



Issue Date December 21, 2010
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Audit Report Number 2011-LA-1004
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TO: Maria F. Cremer, Acting Director, San Francisco Office of Community Planning and Development, 9AD

*Tanya E. Schulze*

FROM: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Community Development Programs Center of Nevada Did Not Fully Comply With Neighborhood Stabilization Program Requirements

## **HIGHLIGHTS**

### **What We Audited and Why**

We completed a review of the Community Development Programs Center of Nevada's (Center) Neighborhood Stabilization Program (program). We performed the review because of the Office of Inspector General's (OIG) mandate to provide oversight of Housing and Economic Recovery Act of 2008 (HERA) programs. We selected the Center because it received more than \$4.9 million in program funds from Clark County and the City of Henderson. In addition, the Center has an agreement with the City of North Las Vegas to rehabilitate homes for resale and rental.

Our objective was to determine whether the Center efficiently and effectively administered grant funds in compliance with HERA and other applicable program requirements, to include determining whether there were adequate controls and procedures in place to administer the program and program expenditures were eligible.

## What We Found

The Center did not always efficiently and effectively administer grant funds in compliance with HERA and other applicable program requirements. Specifically, it violated HUD requirements and its developer agreement with the City of North Las Vegas when it entered into a conflict-of-interest contract with a company that is 50 percent owned by the Center's executive director. In addition, the Center was unable to support rehabilitation costs for two projects and did not check the debarred status of subcontractors.

## What We Recommend

We recommend that the Acting Director of the San Francisco Office of Community Planning and Development require the grantee to ensure that the Center (1) stops awarding contracts to the general contractor that is 50 percent owned by its executive director unless granted a conflict-of-interest waiver, as permitted in 24 CFR (Code of Federal Regulations) 570.611; (2) provides documentation to support \$10,831 in rehabilitation costs billed to the City of North Las Vegas or submits a new request for payment that reflects only the supported costs; (3) updates its policies and procedures to ensure that future rehabilitation costs are properly supported and procured in a cost-effective manner; and (4) follows its recently developed procedures to check the debarred status of all subcontractors.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

## Auditee's Response

We provided the Center and Clark County a draft report on December 2, 2010, and held an exit conference with Center and Clark County officials on December 9, 2010. The Center provided written comments on December 16, 2010. It generally agreed with our report.

The complete text of the Center's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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The Neighborhood Stabilization Program (program) was established by the Housing and Economic Recovery Act of 2008 (HERA) in an effort to redevelop communities suffering from foreclosure and abandonment. Program funds were allocated to State and local governments with the greatest need to purchase and redevelop homes in order to sell or rent the homes to low- and moderate-income individuals. HUD awarded more than \$3.2 million in program funds to the City of Henderson. Clark County, as the lead agency for the Urban County CDBG (Community Development Block Grant) Consortium, received more than \$29.6 million. The funds received by Clark County include the City of North Las Vegas' allocation of more than \$6.8 million. As a subrecipient of Clark County, the City of North Las Vegas received program funds for the purpose of acquiring and/or redeveloping foreclosed-upon properties that might otherwise become sources of abandonment and blight within its community.

The Community Development Programs Center of Nevada (Center) was organized under section 501(c)(4) of the Internal Revenue Code on May 15, 1997, as a nonprofit corporation as defined by Nevada statutes. The Center's mission is to facilitate access to credit within the State of Nevada's low-, moderate-, and medium-income communities, specifically affordable housing, lending, consumer lending, small business lending, and community development initiatives. A three-member board of directors governs the Center. The Center receives reimbursement from program grants as a developer through Clark County, the City of Henderson, and the City of North Las Vegas.

Clark County and the City of Henderson set aside more than \$4.9 million in funding to reimburse the Center for eligible program activities. The Center is responsible for purchasing program-eligible homes, providing rehabilitation services, and reselling the homes to eligible participants. To be a developer, an entity must demonstrate ownership or control of the property for rehabilitation or development purposes. A developer is not generally required to follow a competitive procurement process; however, Clark County and City of Henderson agreements require the Center to competitively procure contractors for rehabilitation.

