

**CDBG Application Process  
Performance Audit**

**December 2011**

**DURHAM**



**1 8 6 9**  
CITY OF MEDICINE

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**Date:** December 1, 2011

**To:** Audit Services Oversight Committee

**From:** Germaine F. Brewington, MBA, CPA, CFE

**Re:** Transmittal of CDBG Application Process Performance Audit

The Department of Audit Services completed the report on the CDBG Application Process Performance Audit dated December, 2011. The purpose of the audit was to determine the adequacy of controls over the Department of Community Development's sub-recipient selection process, beneficiary selection process and contract procuring process.

This report presents the observations, results, and recommendations of the CDBG Application Process Performance Audit. City management concur with the recommendation(s) made. Management's response to the recommendation(s) is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from employees of the Department of Community Development in the completion of this audit.

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## BACKGROUND INFORMATION

The Community Development Block Grant (CDBG) funds are available to local municipal or county governments for projects that enhance the viability of communities. These grants provide funding for decent housing and suitable living environments and expand economic opportunities, principally for persons of low and moderate income. The Department of Community Development's (DCD) CDBG funds allocations were approximately \$1,888,987 for fiscal year 2012 and \$2,299,922 for fiscal year 2011. The following tables show the recommended CDBG Allocations:

<b>Recommended FY 2011-2012 Community Development Block Grant Allocations</b> (Includes \$ 125,000 of projected program income)		
Recipient	Project	Amount
Durham Interfaith Hospitality Network	Case Management	\$ 40,000
Asbury Temple United Methodist Church	Feed My Sheep	\$ 35,000
Urban Ministries	Meals for Homeless Community	\$ 20,713
Durham County	Homeless Initiatives	\$ 68,000
Habitat for Humanity	Repairs	\$ 150,000
Neighborhood Improvement Services	Code Enforcements	\$ 200,000
Department of Community Development	Non-Profit Housing	\$ 251,170
Department of Community Development	Housing Rehabilitation	\$ 300,000
Department of Community Development	Individual Development Account(IDA) Program/Down-payment Assistance	\$ 50,000
Department of Community Development	Southside Human Capital	\$ 50,000
Department of Community Development	Southside Homeownership	\$ 346,307
Department of Community Development	Administration	\$ 377,797
<b>Total</b>		<b>\$ 1,888,987</b>

## BACKGROUND INFORMATION

<b>Recommended FY 2010-2011 Community Development Block Grant Allocations</b>		
<b>Recipient</b>	<b>Project</b>	<b>Amount</b>
Urban Ministries of Durham	Community Café	\$ 50,000
Durham Interfaith Hospitality Network	Case Management	\$ 40,000
Asbury Temple	Food Pantry	\$ 35,000
John Avery Boys & Girls Club	Anti-Gang/Gang Prevention	\$ 30,000
Durham Housing Authority	Community Learning Center	\$ 50,000
Milestone Culinary Institute	Culinary Training Program	\$ 35,000
Teen Court & Restitution	Substance Abuse/Anger	\$ 40,000
Durham Affordable Housing Coalition	Housing counseling	\$ 30,000
Operation Breakthrough	Weatherization	\$ 40,000
Historic Preservation Found. NC	East Durham Acquisition/ Rehab	\$ 125,000
Durham Affordable Housing Coalition	Volunteer Repair Program	\$ 60,000
Community Development	Target Area Acquisition	\$ 98,000
Community Development	Target Area Clearance	\$ 50,000
Community Development	Target Area Relocation	\$ 22,713
Community Development	Housing Rehabilitation	\$ 125,000
Community Development	Homeownership Program	\$ 183,761
Community Development	Urgent Repair	\$ 200,000
Community Development	Individual Development Program Account	\$ 30,000
Community Development	Rolling Hills/Southside Public Infrastructure	\$ 204,918
Neighborhood Improvement Services	Code Enforcement	\$ 451,170
Community Development	Administration	\$ 399,360
<b>Total</b>		<b>\$ 2,299,922</b>

