



State of Connecticut

Small Cities Community Development Block Grant Program

**Office of Audit, Region 1
Boston, MA**

**Audit Report Number: 2018-BO-1005
September 19, 2018**



To: Alanna Kabel, Director, Hartford Field Office, Community Planning and Development, 1ED
//Signed//

From: Ann Marie Henry, Regional Inspector General for Audit, 1AGA

Subject: The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the State of Connecticut's Small Cities Community Development Block Grant program.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 617-994-8345.



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The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs

Highlights

What We Audited and Why

We audited the State of Connecticut's Small Cities Community Development Block Grant program based on an Office of Inspector General risk assessment, which ranked the State as the highest risk grantee in Connecticut. Our audit objective was to determine whether the State ensured that its grantees properly administered their housing rehabilitation programs. We also assessed various complaints made against the program to determine whether they had merit and if so, whether they were addressed and resolved.

What We Found

The State did not ensure that its grantees properly administered their housing rehabilitation programs. For example, the State did not ensure that its grantees always (1) conducted and documented environmental reviews, (2) properly procured contracts, (3) properly determined homeowner and project eligibility, and (4) correctly charged program costs. Additionally, the complaints reviewed generally had merit, but they were not all addressed and resolved. These deficiencies occurred, in part, because the State did not (1) provide adequate oversight and monitoring of its grantees to ensure that they administered program funds in accordance with program requirements and (2) have policies and procedures to assess the validity of all program complaints to ensure that they were addressed and resolved. As a result, we identified more than \$2.9 million in questioned costs. Additionally, the State did not meet its program goal to assist the maximum amount of homeowners, and the U.S. Department of Housing and Urban Development (HUD) did not have assurance that all costs were eligible, supported, reasonable, and necessary and that valid complaints were reasonably addressed and resolved.

What We Recommend

We recommend that the Director of HUD's Hartford Office of Community Planning and Development require State officials to (1) repay more than \$1.1 million in ineligible program costs, (2) repay \$434,970 in unreasonable program costs, (3) adequately support or repay more than \$1.3 million in unsupported program costs, (4) strengthen controls over program oversight to ensure that grantees comply with their agreements and program requirements, and (5) develop policies and procedures to address program complaints in a timely manner.

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Background and Objective

In 1981, Congress amended the Housing and Community Development Act of 1974 to give each State the opportunity to administer Community Development Block Grant (CDBG) funds for nonentitlement areas. Nonentitlement areas include those units of general local government that do not receive CDBG funds directly from the U.S. Department of Housing and Urban Development (HUD) as part of the entitlement program. Nonentitlement areas in Connecticut are either cities or towns with a population of less than 50,000 or a central city of an area as designated by the Office of Management and Budget. States participating in the Small Cities CDBG program have three major responsibilities: formulating community development objectives, deciding how to distribute funds among communities in nonentitlement areas, and ensuring that recipient communities comply with applicable State and Federal laws and requirements. The Connecticut Department of Housing is designated as the principal State agency for the allocation and administration of program funds within the State of Connecticut.

The State had 121 grants, totaling more than \$58 million, open as of July 1, 2015.

Category	Amount	Number of grants
Housing rehabilitation programs	\$29,950,000	80
Public housing modernization projects	25,561,521	35
Street improvements	1,500,000	3
Senior housing renovations	800,000	1
Americans with Disabilities Act improvement	750,000	1
Food bank program	56,847	1
Totals	58,618,368	121

Our review focused on housing rehabilitation program activities, which accounted for 51 percent of the funding total and 66 percent of the number of grants. The housing rehabilitation program is a program whereby small cities and towns (grantees) are awarded a grant from the State and in turn those grantees provide financial assistance to low- and moderate-income applicants for a variety of housing rehabilitation needs. The grants are generally administered through an outside consultant hired by the grantee. We also reviewed homeowner complaints sent to the HUD, Office of Inspector General's hotline, HUD Hartford Office of Community Planning and Development, or both; as well as other complaints sent to the State from another complainant.

Our audit objective was to determine whether the State ensured that its grantees properly administered their housing rehabilitation programs. We also assessed various complaints made against the program to determine whether they had merit and if so, whether they were addressed and resolved.

Results of Audit

Finding 1: The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs

The State did not ensure that its grantees properly administered their housing rehabilitation programs. Specifically, the State did not ensure that its grantees always (1) conducted and documented environmental reviews, (2) properly procured contracts, (3) properly determined homeowner and project eligibility, (4) correctly charged program costs, (5) obtained State approval for projects that exceeded program limits, (6) used program income before drawing down additional grant funds, and (7) submitted the required monthly construction progress reports. These deficiencies occurred because the State did not provide adequate oversight and monitoring of its grantees to ensure that they administered program funds in accordance with program requirements. For example, the State did not always (1) conduct its onsite monitoring or issue followup monitoring letters in a timely manner, (2) require its grantees to provide sufficient supporting documentation for payment requests, or (3) adequately review information provided by the grantees. As a result, we identified more than \$1.1 million in ineligible program costs, \$434,970 in unreasonable program costs, and more than \$1.3 million in unsupported program costs. Additionally, the State did not meet its program goal to assist the maximum amount of homeowners, and HUD did not have assurance that all costs were eligible, supported, reasonable, and necessary.

Environmental Reviews Were Not Properly Conducted and Documented

In accordance with the State's Grants Management Manual, chapter 2, there are two types of environmental reviews required for the housing rehabilitation program. The first review (tier one) is completed as part of the grant application and identifies potential compliance areas. Using this process, grantees can publish a public notice and receive a release of funds based on the programmatic information. However, this release of funds requires that the grantee complete an individual statutory checklist (tier two) for each specific rehabilitation project. This site-specific statutory checklist must be completed before construction costs are incurred for that project. Otherwise, the project is ineligible for funding. For 16 of the 17 grants reviewed onsite, the tier one environmental reviews were generally properly conducted and documented. The City of Torrington, CT, however, was unable to provide the tier one environmental review for its 2014 grant, and as a result, the entire \$400,000¹ grant was unsupported (appendix E).

¹ For the 2014 grant for the City of Torrington, CT, we identified specific ineligible, unreasonable and unsupported costs. To avoid double counting, we reduced the \$400,000 questioned to \$249,015 due to the \$69,490 questioned as ineligible under site-specific environmental reviews, \$3,790 questioned as unreasonable under program costs improperly charged to construction, \$3,305 questioned as unreasonable under projects exceeding the program limits without State approval, and \$74,400 questioned as an unsupported consultant administrator contract ($\$400,000 - \$69,490 - \$3,790 - \$3,305 - \$74,400 = \$249,015$) (appendix E).

Additionally, we reviewed 33 individual projects and found that none of the tier two site-specific statutory checklists was reviewed or signed by a grantee official, making them ineligible. For 14 of the 33 projects, the site-specific statutory checklists were not signed or dated by the preparer and were prepared after construction started, after project completion, or not at all. Also, the supporting documentation, such as maps and letters to the State Historic Preservation Office (SHPO), was dated after construction started or not provided. Finally, the files for one project included a letter from the SHPO informing the grantee that the property appeared to be eligible for listing on the National Register of Historic Places and requesting additional information. However, there was no evidence that this grantee provided the additional information or obtained a final determination from SHPO. As a result, more than \$1 million was charged to the program for ineligible costs because the grantees committed program funds and incurred construction costs before properly completing the environmental reviews (appendix F).