The City of North Las Vegas purchased 28 homes and transferred the properties to the Center to rehabilitate for either resale or rental purposes. It did not set aside a specific amount of funding for the Center but promised to transfer at least three homes to the Center. The City treats the Center as a developer and does not require it to follow procurement regulations. The Center's development team includes a construction company in which the Center's executive director is a 50 percent owner. This construction company is responsible for the rehabilitation of the City's homes.

The Center is responsible for rehabilitating, selling, or renting 65 homes. It completed two homes from purchase to resale for the City of North Las Vegas and one home for Clark County. The Center pays all rehabilitation costs before it sells a home to eligible participants. The Center can receive reimbursement for actual costs plus a developer fee on all contracts.

<b>Jurisdiction</b>	<b>Program rental or resale</b>	<b>Number of homes</b>
<b>Clark County</b>	Resale	35
<b>The City of North Las Vegas</b>	Resale	11
<b>The City of North Las Vegas</b>	Rental	17
<b>The City of Henderson</b>	Resale	2
<b>Total</b>		65

Our objective was to determine whether the Center efficiently and effectively administered grant funds in compliance with HERA and other applicable program requirements, to include determining whether there were adequate controls and procedures in place to administer the program and program expenditures were eligible.

## RESULTS OF AUDIT

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### Finding: The Center Did Not Fully Administer Its Program in Compliance With HERA and Other Applicable Requirements

The Center did not comply with HUD and City of North Las Vegas (City) requirements when it violated conflict-of-interest requirements, could not support rehabilitation costs, and did not check the debarred status for subcontractors. This condition was due to an oversight of conflict-of-interest requirements. In addition, the Center did not have policies in place to ensure that it maintained supporting documentation and checked the debarred status for all subcontractors. As a result, if the Center continues to contract with the same contractor for the remaining 26 homes, it will continue to violate conflict-of-interest requirements. In addition, HUD had no assurance that more than \$10,800 was used for eligible program expenses and that all subcontractors working on program projects were eligible to receive Federal funds.

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#### **The Center Violated Conflict-of-Interest Requirements**

We reviewed the files for 10 homes and determined that the Center followed program requirements when it procured and sold each home. The Center ensured that each home it purchased was located in targeted areas and home buyers that purchased the homes from the Center were eligible. However, it violated conflict-of-interest requirements for the two homes it rehabilitated for the City.

HUD's conflict-of-interest regulations at 24 CFR (Code of Federal Regulations) 570.611 state that no person who is an employee or officer of any subrecipient, who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, either for themselves or those with whom they have business. In addition, the agreement with the City specifically states that the developer cannot have any interest in any contract, subcontract, or agreement with respect to projects administered by the developer.

The Center overlooked the conflict-of-interest regulations when it entered into two contracts with a construction company that was 50 percent owned by its executive director. The executive director made all decisions regarding the projects for both the Center and the construction company. As a 50 percent owner of the construction company, the Center's executive director had a financial interest in any contract between the two companies, violating HUD's conflict-of-interest regulations and the agreement with the City. This condition occurred because the Center and the City overlooked HUD's conflict-of-interest

requirements and the requirements found in the agreement. The Center's ethics policy states that no employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by program funds if a real or apparent conflict of interest would be created unless approved by its board of directors and the local government. The Center stated that it had disclosed all relationships to the City in the proposal process. Because the City approved the proposal and awarded the agreement, the Center believed that there were no conflict-of-interest issues.

The Center is responsible for the rehabilitation of 28 homes for the City. If the Center continues to contract with the same contractor for the rehabilitation of the remaining 26 homes, in which the executive director has a financial interest, it will continue to violate its agreement with the City and HUD's conflict-of-interest regulations.