The DCD either administers projects in-house or uses sub-recipients to perform eligible activities. For projects administered in-house, the DCD staff can hire contractors as a part of the local CDBG Program. According to the U.S. Department of Housing and Urban Development (HUD) regulations, all contractors must be selected through a competitive procurement process even though the grantee can designate sub-recipients. According to the DCD staff, "The

administration of the HUD entitlement programs is periodically monitored for compliance by staff of the HUD office in Greensboro. The HUD Management Review reports issued in October 2011 and June 2010 did not identify any instances of non-compliance in the administration of the CDBG entitlement funds". While there are no noted instances of non-compliance, the Audit Services Department does not know the scope of the monitoring visits or details of work performed as it relates to these monitoring visits.

The process to select sub-recipients to carry out eligible activities for CDBG funds is as follows:

1. HUD provides a formula allocation of CDBG funds to entitlement communities.
2. Based on the priorities of the Consolidated Plan, the City prepares a tentative budget for the use of entitlement funding and issues an application to allow entities to request funding to carry out those priorities. The availability of the application is advertised (Herald Sun, Carolina Times, list serve and website) and a notice of a workshop to explain the application process is issued.
3. The DCD staff invite eligible non-profit and business entities interested in applying for assistance to attend the application workshop.
4. The DCD staff receive applications from interested parties and review the applications.
5. The DCD staff provide copies of the applications received to an external committee, the Citizens Advisory Committee (CAC), for review. This Committee works to facilitate citizen participation in the planning and implementation of the Durham CDBG Program.
6. The DCD staff meet with the CAC to review and discuss the funding recommendations. The funding recommendations are presented to the City Manager's Office for review and adjustments.
7. The DCD staff submit their recommendations and the CAC recommendations to the City Council.
8. The City Council approves the funding recommendations.
9. The final recommendations become a part of the Annual Action Plan submitted to HUD in May.
10. The City issues award and non-award letters to applicants.
11. Upon receipt and execution of the HUD grant agreement/funding approval, the City begins the contract process with sub-recipients.

Statutory provisions provide guidelines to control purchasing by local governments in North Carolina. These purchasing guidelines specify the contract bidding requirements that the City has to comply with. Internally, Finance Policy FP 502.01, "Construction/Repair/Bids/ Contracts" is the authoritative document for contract bidding requirements. The type of product or service being solicited and the dollar amount determine the method of bidding used. Below is the summary of the DCD's process for selecting contractors:

1. The contractors for construction projects and services are pre-selected and placed on a pre-selected listing.
2. The pre-selection process is advertised to the general community twice a year.
3. The applications are reviewed by the DCD management and contractors are selected based on their capacity to perform the work and their experience.
4. The DCD staff hire contractors based on the amount and type of product or service being solicited; an informal or formal bidding method is used. *For Construction and Repair Contracts:*
  - a. *Formal bidding* is required when cost estimates are equal to or greater than \$500,000 as per the limits in NC G.S. 143-129. For all construction and repair projects estimated to be equal to or greater than \$500,000, the City will use a formal process as prescribed in NC G.S. 143-129.
  - b. *Informal bidding* is recommended when cost estimates are equal to or greater than \$30,000 but less than \$500,000 as per the limits in NC G.S. 143-131. All bids and contracts in this category must be coordinated through the Equal Opportunity/Equity Assurance Department for possible Small Disadvantaged Business Enterprise (SDBE) vendor participation and goal setting. City Manager approval is required on contracts under \$300,000 and all bids/contracts equal to or greater than \$300,000 must be approved by the City Council.
5. New contractors are placed on a probationary status until they have completed eight working projects/jobs for the City. Non-performing contractors are removed from the listing and have to reapply once they are removed.
6. The project manager notifies the contractor of the selection and contract award, and verifies the scope of the contract.
7. Each project has a contingency amount committed in addition to the contract amount.

