 as amended, 42 U.S.C. (United States Code) 5301, and is one of the U.S. Department of Housing and Urban Development's (HUD) longest continuously running programs. The Act was amended by the Cranston-Gonzalez National Affordable Housing Act, which became law on November 28, 1990. As a result, direct home-ownership assistance was added as an eligible activity under section 105(a) of the Act.

The Block Grant program's home-ownership assistance is referenced at 24 CFR (Code of Federal Regulations) 570.201(n), which allows for direct assistance to facilitate and expand home ownership for low- and moderate-income households. Home-ownership assistance is limited exclusively to meeting the low- and moderate-income housing national objective. Direct home-ownership assistance activities accounted for 1 percent of Block Grant program disbursements from fiscal years 2014 to 2016, with nearly \$93 million disbursed for these activities.

HUD's Community Planning and Development Notice 07-08, issued November 21, 2007, established the requirements for Block Grant-funded direct home-ownership assistance activities. The Notice stated that direct home-ownership assistance can be used to (1) subsidize interest rates and mortgage principal amounts to make the loan affordable, (2) finance the cost of acquiring property already occupied by the renter household at terms needed to make the purchase affordable, (3) pay all or part of the premium on behalf of the home buyer for mortgage insurance required up front by a private lender, (4) pay any or all reasonable closing costs associated with the home purchase on behalf of the home buyer, and (5) pay up to 50 percent of the downpayment required by the lender for the purchase on behalf of the home buyer.

Our audit objective was to determine whether HUD had adequate oversight of Community Development Block Grant direct home-ownership assistance activities.

# Results of Audit

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## **Finding: HUD's Oversight of Block Grant Direct Home-Ownership Assistance Activities Had Weaknesses**

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HUD did not always provide adequate oversight of grantees' administration of Block Grant direct home-ownership assistance activities and a sufficient explanation of program requirements. The eight responsible field offices did not monitor the nine grantees' home-ownership programs reviewed. Grantees did not always follow program requirements for calculating household income, providing assistance to borrowers consistent with maximum downpayment assistance limits, ensuring that properties complied with lead-based paint requirements, and providing assistance to home buyers that met the low- and moderate-income national objective. These conditions occurred because field offices determined that other programs posed a greater risk, HUD's requirements were not always clear and field office staff interpreted statutory program requirements differently, and HUD had not provided grantees sufficient guidance to properly calculate household income. As a result, grantees made unsupported payments totaling \$227,260, and HUD lacked assurance that grantees properly administered the program in accordance with requirements.

### **HUD Rarely Monitored Direct Home-Ownership Assistance Activities**

HUD's primary controls over direct home-ownership assistance activities were to conduct onsite and remote monitoring. HUD had established a monitoring framework to monitor direct home-ownership assistance activities. However, the eight responsible field offices monitored seven of the nine grantees reviewed, but none monitored the grantees' home-ownership program.

HUD created a specific guide to monitor Block Grant-funded home-ownership assistance activities.<sup>1</sup> The guide provides sufficient steps and guidance for a thorough review of a grantee's home-ownership assistance activities. HUD's monitoring reports for 8 field offices reviewed showed that between October 2014 and February 2017, the 8 field offices oversaw 70 grantees that had completed direct home-ownership assistance activities. The monitoring reports showed that 4 field offices used the home-ownership assistance monitoring guide to monitor 4 of these 70 grantees' direct home-ownership programs, but none of the monitored grantees was included in our sample. The 8 field offices monitored 10 programs from the 9 grantees reviewed, but none of the programs reviewed included home-ownership assistance. Instead of using the home-ownership guide, one field office used a different guide to conduct indepth monitoring of a home-ownership activity. The different guide was insufficient because it did not include many requirements specific to direct home-ownership activities. HUD Handbook 6509.2, REV-6, CHG-2, paragraph 1-6(D), states that an indepth monitoring review is a detailed compliance

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<sup>1</sup> Monitoring Exhibit 3-22, Guide for Review of CDBG-Funded Homeownership Assistance – Program Management and Individual Activities, provided in Community Planning and Development Monitoring Handbook 6509.2, REV-6, CHG-2

review of a program participant, which requires more than a single guide to be completed. The monitoring guide for review of Block Grant home-ownership assistance states that it is designed to evaluate the program participant's home-ownership assistance program and the guide must be used in conjunction with individual project or activity reviews to make determinations about the participant's program. Direct home-ownership assistance activities can be adequately monitored when field offices use the appropriate monitoring guide during monitoring reviews.