Contracts Were Not Always Properly Procured

There were generally four types of contracts associated with each grantee's program, including (1) general construction, (2) program administration, (3) lead testing, and (4) title search. The general construction contracts were generally properly procured. However, we found deficiencies in the procurement of the remaining three services, including incomplete procurement histories, missing contracts, contracts executed after the program funds were used, and contracts awarded without support that the cost or price was considered as one of the evaluating factors as required by 2 CFR 200.318 and 320 or 24 CFR 85.36.²

In one instance, a grantee used a procurement method, which included the fee proposal as a factor to be evaluated. However, the fee proposal was not evaluated. Instead, the grantee awarded program administration contracts for its 2012-2016 grants to a consultant whose bids did not include a fee proposal schedule in any of the bid proposals submitted. The proposal submitted by the consultant stated that a compensation schedule would be presented following the grant award and once the specific grant activities, budget, and a scope of services had been determined.

In another instance, two grantees could not provide all of the proposals submitted for grant administration contracts. One of these grantees provided an evaluation of the proposals, dated May 29, 2018,³ which was after we requested it, and it was not clear how the grantee completed the evaluation without the second proposal, which was missing. As a result, we found \$694,902⁴ in unsupported costs and \$121,720⁵ in ineligible costs due to procurement deficiencies (appendix E).

² 24 CFR 85 Part 36 was incorporated into 2 CFR 200 and implemented by the State on June 4, 2015 per the State's Small Cities bulletin 2015-005.

³ This contract was awarded on March 30, 2015, and the contract was executed on December 16, 2015.

⁴ To avoid double counting, we reduced the \$694,902 in unsupported costs to \$676,922 due to the \$17,980 questioned as ineligible under site-specific environmental reviews or as unreasonable under program costs improperly charged to construction ($\$694,902 - \$17,980 = \$676,922$) (appendix E).

⁵ To avoid double counting, we reduced the \$121,720 in ineligible costs to \$100,000 due to the \$21,720 questioned as ineligible under site-specific environmental reviews or as unreasonable program costs improperly charged to construction ($\$121,720 - \$21,720 = \$100,000$) (appendix E).

Finally, grantees did not always justify (1) the acceptance of sole proposals, instead of putting the contracts back out to bid, or (2) not awarding contracts to the lowest bidder.

Homeowner and Project Eligibility Was Not Properly Determined

The assisted homes must be occupied by low- to moderate-income households to be eligible for the program in accordance with the State's Grant Management Manual, chapter 7. However, we identified several cases in which the grantees did not consider rental income when determining income eligibility. In one case, \$1,100 per month in rental income was not considered, and in other cases, the applicants did not list rental income from their multifamily homes with rental units (appendix F). Any rental income should have been included and considered when determining income eligibility.

Additionally, grantees were required to seek approval from the State to move forward with cases that had a loan-to-value (LTV) ratio above 90 percent as required by the State's Small Cities bulletin 2015-001. However, some grantees considered only the first mortgage when calculating the LTV ratios. We reviewed the LTV ratio calculations for 15 of the 33 projects⁶ and noted that only 5 were done properly. For three projects, the ratios exceeded the program limits, with LTV ratios of 101 percent, 125 percent, and 138 percent. For seven projects, although the LTV ratios were under the required limit, the ratios were not properly calculated (appendix F). As a result, we identified four ineligible projects. For one project, the applicant would not have qualified if the \$1,100 in rental income had been considered, and three projects exceeded the LTV ratios. These four projects were already questioned as ineligible under site-specific environmental reviews (appendix F).

Program Costs Were Improperly Charged to Construction Costs

The State limits the amount that grantees may charge to administration and program costs. These limits are specified in the State's Small Cities CDBG Application Handbooks which are published each year. Starting in 2014, the limits were set at \$33,000 for administration and up to 12 percent of the grant award for program costs, with the remaining funds allocated to construction costs. However, grantees sometimes charged program costs, such as title search and lead-testing fees, as construction costs. In other instances, bid advertisement costs and one applicant's homeowner's insurance premium were charged as construction costs. We identified \$125,470⁷ in program costs, above the 12 percent, that were improperly charged to construction costs, making those costs unreasonable (appendixes C and E).

Projects Exceeded the Program Limits Without State Approval

Starting in January 2015, grantees were required to get approval from the State to move forward with projects that exceeded \$30,000 for a single-family house or \$50,000 for homes with two or more units, as required by the State's Small Cities bulletin 2015-001. While some grantees did

⁶ Title searches were not required until January 2018, and while some grantees routinely did them, others did not. In cases in which there was no title search, we did not perform additional audit work to identify other mortgages or other liens.

⁷ Of the \$125,470, \$16,954 was identified at the State level (appendix C) and \$108,516 at the grantee level (appendix E). To avoid double counting, we reduced the \$125,470 in unreasonable costs to \$96,159 due to the \$29,311 questioned as ineligible under site-specific environmental reviews (\$125,470 - \$29,311 = \$96,159).

seek approval for projects that exceeded the program limits, we noted several projects that exceeded the limits without evidence of State approval. Of the 303 projects completed after this requirement, we identified 54 projects that exceeded the program limits by \$382,213⁸ without evidence of State approval, making those costs unreasonable (appendixes C and E).

Grant Funds Were Drawn Down Before Program Income Was Used

The agreements between the State and its grantees, and the State’s Grants Management Manual, chapter 3, required grantees to disburse program income before additional funds were requested. For 7 of the 28 grantees, grant funds were drawn down even when the grantees reported excessive program income on their requests for payments, in their quarterly reports, or both. We identified \$422,600 in program income that should have been used before additional grant funds were drawn down (appendix C). If the grant funds could not be spent before the grant’s end date, the State should have required the grantees to return the funds so that it could reallocate them to other activities.

Grantee	Grant year	Program income per 2 nd to last quarterly report	Limit per the assistance agreement	Amount that should have been used
Enfield	2012	\$107,152	\$50,000	\$57,152
New Fairfield	2013	126,441	50,000	76,441
Putnam	2013	55,389	50,000	5,389
Derby	2014	65,513	25,000	40,513
Torrington	2014	57,508	25,000	32,508
Windsor	2014	177,785	25,000	152,785
Southbury	2015	82,812	25,000	57,812
Total				422,600

Monthly Construction Progress Reports Were Not Always Submitted

Starting in March 2016, grantees were required to submit monthly construction progress reports for each ongoing project, as provided in the State’s Small Cities bulletin 2016-001. These reports provided information, including the work specifications, contract amount, and completion percentage. Along with the progress report, grantees were required to submit supporting documentation, such as the bid tabulation and recent field reports with photos. While some grantees did submit some progress reports for ongoing projects, we noted several missing reports and that in some cases, the grantees did not submit any reports. Additionally, we noted that some reports included evidence that projects received only one bid and did not include the required inspection reports. We found no evidence that the State followed up on any missing reports or issues. Additionally, these reports were provided to the construction specialist in the

⁸ Of the \$382,213 and 54 projects, \$359,000 and 50 projects were identified at the State level (appendix C) and \$23,213 and 4 projects were identified at the grantee level (appendix E). To avoid double counting, we reduced the \$382,213 in unreasonable costs to \$338,811 due to the \$43,402 questioned as ineligible under site-specific environmental reviews, \$20,189 at the State level, and \$23,213 at the grantee level (\$382,213 - \$20,189 - \$23,213 = \$338,811).

