

FOLLOW-UP REVIEW

CITY AUDITOR

| | |
|----------------------|---|
| Report Date: | July 1, 2019 |
| Department: | Community Services |
| Subject: | Contract Monitoring – CDBG |
| Lead Auditor: | Karen Newman, Sr. Internal Auditor |

OBJECTIVE

The objective of this review was to determine whether the action plans presented in response to our August 2017 CDBG Contract Monitoring audit have been effectively implemented.

SCOPE & METHODOLOGY

We interviewed staff members; reviewed policies and procedures; reviewed contracts, reimbursement requests, and supporting documentation from multiple subrecipients; and performed other tests and procedures as necessary to meet our objective.

BACKGROUND

On August 2, 2017 we issued a report on our audit of CDBG contract monitoring. The objectives of that audit were to determine whether contract monitoring processes are adequate to effectively ensure all parties comply with contract terms, the City receives what it pays for, and contract-related risks are appropriately mitigated.

The audit report included several recommendations, summarized as follows:

- 1-1. HUD monitoring tools and other technical resources should be used to develop program-specific written procedures for the claims reimbursement monitoring process, to ensure that critical requirements are incorporated.
- 1-2. Attestations of compliance, such as narrative reports or forms completed by subrecipients, should not be relied on as evidence of compliance. Subrecipients should be required to submit documentary evidence of compliance on a regular basis.
- 1-3. Staff should be trained to critically evaluate documentation submitted by subrecipients, to ensure deficiencies are recognized, documented, and addressed as early as possible.
- 1-4. Staff should be required to acquire and maintain a strong working knowledge of all regulations and terms applicable to the specific contracts and programs they are responsible for monitoring.
- 1-5. Staffing levels and assignments should be reviewed and modified as necessary to ensure effective oversight of all subrecipients; and these efforts should be prioritized based on assessed risk, in accordance with HUD guidance.

- 1-6. Written procedures should be developed for tracking and documenting the resolution of findings from onsite (and other) monitorings. These procedures should include a formal process for managing subrecipients that fail to resolve findings in a timely manner.
- 2-1. City staff responsible for contract monitoring should maintain a detailed working knowledge of all contract requirements; and should ensure all requirements are met before the vendor is paid, regardless of the contract funding source or dollar amount.

In response to the report, the department agreed with the recommendations and presented corrective action plans.

CONCLUSION

In our opinion, all of the action plans associated with the 2017 audit have been implemented. Additional details are presented in the attached Appendix.

APPENDIX

✓ = Implemented

◆ = In Progress

✗ = Not Implemented

Corrective Action

Implementation Status

IAP#1: Claim Reimbursement Monitoring Process Needs Improvement

Claims Reimbursement Monitoring processes should be improved to more effectively and efficiently verify compliance with contract terms and federal regulations prior to payment, and to ensure deficiencies are addressed in a timely manner. To that end, we recommend the following:

Recommendation 1-1:

HUD monitoring tools and other technical resources should be used to develop program-specific written procedures for the Claims Reimbursement Monitoring process, to ensure that critical requirements are incorporated.

Management Response:

The Department currently has a CDBG Policies and Procedures Manual. Staff will review and update policies as needed utilizing HUD notices and guidance. Staff will review and determine if monitoring tools should be revised. The procedures will continue to cover both program-specific and contract-specific as required for Claims Reimbursement Monitoring process.

Estimated Completion Date: 10/31/17

Implemented

The "CDBG Policy and Procedures Manual" has been updated and contains detailed guidance regarding the claims monitoring process.



Recommendation 1-2:

Attestations of compliance, such as narrative reports or forms completed by subrecipients, should not be relied on as evidence of compliance. Subrecipients should be required to submit documentary evidence of compliance on a regular basis.

Management Response:

Staff will review CDBG Policies and Procedures Manual and, as needed, and will outline documentary evidence items that comply with HUD requirements for demonstrating program compliance. Also, documentary evidence items will be outlined in each Contract and stated as required with each Claims Reimbursement Submittal.

