



City of Bridgeport, CT

HOME Investment Partnerships Program

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

**Audit Report Number: 2019-BO-1001
April 25, 2019**



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

From: Tomas Espinosa, Acting Regional Inspector General for Audit, 1AGA

Subject: The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the City of Bridgeport, CT's HOME Investment Partnerships program.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 617-994-8454.



Audit Report Number: 2019-BO-1001
Date: April 25, 2019

The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program

Highlights

What We Audited and Why

We audited the City of Bridgeport CT's HOME Investment Partnerships program based on an Office of Inspector General risk assessment, which ranked the City as the second highest risk HOME grantee in New England. The objective of the audit was to determine whether the City properly committed and disbursed HOME funds in accordance with Federal and U.S. Department of Housing and Urban Development (HUD) rules and regulations.

What We Found

City officials did not properly administer their HOME program. Specifically, they did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations. They did not ensure that they (1) met the commitment deadline for their community housing development organizations' (CHDO) funds, (2) properly documented and supported their underwriting of activities, (3) complied with environmental review requirements, (4) disbursed funds in accordance with program requirements, (5) maintained adequate support to ensure tenant eligibility and compliance with HOME rental limits, and (6) supported their administrative fees. These deficiencies occurred because City officials did not establish adequate written underwriting policies and procedures, were not aware of HUD and Federal requirements, and had poor record-keeping practices. Further, the City's HOME policies and procedures were outdated. As a result, they incurred \$422,768 in ineligible costs and more than \$3.2 million in unsupported costs, and \$741,698 in unspent HOME funds will need to be reallocated to eligible activities.

What We Recommend

We recommend that the Director of HUD's Hartford Office of Community Planning and Development require City officials to (1) repay \$422,768 in ineligible costs related to the City's failure to meet commitment deadlines and complete activities in accordance with the HOME agreement and HOME regulations; (2) support that more than \$3.2 million was reasonable and supported, or repay the funds, (3) reallocate \$741,698 in unspent funds to ensure they will be put to their intended use; and (4) develop and implement adequate and updated HOME policies and procedures and tools to improve record-keeping practices.

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Background and Objective

The City of Bridgeport, CT, is a participating jurisdiction that receives annual allocations of HOME Investment Partnerships program funds from the U.S. Department of Housing and Urban Development (HUD) authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act as amended. The program regulations are contained in 24 CFR (Code of Federal Regulations) Part 92 and the HOME Investment Partnerships Program Final Rule published July 24, 2013. Participating jurisdictions¹ may use these funds for a wide range of activities, which include building, buying, and rehabilitating affordable housing for rent or home ownership or providing direct rental assistance to low-income households. Households must meet certain low-income limited criteria published by HUD to receive HOME assistance.

HOME funds are managed through HUD's Integrated Disbursement and Information System (IDIS), which disburses funds that are allocated or reallocated and reports information on the use of HOME funds in the U.S. Treasury account.

Participating jurisdictions must designate a minimum of 15 percent of their HOME allocations for investment in housing to be developed, sponsored, or owned by community housing development organizations (CHDO). A CHDO is a private, nonprofit, community-based service organization, the primary purpose of which is to provide and develop decent, affordable housing for the community it serves. All CHDOs must receive a certification from a participating jurisdiction showing that they meet certain HOME program requirements and are, therefore, eligible for HOME funding.

Participating jurisdictions must commit HOME funds for each specific fiscal year allocation within 24 months and spend the funds within 5 years after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement, or HUD will reduce or recapture any uncommitted or unspent HOME funds from the allocation.²

HUD originally awarded more than \$4.2 million in HOME funds for program years 2013, 2014, 2015, 2016, and 2017. However, it deobligated \$934,354 due to an activity that was not properly committed and, therefore, did not meet the commitment deadline in program year 2014. As a result, the City's revised HOME award was reduced to about \$3.3 million, of which the City disbursed only about \$2 million from program years 2013 through 2017 funds. See the table below.

