

Little Rock Office of Community Planning and Development

Monitoring Report for the City of Springdale

Monitoring Team

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Date of Review

July 27-28, 2013

Scope of the Review

The review covered the City's Community Development Block Grant (CDBG) Program activities carried out during the period January 1 through December 31, 2012. Program areas reviewed include Program Benefit, Program Progress, Program Eligibility, Housing Rehabilitation, and a limited Financial Review. HUD's review encompassed activities that were included in the City's Consolidated Plan/Annual Action Plan for the 2012 Program Year. This included a review of files and other records, on-site inspections, IDIS reports, performance reports submitted to HUD and the City's annual audit.

EXECUTIVE SUMMARY

The City of Springdale has carried out its CDBG Program related activities in substantial compliance with program regulations, handbooks, and other administrative directives governing Community Planning and Development programs. Additionally, HUD has concluded that overall, the City of Springdale appears to have well-managed HUD-funded programs, and a staff committed to providing quality services to the community. There were no findings or concerns noted in HUD's review.

PROGRAM BENEFIT

Performance Standard: The CDBG regulations provide that funds must be used to assist activities that are both eligible and meet one of three national objectives. Basically, only those activities that are designed to principally benefit low and moderate-income persons (LMI), aid in the prevention or elimination of slum and blight, or meet an urgent need, can be undertaken with CDBG funds. Further, the regulations at 24 CFR 570.200 (a)(3) require a minimum of 70 percent of funds expended for CDBG activities over a 1-3 year period, as specified by the grantee, principally benefit low and moderate-income persons.

Actual Performance: HUD selected a sample of the City's 2012 projects for review to determine whether each activity met the stated objective. The activities HUD reviewed included Housing Rehabilitation, Public Services and Public Facilities. Specific activities reviewed relative to these program areas included: Four (4) Housing Rehab Dwellings, and two (2) Public Service Activities: the Taxi Program - Transportation for Elderly/Disabled (\$20,000), and the Bread of Life – Emergency Housing for LMI/at risk of Homelessness (\$25,000). HUD reviewed information concerning project description, location and service areas, and identified beneficiaries included in the City's block grant files for its 2012 program year.

Conclusions: HUD's review of file documentation and subsequent site visits to the activities listed above substantiates that each activity complies with the national objectives requirements. There were no activities attempted under either the urgent needs criteria or the slum and blight criteria, therefore all activities undertaken meet the national objective as claimed. The records for the 2012 program year revealed that all funds expended during that period were for activities that principally benefit LMI persons. On-site reviews of the project service areas did not reveal any inconsistencies between the records, nor any instances where LMI benefit is questionable.

Findings or Concerns: None.

PROGRAM PROGRESS

Performance Standard: Monitoring program progress requires an assessment of whether a grantee is carrying out both individual activities and its program as a whole in a timely manner. This assessment is an important element in determining whether the grantee has a continuing capacity to carry out its program in a timely manner as required at 24 CFR 570.902 (a)(i). HUD's established benchmark for Formula grantees, as an indicator of timely program performance, is that un-disbursed program funds at 60 days prior to the end of the program year should be no more than 1.5 times the amount of the current grant.

Actual performance: HUD reviewed individual activities to determine whether they are progressing in a timely manner according to established performance goals. Files were reviewed for various activities including Housing Rehabilitation, Public Services and Public Facility Activities, to determine whether there were performance issues with regard to project implementation and progress. Planned budgets were compared to expenditures, and any significant issues impacting project start or completion were identified. This included a review of the grantee's balance in LOCCS as of November 2, 2012, and individual project fund balances.

HUD Regulations state that there should be no more than 1.5 times the annual grant remaining in the line of credit at 60 days prior to the end of the program year. Based on the 60-day drawdown ratio, the City's current ratio of timeliness for expending CDBG funds was at .42, which is well below the allowable 1.5. You are to be commended for exceptional progress in meeting performance goals.

Conclusions: The City's progress during the past Program Year has been satisfactory in the implementation of individual activities. The City's Community Development Staff has

successfully administered the CDBG Program and is commended for the completion of approved activities in a timely manner. HUD Regulations state that there should be no more than 1.5 times the annual grant remaining in the line of credit at 60 days prior to the end of the program year. The City is commended for meeting HUD's timeliness standard during the 2012 Program Year. Based on the 60-day drawdown ratio, the City's current ratio of timeliness for expending CDBG funds is at .42, which is well below the allowable 1.5 ratio. This is below the benchmark and is an indicator of good performance in this area. Accordingly, the City is on schedule as far as meeting the standard for the current program year.

Findings and Concerns: None.

ELIGIBILITY

Performance Standard: Each activity undertaken by a grantee must fit one of the categories of eligible activities identified in Subpart C of the CDBG regulations at 24 CFR Part 570. Grantees are required to maintain records for each activity that fully describes the activity assisted, including its geographic location and the provision in Subpart C under which it is eligible. Basically eligible activities are as delineated at 570.201-206. Additionally, activities selected for assistance cannot be one of those listed as ineligible as stated in 570.207.