### **The Center Could Not Support All Rehabilitation Costs**

According to the developer agreement with the City, the Center should only receive reimbursement of actual work performed based on the actual expense paid for the rehabilitation of the homes. All work should be supported with canceled checks, payrolls, time records, invoices, contracts, vouchers, orders, and other accounting documents. Also, the developer agreement requires the Center to establish written procurement procedures to ensure that it obtains materials and services in a cost-effective manner.

The Center did not have policies and procedures in place to ensure that it maintained proper documentation to support rehabilitation costs. As a result, it billed the City more than \$10,800 for unsupported rehabilitation costs for two homes. For example, the City was billed \$2,610 for the installation of carpet and linoleum. The supporting documents showed that the actual cost was \$1,570, leaving an unsupported amount of \$1,040. Another example was that the City was billed \$1,000 to have a new garage door installed. The supporting documents showed that the actual cost of the services was \$644, leaving an unsupported amount of \$356. The details of unsupported amounts are in the table found in appendix C. During our review, the Center submitted its final invoice, but has not yet received reimbursement from the City.

The Center believed that the only documentation required was the final invoice that it received from the general contractor. However, in accordance with the developer agreement, it should have supporting documentation, including invoices and time sheets, to support all expenditures incurred by both companies to ensure that it procured materials and services in a cost-effective manner.

## **The Center Did Not Verify the Debarred Status of Subcontractors**

The agreement between the Center and the City states that the Center will submit a certification that none of the contractors or subcontractors used in the construction of any unit is on the HUD list of debarred contractors.

The Center checked the debarred status of all contractors; however, it did not follow the developer agreement when it failed to check the status of subcontractors on the General Services Administration's Excluded Party List System. This error occurred because the Center's policies only required debarred checks for contractors and not subcontractors. Although the subcontractors were not debarred or suspended, the Center placed itself at risk of providing Federal funds to contractors that might not have been eligible to receive them. As a result of our review, the Center updated its policies to include a debarment check on all subcontractors.

## **Conclusion**

The Center did not fully administer its program in compliance with applicable requirements. It overlooked conflict-of-interest requirements and did not have sufficient controls to ensure that materials and services were procured in a cost-effective manner and subcontractors working on projects were not debarred. As a result, if the Center continues to contract with the same contractor for the rehabilitation of the remaining 26 homes, in which the executive director has a financial interest, it will continue to violate its agreement with the City and HUD's conflict-of-interest regulations. In addition, the Center was unable to provide support for more than \$10,800 in rehabilitation costs and placed itself at risk of providing Federal funds to contractors not eligible to receive them. Collectively, HUD lacked full assurance that the program funds were used in the most efficient and effective manner.

## **Recommendations**

We recommend that the Acting Director of the San Francisco Office of Community Planning and Development require the grantee to ensure that the Center

- 1A. Stops awarding contracts to the general contractor that is 50 percent owned by its executive director unless granted a conflict-of-interest waiver, as permitted in 24 CFR 570.611.



- 1B. Provides documentation to support \$10,831 in rehabilitation costs that were billed to the City of North Las Vegas or submit a new request for payment which reflects only supported costs.
- 1C. Updates its policies and procedures for the rehabilitation of homes for the City of North Las Vegas to ensure that future rehabilitation costs are properly supported and procured in a cost-effective manner.
- 1D. Follows its recently developed procedures to check the debarred or suspended status of all subcontractors.

## SCOPE AND METHODOLOGY

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Our audit period covered the period September 2009 to July 2010. We performed our review at the Center's office located in Las Vegas, NV, from July 8 to October 5, 2010.