¹ A participating jurisdiction is designated by HUD in accordance with 24 CFR 92.105 and is responsible for ensuring that all HOME funds are used in accordance with general administrative requirements.

² Congress suspended the 24-month HOME commitment requirement for deadlines occurring in 2016, 2017, 2018, and 2019 via the fiscal year 2017 Consolidated Appropriations Act (Public Law 115-31). The Consolidated Appropriations Act of 2019 further suspended the 24-month commitment requirement for CHDO set-aside funds for deadlines beginning in 2018, and continued the suspension of the 24-month commitment requirement for regular HOME funds. Both deadline requirements are suspended through December 31, 2021. These suspensions do not apply to the 5-year expenditure deadline for fiscal year 2014 and earlier HOME allocations.

Program year	Original HOME funds awarded	HOME funds deobligated ³	Revised HOME funds awarded	HOME funds disbursed ⁴
2013	\$888,060	\$0	\$888,060	\$871,759
2014	881,452	0	881,452	569,423
2015	818,451	0	818,451	306,796
2016	842,678	295,287	547,391	246,768 ⁵
2017	852,089	639,067	213,022	82,337 ⁶
Totals	4,282,730	934,354	3,348,376	2,077,083

Our audit objective was to determine whether the City properly committed and disbursed HOME funds in accordance with Federal and HUD rules and regulations.

³ HUD deobligated these funds in October 2018 because the City did not meet the commitment deadline in program year 2014.

⁴ This is the amount disbursed from program years 2013, 2014, 2015, 2016, and 2017 funds. However, the City also disbursed HOME funds from prior-year awards for the activities reviewed because the City has 5 years to disburse the funds.

⁵ These funds were disbursed to pay for the City's administrative fees and the expenses for one activity.

⁶ These funds were disbursed to pay for the City's administrative fees.

Results of Audit

Finding 1: The City Did Not Properly Administer Its HOME Program

City officials did not properly administer their HOME program. Specifically, they did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations. They did not ensure that they (1) met the commitment deadline for their CHDOs' funds, (2) properly documented and supported their underwriting of activities, (3) complied with environmental review requirements, (4) disbursed funds in accordance with program requirements, (5) maintained adequate support to ensure tenant eligibility and compliance with HOME rental limits, and (6) supported their administrative fees. These deficiencies occurred because City officials did not establish adequate written underwriting policies and procedures, were not aware of HUD and Federal requirements, and had poor record-keeping practices. Further, the City's HOME policies and procedures were outdated. As a result, it incurred \$422,768 in ineligible costs and more than \$3.2 million in unsupported costs, and \$741,698 in unspent HOME funds may need to be reallocated to eligible activities.

Commitment Deadline Not Met

City officials did not meet the commitment deadline for their CHDO funds for program year 2015 in accordance with 24 CFR 92.300(a).⁷ Further, they had not properly certified any organizations as CHDOs. This deficiency occurred because City officials were not aware of HUD and Federal requirements. As a result, the City needs to return \$122,768 in ineligible funds, and \$254,215 can be put to better use if City officials certify a CHDO and properly commit their program years 2016 and 2017 CHDO funds. See the table below.

Program year	Ineligible costs	Funds to be put to better use
2015	\$122,768	\$0
2016	0	126,402
2017	0	127,813
Totals	122,768	254,215

Additionally, activity number 2205 was not properly committed. HUD deobligated \$934,354 from this activity due to the missed commitment deadline in program year 2014 and required the City to pay back \$88,219 spent before the commitment date through a voluntary grant reduction. HUD allowed the City to change the commitment date for this activity to keep it active. According to 24 CFR 92.205(e)(2), City officials needed to complete the activity within the required 4-year period, which ended on

⁷ According to 24 CFR 92.300(a), CHDO funds are required to be committed within 24 months after the date on which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement. Program year 2015 CHDO funds were required to be committed by November 30, 2017. The Consolidated Appropriations Act of 2019 suspended the CHDO commitment set-aside deadline as of program year 2016.