For projects administered in-house, the beneficiary selection process depends on the project. Some projects are regulated and a formal process is in place to identify beneficiaries, while others are identified by DCD staff based on need.

### Purpose

The purpose of the audit was to determine the adequacy of controls over the Department of Community Development's sub-recipient selection process, beneficiary selection process and contract procurement process.

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

### Results in Brief

- The Department of Community Development effectively utilizes the services of the Citizens Advisory Committee (CAC). An assessment by the CAC members and a presentation of recommendations from the CAC as well as the DCD to City Council validate the sub-recipient application process.
- The DCD staff maintain excellent documentation to support the eligibility requirements for the Home Buyer Mortgage Assistance Program.
- The controls over awarding of CDBG funds to sub-recipients need strengthening.
- An adequate beneficiary selection process exists for projects administered in-house by the Department of Community Development (DCD). Opportunities for improvement were noted in the following areas:
  - Substantial Rehabilitation Program
  - Controls over payment of the Relocation Program expenses can be strengthened.
- The DCD staff procure the services of contractors in accordance with the required regulations. However, opportunities exist for improvement in the following area.
  - Managing change orders

### Objectives

The objectives of the audit were to ensure that:

- Adequate controls exist over awarding of CDBG grant funds to sub-recipients;
- Adequate controls exist over the selection process for beneficiaries of CDBG grants administered by the Department of Community Development; and
- Required procurement guidelines for soliciting services of a contractor are being followed by the Department of Community Development.

### Scope

The audit covered fiscal year 2011 and fiscal year 2012.

### Methodology

In order to achieve the objectives of the engagement, the audit staff performed the following steps and procedures:

1. Obtained the recommended fiscal year 2012 and fiscal year 2011 CDBG allocations (projects proposed);
2. Reviewed reports of HUD monitoring visits as they pertain to CDBG entitlements;
3. Verified the sub-recipient application process for fiscal years 2011 and 2012 by performing the following:
  - a. Reviewed each sub-recipient application received for fiscal years 2011 and 2012 for completeness;
  - b. Reviewed and analyzed descriptions of the proposed activities and verified if an activity helped meet the national objectives;
  - c. Reviewed evidence that DCD staff evaluated each application according to appropriate selection criteria, CDBG priorities, and the local priorities as expressed in the Consolidated Plan;
  - d. Interviewed project managers involved in the selection process;
  - e. Reviewed minutes of the CAC to determine their involvement in the selection process;
  - f. Reviewed the agenda item associated with the selection of sub-recipients;
  - g. Surveyed the members of the CAC regarding their involvement in the selection process;

4. Reviewed and compared the DCD's sub-recipient selection process to suggestions provided by the manual-*HUD in Managing CDBG, A Guidebook for CDBG Grantees on Sub-recipient Oversight*;
5. Determined the CDBG projects administered by the DCD for fiscal years 2011 and 2012;
6. Selected a sample of projects administered by DCD staff and performed the following:
  - a. Determined the selection process for beneficiaries;
  - b. Reviewed the elements of beneficiary selection for appropriateness;
  - c. Verified documentation to determine if the beneficiary met the eligibility criteria;
  - d. Examined documentation used to support the selection process for each beneficiary;
7. Selected a sample of contractors hired on projects administered by DCD staff and verified the following:
  - a. Obtained and reviewed contracts;
  - b. Reviewed the selection process for each contract;
  - c. Verified if DCD staff complied with City policy on purchasing and Federal Regulation 24 CFR 85.

During the audit, staff also maintained awareness to the potential existence of fraud.