State's Department of Economic and Community Development and were not shared with the Department of Housing project managers, who were responsible for grant oversight and could have used them to track and review program compliance and project progress.

Onsite Monitoring and Monitoring Letters Were Not Completed in a Timely Manner

The State's Small Cities bulletin 2013-003 required grantees to submit a precloseout certificate within 30 days of final funds drawdown and the State generally conducted onsite monitoring only after receipt of such certification. These certifications were sometimes not submitted until months after the final drawdown and in some cases, more than a year after the final drawdown. Additionally, the State did not always conduct its onsite monitoring or issue followup monitoring letters in a timely manner. These onsite monitoring visits and the followup monitoring results letters were also taking up to a year or longer to be completed.

As of April 30, 2018, of the 28 grants reviewed, the State had completed its onsite monitoring for only 15 of the grants and had issued only 4 monitoring letters.⁹ For the remaining 11 grants already monitored by the State, the days between the monitoring and April 30, 2018, ranged from a low of 223 days to a high of 1,021 days, with an average of 604 days. Additionally, the average number of days between the submission of the precloseout certificate and the date of onsite monitoring or April 30, 2018, for the remaining 13 grants for which onsite monitoring had not been completed was 248 days (appendix D). Had the State performed its onsite monitoring and issued its letters in a timely manner, mistakes in areas such as environmental reviews, procurement, LTV ratios, and determining income eligibility could have been identified, and improvements could have been implemented to improve compliance going forward.

Insufficient Supporting Documentation Was Provided With Payment Requests

Before January 2018, grantees were required to submit only the State's request for payment template in accordance with the State's Grants Management Manual, chapter 3, which included the total amount requested along with a breakout by budget category. The State did not require additional support, such as (1) invoices, (2) contracts between contractors and homeowners, or (3) certificates of completion. Without the additional supporting documentation, there was no assurance that payment requests were for completed work and that costs were charged to the proper category. For example, the State approved \$125,470 in program costs that were improperly charged to construction costs. Starting in January 2018, grantees are required to submit a detailed schedule of expenditures report with each request for payment. This schedule provides information on the costs, such as the budget line item charged and the contractor name, which should alert the State to instances in which the grantee charges program costs as construction costs. This new control should improve the State's oversight of its grantees in this area.

The State Did Not Always Adequately Review Information Provided by the Grantees

There was no evidence that the State followed up on potential issues that could be identified by reviewing the supporting information provided by the grantees. For example, the quarterly reports showed projects with loan amounts above the program limits. These reports also

⁹ These 28 grants had precloseout certifications, dated between July 17, 2014, and February 28, 2018.

sometimes showed inconsistent amounts between the project loan amounts and the total general construction contracts associated with the project. The project loan should be equal to or more than the total of the general construction contracts associated with the project.¹⁰ However, we found several instances in which the project loan amount was less than the amount of the general construction contracts associated with the project and no other funding sources were identified. Additionally, seven grantees reported in either their requests for payment, quarterly reports, or both that they had more than \$25,000 or \$50,000 in program income, but the State did not require the grantees to use the program income before requesting additional grant funds.

Conclusion

The State did not ensure that its grantees properly administered their housing rehabilitation programs. Specifically, the State did not ensure its grantees always (1) conducted and documented environmental reviews, (2) properly procured contracts, (3) properly determined homeowner and project eligibility, (4) correctly charged program costs, (5) obtained State approval for projects that exceeded program limits, (6) used program income before drawing down additional grant funds, and (7) submitted the required monthly construction progress reports. These deficiencies occurred because the State did not provide adequate oversight and monitoring of its grantees to ensure that they administered program funds in accordance with program regulations. As a result, we identified more than \$1.1 million in ineligible program costs, \$434,970 in unreasonable program costs, and more than \$1.3 million in unsupported program costs; the State did not meet its program goal to assist the maximum amount of homeowners; and HUD did not have assurance that all costs were eligible, supported, reasonable, and necessary.

Recommendations

We recommend that the Director of HUD's Hartford Office of Community Planning and Development require State officials to

- 1A. Repay from non-Federal funds the \$1,190,977¹¹ in ineligible costs charged to the program.
- 1B. Repay from non-Federal funds the \$434,970¹² in unreasonable costs charged to the program.
- 1C. Support \$249,015 in program costs spent on a 2014 grant for which the grantee was unable to provide a tier one environmental review record or repay from non-Federal funds any amount that cannot be supported.

¹⁰ This is because sometimes there are additional costs associated with the projects, such as title searches and lead testing fees.

¹¹ This amount includes \$1,090,977 questioned as a result of improperly conducted site-specific environmental reviews and a net amount of \$100,000 in program funds used without a contract.

¹² This amount includes a net amount of \$96,159 in program costs improperly charged to construction, and a net amount of \$338,811 for project costs that exceeded the program limits.

- 1D. Support \$676,922 for contracts that were improperly procured or repay from non-Federal funds any amount that cannot be supported.
- 1E. Support \$422,600 in program income that was not used before additional grant fund drawdowns or repay from non-Federal funds any amount that cannot be supported.
- 1F. Strengthen controls over program oversight to ensure that grantees comply with their agreements and program requirements, including tier two environmental reviews, contract procurements, and homeowner and project eligibility, to ensure that (1) all income, including rental income, is considered; (2) loan-to-value ratios do not exceed 90 percent without State approval; and (3) projects do not exceed the program limits without State approval.
- 1G. Strengthen controls over monitoring to ensure that onsite monitoring and monitoring letters are completed in a timely manner and sufficient supporting documentation is required and reviewed by those responsible for grant oversight.

Finding 2: Program Complaints Were Not Consistently Addressed and Resolved

The State did not ensure that all program complaints were addressed and resolved. Complaints made by homeowners and by another complainant¹³ generally had merit; however, only the complaints made by homeowners were addressed. Additionally, the complaints were not always resolved by the State. This condition occurred because the State did not (1) have policies and procedures to assess the validity of all program complaints to ensure that they were addressed and resolved and (2) always enforce its policies regarding the allowance of rehabilitation work; specifically, the repair or replacement of paved surfaces. As a result, HUD did not have assurance that all complaints were reasonably addressed and resolved or that all costs were eligible, supported, reasonable, and necessary.

Several Complaints Made by Homeowners Were Addressed but Not Always Resolved in a Timely Manner

We reviewed five complaints made by four homeowners to the HUD, Office of Inspector General's (OIG) hotline about the State's program, alleging defective workmanship and that contractor invoices were paid without inspections or approval by the homeowner. We determined that the complaints reviewed generally had merit. We also determined that the State, the respective grantee, and its program consultants and contractors worked with the homeowners to address and resolve the issues. In addition, the HUD Hartford Office of Community Planning and Development was aware of the OIG hotline complaints and as of August 15, 2018 was actively working with the State to reach satisfactory conclusions for one remaining unresolved complaint made by one of the four homeowners.

The HUD Hartford Office of Community Planning and Development also tracked an additional five program complaints made to its office by homeowners who alleged, among other things, defective workmanship. For one complaint the State advised HUD that the complaint lacked validity and for another complaint it was noted that the case was in litigation. The remaining three complaints remain unresolved with one dating back to December 2015 and the remaining two dating back to July 2016. The HUD Hartford Office of Community Planning and Development continues to work with the State to reach satisfactory conclusions.