December 11, 2018. Further, according to 24 CFR 92.205(e)(2), the participating jurisdiction may request a 1-year extension of this deadline in writing. On February 4, 2019, City officials requested a 1-year extension to complete the activity.⁸ If HUD grants the 1-year extension and the City does not complete the activity by December 11, 2019, the City will be required to repay HUD \$974,298 from non-Federal funds.

City officials also did not properly document and support their commitment of HOME affordable housing activity numbers 2382, 2383, 2596 and 2622 in accordance with 24 CFR 92.2(2)(i) and 24 CFR 92.250(b). Since City officials were not able to support the commitment of these activities, they may need to be canceled for lack of proper commitment.

Underwriting Not Properly Documented and Supported

City officials did not properly document and support their underwriting in accordance with HOME regulations for affordable housing activity numbers 2205, 2382, 2383, 2596, and 2622. This deficiency occurred because City officials did not establish adequate written underwriting policies and procedures, were not aware of HUD and Federal regulations, and did not have adequate record-keeping practices. Further, they provided policies and procedures that had not been revised since 2004. As a result, City officials could not support more than \$3.1 million in HOME funds, and \$487,483 may need to be reallocated to eligible and supported HOME activities to ensure they are put to their intended use.

City officials did not always ensure that all of the necessary requirements were met before committing HOME funds in accordance with 24 CFR 92.2(2). Specifically, they did not always

- execute a HOME agreement before committing funds in IDIS
- adequately document the sources and uses of funds;
- document a review of cost reasonableness or adequately review cost estimates, including a cost allocation for the multi-unit projects; and
- perform an initial inspection of the activity or document construction progress and final inspections.

City officials committed HOME funds in IDIS before executing HOME agreements in violation of HOME regulations for activity number 2622 and program year 2015 CHDO funds. They inappropriately certified in IDIS that they had fully executed a written agreement that met the requirements and definition of a commitment according to 24 CFR 92.2(2)(i). For activity number 2633, City officials committed \$300,000 on June 5, 2017. However, as of November 2018, the City had not executed a written HOME agreement with the developer for this activity. City officials were unsure why this activity had been set up in IDIS, but they should deobligate the HOME funds committed to this activity. They need to reallocate these funds to an eligible and supported activity. In another instance, City officials committed \$122,768⁹ in CHDO reserves in IDIS to meet the November 30, 2017, commitment deadline for those funds. However, neither City officials nor the CHDO had a written agreement for the use of the funds. Therefore, they did not meet the commitment deadline for the funds.

⁸ As of February 20, 2019, HUD was still reviewing the extension request.

⁹ These funds were already counted as ineligible in the Commitment Deadline Not Met section.

City officials did not adequately document the sources and uses of funds for the affordable housing activities. As a result, at the time of underwriting, they were not able to document how the HOME funds would be spent. The development budget did not always detail how the HOME funds would be spent. The absence of a detailed budget creates a risk of the developer's requesting funds for the same expense from multiple sources.

City officials did not always document a review of cost reasonableness to ensure that construction and rehabilitation costs were reasonable in accordance with 24 CFR 92.250(b)(1). Further, City officials did not adequately review cost estimates in accordance with 24 CFR 92.251(b)(2). Although the developers submitted a budget of the total development costs for all five activities, City officials had no documented standard construction costs to compare this amount to. Further, the budgets did not always detail the line item costs and showed only a lump sum construction total. However, according to the subsidy layering¹⁰ review performed by City officials, the development budget was reasonable based on a thorough review of costs, both hard and soft.¹¹ However, City officials did not provide support for their review of the costs. For activity number 2622, City officials' underwriting cited that costs were reflective of the City's market construction costs; however, they did not support where these costs came from. City officials also did not perform a cost allocation for the multi-unit projects and detail how the funds would be used, and they did not ensure that only the actual HOME-eligible development costs of the assisted units were included in the HOME program budget in accordance with 24 CFR 92.205(d)(1).