**Controls over the awarding of CDBG funds to sub-recipients need strengthening.**

Practices that are effective:

*In addition to DCD staff assessing applications internally, the CAC-an external committee also receives and reviews all the applications.*

*The City Council receives recommendations from both the CAC members and the DCD staff. The vote on the final funding decision resides with the City Council.*

*An assessment by the CAC members and a presentation of recommendations from the CAC as well as the DCD to City Council validate the sub-recipient application process.*

Practices that need improvement:

*A written policy does not exist that outlines the sub-recipient application process*

*As a result, inconsistent use of the scoring criteria to assess applications was noted*

- In several instances, individual scores assigned by project managers for the same application varied drastically. The potential cause of such discrepancy in scoring can be due to the lack of guidelines detailing the scoring criteria. At present, guidelines do not exist to help project managers consistently score applications. Some of the CAC members also stated in their survey responses, that consistent criteria to evaluate each application do not exist.

*Scoring criteria are not comprehensive to adequately score applications*

- In several instances, limited correlation exists between the total scores assigned and the funding received. The scores do not justify the awarding of funds.
  - Some applications that received low average scores, received funding
  - Some applications that received high average scores did not receive any funding
  - Some applications that received high average scores had negative comments in the notes.

Based on these observations, Audit Services staff believe that other staff discussions support the final award of the funds to a particular sub-recipient. The average score received for the defined scoring criteria as well as other factors that are not part of the scoring criteria appear to influence the decision making process. If other qualitative

factors are driving the funding decisions, this implies that the selection criteria are not all inclusive.

*A Guidebook for CDBG Grantees on Sub-recipient Oversight* provides a checklist of useful criteria for selection of sub-recipients and assessing risk. A grantee should use such criteria to determine whether a prospective sub-recipient has the necessary systems in place for the Federal requirements that impact the type of activity being proposed. The Guidebook also provides an example of an application rating system. An application must score at least 50 points to be considered for stage II, which is a comparative analysis of each activity by a team of the Community Development staff. Experience and past performance as well as application completeness are part of the suggested application rating system.

*Lack of documentation exists to support the decision making process for awards of funds to sub-recipients*

- The DCD staff do not adequately document the round table discussions held after the individual scoring of applications. Per interviews with project managers, once they rank the applications individually, they meet as a team to discuss the applications and the funding decision. However, there was no significant summary outlining the decision-making process. This missing documentation of informal conversations could explain why projects that had high scores did not receive funding while other projects that had low scores received funding.

*Sufficient information was not requested as part of the fiscal year 2012 application process for public service applications*

- For the fiscal year 2012 application process, the DCD staff initially informed citizens that funds were not allocated for the public service area because of a decrease in funding from HUD. However, according to the DCD staff, the Mayor and the City Manager did not want interested applicants to think they could not submit an application. Therefore, the DCD staff decided to extend the application process for public service but did not request all the information that was requested in prior years for non-construction activities.

*The CAC members do not fill out a conflict of interest form annually.*

At present, the CAC members are only required to fill out a conflict of interest form when they initially join the board. Two of the CAC members stated in their surveys that they were not aware of signing any conflict of interest forms. One of these members performs volunteer work with two of the applicant organizations.

**An adequate beneficiary selection process exists for projects administered in-house by the DCD staff. Opportunities for improvement were noted in some areas.**

Audit staff verified the beneficiary selection process for four projects administered in-house by the DCD staff. They are as follows:

- Urgent Repair Program
- Substantial Rehabilitation Program
- Relocation Program
- Home Buyer Mortgage Assistance Program

Adequate controls exist over the selection process for beneficiaries of CDBG grants administered by the DCD staff.

Practices that are effective:

*The DCD staff maintain excellent documentation to support the eligibility requirements for the Home Buyer Mortgage Assistance Program.*

The Home Buyer Mortgage Assistance Program provides mortgage assistance to first-time homebuyers who meet specific income and credit guidelines. Approximately \$180,000 was expended during fiscal year 2011. The DCD staff maintain excellent documentation to support the eligibility requirements.