Actual Performance: HUD reviewed the following activities for compliance with eligibility, including files supporting the grantee's conclusion: Housing Rehabilitation, Public Services and Public Facilities. HUD's review consisted of a file documentation review and/or an on-site visit to: Four (4) Housing Rehab Dwellings, two (2) Public Service Activities: the Taxi Program - Transportation for Elderly/Disabled (\$20,000), and the Bread of Life - Emergency Housing for LMI/at risk of Homelessness (\$25,000). Project files for the activities identified above were reviewed to determine if the activities carried out were eligible, appropriately classified, and documented by the City of Springdale.

Conclusions: A review of file documentation and site inspections validated the accuracy of the City's determination that all of its activities meet basic eligibility requirements. There were no exceptions noted.

Findings or Concerns: None.

CITIZEN PARTICIPATION

Performance Standard: The Consolidated Plan regulations at 24 CFR Part 91.105(b) stipulate that grantees must meet certain minimal citizen participation requirements, including a Citizen Participation Plan detailing the community's procedures for involving the public in its program planning, and implementation. At a minimum, the Citizen Participation Plan must ensure that the following requirements are met: (1) Citizen Participation Plan must state when and how the City will make this information available. (2) At least two public hearings a year must be held to obtain citizens' views and to respond to proposals and questions. (3) One of the public hearings should be held during the development of the Consolidated Plan. (4) There must be a 30-day

period for citizen review and comment prior to submitting the plan to HUD. (5) Public comments must be given consideration.

Additionally, grantees must consult with other public and private agencies that provide assisted housing, health services, social services, child welfare agencies (regarding lead paint), adjacent units of local government (for non-housing community development needs), and local Housing Authorities. Meeting or exceeding the minimum citizen participation requirements may help grantees to: better inform the public about community needs and the resources available to address needs; learn about "hidden" community needs and issues; allow citizens and organizations to bring forward ideas on how to address community needs; and generate involvement in and commitment to proposed solutions.

Actual Performance: The City's Citizen Participation Plan and supporting documentation revealed that public hearings are being held as required, and at least two are held prior to publishing the proposed activities in the local media. It appears the citizens of Springdale were afforded the opportunity to comment on the proposed CDBG-assisted activities and proposed use of funds.

Conclusions: The City's Citizen Participation Plan and process meets the requirements of 24 CFR Part 91.105(b).

Findings or Concerns: None.

FAIR HOUSING LIMITED REVIEW

A limited review was conducted of civil rights-related program requirements of the City's CDBG Program. It appears that the City is in compliance with Section 570.506 and maintains the required records to document eligibility of activities and beneficiaries; has an updated Analysis of Impediments to Fair Housing on file; documents the required data on racial and ethnic groups and single parent headed households of applicants for CDBG Program assistance; has properly executed sub recipient written agreements on file; monitors sub recipients to ensure compliance with CDBG Program recordkeeping requirements; maintains records and follows displacement requirements; and fosters opportunities for minority and women owned business enterprises to compete for contracts and subcontracts and maintains appropriate records on those receiving contracts through the CDBG Program.

It also appears that the grantee's CDBG Program is administered in compliance with the communication and program accessibility requirements of Section 504 pertaining to persons with disabilities and maintains the appropriate records. The CD Director stated that public hearings are wheelchair accessible and interpreter services or special accommodations would be made if requested. Public Notices include language to inform the public of accessibility provisions for citizens with physical limitations and standard language is being added to these notices to advertise that citizens may contact the Community Development Director's office to request interpreter services or the need for other special accommodations. HUD's review further reveals that the City has included the required Section 3 clauses in its contracts and follows the

requirements of Section 3 concerning training opportunities and employment. It also appears that the City is in compliance with the civil rights related program requirements for Section 504 of the Rehabilitation Act of 1973, as amended.

Findings or Concerns: None.

HOUSING REHABILITATION

Performance Standard: The activities were reviewed to determine whether they meet the minimum requirements of 24 CFR Part 570.202 of the Community Development Block Grant regulations, which outlines eligible rehabilitation activities. Areas tested for compliance included application processing, client eligibility, contracting, construction management, and lead-based paint procedures.

Actual Performance: It was noted that program guidelines have been developed describing assistance offered to clients in terms of the program benefits, income limits, grant limits and other conditions of eligibility. Information concerning the program is provided to potential beneficiaries and applications are processed in a timely manner.

The City committed \$525,349 to the CDBG Rehabilitation Program in Fiscal Year 2012. According to HUD's review of files and reports submitted to HUD, the City's Single Family Rehabilitation Program includes both Emergency Assistance Grants and Housing Assistance Grants of up to \$25,000 to low-income homeowners to low-income homeowners to make substantial repairs to their homes to bring the houses up to designated Housing Quality Standards (HQS). Program objectives are being met, and the overall program is progressing as planned by the City.