In addition, City officials did not always perform an initial inspection of the activities to determine the condition of the property and ensure that the work planned was necessary and feasible before committing HOME funds. For example, activity number 2622 was to be selectively rehabilitated. Therefore, the City needed to perform an initial inspection to determine the existing condition of the property. City officials did not document initial inspections of the activities to determine the condition of the property and ensure that the work planned was necessary and feasible before committing HOME funds. They also did not document construction progress inspections or inspections once the units were completed, which is required by 24 CFR 92.251(a)(2)(v). For activity number 2205, the contractor and the architect had an identity-of-interest relationship, but City officials allowed the architect to certify that work was completed by the contractor. Further, the contractor used additional identity-of-interest companies to perform the work. City officials need to perform oversight of these activities to ensure that the work was completed as required and that the HOME funds were spent on necessary and reasonable expenses.

Lack of Compliance With Environmental Review Requirements

City files did not always contain a completed environmental assessment. The files generally contained a notice of intent and a request for release of funds to HUD. However, for activity number 2382, the file did not contain the required environmental review record to document the City's compliance with 24 CFR 58.5. For activity number 2622, the environmental review record was signed by the consultant and not by the certifying officer from the City as required by 24 CFR 58.10. Further, the files did not always contain the required supporting documentation, such as maps and other source documentation, for each

¹⁰ Subsidy layering is a component of project underwriting, which involves assessing whether the proposed level of HOME assistance is appropriate given the level of project investment by other financing sources.

¹¹ Hard costs are direct construction costs, and soft costs are indirect construction costs, including architectural, engineering, financing, legal fees, and other costs.

compliance factor required by 24 CFR 58.38. Therefore, since City did not comply with the requirements in 24 CFR 58.5-6, these activities were considered unsupported.¹² Also, activity number 2205 had an increase in funding and the number of HOME units. As a result, the environmental review should have been updated but was not.

HOME Funds Not Disbursed in Accordance With Requirements

City officials did not disburse HOME funds in accordance with HOME requirements. In accordance with 24 CFR 92.504(c)(3)(1), the agreement between the participating jurisdiction and a for-profit or nonprofit housing owner, sponsor, or developer must include (1) the address of the project or the legal description of the property if a street address has not been assigned to the property; (2) the use of the HOME funds and other funds for the project, including the tasks to be performed for the project; (3) a schedule for completing the tasks and the project; and (4) a complete budget. These items must be in sufficient detail to provide a sound basis for the participating jurisdiction to effectively monitor performance under the agreement to achieve project completion and compliance with HOME requirements. However, as discussed in the Underwriting Not Properly Documented and Supported section, budgets for the five activities were not sufficiently detailed to allow the City to determine whether funds were spent in compliance with HOME requirements. For activity number 2382, the development budget stated that HOME funds would be used for site and building construction hard costs. However, according to the requisitions, HOME funds were used instead to pay for developer fees, bond premiums, building permits, and builder overhead and profits. Therefore, HOME funds were not used in accordance with the approved budget. Further, the requisitions for the activities did not always include adequate documentation to support the costs paid with HOME funds.

City officials also did not always properly disburse funds for the downpayment assistance contract. They committed \$300,000 to the activity and disbursed more than \$86,056. In July 2014, they executed a contract with a subrecipient for \$300,000 to assist with the downpayment assistance activity. The contract was valid for only 1 year. City officials did not amend the contract to extend the period and continued to disburse funds after the year ended and the contract had expired. Therefore, the \$74,945 drawn down after this date was ineligible. Further, the only loan made before the contract expired was made to an applicant that did not meet income eligibility requirements. The subrecipient also received a \$1,111 fee for the ineligible \$10,000 loan. Therefore, the entire amount of \$86,056 (\$74,945 + \$10,000 + \$1,111) drawn down for this activity was ineligible. Additionally, City officials did not complete this activity within the required 4-year period according to 24 CFR 92.205(e)(2). Therefore, the additional \$213,944 committed to this activity that was not drawn down was also ineligible and needs to be deobligated from the City's HOME account.¹³