Practices that need improvement:

*Some homeowners are not notarizing the contract agreement as required for the Substantial Rehabilitation Program. The DCD staff (notary) notarized prepared addenda stating that she witnessed the signature of a DCD staff member who attested to observing the homeowners signature.*

The Substantial Rehabilitation Program funds are used to rehabilitate houses for homeowners earning 50% or below the area median income; specifically elderly and disabled homeowners. The DCD staff procure the services of a contractor to perform the rehabilitation needed. The contractor and the homeowner are required to enter into a contract. The signatures of the homeowner and contractors are required to be notarized. In reviewing the documentation, Audit Services staff noted that as a general practice the owner did not get his/her signature notarized. One DCD staff member prepared and signed an addendum, which was later notarized by the DCD notary stating that a DCD staff member witnessed the signature of the homeowner. The staff member asserted that the owner of the property signed in his presence and that the approvals were the wishes of these parties. DCD staff should not execute notary affidavits in this manner.

*Controls over payment of the Relocation Program expenses can be strengthened.*

Relocation funds are available for: 1) temporary relocation assistance for homeowners required to move due to substantial rehabilitation of housing units; and 2) permanent relocation assistance to Southside tenants. Audit Services staff examined all expense documentation for fiscal year 2011 including all purchase orders and associated invoices for approved relocation assistance. A DCD staff member generates a purchase order when a beneficiary has to relocate to a hotel/motel. The purchase order is used to reserve hotel accommodations. The DCD receives an invoice associated with that purchase order.

The review of the relocation expenses and documentation revealed that the support for the expenses was adequate; however, the purchase orders consistently did not have sufficient information in order to reconcile them to the invoices. Information such as the owner's name, property address and length of stay for the proposed hotel relocation was missing from the purchase order. Therefore, when the DCD staff received the invoices it was difficult to reconcile them to the purchase orders. The DCD staff would have a mechanism to reconcile the planned request from the amount billed by the hotel if the purchase orders contained the necessary information.

**The DCD staff are procuring the services of contractors in accordance with the required regulations. However, opportunities exist for improvement in some areas.**

Practices that are effective:

*The DCD staff are procuring the services of contractors in accordance with required regulations.*

Audit staff verified a sample of 10 contracts to ensure that DCD staff complied with the statutory provisions, which specify the contract bidding requirements governing purchasing by a local government in North Carolina. No exceptions were noted.

Practices that need improvement:

In reviewing the procurement process, Audit Services staff made the following observations:

For the selected 10 contracts, the DCD staff consistently applied contingency funding as a part of the awarded contract. In addition, change orders applied to awarded contracts in three instances caused the contract amount to exceed the initial bid amount. The table below compares the cost of the contract with the highest bid received on a contract.

Location	Contractor	Highest Bid	Original Awarded Bid	Contingency	Change Order	Total	Increase in Bid	Total Awarded Bid Savings Compared to Highest Bid
309 Walton St.	Paul Parker Home Improvements	\$ 47,272.00	\$ 37,215.00	\$ 3,722.00	\$ -	\$40,937.00	10%	\$ 6,335.00
1105 Fairview St.	Lynwood Roberts Repairs & Builder	\$ 50,665.00	\$ 41,520.00	\$ 4,152.00	\$ 8,408.00	\$54,080.00	30%	\$ (3,415.00)
718 Plum St.	Rochelle's Construction	\$ 11,448.00	\$ 9,165.00	\$ 800.00	\$ -	\$ 9,965.00	9%	\$ 1,483.00
2210 Ashe St.	AccuCise Construction	\$ 9,780.00	\$ 6,980.00	\$ 520.00	\$ -	\$ 7,500.00	7%	\$ 2,280.00
2229 NC Hwy 55	Paul Parker Home Improvements	\$ 44,575.00	\$ 31,330.00	\$ 3,133.00	\$ 8,742.00	\$43,205.00	38%	\$ 1,370.00
1001 Delray St.	RGO Enterprises	\$ 8,530.00	\$ 7,623.00	\$ 1,143.00	\$ 1,987.00	\$10,753.00	41%	\$ (2,223.00)
658 Troy St.	RGO Enterprises	\$ 37,685.00	\$ 32,228.00	\$ 3,223.00	\$ 2,753.00	\$38,204.00	19%	\$ (519.00)
1025 Juniper St.	Lynwood Roberts Repairs & Builder	\$ 56,775.00	\$ 43,475.00	\$ 4,348.00	\$ -	\$47,823.00	10%	\$ 8,952.00
303 N. Driver St.	AccuCise Construction	\$ 10,150.00	\$ 6,730.00	\$ 1,009.00	\$ -	\$ 7,739.00	15%	\$ 2411.00
417 Craven St.	AccuCise Construction	\$ 11,410.00	\$ 9,500.00	\$ 400.00	\$ -	\$ 9,900.00	4%	\$ 1,510.00
<b>Average Increase:</b>							<b>18%</b>	