Estimated Completion Date: 10/31/17

Implemented






The "CDBG Policy and Procedures Manual" has been updated to include additional guidance for accepting and reviewing subrecipients' documentation of program compliance.



APPENDIX

|  = Implemented  = In Progress  = Not Implemented | | |
|--|---|---|
| <u>Corrective Action</u> | <u>Implementation Status</u> | |
| <p>Recommendation 1-3:</p> <p>Staff should be trained to critically evaluate documentation submitted by subrecipients, to ensure deficiencies are recognized, documented, and addressed as early as possible.</p> <p>Management Response:</p> <p>Staff will complete an internal training in both intermediate and advanced courses in CDBG program administration, labor relations, development finance and 2 CFR 200 with particular emphasis on application of the rules and regulations including how to recognize, document, and address deficiencies.</p> <p>Estimated Completion Date: 12/31/17</p> | <p>Implemented</p> <p>The staff has been trained to critically evaluate subrecipient documentation and address deficiencies.</p> |  |
| <p>Recommendation 1-4:</p> <p>Staff should be required to acquire and maintain a strong working knowledge of all regulations and terms applicable to the specific contracts and programs they are responsible for monitoring.</p> <p>Management Response:</p> <p>The Community Development team will meet periodically, not less than quarterly to ensure staff have the working knowledge needed for oversight and programs staff are responsible for monitoring. Each employee will have identified training needed for that rating period in the individual's performance evaluation.</p> <p>Estimated Completion Date: 9/1/17</p> | <p>Implemented</p> <p>The staff is required to maintain a strong working knowledge of regulations and contract terms for the program they monitor.</p> |  |
| <p>Recommendation 1-5:</p> <p>Staffing levels and assignments should be reviewed and modified as necessary to ensure effective oversight of all subrecipients; and these efforts should be prioritized based on assessed risk, in accordance with HUD guidance.</p> <p>Management Response:</p> <p>Community Services Director and Housing and Community Development Director will look at the existing resources and staffing in order to maximize and improve workloads and</p> | <p>Implemented</p> <p>The Director has reviewed and reorganized staffing assignments to improve oversight of subrecipients.</p> |  |

APPENDIX

|  = Implemented  = In Progress  = Not Implemented | | |
|---|---|---|
| <u>Corrective Action</u> | <u>Implementation Status</u> | |
| <p>appropriate assignments for each program with considerations for staff strengths and abilities.</p> <p>Estimated Completion Date: 9/1/17</p> | | |
| <p>Recommendation 1-6:</p> <p>Written procedures should be developed for tracking and documenting the resolution of findings from onsite (and other) monitorings. These procedures should include a formal process for managing subrecipients that fail to resolve findings in a timely manner.</p> <p>Management Response:</p> <p>Staff will review and update procedures in the CDBG Policies and Procedures Manual on tracking and documenting the resolution of findings as a result of a program and/or financial monitoring. The procedures will also outline progressive, solution-oriented steps for managing subrecipients that fail to resolve the findings in a timely manner.</p> <p>Estimated Completion Date: 10/31/17</p> | <p>Implemented</p> <p>The "CDBG Policy and Procedures Manual" has been updated to include guidance on tracking and documenting the resolution of findings from onsite monitorings.</p> |  |
| IAP#2: Vendor was paid but did not meet all contractual requirements. | | |
| <p>Recommendation 2-1:</p> <p>City staff responsible for contract monitoring should maintain a detailed working knowledge of all contract requirements; and should ensure all requirements are met before the vendor is paid, regardless of the contract funding source or dollar amount.</p> <p>Management Response:</p> <p>Ruth Giese is the individual responsible to monitor the Neighborhood Outreach contract for the remainder of its term. Ms. Giese will maintain a detailed working knowledge of all contract requirements to ensure all requirements are met before the vendor is paid.</p> <p>Estimated Completion Date: 8/30/17</p> | <p>Implemented</p> <p>The documentation required per the contract was obtained before payment was made to the subrecipient.</p> |  |