Tenant Eligibility and Compliance With HOME Rental Limits Not Supported

City officials did not support that HOME rental units were leased to income-eligible tenants and that rent amounts did not exceed HOME rental limits in accordance with 24 CFR 92.252. The files did not always contain tenant income documentation to support eligibility at initial occupancy or annually. The files also did not always contain leases to document that the rents charged complied with HOME rental limits. Further, in accordance with 24 CFR 92.252(j), in projects containing HOME-assisted units and other

¹² These funds were already counted as unsupported in the Underwriting Not Properly Documented and Supported section.

¹³ These funds were subject to the commitment deadline.

units, the participating jurisdiction may designate fixed or floating units. This designation must be made at the time of project commitment in the written agreement between the participating jurisdiction and the owner, and the HOME units must be identified not later than the time of initial unit occupancy. Fixed units remain the same throughout the period of affordability. Floating units can be changed during the period of affordability so that the numbers of eligible units are maintained. For activity number 2596, there were 10 fixed HOME units. The fixed units were identified and documented at closing; however, the tenant eligibility documentation was provided for only six units, and the unit numbers did not agree with the fixed units identified at closing. City officials were unsure why the documentation for the tenants did not match the fixed HOME units. For activity number 2382, the closing documents did not specify the fixed HOME units so City officials were unsure which units were HOME units. Since these units were fixed and not floating, they need to be documented and reviewed to ensure that the fixed units remain affordable for the entire affordability period. In addition, City officials did not have documentation to support that they reviewed the units for continued affordability as required. The affordability period varies depending on the amount of HOME funds invested in the activity. The minimum affordability period is 5 years and the maximum is 20 years for rental housing.

Unsupported Administrative Fees

City officials did not support that they earned \$130,667 in HOME administrative fees to pay for the current HOME specialist's salary for program years 2016 and 2017, based on the deficiencies identified above and the absence of any new HOME activities since program year 2015. According to regulations at 24 CFR 92.504(a), the City was responsible for managing the day-to-day operations of its HOME program and ensuring that HOME funds were used in accordance with all program requirements and written agreements. Without following requirements, City officials could not ensure program compliance and the accuracy of activity information.

Conclusion

City officials did not properly administer their HOME program. Specifically, they did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations. This deficiency occurred because City officials did not establish adequate written underwriting policies and procedures, were not aware of HUD and Federal requirements, and had poor record-keeping practices. Further, the City's HOME policies and procedures were outdated. As a result, City officials incurred \$422,768 in ineligible costs and more than \$3.2 million in unsupported costs, and \$741,698 in unspent HOME funds may need to be reallocated to eligible activities.

Recommendations

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

- 1A. Repay from non-Federal funds the \$422,768¹⁴ in ineligible funds related to the City's failure to meet HOME CHDO commitment deadlines and complete activities in accordance with the HOME agreement and HOME regulations.

¹⁴ \$122,768 (commitment deadline not met) + \$86,056 + \$213,944 (HOME funds not disbursed in accordance with requirements)

- 1B. Support that \$3,136,798 in HOME funds disbursed was reasonable and supported in accordance with Federal requirements or repay from non-Federal funds any amount that cannot be supported.
- 1C. Support that the City properly administered the HOME program and earned \$130,667 in HOME administrative fees or repay from non-Federal funds any amount that cannot be supported.
- 1D. Reallocate the \$487,483 in unspent funds to ensure that they will be put to their intended use or, if the activities remain open, maintain support to show that the HOME funds disbursed were reasonable and supported in accordance with Federal requirements.
- 1E. Identify, review, and approve a CHDO to work with the City to ensure that \$254,215 in CHDO funds will be properly committed to avoid being deobligated.
- 1F. Establish underwriting policies and procedures to ensure that HOME activities are consistent and meet Federal requirements.
- 1G. Develop and implement adequate environmental policies and procedures to ensure that environmental reviews are properly documented and supported and that HUD and Federal environmental requirements have been followed before committing HOME funds to an activity.
- 1H. Develop and implement adequate policies and procedures to ensure that fixed HOME units are identified and adequate documentation is maintained to support tenant eligibility and compliance with HOME rental limits for the entire affordability period.
- 1I. Develop and implement tools to improve record-keeping practices to support the eligibility, necessity, and reasonableness of the HOME activities.