### **HUD's Direct Home-Ownership Assistance Requirements Lacked Clarity**

HUD's requirements for direct home-ownership assistance lacked clarity. Three of the grantees reviewed misinterpreted HUD's requirements, which led to oversubsidized downpayments. For example, for the three grantees that provided downpayment assistance above the required amount, the grantees explained that (1) the assistance was allowable because it subsidized the mortgage principal or (2) the grantee's loan served to meet the lender's required downpayment. Statutory requirements of 42 U.S.C. 5305(a)(24) state that direct assistance to facilitate and expand home ownership among low- and moderate-income persons can be used to subsidize a home buyer's mortgage principal, yet funds applied toward the downpayment are limited to 50 percent of the amount required from the home buyer. This requirement is confusing and has caused HUD headquarters and its field offices to have different opinions when determining allowable costs. For instance, HUD headquarters noted that no more than 50 percent of the lender's required downpayment was to be paid with program funds, but one of its field offices noted that deferred loans exceeding 50 percent of the lender's required downpayment were allowable because they subsidized the mortgage principal. Also, the lender's required downpayment should be documented to determine compliance with the 50 percent limitation. However, grantees generally could not define the amount required by the borrower's lender as only three of the nine grantees reviewed maintained this information.

### **Grantees Did Not Always Properly Award Direct Home-Ownership Assistance Funds**

Of the 9 grantees that awarded assistance to 20 households totaling \$484,271, 6 grantees improperly awarded direct home-ownership assistance totaling \$227,260. We found the following deficiencies, which are also summarized in appendix C:

- Five grantees did not accurately calculate income for eight home buyers. As a result of this miscalculation, three of these eight home buyers' annual income exceeded income limit requirements, resulting in unsupported costs of \$24,580. Regulations at 24 CFR 570(n) require that direct home-ownership assistance activities benefit low- or moderate-income households.
- Three grantees disregarded program requirements and paid more than the allowable downpayment for three home buyers. In these three instances, the grantee paid more than the requirements allowed, resulting in unsupported costs of \$69,890. Statutory requirements of 42 U.S.C. 5305(a)(24) state that direct home-ownership assistance funds applied toward the downpayment are limited to 50 percent of the amount required from the home buyer.

- Two grantees did not have required lead-based paint documentation for two borrowers, resulting in unsupported costs of \$74,790. Regulations at 24 CFR Part 35 impose lead-based paint requirements on the sale of housing constructed before 1978.
- Two grantees did not have adequate documentation to support three home buyers' income, resulting in unsupported costs of \$48,000. Regulations at 24 CFR 570.200(a)(2) require the grantee to maintain evidence that each of its activities met national objective requirements, while regulations at 24 CFR 570.506 require the grantee to have sufficient records for HUD to determine that the grantee has met Block Grant program requirements.
- One grantee did not ensure that one property remained the borrower's primary residence, which was contrary to the grantee's policy and resulted in unsupported costs of \$10,000.

The following examples describe how grantees improperly administered direct home-ownership assistance:

Example 1 – The City of Baltimore, MD – Activity 7780 – Of the \$1.2 million drawn for this activity, we reviewed 11 client files for home buyers that received home-ownership assistance totaling \$55,000. We found errors with 6 of the 11 client files, which resulted in questioned costs totaling \$20,000. The errors were primarily caused by the grantee's miscalculation of household income. For example, the grantee improperly awarded direct home-ownership assistance totaling \$10,000 to two home buyers who did not meet low- and moderate-income requirements. In one instance, the grantee determined that a three-person household's annual income was \$49,125. However, we determined that the household's income was \$61,741, which exceeded the income limit of \$59,250. In another instance, the grantee determined that a two-person household's annual income was \$52,189. However, we determined that the household's income was \$56,665, which exceeded the income limit of \$52,650. In both instances, a national objective was not met because the assistance did not benefit a low- or moderate-income household.