Additional Complaints Made Against the Program Were Not Addressed and Resolved

We reviewed three additional complaints submitted by a complainant to the State, alleging (1) potentially ineligible driveway replacement and repairs; (2) inconsistent treatment by the State with regard to how complaints were handled; and (3) procurement irregularities, including the use of cost-plus contracts, a lack of free and open competition, and noncompliance with State and Federal procurement requirements.

In January 2017, the complainant alleged that some grantees were funding potentially ineligible driveway replacement and repairs and asked the State under what circumstances driveways

¹³ Sent to the HUD, Office of Inspector General's hotline, HUD Hartford Office of Community Planning and Development, or both.

would be an eligible program work item. The State provided its guidance as noted in its CDBG Residential Rehabilitation Standards, which states that “repair of paved surfaces shall be minimal in cost and incidental to the rehabilitation of the dwelling.” In addition, the State noted that code violations and building and site defects that presented health and safety hazards and were life threatening were priorities; a driveway should be the lowest priority work item; and if a driveway was the only repair to the property, it would not be allowable. The State also highly recommended that grantees consult with the State’s Department of Housing before including repairs to driveways in the rehabilitation work. This complainant sent a followup email to the State on October 2, 2017, and a letter, dated February 21, 2018, asking additional questions regarding the procedures for including and installing driveways as part of an eligible project.

During our review, we noted several projects that included driveways in the scope of work in which the driveways were not “minimal in cost and incidental to the rehabilitation of the dwelling,” as stated in the guidance. For example, one project had total costs of \$16,700, which included a driveway replacement costing \$9,600, 57 percent of the total project cost. In other instances, driveways were included in the scope of work according to the monthly construction progress reports submitted, but we did not see evidence that the State followed up to determine whether this work and the costs were in accordance with its CDBG Residential Rehabilitation Standards.

In addition, the complainant alleged inconsistent treatment with regard to how complaints were handled. Specifically, the complaint alleged that the complainant requested the State’s policies for complaints but the State had not responded. In June and July 2018, we requested that State officials update the status of these two complaints and asked whether the State had a policy for complaints, citizen or otherwise. The State did not respond to our request and, therefore, it was not clear whether the State had a policy. With no response, we determined that these complaints had merit and they were not addressed or resolved.

Finally, the complainant alleged that there were procurement irregularities with the award of a consultant administrator contract for one grantee. The State files we reviewed in this instance showed that the State evaluated the complaint, but it was not clear from the files provided whether the complaint had been adequately resolved. In June and July 2018, we inquired with State officials regarding whether they had resolved this complaint. The State did not respond, and as a result, we determined that the complaint was not adequately resolved.

The State Lacked Policies and Procedures for All Complaints

The State did have grievance procedures in its Grant Management Manual for homeowners and contractors. However, these procedures seemed to apply only to the grantees, homeowners, and contractors participating in the housing rehabilitation program and did not address the State’s responsibility for all other complaints or a timeframe for resolution. As noted above, while complaints made by homeowners were addressed they were not always resolved in a timely manner. Additionally, the State could not show that other complaints made by complainants other than homeowners were always addressed and resolved. Further, the State did not always enforce its policies regarding the allowance of rehabilitation work; specifically, the repair or replacement of paved surfaces.

Conclusion

The State did not ensure that all program complaints were addressed and resolved. Complaints made by homeowners and another complainant generally had merit; however, only homeowner complaints were addressed. Additionally, the complaints were not always resolved by the State. This condition occurred because the State did not (1) have policies and procedures to assess the validity of all program complaints to ensure that they were addressed and resolved and (2) always enforce its policies regarding the allowance of rehabilitation work; specifically, the repair or replacement of paved surfaces. As a result, HUD did not have assurance that all complaints were reasonably addressed and resolved or that all costs were eligible, supported, reasonable, and necessary.

Recommendations

We recommend that the Director of HUD's Hartford Office of Community Planning and Development require State officials to

- 2A. Develop and implement policies and procedures to assess the validity of all program complaints to ensure that they are addressed and resolved in a timely manner.
- 2B. Provide additional guidance to its grantees regarding its policy stating that the repair or replacement of paved surfaces should be minimal in cost and incidental to the rehabilitation of the dwelling, including whether grantees are required to consult with the State before starting the work.

Scope and Methodology

We performed our audit work from February through June 2018 at the State's office located at 505 Hudson Street, Hartford CT, at 6 of the 49 grantee offices, and at our office located at 10 Church Street, Hartford, CT. The audit covered the period July 1, 2015, through June 30, 2017, and was expanded when necessary to include grants awarded before July 1, 2015, but still open as of July 1, 2015, and included complaints made after June 30, 2017.

To accomplish our objective, we

- Reviewed the criteria relevant to our audit objective, including the Housing and Community Development Act of 1974, 24 CFR (Code of Federal Regulations) Part 570—Community Development Block Grants, and HUD's Community Planning and Development Monitoring Handbook 6509.2, REV-7.
- Reviewed relevant internal policies and procedures developed and used by the State, including policies, procedures, and processes for planning, organizing, directing, and monitoring the program.
- Reviewed the State's consolidated plan, consolidated annual performance and evaluation reports, and action plans.
- Reviewed HUD's 2016 monitoring report on the State's program.
- Conducted interviews with appropriate State officials and staff to determine what procedures staff followed related to the program.
- Selected and reviewed a sample of 28 housing rehabilitation grants totaling \$11.3 million from a universe of 80 housing rehabilitation grants totaling \$29.95 million to review at the State level (appendix C). A sample was chosen rather than reviewing 100 percent of the universe because the universe was too large. We selected the grants based on (1) the consultant administering the grant, (2) the dollar amount, and (3) whether the State had performed onsite monitoring. We did not perform a statistical sample, so our results were not projected.
- Selected and reviewed a sample of 6 grantees from a universe of 49 grantees to review at the grantee level. Specifically, we reviewed 17 grants administered by the 6 grantees totaling \$6.75 million from a universe of 80 housing rehabilitation grants totaling \$29.95 million at the grantee level (appendix E). From the grants administered by the grantees, we selected 33 projects totaling more than \$1.09 million for detailed review (appendix F). A sample was chosen rather than reviewing 100 percent of the universe because the universe was too large. We selected the grantees based on (1) the consultant

administering the grant and (2) the number of grants in our universe for each grantee. We did not perform a statistical sample, so our results were not projected.

- Assessed the validity of eight complaints, including five complaints submitted to HUD OIG's hotline¹⁴ and three made by another complainant, to determine whether they had merit and if so, whether they were addressed and resolved by the State.
- Conducted interviews with HUD officials and reviewed HUD's files for an additional five homeowner complaints made to HUD Hartford Office of Community Planning and Development.

To achieve our audit objective, we generally relied on source documentation, including grant applications, assistance agreements, requests for payment, and quarterly reports; other documentation in the State's files; and the grantees' procurement, environmental and financial files, and individual project records. We did not rely on computer-processed data from the State's computer system and, therefore, did not test the State's systems.

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.

¹⁴ Made by four homeowners who had participated in two grantee's housing rehabilitation programs.

Internal Controls

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

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

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

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of resources is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant control identified above.