We recommend that the Director of HUD's Hartford Office of Community Planning and Development

- 1J. Provide technical assistance to the City to ensure that responsible staff receives necessary environmental, underwriting, and overall program administration training.

Scope and Methodology

We performed our onsite audit work from August to November 2018 at the City's office located at 999 Broad Street, Bridgeport, CT. The audit covered the period July 1, 2015, through June 30, 2018, and was expanded to include activities set up during program years 2013 and 2014 due to the lack of new activities in program years 2015, 2016, and 2017.

To accomplish our objective, we

- Reviewed applicable laws, regulations, HUD handbooks, HUD notices, and City and subrecipient policies and procedures.
- Reviewed the City's grant agreements executed between HUD and the City for HOME program funds and the downpayment assistance contract.
- Reviewed the City's consolidated plan, consolidated annual performance and evaluation reports, and action plans; the City's financial data for its HOME program administrative and program accounts; and certification documentation for the City's CHDOs.
- Interviewed City officials and HUD Office of Community Planning and Development staff in Hartford, CT.
- Reviewed reports from IDIS to obtain HOME commitment and expenditure data.
- Reviewed HUD's 2016 monitoring report on the City's HOME program.
- Reviewed the City's single audit reports for years ending June 30, 2016, and June 30, 2017.
- Followed up on the status of one incomplete HOME activity set up in program year 2012.
- Reviewed five HOME activities that were set up during program years 2013, 2014, 2015, 2016, and 2017.¹⁵ The City committed more than \$2.7 million in HOME funds to these activities. Due to the small number of HOME activities started in the past few years, we reviewed all five of the activities. We also performed onsite inspections of these activities.

To achieve our audit objective, we relied in part on computer-processed data from the City's computer system and reports from IDIS.¹⁶ Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

¹⁵ The City did not set up any new activities for program years 2016 and 2017.

¹⁶ IDIS provides program information and funding data for the HOME program.

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

Internal Controls

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

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

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

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program implementation is in accordance with laws and regulations.
- Validity and reliability of information – Policies and procedures that management has implemented to reasonably ensure that valid and reliable information is obtained, maintained, and fairly disclosed in reports.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- City officials did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations (finding).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A.	\$422,768		
1B.		\$3,136,798	
1C.		130,667	
1D.			\$487,483
1E.			254,215
Totals	422,768	3,267,465	741,698


- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the City implements our recommendation to reallocate \$741,698 in unspent HOME funds, it can assure HUD that these funds will be put to better use.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

	<p><i>City of Bridgeport</i> OFFICE OF PLANNING & ECONOMIC DEVELOPMENT Margaret E. Morton Government Center 999 Broad Street, Bridgeport, Connecticut 06604</p>	
<p>JOSEPH P. GANIM Mayor</p>		<p>THOMAS F. GILL Director</p> <p>WILLIAM J. COLEMAN Deputy Director</p>
<p>April 3, 2019</p>		
<p>Mr. Tomas A. Espinosa Acting Regional Inspector General Region 1 – Boston/Hartford U.S. Department of Housing and Urban Development Office of Inspector General 10 Causeway Street Room 370 Boston, MA 02222-1092</p>		
<p>RE: The City of Bridgeport, CT HOME Investment Partnerships Program Draft Audit Report.</p>		
<p>Dear Mr. Espinosa:</p>		
<p>The City of Bridgeport is thankful for the opportunity to review and comment on the Office of the Inspector General's Draft Audit report of our HOME Investment Partnerships Program. We are always seeking ways to improve our partnership with HUD; and we appreciate the work of the OIG in evaluating our HOME program. Since the HOME program's inception, the City of Bridgeport Housing Office has administered \$32 million in federal HOME program funding to produce more than 751 affordable homes for low-and very-low income individuals and families.</p>		