In another instance, the grantee improperly awarded direct home-ownership assistance totaling \$5,000 to one home buyer whose income was unsupported. This home buyer received program funds to assist with purchasing a property for \$192,000, although the borrower had liquid assets totaling \$158,135 and the lender's loan was \$42,000. Regulations at 2 CFR 200.403 require costs to be reasonable, necessary, and adequately documented. The household could have used its liquid assets and the lender's loan to cover the entire mortgage and not needed program funds. HUD had not monitored this activity.

Example 2 – The City of Boston, MA – Activity 18793 – The grantee improperly awarded direct home-ownership assistance totaling \$14,580 when it assisted one home buyer. The grantee provided a deferred loan of \$14,580 to a home buyer to purchase a two-unit property in January 2016 for \$486,000. The home buyer did not meet low- and moderate-income requirements. Specifically, the home buyer's annual income was \$104,957, while the income limit for the five-member household was \$78,900. The home buyer exceeded income requirements because the

grantee understated the home buyer's income. Regulations at 24 CFR 570.3 require grantees to estimate the annual income of a family by projecting the prevailing rate of income when assistance is provided. We classified the assistance totaling \$14,580 as unsupported. HUD had not monitored this activity.

Example 3 – The State of California – Activity 24629 – The subgrantee improperly awarded direct home-ownership assistance totaling \$103,680 when it assisted one home buyer. The State provided a grant to the City of Eureka, CA, which used \$103,680 in Block Grant funds to provide a borrower a low-interest deferred loan of \$102,355 and charge activity delivery fees of \$1,325. The borrower used the funds to purchase a single-family home in November 2015 for \$178,500. The home buyer met the low- and moderate-income requirements. However, the lender required a downpayment of \$102,355. Statutory requirements of 42 U.S.C. 5305(a)(24) state that direct home-ownership assistance funds applied toward the downpayment are limited to 50 percent of the amount required from the home buyer, which was a maximum of \$51,177. Contrary to the requirement, the grantee awarded the home buyer downpayment assistance totaling \$96,567. As a result, the remaining assistance totaling \$45,390 was unsupported. HUD had not monitored this activity.

Example 4 – The City of Portland, OR – Activity 5100 – The grantee improperly awarded direct home-ownership assistance totaling \$60,000 when it assisted one home buyer. The grantee provided an interest-free deferred loan of \$57,000 to the borrower and charged developer fees of \$3,000 using program funds to purchase a single-family home in April 2016 for \$275,000. However, the lender required a downpayment of \$70,000. Statutory requirements of 42 U.S.C. 5305(a)(24) state that direct home-ownership assistance funds applied toward the downpayment are limited to 50 percent of the amount required from the home buyer, which in this case, was a maximum of \$35,000. Contrary to the requirement, the grantee awarded the home buyer downpayment assistance totaling \$57,000. Further, the grantee did not maintain adequate documentation to support the home buyer's household income. As a result, we could not determine whether low- and moderate-income requirements were met. These deficiencies resulted in unsupported costs of \$60,000. HUD had not monitored this activity.

These problems occurred because grantees did not properly calculate household income, lacked controls to ensure that the client files were complete and showed compliance with applicable requirements, and did not understand program requirements. Further, HUD did not provide grantees with adequate guidance on program requirements.

### **Two Grantees Did Not Ensure That Properties Met Lead-Based Paint Requirements**

Two grantees did not maintain documentation to show that two home buyers purchased homes built before 1978 that met lead-based paint requirements. For example, the City of Boston, MA, provided assistance to one home buyer totaling \$16,500, although the file lacked lead-based paint documentation. The grantee conducted a visual assessment of painted surfaces to identify deteriorated paint and found that deteriorated paint was present. However, there was no documentation showing that clearance or stabilization was completed before occupancy. Also, the City of Eureka, CA, a State of California subgrantee, did not follow HUD's or its own lead-based paint requirements when it provided one home buyer assistance totaling \$103,680. In this

case, the City did not conduct a visual assessment of the assisted property's painted surfaces to identify deteriorated paint and if found, whether it was stabilized. Regulations at 24 CFR 35.1015 require grantees to conduct a visual assessment of all painted surfaces to identify deteriorated paint and to stabilize and clear deteriorated paint before occupancy. Since these grantees did not follow HUD's requirements, costs totaling \$74,790 were unsupported.<sup>2</sup>

### **Conclusion**

HUD did not always provide adequate oversight of direct home-ownership assistance activities. As a result, seven activities had violations that accounted for unsupported draws totaling \$227,260. HUD can improve its oversight of Block Grant direct home-ownership assistance activities. In doing so, HUD will increase its assurance that grantees properly administer the program in accordance with requirements.