To accomplish our audit objective, we

- Reviewed relevant Federal regulations, HUD guidance, program developer agreements, and the Center's policies and procedures.
- Gained an understanding of the Center's background, including but not limited to its mission statement, organizational charts, financial statements, and by-laws.
- Interviewed staff from HUD, Clark County, the City of Henderson, the City of North Las Vegas, and the Center.
- Reviewed 10 of 65 project files from the Center's program resale program for compliance with the terms of the developer agreements.
- Performed site visits to 7 of the 10 homes selected to determine the reasonableness of proposed rehabilitation costs.
- Reviewed all supporting documentation for the only three homes that had been rehabilitated at the time of the review. The rehabilitation costs for the two City of North Las Vegas homes totaled \$43,007, and the total for the Clark County home was \$15,806.

We chose a sample from a universe of 65 homes with total obligated funds of over \$8.8 million<sup>1</sup>. Using data mining software, we determined that the Center received deeds and a notice to proceed with rehabilitation for 17 homes. From this list, we chose the three homes rehabilitated and sold by the Center, two homes that appeared not to have had an environmental review<sup>2</sup>, and the remaining five homes based on the highest acquisition amount. The amount obligated for the 10 homes selected totaled more than \$2.2 million.

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

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<sup>1</sup> The \$8.8 million includes the \$4.9 million from Clark County and the City of Henderson agreements, and \$3.9 million obligated by the City of North Las Vegas.

<sup>2</sup> It was determined the required environmental reviews were completed on time during our review.

# 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.

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## Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that program resale and rental contracts meet their objectives.
- Compliance with applicable laws and regulations – Policies and procedures management has implemented to reasonably ensure that resource use complies with applicable laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal controls 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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Center's controls were not sufficient to ensure compliance with conflict-of-interest requirements found in HUD regulations and its developer agreement with the City of North Las Vegas.
- The Center lacked policies and procedures to ensure that rehabilitation costs were supported and were obtained in a cost-effective manner.
- The Center lacked policies and procedures to ensure that subcontractors were checked against the Excluded Party List System to determine debarred status.

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

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Recommendation number	Unsupported 1/
1B	\$10,831
Totals	\$10,831


- 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. In this instance, it represents the rehabilitation costs for which the Center did not have supporting documentation.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



### Department of Finance Community Resources Management

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(702) 455-5025 • Fax (702) 455-5038

George W. Stevens, Chief Financial Officer • Yolanda King, Director of Budget and Financial Planning  
Michael J. Pawlak, Manager

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December 15, 2010

Tanya Schulze  
Regional Inspector General for Audit  
U.S Department of Housing and Urban Development  
Office of Inspector General  
Region IX  
611 West Sixth Street, Suite 1160  
Los Angeles, CA 90017-3101

Dear Ms. Schulze,

Clark County wishes to provide written comment in response to the draft audit report submitted to staff on December 1, 2010 from the recently completed review of the Community Development Programs Center of Nevada's (the Center) Neighborhood Stabilization Program.

**Conflict of Interest:**

The results of the audit stated that the Center violated conflict-of-interest regulations when it entered into two contracts for properties located in the City of North Las Vegas. The City of North Las Vegas issued the Center a letter on October 18, 2010 requiring the procurement of contractors for all future rehab contracts in North Las Vegas per 24 CFR Part 24. This requirement mirrors procedures already established and in effect for properties located in Clark County.

The Center, National Construction Providers, Inc. (NCP) and Global Property Management Group, Inc. (GPMG) submitted a proposal as a team with the Center as the lead team member, in response to the Notice of Funding Availability (NOFA) for the NSP Acquisition Rehab Resale Program for Clark County and City of North Las Vegas at the start of program implementation. The Center, NCP, and GPMG disclosed the relationships, descriptions of each entity, and an organizational chart within the written NOFA response. The Center does not believe that a violation occurred because NCP is not being granted any unwarranted privileges; and the Center, nor Center staff, is not using its position to secure or grant NCP preference, exemptions or advantages.