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

Significant Deficiency

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

- The State did not provide adequate oversight and monitoring of its grantees to ensure that they administered program funds in accordance with program regulations (finding 1).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/	Unreasonable 3/
1A.	\$1,190,977		
1B.			\$434,970
1C.		\$249,015	
1D.		676,922	
1E.		422,600	
Totals	1,190,977	1,348,537	434,970

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ 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.
- 3/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



STATE OF CONNECTICUT
DEPARTMENT OF HOUSING



September 7, 2018

Ms. Ann Marie Henry
Regional Inspector General for Audit
Region 1 Boston
U.S. Department of Housing and Urban Development
Office of Inspector General
10 Causeway Street, Room 370
Boston, MA 02222-1092

RE: Response to Draft Audit 2018-BO-18-0003

Dear Ms. Henry:

Thank you for the opportunity to meet with you and the other U.S. Department of Housing and Urban Development (HUD) staff to discuss the Draft Audit on the State of Connecticut Small Cities Community Development Block Grant Program (CDBG-SC). As was discussed at the meeting on September 4, 2018, the Department has a number of concerns with regard to the Draft Audit, and has developed the following comments, most of which were discussed with you and your staff either during the audit period, or at the meeting on the 4th.

I have summarized our position with regard to the specific recommendations below, and then have addressed each of the specific issues identified by the draft in an accompanying attachment.

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Auditee Comments and OIG's Evaluation

**Ref to OIG
Evaluation**

Auditee Comments

Comment 1	<p>Finding 1: Recommendation: 1A. Repay from non-Federal funds the \$1,625,947 in ineligible costs charged to the program.</p> <p>Response: The Department disagrees with the finding, in part, and the recommendation for repayment.</p>
Comment 2	<p>Recommendation: 1B. Support \$249,015 in program costs spent on a 2014 grant for which the grantee was unable to provide a tier one environmental review record or repay from non-Federal funds any amount that cannot be supported.</p> <p>Response: The Department disagrees with the finding, and is working with the Grantee regarding support for the program costs.</p>
Comment 3	<p>Recommendation: 1C. Support \$676,922 for contracts that were improperly procured or repay from non-Federal funds any amount that cannot be supported.</p> <p>Response: The Department disagrees with the finding and the recommendation.</p>
Comment 4	<p>Recommendation: 1D. Support \$422,600 in program income that was not used before additional grant fund drawdowns or repay from non-Federal funds any amount that cannot be supported.</p> <p>Response: The Department disagrees with the finding and the recommendation.</p> <p>Recommendation: 1E. Strengthen controls over program oversight to ensure that grantees comply with their agreements and program requirements, including tier two environmental reviews, contract procurements, and homeowner and project eligibility, to ensure that</p>

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 5

(1) all income, including rental income, is considered; (2) loan-to-value ratios do not exceed 90 percent without State approval; and (3) projects do not exceed the program limits without State approval.

Response:

The Department agrees with the finding and the recommendation.

Recommendation:

1F. Strengthen controls over monitoring to ensure that onsite monitoring and monitoring letters are completed in a timely manner and sufficient supporting documentation is required and reviewed by those responsible for grant oversight.

Comment 6

Response:

The Department agrees with the finding and the recommendation.

Finding 2:

Recommendation:

2A. Develop and implement policies and procedures to assess the validity of all program complaints to ensure that they are addressed and resolved in a timely manner.

Comment 7

Response:

The Department agrees with the finding and the recommendation.

Recommendation:

2B. Provide additional guidance to its grantees regarding its policy stating that the repair or replacement of paved surfaces should be minimal in cost and incidental to the rehabilitation of the dwelling, including whether grantees are required to consult with the State before starting the work.

Comment 8

Response:

The Department agrees with the finding and the recommendation.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Again, I would like thank you for the opportunity to comment on the Draft Audit, and for your continued assistance in the effective implementation of this federal grant program. Should you have any questions, or require additional information, please do not hesitate to contact me.

Sincerely,



Michael C. Santoro
Director
Office of Policy Research and Housing Support

Cc: Dimple Desai, Dept. of Administrative Services
Alanna Kabel, Director, Hartford Field Office, HUD, CPD
Kristen Ekmalian, Auditor, Region 1
Joshua Sunderland, Senior Auditor, Hartford Field Office, HUD
Todd Hebert, Hartford Field Office, HUD
Brian, Conatser, Hartford Field Office, HUD, CPD
Evonne M. Klein, Commissioner, DOH

Attachment

Auditee Comments and OIG's Evaluation

**Ref to OIG
Evaluation**

Auditee Comments

Attachment Response to Draft Audit – State of Connecticut Community Development Block Grant – Small Cities (CDBG-SC)

Finding 1: The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs

Finding 1A: Environmental Reviews Were Not Properly Conducted and Documented

Comment 1

Response:

The Department disagrees with the finding, in part, and the recommendation for repayment.

As indicated in the review by the auditor, Tier 1 Environmental Reviews were generally conducted and documented, with one exception, covered on Finding 1B. However, the auditor purports that Tier II Environmental Reviews were neither reviewed nor signed or dated properly. Further, that for one project in particular, State Historic Preservation Office (SHPO) follow up was not properly documented. The Department agrees that the Tier II reviews were not always signed or were not dated. However, these are not regulatory requirements associated with a Tier II Environmental Review. The Department has confirmed with the respective grantees, or their consultants, that all Tier II Environmental Reviews were appropriately reviewed prior to the initiation of construction, rendering these costs eligible under the regulations. The Department is working with these grantees, or their consultants, to obtain confirming documentation to this effect, and will work with the HUD Field Office on a final resolution to this finding. Further, the Department is working with its sister agency, SHPO, to provide confirmation that the proper follow up was made with regard to the one outlying project. Again, the Department intends to work with the HUD Field Office on a final resolution to this issue.

Comment 2

Finding 1B: Environmental Reviews Were Not Properly Conducted and Documented

Response:

The Department disagrees with the finding, and is working with the Grantee regarding the necessary supporting documentation.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

It is unusual, based on the Grantee's prior history, experience and existing procedures that Tier I Environmental Review was not completed. The Department is working with the Grantee to either locate the necessary documentation relative to the Tier 1 ER, or to verify that the Tier I ER was not completed. The Department intends to work with the HUD Field Office on a final resolution to this issue.

Comment 3

Finding 1C: Contracts Were Not Always Properly Procured

Response:

The Department disagrees with the finding, and the recommendation.

The Department is working with specific Grantees on the identified activities to identify and collect the specific documentation that is missing, incomplete or unclear. It is the Department's position that the Grantees did not understand the obligation to provide all of the necessary documentation relative to procurement upon request by the Auditor, and that the necessary information exists, but was not provided. The Department is working with these grantees, or their consultants, to obtain confirming documentation to this effect, and will work with the HUD Field Office on a final resolution to this finding.

Comment 4

Finding 1D: Grant Funds Were Drawn Down Before Program Income Was Used

Response:

The Department disagrees with the finding, and the recommendation.