### **Recommendations**

We recommend that the Deputy Assistant Secretary for Grant Programs

- 1A. Direct responsible field offices to require the grantees identified by the audit to either provide documentation to support \$227,260 in unsupported payments or reimburse their programs from non-Federal funds for costs they cannot support.
- 1B. Provide guidance to field office staff to clarify the statutory requirements in 42 U.S.C. 5305(a)(24) regarding a principal reduction and a downpayment for direct home-ownership assistance activities.
- 1C. Develop and implement guidance to communicate appropriate ways for grantees to calculate household income.
- 1D. Reemphasize to field offices the importance of using the correct monitoring guide to monitor direct home-ownership assistance activities.

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<sup>2</sup> The total assistance provided to these two home buyers was \$120,180. Of this amount, \$45,390 was unsupported for the City of Eureka property because the grantee incorrectly calculated the downpayment assistance amount. Therefore, to avoid double-counting, we reported the remaining balance of \$74,790 as unsupported for lack of lead-based paint documentation.

# Scope and Methodology

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We conducted the audit from December 2016 through August 2017 at HUD’s offices located in Washington, DC, and our office located in Pittsburgh, PA. The audit covered the period October 2014 through September 2016 but was expanded when necessary.

To accomplish our objective, we reviewed

- relevant background information;
- applicable laws, regulations, guidance, and HUD notices;
- data contained in HUD’s Integrated Disbursement and Information System;<sup>3</sup>
- HUD monitoring reports; and
- grantee program files.

We interviewed HUD officials located in Washington, DC, and in the field offices responsible for the activities reviewed. We also interviewed grantee staff for each of the activities reviewed.

To achieve our audit objective, we relied on computer-processed data from HUD’s Integrated Disbursement and Information System to select a sample of home-ownership assistance activities for review. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes.

A direct home-ownership assistance activity can be associated with an individual property or many different properties. To select a sample of direct home-ownership assistance activities, we obtained disbursement data as of December 2016 for 1,530 completed direct home-ownership assistance activities that had draws during our audit period. These draw amounts totaled \$58 million. Our review covered activities completed between October 2014 and December 2016. See the table below for details.

Type of property assisted by activity	Number of activities	Total draws
Individual property	969	\$ 9,159,107
Many properties	561	48,840,682
<b>Totals</b>	<b>1,530</b>	<b>57,999,789</b>

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<sup>3</sup> HUD’s Integrated Disbursement and Information System is the drawdown and reporting system for its Block Grant program and includes information regarding activities across the Nation, including funding and accomplishment data. HUD uses this information to report to Congress and to monitor grantees.

We analyzed the data to determine which activities were associated with an individual property.<sup>4</sup> We researched the most recent sales price for the 238 properties with the most draws during our audit period.<sup>5</sup> We selected for review a nonstatistical sample of 10 activities totaling \$1.6 million administered by 9 grantees overseen by 8 HUD field offices (appendix D). This sample represented activities from HUD Regions 1, 2, 3, 4, 6, 9, and 10. The activities were selected based on those with the highest sales prices in their region, those with the highest draws for an individual property, and activities from grantees that had many direct home-ownership draws during our audit period.

Of the 10 activities reviewed with draws totaling \$1.6 million, 9 activities assisted an individual property, while 1 activity assisted many properties. For the 1 activity that assisted many properties, we selected 11 properties to review primarily based on the properties with the highest sales prices and households with an income near the income limits. In total, we reviewed audit documentation for 20 assisted home buyers in which 9 grantees administered program funds totaling \$484,271 (appendix E). Although this approach did not allow us to project to the population, it allowed us to select activities that represented seven regions and eight field offices. We believed that this sample was sufficient to meet our audit objective.