Adequate documentation to justify the change orders is not maintained as part of the change order request form. The DCD management should monitor the use and management of change orders to identify underlying problems and make appropriate changes to the process.

### **Recommendation 1**

The Department of Community Development should make the following changes to the sub-recipient selection process:

- Develop written guidelines, which outline the sub-recipient application process. The guidelines should describe the evaluation criteria for scoring the applications in detail and provide guidance to staff on what would constitute a high score versus a low score. The guidelines should be provided to the Department of Community Development staff as well as the Citizens Advisory Committee members to facilitate consistent application of the criteria;
- Review all selection criteria to ensure the criteria include all factors used in the decision making process;
- Review *A Guidebook for CDBG Grantees on Sub-recipient Oversight* by HUD. Specifically examine the sub-recipient selection checklist and the example of the two-part rating system. Determine if some of the suggestions can be incorporated into the current process;
- Maintain documentation from the minutes in the respective files, which reflects the conditions or reasons for awarding or denying funds to an applicant as part of the application process; and
- Provide training to the Department staff as well as the members of the Citizen Advisory Committee on administering the selection process annually.

### **Recommendation 2**

The Department of Community Development should ensure that the members of the Citizens Advisory Committee sign a conflict of interest form on an annual basis.

### **Recommendation 3**

The Department of Community Development should ensure that purchase orders generated for the Relocation Program expenditures contain all relevant information such as name of owner, property address, and length of stay in order to reconcile the request to the amount billed.

### **Recommendation 4**

The Department of Community Development should ensure that owners are notarizing the required documents for all Programs.

### **Recommendation 5**

The Department of Community Development should monitor and manage the total cost of the contracts by:

- Ensuring that change orders are justified and justification is documented; and
- Analyzing contracts by contractors or project managers to determine if certain contractors or project managers consistently use change orders to increase the price of the contract.



Memo to: Germaine F. Brewington, Director of Audit Services  
From: Reginald J. Johnson, Interim Director  
Department of Community Development  
Date: January 13, 2012  
Subject: Management's Response  
CDBG Application Process Performance Audit (December 2011)

The following is the management's response to the CDBG Application Process Performance Audit dated December 2011.

### **Recommendation 1**

The Department of Community Development should make the following changes to the Sub-Recipient Selection process:

- Develop written guidelines, which outline the sub-recipient application process. The guidelines should describe the evaluation criteria for scoring the applications in detail and provide guidance to staff on what would constitute a high score versus a low score. The guidelines should be provided to the Department of Community Development staff as well as the Citizens Advisory Committee members to facilitate consistent application of the criteria;
- Review all of the selection criteria to ensure the criteria include all factors used in the decision making process;
- Review *A Guidebook for CDBG Grantees on Sub-recipient Oversight* by HUD. Specifically examine the sub-recipient selection checklist and the example of the two-part rating system and determine if some of the suggestions can be incorporated into the current process;
- Maintain documentation from the minutes in the respective files, which reflects the conditions or reasons for awarding or denying funds to an applicant as part of the application process; and
- Provide training to the Department staff as well as the members of the Citizen Advisory Committee on administering the selection process annually.

## Management's Response

We concur. Management is in full agreement with the recommendations. We will develop written guidelines for the application process. The guidelines will describe in detail the evaluation criteria and process for scoring applications. The guidelines will include all factors staff should consider when evaluating applications.