It is the Department's position that the Auditor failed to take into consideration two issues affecting this Finding. First, the Department does not allow program income from one activity type (such as Homeowner Rehabilitation) to be used for a different activity type (such as Public Facilities/Infrastructure). To be clear, a Program Income balance on hand, does not automatically mean that the funds are available for expenditure on the specific activity. Second, and more relevant, is that the Department processes and makes all payments from state

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

funds. At the time that a payment request is made and processed using state funds, there should have been very little, if any, program income available to the Grantee, consistent with the Department's policy at that time, and as noted above. However, at the time that the funds are drawn down in IDIS in order to reimburse these state funds, typically at the end of a given quarter, the Grantee may have accumulated additional program income, exceeding the Department's policy.

The Department is collecting specific details on the transactions identified by the Auditor, in order to document that either, or both of these conditions resulted in the Auditor's Finding. It is the Department's intention to provide this information to the HUD Field Office upon completion, is committed to working with the HUD Field Office on a final resolution to this finding.

Comment 5

Finding 1E: Strengthen Controls Over Program Oversight

Response:

The Department agrees with the finding, and the recommendation.

As the Auditor was aware, both staffing limitations, as well as outdated procedures contributed to this Finding. The Department recently finalized and is in the process of fully implementing a new Community Development Block Grant – Small Cities Grant Management Manual for our Grantees. Many of the specific recommendations made by the Auditor have been addressed in this Manual, and it is the Department's intention to make additional modifications to these policies and procedures, both as a result of this Finding, as well as a result of input from staff, our Grantees and/or their consultants, in order to strengthen both grant operation and program oversight.

Specifically, these updated policies and procedures address all aspects of program management, including environmental review, procurement, program income and beneficiary eligibility. It is the Department's intention to provide additional training and guidance to our Grantees on this Manual over the coming year. In addition, as was noted at the Audit Exit Meeting on 9/4/18, the Department has recently finalized additional new hires, including a Program Manager for CDBG-SC, as well as additional staff within the Department.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 6

Finding 1F: Strengthen Controls Over Program Monitoring

Response:

The Department agrees with the finding, and the recommendation.

As the Auditor was aware, limited staffing and workload were major contributors to this Finding. As noted above, the Department has recently finalized additional new hires, including a Program Manager for CDBG-SC, as well as additional staff within the Department. It is the Department's position that these new hires will allow for more timely and thorough review of program monitoring, both in the short and long term. Further, the Department fully recognizes the need to strengthen its controls associated with program monitoring, and is committed to doing so. The Department is committed to working with the HUD Field Office to identify specific actions and improvements.

Finding 2: The State Lacked Policies and Procedures for All Complaints

Finding 2A: Develop and Implement Policies and Procedures

Comment 7

Response:

The Department agrees with the finding, in part, and the recommendation.

As previously noted, the Department recently finalized and is in the process of fully implementing a new Community Development Block Grant – Small Cities Grant Management Manual for our Grantees. This Manual provides guidance to our Grantees on the procedures for addressing beneficiary complaints. As noted by the Auditor, our Grantees did not always follow these procedures correctly, and as a result, a number of these complaints were brought to the attention of either the Department or the Hartford Field Office for resolution. Miscommunication between the Department and the Grantees lead to a handful of complaints having untimely or poorly documented resolutions. Most complaints are resolved at the Grantee level, and in a

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

timely fashion, however, the Department has identified a consistent issue with one particular Grantee consultant with regard to this issue. Both Department staff and the Grantee consultant have been made aware of this issue, and the Department is developing the necessary procedures to ensure that complaints of all kind are addressed in a timely fashion going forward. The Department is committed to working with the HUD Field Office to close this finding as quickly as possible.

Finding 2B: Provide Additional Guidance on Certain Specific Policies and Procedures

Comment 8

Response:

The Department agrees with the finding, and the recommendation.

As previously noted, the Department recently finalized and is in the process of fully implementing a new Community Development Block Grant – Small Cities Grant Management Manual for our Grantees. Specifically, these updated policies and procedures address all aspects of program management, including environmental review, procurement, program income and beneficiary eligibility. It is the Department's intention to provide additional training and guidance to our Grantees on this Manual over the coming year. In addition, representatives of the OIG have been asked to participate in the Department's annual Applicant Training, next slated for January, 2019. The intention will be to educate our Grantees and their consultants on the need to properly document environmental review, procurement and other regulatory compliance. With regard to the specific policy in question, it is the Department's intent to take the following actions: 1) Reissue a Notice on the repair or replacement of paved surfaces; 2) Clarify the language in the Manual regarding this policy, consistent with the Notice; 3) Highlight this specific issue at the annual Applicant Training in January 2019. The Department is committed to working with the HUD Field Office ensure that this, and all of the Department's policies and procedures are communicated appropriately to our Grantees.

OIG Evaluation of Auditee Comments

Comment 1 State officials disagreed with recommendation 1A and disagreed in part with the finding that the tier two site-specific environmental reviews were not properly conducted and documented. They acknowledged that the reviews were not always signed or dated but stated that (1) these are not regulatory requirements associated with the tier two reviews, (2) the environmental reviews were appropriately reviewed prior to the initiation of construction, and (3) they are working with the grantees to obtain confirming documentation. We disagree. 24 CFR Part 58, defines the term “responsible entity” as the grantee under the state CDBG Program and requires that the responsible entity must complete the environmental review process. The State’s Grants Management Manual includes a link to HUD’s “Environmental Review for Activity/Project that is Categorically Excluded Subject to Section 58.5” checklist which provides for two signatures; the preparer and the responsible entity. This checklist further states that the original, signed document and related supporting material must be retained on file by the responsible entity in an Environmental Review Record (ERR) for the activity/project (ref: 24 CFR Part 58.38) and in accordance with recordkeeping requirements for the HUD program(s). As stated in the report, 14 of 33 projects did not have a signed or dated site-specific statutory checklist and the checklists were prepared after construction started, after project completion, or were not prepared at all. It is unclear what other confirming documentation could be provided. State officials advised that they would work with the HUD Field Office on a final resolution to this issue. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation.

In their response, State officials addressed only the environmental reviews that were not properly conducted or documented. The response did not address the other ineligible costs cited in the report including program costs improperly charged to construction costs or projects that exceeded the program limits without State approval. After discussions with the HUD Hartford, CT Office of Community Planning and Development staff, we decided that it was more appropriate to classify those costs as unreasonable rather than ineligible. The program costs charged to construction costs were technically eligible Small Cities CDBG program costs, but they exceeded the allowable 12 percent limit of the grant award and, therefore, we consider those costs unreasonable. The project costs that exceeded program limits without State approval were a violation of the State imposed limits, but not in violation of regulatory or statutory requirements of the Small Cities CDBG program. Therefore, we consider those costs unreasonable. We revised the final report accordingly. Specifically, we made minor wording adjustments to the body of the report and to footnotes 1, 4, 5, 7, 8, 11, 12, 15, and 18. To account for the unreasonable questioned costs, we inserted a new recommendation 1B and moved the initial recommendations 1B through 1F down to what are now recommendations 1C through 1G. Finally, we adjusted Appendix A (Schedule of Questioned Costs), Appendix C (Schedule of Grants

Reviewed at the State Level and Questioned Costs), and Appendix E (Schedule of Grants Reviewed at the Grantee Level and Questioned Costs) as necessary.