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

While the City has administered the HOME program close to full compliance within HUD regulations, there have been shortfalls that occurred from the period prior to 2017 as the City was not fully staffed at that time. Since then, as the OIG is aware, the City has fully staffed the HOME program, and has been working diligently with the HUD field office to address some internal issues and enhance our staff knowledge through training and technical assistance. We look forward to continuing to work with the HUD field office and OIG staff to resolve the issues mentioned in the Audit Report and utilize your feedback and recommendations.

Response to Audit Report Number: 2019-BO-XXXX

Finding 1: The City Did Not Properly Administer its HOME Program. Commitment Deadline Not Met:

Comment 2

The Audit Report notes that the CHDO funds commitment deadline for program year 2015 was not met. Also, the CHDO organization was not properly certified. **1E.**

The City Housing and Community Development Office concurs that the commitment deadline was missed before the November 30, 2017 deadline affecting the \$122,768 as ineligible funds. Since the Audit, the City has reviewed and approved a CHOO organization to work with the City to ensure that \$254,215 in CHOO funds will be properly committed and put to better use. We, therefore, ask that this finding be closed.

Comment 3

Additionally, OIG cited one of the HOME activities (IDIS #2205) as not properly committed in accordance with HOME regulations under 24 CFR 92.2. Under the remote monitoring conducted by HUD Field Office on this activity #2205; HUD de-obligated a total of \$934,354 from the City's HOME Treasury account and we repaid \$88,218.50. The City has completed the de-obligation and met its repayment obligation. The initial funding date was changed by HUD in IDIS to the valid commitment date of December 11, 2014. The required 4-years completion date ended December 11, 2018. We requested a 1-year extension of this deadline according to

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

24 CFR 92.205(e)(2). While we wait for the approval of our request, we have been working with the HUD field office. We have addressed this matter. Including this activity in the draft report only inflates the findings and is redundant.

The Audit Report concludes that the City did not properly document and support its commitment of all five of its HOME affordable housing activities. While we were unable to provide all of the supporting documents during the Audit; the City will work with the HUD field office to provide any further documentation.

Underwriting Note Properly Documented and Supported.

1B - Support that \$3,136,798 in HOME funds disbursed were reasonable and supported in accordance with federal requirements or repay from non-federal funds any amount that cannot be supported.

Comment 5

The City contends that as a -requirement for all HOME applications; supporting documents such as a description of all project funding sources and uses, proformas, an operating budget, construction schedules, and development budget were customary. However, due to changes in administration and personnel, the record keeping of the supporting documents was a challenge that we are working to address.

Unsupported Administrative Fees

1C - Support that the City properly administered the HOME program and earned \$130,667 in HOME administrative fees or repay from non-Federal funds.

Comment 6

The HOME Specialist's work and the salary supporting that work have been devoted exclusively to the HOME program. While the City provided documentation that the HOME Specialist was indeed performing this work, the City recognizes that it needed to adjust its time-sheet documentation and format to meet HUD's requirements. Working in concert with the HUD field office, the City subsequently updated and reformatted its time-sheets

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Comment 7

to reflect adherence to HUD guidelines. Any time sheets relative to the time period in 2016 and 2017, during which there were deficiencies, will be revised to reflect HUD requirements and will be submitted to the HUD field office.

1D – Reallocate the \$487,483 in unspent funds to ensure that they will be put to their intended use or, if activities remain open, maintain support to show that the HOME funds disbursed were reasonable and supported in accordance with Federal requirements.

The City will either reallocate or support the \$487,483 in unspent funds in accordance with 24 CFR 92.2(2).

Lack of Compliance with Environmental Review Requirements.