HUD reviewed four (4) of the City's CDBG housing rehabilitation files, and made on-site inspections to two (2) of the CDBG rehabilitation projects reviewed. The file reviews and on-site visits were completed to determine if the costs were reasonable; workmanship was acceptable; all repairs included in the work description were completed; and if each dwelling, upon completion, met the City's program objective and adopted codes for the City's Rehabilitation Program. Further, HUD conducted an examination of each file to assess program compliance with the Lead Based Paint Rules as set forth at 24 CFR Part 35.915(b) of the Federal Regulations. The files reviewed were found to be extremely well organized. Documentation of the rehabilitation process was easy to follow and understand.

All of the above files were spot checked for compliance with LBP notification requirements and the documentation for required testing. The City's file documentation reviewed on the four rehabilitated homes verified that the City is in compliance with the LBP requirements.

Conclusions: HUD concluded that your overall program performance is acceptable when compared to the national standard. HUD inspected projects that had been completed in the program year, and noted that repairs were limited to eligible improvements and assistance was provided to only low and moderate-income persons. Also, the units selected were inspected to

ensure compliance with the City's program's objectives and local codes are being met. The City is providing assistance to a significant number of households with limited funding. Assistance provided allows homeowners to remain in their homes, improved energy efficiency, and in some cases removed potential life/safety issues.

The individual housing rehabilitation activity files were reviewed for compliance with the requirements of 570.208(a) (3), 570.506(b) (4), and 24 CFR Part 35.915 (b). All files reviewed included information on income and household size as well as verification of income, as well as source documentation for meeting Lead Based Paint policies. The files also contained information regarding the extent of the rehabilitation assistance provided. HUD inspected and reviewed four (4) dwelling units that had been completed in the 2012 program year. HUD's inspection revealed that repairs had been completed in accordance with both HUD's and the City's local codes. HUD concluded that the City's overall program performance is good.

Housing rehabilitation is a very complex program to operate, but it can have a tremendous positive impact on the clients and the community served. The City is to be commended for undertaking a program of this nature. It was evident from HUD's review that you have a very capable and committed staff, and have policies and procedures in place to ensure a successful and compliant program.

Findings or Concerns: None.

FINANCIAL MANAGEMENT

Performance Standard: Grantees are required to establish accounting records that are adequate to detail the historical use of Federal funds received. Grantees are also required to establish management controls that will provide for the administration of programs, while making provisions for safeguarding the integrity of program operations. Specifically, grantees must ensure that funds are spent for allowable costs, and verify that beneficiaries meet program requirements. Such systems should provide for efficient operation while minimizing the opportunity for fraud, waste, or mismanagement. These requirements are detailed in Federal guidelines found at 24 CFR Part 85, which is otherwise known as the "common rule."

Actual Performance: With regard to the CDBG Programs, HUD staff performed a limited review of the City's overall management of program related financial operations and cost allowability for the period ended December 31, 2012.

The City continues to maintain overall citywide financial management policies and procedures, and strong written internal control procedures for its expenditure of CDBG funds. Moreover, the City maintains a listing of job descriptions for CDBG personnel, and an organizational chart showing appropriate lines of authority.

Findings or Concerns: None.

COST ALLOWABILITY

Performance Standard: OMB Circular A-87 and 24 CFR 85.22 establishes cost allowability standards for program expenditures to be paid with CDBG, HOME, and NSP2 funds.

All costs incurred by the grantee must relate to the implementation of CDBG, HOME, and NSP2 related activities, and must be considered reasonable and necessary for project implementation. In addition to being eligible, all costs must meet these standards in order to be considered allowable program costs.

Actual Performance: HUD's review included an examination of administrative costs, and programmatic costs associated with the operation of the City's CDBG Program. Moreover, CDBG related expenditures (as indicated in the following tables) were reviewed to determine whether such costs conformed to Federal guidelines.

Table-1: Selected CDBG Expenditures

Voucher Number	Line Item	IDIS Act ID	Voucher Created	Voucher Status	Status Date	LOCCS Send Date	Grant Number	Fund Type	Program	Drawn Amount
5218298	1	430	1/19/2011	Complete	1/20/2011	1/19/2011	B09MC050005	EN	CDBG	\$162.95
5226833	1	430	2/8/2011	Complete	2/9/2011	2/8/2011	B09MC050005	EN	CDBG	\$271.55
5260792	4	439	4/20/2011	Complete	4/21/2011	4/20/2011	B10MC050005	EN	CDBG	\$2,790.75
5265887	1	425	5/2/2011	Complete	5/3/2011	5/2/2011	B10MC050005	EN	CDBG	\$800.00
5288868	3	429	6/22/2011	Complete	6/23/2011	6/22/2011	B10MC050005	EN	CDBG	\$4,750.00
5329919	4	449	9/26/2011	Complete	9/27/2011	9/26/2011	B10MC050005	EN	CDBG	\$7,414.28
5343725	2	443	10/27/2011	Complete	10/28/2011	10/27/2011	B10MC050005	EN	CDBG	\$37,536.98

All of the vouchers referenced in Table-1 conformed to Federal guidelines, as they were supported by documentation such as cancelled checks, paid bills, payrolls, time and attendance records, or contract documents.

Findings or Concerns: None.