- Comment 2 State officials disagreed with recommendation 1B, which is now 1C, and stated that they are working with the grantee to obtain the necessary supporting documentation. They stated that it is unusual, based on the grantee's prior history, experience and procedures that a tier one environmental review was not completed and advised that they were working with the Grantee to either locate the necessary documentation relative to the tier one review, or to verify that the tier one review was not completed. State officials advised that they would work with the HUD Field Office on a final resolution to this issue. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.
- Comment 3 State officials disagreed with recommendation 1C, which is now 1D, and the finding that contracts were not always properly procured. They stated that they are working with specific grantees to identify and collect the specific documentation that is missing, incomplete or unclear and that their position is that the grantees did not understand the obligation to provide all of the necessary documentation relative to procurement and that the information exists but was not provided. State officials advised that they would work with the HUD Field Office on a final resolution to this issue. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.
- Comment 4 State officials disagreed with recommendation 1D, which is now 1E, and the finding that grant funds were drawn down before program income was used. They stated that their position is that we did not take into consideration two issues affecting this finding. The first being that the State's Department of Housing does not allow program income from one activity type (such as Homeowner Rehabilitation) to be used for a different activity type (such as Public Facilities/Infrastructure) meaning that program funds on hand may not be available for expenditure on a specific activity. The second being that the State's Department of Housing processes and makes all payments from State funds and typically draws down funds from Integrated Disbursements and Information System (IDIS)¹⁵ to reimburse those State funds at the end of a given quarter. State officials contend that the grantees may have accumulated additional program income, exceeding the limits, during this time. State officials advised that they are collecting specific details on the transactions identified during our review in

¹⁵ IDIS is the draw down and reporting system for the five CPD formula grant programs.

order to document that either, or both of these considerations resulted in the finding.

We agree that program income from one activity type may not be used for a different activity type and we only considered Homeowner Rehabilitation program income to reach our conclusions. Further, as cited in the report, for 7 of the 28 grantees, grant funds were drawn down even when the grantees reported excessive program income on their requests for payments, in their quarterly reports, or both. Therefore, the grantees should not have made the requests for additional grant funds. The State's policy to initially use State funds to pay its grantee's requests for payments and subsequently draw down the funds from IDIS to reimburse the State is separate from the grantee using program income on hand before requesting additional grant funds from the State. State officials stated that they will provide any information collected to the HUD Field Office and they are committed to working with the HUD Field Office on a final resolution to this finding. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.

- Comment 5 State officials agreed with recommendation 1E, which is now 1F, to strengthen controls over program oversight and have begun taking corrective action to address the deficiencies identified. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.
- Comment 6 State officials agreed with recommendation 1F, which is now 1G, to strengthen controls over program monitoring and have begun taking corrective action to address the deficiencies identified. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.
- Comment 7 The State agreed with recommendation 2A and the finding, in part, that the State lacked policies and procedures for all complaints and have begun taking corrective action to address the deficiencies identified. They should continue to work with the HUD Field Office during the audit resolution process to close out the recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.
- Comment 8 State officials agreed with recommendation 2B and have begun taking corrective actions to address the deficiencies identified. They should continue to work with the HUD Field Office during the audit resolution process to close out the

recommendation. We look forward to reviewing any supporting documentation and working with the HUD Field Office on this recommendation's closure.

Appendix C

Schedule of Grants Reviewed at the State Level and Questioned Costs

	Grant year	Town	Amount	Program cost charged to construction	Number of projects that exceeded limits	Program cost that exceeded limits	Program income that should have been used	Unsupported costs	Unreasonable costs	Total questioned costs ¹⁶
1	2011	Shelton	\$300,000		N/A					
2	2012	Enfield	300,000		0		\$57,152	\$57,152		\$57,152
3	2012	Salisbury	300,000		N/A					
4	2013	Ansonia	400,000		1	\$3,275			\$3,275	3,275
5	2013	Beacon Falls	400,000		0					
6	2013	Ellington	450,000		N/A					
7	2013	Hampton	450,000		2	45,754			45,754	45,754
8	2013	New Fairfield	400,000		N/A		76,441	76,441		76,441
9	2013	Putnam	400,000	\$5,560	3	11,788	5,389	5,389	17,348	22,737
10	2013	Salisbury	600,000		3	88,027			88,027	88,027
11	2013	Southbury	400,000		0					
12	2013	Waterford	400,000		1	4,990			4,990	4,990
13	2013	Woodstock	400,000		1	2,707			2,707	2,707

¹⁶ Total questioned costs are the total unsupported and total unreasonable costs. The unsupported costs consist of only the program income that should have been used. The unreasonable costs consist of the program costs charged to construction and the program costs that exceeded limits.

	Grant year	Town	Amount	Program cost charged to construction	Number of projects that exceeded limits	Program cost that exceeded limits	Program income that should have been used	Unsupported costs	Unreasonable costs	Total questioned costs ¹⁶
14	2014	Bethlehem	400,000		2	1,645			1,645	1,645
15	2014	Coventry	500,000		1	5,135			5,135	5,135
16	2014	Derby	400,000		3	2,360	40,513	40,513	2,360	42,873
17	2014	Hampton	400,000		4	80,549			80,549	80,549
18	2014	Salem	400,000	2,976	5	15,425			18,401	18,401
19	2014	Seymour	400,000		4	11,651			11,651	11,651
20	2014	Stafford	400,000		5	57,652			57,652	57,652
21	2014	Torrington	400,000		1	3,305	32,508	32,508	3,305	35,813
22	2014	Windsor	400,000		0		152,785	152,785		152,785
23	2015	Ansonia	400,000		1	1,136			1,136	1,136
24	2015	Killingly	400,000		1	5,183			5,183	5,183
25	2015	Lebanon	400,000		0					
26	2015	Ledyard	400,000		3	5,071			5,071	5,071
27	2015	Lisbon	400,000	8,418	4	3,027			11,445	11,445
28	2015	Southbury	400,000		5	10,320	57,812	57,812	10,320	68,132
Total gross questioned costs			11,300,000	16,954	50	359,000	422,600	422,600	375,954	798,554
Minus costs already questioned				0	0	20,189	0	0	20,189	20,189
Net total of questioned costs				16,954	50	338,811	422,600	422,600	355,765	778,365

Appendix D

Schedule of Monitoring Delays

	Grant year	Town	Precloseout certification	Date of monitoring for closeout	Days between precloseout and monitoring	Date of letter	Days between monitoring and letter	Days between precloseout and letter
1	2013	Waterford	10/17/2016	6/6/2017	232	3/6/2018	273	505
2	2011	Shelton	12/3/2014	6/21/2016	566	2/22/2018	611	1177
3	2013	Hampton	10/29/2015	8/30/2016	306	3/6/2018	553	859
4	2014	Torrington	8/4/2016	10/5/2016	62	1/9/2017	96	158
5	2013	Southbury	7/23/2015	5/3/2016	285	4/30/2018	727	1012
6	2012	Enfield	6/23/2015	3/31/2016	282	4/30/2018	760	1042
7	2013	Woodstock	7/16/2015	6/14/2016	334	4/30/2018	685	1019
8	2012	Salisbury	7/17/2014	7/14/2015	362	4/30/2018	1021	1383
9	2013	Ansonia	2/1/2016	9/27/2016	239	4/30/2018	580	819
10	2013	Beacon Falls	4/7/2016	10/18/2016	194	4/30/2018	559	753
11	2013	Ellington	6/7/2016	12/6/2016	182	4/30/2018	510	692
12	2013	New Fairfield	1/26/2016	9/13/2016	231	4/30/2018	594	825
13	2013	Salisbury	2/6/2016	8/2/2016	178	4/30/2018	636	814
14	2014	Coventry	7/21/2016	5/16/2017	299	4/30/2018	349	648
15	2014	Salem	6/22/2017	9/19/2017	89	4/30/2018	223	312
16	2014	Stafford	4/5/2017	5/15/2018 ¹⁷	405	Not completed		
17	2014	Windsor	6/16/2017	4/30/2018	318	Not completed		
18	2015	Ansonia	2/13/2018	4/30/2018	76	Not completed		
19	2015	Killingly	2/28/2018	4/30/2018	61	Not completed		

¹⁷ Monitoring was scheduled for May 15, 2018.