The City of North Las Vegas Developer Agreement with the Center states "prior to implementation of NSP assisted activity, exceptions to these provisions may be requested by the developer in writing to City". The Center believed that when their NOFA response as procured through a public solicitation process was accepted by City of North Las Vegas staff and a Developer Agreement executed, that all exceptions had been addressed. The letter from the City of North Las Vegas to the Center dated October 18, 2010 as cited above

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VIRGINIA VALENTINE, P.E., County Manager

### Comment 1

further clarifies this issue, and the Center has agreed to comply with the requirements of that letter going forward.

**Comment 2**

**Unsupported Rehabilitation Costs:**

The audit also stated that the Center submitted unsupported rehabilitation costs in a request for reimbursement to the City of North Las Vegas. However, the City of North Las Vegas and Clark County have a review process in place in order to verify costs when submitted for reimbursement, and only supported costs with proper documentation will be reimbursed. The request for payment had not yet been paid by the City of North Las Vegas or Clark County and therefore no NSP funds were expended for unsupported costs.

The Center agreed prior to the completion of the audit that they will only request reimbursement for work performed based on expenses paid with supporting documentation, including invoices and time sheets for the rehabilitation of the two homes identified in the audit report, as well as all future NSP payment requests for Clark County and North Las Vegas.

**Verification of Non-debarred Status of Subcontractors:**

**Comment 3**

The Center has updated their internal policies and procedures for both cost documentation and debarment checks. This update was completed prior to the completion of the audit, the Center provided Clark County with a copy of these procedures for our records as of December 15, 2010. Clark County and North Las Vegas staff will refer to those procedures as a part of ongoing program monitoring.

**Comment 4**

Please also note that the draft Audit report incorrectly identified the Center as a 501c3 organization when in fact, the Center is a 501c4 organization.

If you have questions or need additional information, please contact me at (702) 455-5025.

Sincerely,

  
Michael J. Pawlak  
Manager, Community Resources Management Division

### **OIG Evaluation of Auditee Comments**

- Comment 1** We acknowledge that the Center provided information disclosing all relationships. However an exception to the conflict of interest requirements found in the developers agreement was not requested in writing and not granted by the City. Also, HUD has not received a request for an exemption as required by 24 CFR 570.611(c).
- Comment 2** The report was updated to state that the Center had not received payment for bills that it has submitted. The review identified approximately \$10,800 of unsupported costs the auditee needs to be aware of when it performs its review.
- Comment 3** We acknowledge that the Center took prompt action. It can be provided to HUD during the audit resolution process to support that corrective action has been taken to address the recommendation.
- Comment 4** We updated the report to state that the Center was organized as a 501(c)4 organization.



## Appendix C

### SCHEDULE OF UNSUPPORTED COSTS

City of North Las Vegas home one			
	Amount billed to City	Supporting documentation	Unsupported amount
Electrical items	\$1,485	\$905	\$580
Flooring	\$2,610	\$1,570	\$1,040
Heating, ventilating, and air conditioning	\$2,850	\$1,918	\$932
Subcontractor labor and supplies	\$3,640	\$2,462	\$1,178
Plumbing	\$1,375	\$1,200	\$175
Garage door	\$1,295	\$939	\$356
Appliances	\$3,353	\$2,772	\$581
Insulation	\$440	\$395	\$45
General contractor labor and supplies	\$4,920	\$4,270	\$650
<b>Totals</b>	<b>\$21,968</b>	<b>\$16,431</b>	<b>\$5,537</b>

City of North Las Vegas home two			
	Amount billed to City	Supporting documentation	Unsupported amount
Flooring	\$2,400	\$2,260	\$140
Subcontractor general labor and supplies	\$6,745	\$3,701	\$3,044
Appliances	\$4,105	\$3,788	\$317
General contractor general labor and supplies	\$7,789	\$5,996	\$1,793
<b>Totals</b>	<b>\$21,039</b>	<b>\$15,745</b>	<b>\$5,294</b>

Summary of both homes	
Total billed for both homes	\$43,007
Total supporting documentation	\$32,176
Total unsupported amount	\$10,831
Percentage unsupported	25%

## Appendix D

### CRITERIA

The following sections of HUD rules and regulations and the City of North Las Vegas developer agreement requirements were relevant to our review of the Center's administration of the program:

A. Regulations at 24 CFR 570.611 for Conflict of Interest.

(b) Conflicts prohibited. The general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. For the Urban Development Action Grant (UDAG) program, the above restrictions shall apply to all activities that are a part of the UDAG project, and shall cover any such financial interest or benefit during, or at any time after, such person's tenure.