We will review and implement changes to the selection criteria to better define all factors used in the decision making process. We have and continue to use *A Guidebook for CDBG Grantees on Sub-recipient Oversight* by HUD to administer applicable programs. We will revisit the section as referenced above to determine if some of the suggestions can be incorporated into the current process. Additionally, we will research best practices of comparable entitlement communities that may be adapted to enhance our rating process. We are currently reviewing FY 2012-2013 applications and are compelled to use the criteria as described in the existing application. We will develop written guidelines and implement changes for the FY 2013-2014 application process by September 2012.

In most instances, comments in the published funding chart indicate the conditions or reasons for not awarding funds to an applicant. However, to ensure completeness and consistency, we will maintain written documentation of review panel discussions which will describe the reasons for awarding or not awarding funds to an applicant. This information will be maintained in the respective files. We will implement this initiative during the FY 2012-2013 application process which is currently underway.

Staff has and continues to receive training on the application selection process. The Department held training on January 6, 2012 for the current round of applications. The current Citizens Advisory Committee (CAC) is primarily comprised of all new members who are unfamiliar with community development activities and have not participated in an application selection process. Historically, the CAC and the Department's recommendation are parallel and documentation has been maintained and published that reflect differently, namely in Agenda Memoranda submitted for Council Meetings. Agenda Memoranda describe the areas in which the CAC differ with staff recommendations. Because the FY 2012-2013 application selection process is underway, we will provide guidance at the next CAC meeting which is scheduled to take place on January 23, 2012. Moving forward, we will provide structured training to the CAC annually prior to the start of the application process.

Positions responsible for implementation: Assistant Director and Federal Programs Coordinator

## **Recommendation 2**

The Department of Community Development should ensure that the members of the Citizens Advisory Committee annually sign a conflict of interest form.

### **Management's Response**

We concur. Management is in full agreement with the recommendation. We will provide a conflict of interest form annually to members of the CAC for signature. We will implement this procedure by the next scheduled CAC meeting on January 23, 2012.

Position responsible for implementation: Director

## **Recommendation 3**

The Department of Community Development should ensure that purchase orders generated for the Relocation Program expenditures contain all relevant information such as name of owner, property address, and length of stay in order to reconcile the request to the amount billed.

### **Management's Response**

We concur. Management is in agreement with the recommendation. We have initiated efforts to include the name of owner, property address, invoice number, and length of stay on the purchase orders for the Relocation Program.

Position responsible for implementation: Business Services Manager

## **Recommendation 4**

The Department of Community Development should ensure that owners are notarizing the required documents for all Programs.

Position responsible for implementation: Senior Project Manager

### **Management's Response**

We concur. Management is in full agreement with the recommendation. We have initiated efforts to ensure that all signatures as applicable are notarized as required for all programs.

## **Recommendation 5**

The Department of Community Development should monitor and manage the total cost of the contracts by:

- Ensuring that change orders are justified and justification is documented; and
- Analyzing contracts by contractors or project managers to determine if certain contractors or project managers consistently use change orders to increase the price of the contract.

## **Management's Response**

We concur. Management is in full agreement with the recommendation. The practice of providing more comprehensive justification and documentation for housing rehabilitation change orders has been initiated. A Change Order Analysis Form has been developed and is currently being utilized. This form explains the nature of the change order, explanation, original and final costs, percent of change of original contract, and other relevant data.

With respect to analyzing contracts as stated above, this practice has and continues to be a part of project managers' Performance Appraisals. It should be noted however that the issue of change orders was raised during the review of housing rehabilitation files. In carrying out rehabilitation, change orders are frequently required as a result of conditions that cannot be fully accessed until the work is underway and walls and flooring systems are opened up. We will review our process of assessing properties to be rehabilitated with staff from the Building Inspections Department to ensure that our practices are as thorough as possible given the challenge of these types of assessments.

Position responsible for implementation: Rehabilitation Project Manager