	Grant year	Town	Precloseout certification	Date of monitoring for closeout	Days between precloseout and monitoring	Date of letter	Days between monitoring and letter	Days between precloseout and letter
20	2015	Lebanon	10/24/2017	4/30/2018	188	Not completed		
21	2014	Derby	10/31/2017	4/30/2018	181	Not completed		
22	2014	Hampton	8/8/2017	4/30/2018	265	Not completed		
23	2013	Putnam	6/23/2016	4/30/2018	676	Not completed		
24	2014	Bethlehem	10/16/2017	4/30/2018	196	Not completed		
25	2015	Lisbon	2/12/2018	4/30/2018	77	Not completed		
26	2015	Ledyard	10/17/2017	4/30/2018	195	Not completed		
27	2015	Southbury	2/14/2018	4/30/2018	75	Not completed		
28	2014	Seymour	3/28/2017	4/30/2018	398	Not completed		
Averages					248		545¹⁸	801

¹⁸ For the 11 grants already monitored by the State (rows 5 through 15), the amount of days between the monitoring and April 30, 2018, ranged from a low of 223 days to a high of 1,021 days, with an average of 604 days.

Appendix E

Schedule of Grants Reviewed at the Grantee Level and Questioned Costs

	Grant year	Town	Amount	Program cost charged to construction	Lack of contracts	Improper procurement	Program cost that exceeded limits	Tier one ERR*	Unsupported costs	Ineligible or unreasonable costs	Total questioned costs ¹⁹
1	Ansonia	2012	\$300,000	\$4,778						\$4,778	\$4,778
2	Ansonia	2013	400,000	13,764	\$110,618		\$7,578			131,960	131,960
3	Ansonia	2015	400,000	12,637		\$81,000			\$81,000	12,637	93,637
4	Ansonia	2016	400,000				8,625			8,625	8,625
5	Hampton	2012	300,000	2,576		73,836			73,836	2,576	76,412
6	Hampton	2013	450,000	5,195		111,778			111,778	5,195	116,973
7	Hampton	2014	400,000	1,980		79,868			79,868	1,980	81,848
8	Hampton	2015	450,000	4,945		86,973	630		86,973	5,575	92,548
9	Hampton	2016	450,000			86,100			86,100		86,100
10	Seymour	2014	400,000	21,763						21,763	21,763
11	Southbury	2013	400,000	11,102	11,102					22,204	22,204
12	Southbury	2015	400,000	11,796			6,380			18,176	18,176
13	Southbury	2016	400,000								
14	Torrington	2013	400,000	3,400		3,400			3,400	3,400	6,800

¹⁹ Total questioned costs are the total unsupported and total ineligible or unreasonable costs. The unsupported costs consist of the improper procurement amount and the Tier one ERR (net of \$925,937). The ineligible costs consist of the lack of contracts (net of \$100,000) and the unreasonable costs consist of the program costs charged to construction (net of \$79,205) and the program costs that exceeded limits (net of \$0).

* ERR = environmental review record

	Grant year	Town	Amount	Program cost charged to construction	Lack of contracts	Improper procurement	Program cost that exceeded limits	Tier one ERR*	Unsupported costs	Ineligible or unreasonable costs	Total questioned costs ¹⁹
15	Torrington	2014	400,000	8,370		82,770		\$400,000	482,770	8,370	491,140
16	Torrington	2015	400,000	6,210		84,218			84,218	6,210	90,428
17	Woodstock	2013	400,000			4,959			4,959		4,959
Total gross questioned costs			6,750,000	108,516	121,720	694,902	23,213	400,000	1,094,902	253,449	1,348,351
Minus costs already questioned				29,311	21,720	17,980	23,213	150,985	168,965	74,244	243,209
Net total of questioned costs				79,205	100,000	676,922	0	249,015	925,937	179,205	1,105,142

Appendix F

Schedule of Individual Projects Reviewed and Questioned Costs

	Grantee	Grant year	Address	1/	2/	3/	4/	Total questioned costs
1	Woodstock	2013	142 Peake Brook Rd.	X				\$22,758
2	Woodstock	2013	149 E. Quasset Rd.	X				24,365
3	Ansonia	2013	19 Williams St.	X	X	X	X	57,578
4	Ansonia	2013	38 Colver St.	X	X	X	X	34,450
5	Ansonia	2015	22 Condon Dr.	X	X			28,942
6	Ansonia	2015	18 Richard St.	X			X	13,900
7	Ansonia	2012	39-41 Grove St.	X		X	X	54,348
8	Ansonia	2016	29 Hall St.	X	X			38,625
9	Seymour	2014	12 Garden St.	X	X	X	X	54,992
10	Seymour	2014	29 Emma St.	X				34,564
11	Seymour	2014	250 South Main St.	X	X			31,810
12	Seymour	2014	10 Rocky Glen	X	X			19,036
13	Torrington	2013	58-60 Calhoun St.	X				40,343
14	Torrington	2013	49 Marvin St.	X				30,184
15	Torrington	2014	33 French St.	X		X		45,460
16	Torrington	2014	337 Torrington W. St.	X				24,030
17	Torrington	2015	122 North Elm St.	X		X		29,407
18	Torrington	2015	461 Greenwoods Rd.	X				21,210
19	Southbury	2013	242 Perkins Rd.	X	X		X	61,587
20	Southbury	2013	887 Southford Rd.	X	X		X	33,027
21	Southbury	2013	247D Heritage Village	X	X		X	25,804
22	Southbury	2015	892 Kettletown Rd.	X	X			36,380
23	Southbury	2015	288 Lakeside Rd.	X			X	33,808
24	Southbury	2015	30 Pascoe	X			X	33,497
25	Hampton	2012	195 Pifershire Rd.	X				39,827
26	Hampton	2012	53 Windham Rd.	X				41,943
27	Hampton	2013	30 Edwards Rd.	X				27,181
28	Hampton	2013	11 Hartford Tpk.	X				21,205
29	Hampton	2014	176 Palmer Rd.	X				31,521
30	Hampton	2014	161 Orchard Hill Rd.	X				15,810
31	Hampton	2015	170 Orchard Hill Rd.	X	X			30,630

	Grantee	Grant year	Address	1/	2/	3/	4/	Total questioned costs
32	Hampton	2015	78 Hammond Hill Rd.	X	X			30,000
33	Hampton	2016	61 Franklin Dr.	X	X			22,755
Totals				33	14	6	10	1,090,977

- 1/ Tier two statutory checklists not reviewed or signed by a grantee official
- 2/ Tier two statutory checklists not signed by preparer, prepared after construction started, prepared after project completion, or not prepared
- 3/ Rental income not considered
- 4/ Loan-to-value ratio improperly calculated