We requested monitoring reports from HUD's field offices for the 10 activities selected for review and determined that HUD did not monitor any of the activities. We obtained and reviewed client files for each of the 10 activities to determine whether the activities met a national objective and whether program funds were used for eligible costs and supported with adequate documentation.

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

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<sup>4</sup> We categorized activities that had a street address or a person's name as an individual property activity.

<sup>5</sup> This includes 226 activities with an address and draws of \$10,000 or more and 12 activities with a name and draws of \$40,000 or more. We did not research all activities because of time limitations.

# 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:

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to provide reasonable assurance that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to provide reasonable assurance that program implementation complies with laws, regulations, and grant agreements.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably prevent or detect the unauthorized use of resources.

We assessed the relevant controls identified above.

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

## **Significant Deficiency**

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

- HUD's requirements for administering Block Grant direct home-ownership assistance activities lacked clarity.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Unsupported 1/</b>
1A	\$227,260

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

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

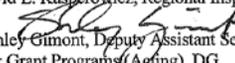
### Auditee Comments

  
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

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

AUG 18 2017

MEMORANDUM FOR: David E. Kasperowicz, Regional Inspector General for Audit, 3AGA

FROM:   
Stanley Gimont, Deputy Assistant Secretary for Grant Programs (Acting), DG

SUBJECT: Office of Community Planning and Development (CPD) Comments on Draft Audit Report "HUD Can Improve Its Oversight of Community Development Block Grant Direct Homeownership Assistance Activities"

Thank you for the opportunity to comment on this draft audit report. The draft report makes four recommendations to CPD:

- 1A. Direct responsible field offices to require the grantees identified by the audit to either provide documentation to support \$227,260 in unsupported payments or reimburse their programs from non-Federal funds for costs they cannot support.
- 1B. Provide guidance to field office staff to clarify the statutory requirements in 42 U.S.C. 5305(a)(24) regarding a principal reduction and a down payment for direct homeownership assistance activities.
- 1C. Develop and implement guidance to communicate appropriate ways for grantees to calculate household income.
- 1D. Reemphasize to field offices the importance of using the correct monitoring guide to monitor direct homeownership assistance activities.

CPD has no objection to these recommendations. CPD will follow up with the identified grantees to obtain documentation or reimbursement for the unsupported costs in recommendation 1A. Recommendations 1B. and 1C. emanate from your observations that grantees and field office staff are confused about how to interpret the statutory limitation on downpayment assistance, and that there is lack of consistency among grantees in computing and documenting beneficiaries' household incomes. I appreciate your identifying these as topics needing better policy guidance. Headquarters CPD staff have been identifying topics for additional CDBG program guidance documents, and will add these topics to our list to be developed. Your final recommendation expresses concern that CPD field staff do not consistently use the most appropriate monitoring handbook exhibits when reviewing grantees' homeownership activities. I share your interest in making sure that CPD's limited monitoring resources are used to their greatest effect. CPD will reinforce this point to field office staff in an appropriate manner.

Please feel free to contact me with any questions regarding CPD's comments.

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Comment 1

## **OIG Evaluation of Auditee Comments**

Comment 1 HUD agreed with the recommendations, and its planned actions meet their intent. However, to reach a management decision under HUD's Audits Management System, HUD needs to identify the evidence it will provide to show that the planned actions have been implemented as well as target dates for completing the actions.

## Appendix C

### Schedule of Deficiencies and Questioned Costs Associated With Properties Reviewed

#	Grantee (activity ID)	Violations noted during review*								Total	Amount drawn	Unsupported costs
		1	2	3	4	5	6	7	8			
1	California (24629)		X	X			X			3	\$103,680	\$103,680
2	Wilmington, NC (879)									0	81,200	-
3	Portland, OR (5100)		X		X					2	60,000	60,000
4	Los Angeles, CA (14260)									0	60,000	-
5	Santa Ana, CA (2001)									0	42,081	-
6	El Paso, TX (4412)		X				X	X		3	41,230	2,500
7	Boston, MA (19132)			X						1	16,500	16,500
8	Boston, MA (18793)	X					X			2	14,580	14,580
9	Hamburg, NY (296)					X	X			2	10,000	10,000
10	Baltimore, MD (7780)	X					X			2	5,000	5,000
11	Baltimore, MD (7780)	X					X			2	5,000	5,000
12	Baltimore, MD (7780)				X			X		2	5,000	5,000
13	Baltimore, MD (7780)				X					1	5,000	5,000
14	Baltimore, MD (7780)						X			1	5,000	-
15	Baltimore, MD (7780)						X			1	5,000	-
16	Baltimore, MD (7780)									0	5,000	-
17	Baltimore, MD (7780)									0	5,000	-
18	Baltimore, MD (7780)									0	5,000	-
19	Baltimore, MD (7780)									0	5,000	-
20	Baltimore, MD (7780)									0	5,000	-
<b>Totals</b>		<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>484,271</b>	<b>227,260</b>