(c) Persons covered. The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients that are receiving funds under this part.

(d) Exceptions. Upon the written request of the recipient, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by-case basis when it has satisfactorily met the threshold requirements of (d)(1) of this section, taking into account the cumulative effects of paragraph (d)(2) of this section.

B. City of North Las Vegas Developer Agreement, City General Conditions, Sections Q and W for Conflict of Interest

Section Q: Developer agrees that no officer, employee or consultant of Developer may use his or her position to secure or grant any unwarranted privilege, preference, exemption or advantage for himself or herself, any member of his or her household, any business entity in which he or she has a financial interest or any other person. This prohibition includes the following;

1. Any interest in any contract, subcontract or agreement with respect to NSP [Neighborhood Stabilization Program]-assisted project or program administered by the Developer, or the proceeds thereunder.

Section W: The Developer warrants and covenants that it presently has no interest and shall not acquire any interest, directly or indirectly, which could conflict in any manner or degree with the

performance of its services hereunder. The Developer further warrants and covenants that in the performance of this Agreement, no person having such interest shall be employed. Conflict of interest provisions apply to the award of any contracts under the Agreement and the selection of households to occupy NSP assisted units.

C. City of North Las Vegas Developer Agreement, Exhibit A, Project Eligibility for Cost Reasonableness.

The Developer will establish written procurement procedures to ensure that materials and services are obtained in a cost effective manner and that there is no undue enrichment to any provider of materials or services. The City will approve all rehabilitation scopes of work and estimated costs for rehabilitation prior to commencement of work.

D. City of North Las Vegas Developer Agreement, Financial Management, Sections A and C for Cost Reasonableness.

Section A: Compensation for services will be based upon actual work performed. Reimbursement of rehabilitation costs will be paid based upon actual expenses paid. Requests for payment must be submitted by Developer using the Request for Payment Form (to be provided to Developer by the City staff after execution of the Agreement) with progress narrative as well as adequate and proper documentation of eligible costs incurred in compliance with 24 CFR 92.206 and necessary for HUD DRGR [Disaster Recovery Grant Reporting system] disbursement requirements. All such expenses will be in conformance to the Project Budget. Budget revision and approval shall be required prior to payment of any expenses not conforming to the Project Budget. Approved invoices must be dated post the date of execution of the Agreement. Samples of invoices and other backup items shall be provided to the Developer by the City staff after execution of the Agreement.

Section C: Developer agrees that all costs of the Project shall be recorded by budget line items and be supported by cancelled checks, payrolls, time records, invoices, contracts, vouchers, orders and other accounting documents evidencing in proper detail the nature and propriety of the respective charges, and that all cancelled checks, payrolls, time records, invoices, contracts, vouchers, orders or other accounting documents which pertain, in whole or in part, to the Project shall be thoroughly identified and readily accessible to the City. Expenditures submitted for reimbursement by Developer to the City from the NSP Funds will be accounted for by Developer in a ledger separate from all other revenue sources. NSP costs must be directly attributable to the NSP assisted units by specific address.

E. City of North Las Vegas Developer Agreement, Financial Management, Section H for Use of Debarred Contractors.

At the discretion of the City, an amount not to exceed the lesser of ten percent (10%) or \$10,000 of the funds allocated under this Agreement will be retained until the project is completed and the Developer submits the following:

- Certification that none of the contractors or subcontractors used in the construction of any unit are on the HUD list of debarred contractors.