\*Violations noted during review

The violations in columns 1-5 above resulted in unsupported costs. These are

1. The assisted household was not a low- or moderate-income household.
2. The grantee provided more downpayment assistance than was allowed.
3. The file was missing lead-based paint documentation in accordance with 24 CFR Part 35.
4. Household income was unsupported.
5. The assisted property may not have been the primary residence.

The violations in columns 6-8 above resulted in no questioned costs. These are

6. The grantee miscalculated home buyer income.
7. The grantee did not impose its program requirements for the home buyer's downpayment.
8. Assistance was unnecessarily provided.

## Appendix D

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### List of Sampled Activities

#	HUD region - field office	Activity ID	Grantee	Amount drawn	Amount reviewed
1	3 - Baltimore	7780	Baltimore, MD	\$1,200,000	\$55,000
2	9 - San Francisco	24629	State of California	103,680	103,680
3	4 - Greensboro	879	Wilmington, NC	81,200	81,200
4	9 - Los Angeles	14260	Los Angeles, CA	60,000	60,000
5	10 - Portland	5100	Portland, OR	60,000	60,000
6	9 - Los Angeles	2001	Santa Ana, CA	42,081	42,081
7	6 - Fort Worth	4412	El Paso, TX	41,230	41,230
8	1 - Boston	19132	Boston, MA	16,500	16,500
9	1 - Boston	18793	Boston, MA	14,580	14,580
10	2 - Buffalo	296	Hamburg, NY	10,000	10,000
<b>Totals</b>				<b>1,629,271</b>	<b>484,271</b>

## Appendix E

### Sampled Property Sales Prices

#	HUD region - field office	Activity ID	Grantee	Property sales price	Amount drawn	Percentage of sales price drawn
1	1 - Boston	19132	Boston, MA	\$549,999	\$16,500	3.0
2	1 - Boston	18793	Boston, MA	486,000	14,580	3.0
3	9 - Los Angeles	2001	Santa Ana, CA	443,000	42,081	9.5
4	10 - Portland	5100	Portland, OR	275,000	60,000	21.8
5	9 - Los Angeles	14260	Los Angeles, CA	260,000	60,000	23.1
6	3 - Baltimore	7780	Baltimore, MD	255,000	5,000	2.0
7	3 - Baltimore	7780	Baltimore, MD	229,000	5,000	2.2
8	3 - Baltimore	7780	Baltimore, MD	221,000	5,000	2.3
9	3 - Baltimore	7780	Baltimore, MD	218,000	5,000	2.6
10	4 - Greensboro	879	Wilmington, NC	203,000	81,200	40.0
11	3 - Baltimore	7780	Baltimore, MD	192,000	5,000	2.9
12	9 - San Francisco	24629	State of California	178,500	103,680	58.1
13	3 - Baltimore	7780	Baltimore, MD	169,900	5,000	2.9
14	2 - Buffalo	296	Hamburg, NY	150,000	10,000	6.7
15	3 - Baltimore	7780	Baltimore, MD	128,000	5,000	3.9
16	3 - Baltimore	7780	Baltimore, MD	119,000	5,000	4.2
17	3 - Baltimore	7780	Baltimore, MD	110,000	5,000	4.5
18	6 - Fort Worth	4412	El Paso, TX	100,000	41,230	41.2
19	3 - Baltimore	7780	Baltimore, MD	99,000	5,000	5.1
20	3 - Baltimore	7780	Baltimore, MD	95,000	5,000	5.3
<b>Total</b>					<b>484,271</b>	