1G – Develop and implement adequate environmental policies and procedures to ensure that environmental reviews are properly documented and supported, and that HUD and federal environmental requirements have been followed before committing HOME funds to an activity.

Comment 8

The City has put into place policies and procedures to ensure that environmental reviews are properly documented and supported in compliance with 24 CFR 58.5 and 58.6. These procedures include direct HUD training and assistance, as well as the retention and use of a HUD-authorized consulting firm to work on a regular basis with the City to ensure environmental review compliance.

We will research and find the environmental review record that was not signed by the certifying officer but signed by the consultant. In addition; for complicated cases, the HOME Program will also make use of its licensed environmental professionals (LEPs) to produce appropriate review and documentation.

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Comment 9

HOME Funds Not Disbursed in Accordance with Requirements.

As the City stated in the section entitled, "**Underwriting Not Properly Documented and Supported,**" we provided what we had immediately available at the time. We will accept OIG's recommendation to establish underwriting policies and procedures to ensure that HOME activities are consistent and meet federal regulations 24 CFR 92.504 (c)(3)(1).

The Audit Report stated that City officials did not always properly disburse funds for Down Payment Assistance Contract.

Comment 10

Since the Audit process; the subrecipient's expired contract with the City to administer the Down Payment Assistance program has been amended and extended. We intend to further research the \$10,000 loan and the \$1,111.11 administrative fee that OIG deemed ineligible for not meeting income eligibility requirements, and we will provide a further response.

1H – Tenant Eligibility and Compliance with HOME Rental Limits Not Supported.

Comment 11

The City is addressing the issue relevant to the assignment of HOME assisted units (IDIS #2596) identified in the closing documents as compared with the beneficiary data provided to the City by the developer. The City is in communication with the developer and with the developer's attorney to address this compliance issue.

In summary, while the City acknowledges that the majority of the HOME Program findings emanated from activities prior to 2017, the City is committed to taking the following steps to address the issues raised in the Audit Report:

1. The City shall hire a consultant to update the HOME Program Policy and Procedures Manual (reference 1F).
2. The City will continue to take full advantage of training and technical assistance provided by HUD relative to the underwriting and overall administration of HUD programs.

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3. The City shall maintain its Housing and Community Development Department at its now fully staffed level and shall make use of additional construction management consultant capacity to perform inspections of the activities, document progress, ensure that work is completed as required and that HOME funds are spent on necessary and reasonable expenses.

The City acknowledges the OIG's recommendations in its Audit Report to improve the City of Bridgeport HOME Investment Partnerships Program. We will give serious consideration to the findings listed and work to make the HOME Program not only compliant but increasingly effective in serving the needs of low-and-very-low income Bridgeport residents by providing safe and decent housing opportunities.

Best regards,



Thomas Gill
Director

OIG Evaluation of Auditee Comments

- Comment 1 The City recognized its shortfalls in managing the HOME program. Our audit focused on the City's program years 2013 through 2017, covering the period July 1, 2013, through June 30, 2018. City officials should continue working with the HUD field office to ensure that the HOME program is administered in compliance with HUD regulations.
- Comment 2 According to recommendation 1A, City officials will need to repay from non-Federal funds \$122,768 in ineligible funds related to the missed commitment deadline. They should also provide to the HUD field office documentation to support that they reviewed a CHDO and approved it to work with the City to show that \$254,215 will be properly committed or deobligate these funds, as cited in recommendation 1E. Therefore, this recommendation will remain open.
- Comment 3 After considering the concerns raised by City officials regarding whether including this activity in the report inflates the finding or is redundant, we determined that including the activity in the report was appropriate. Although the completion deadline was December 11, 2018, City officials did not request a 1-year extension until February 2019. HUD has not yet approved the extension request, and if the extension request is not granted or if the extension is granted and the activity is not completed by December 11, 2019, the City will need to repay HUD \$974,298 from non-Federal funds. Therefore, we remain concerned about the City's ability to successfully complete this activity and believe including it in this report is relevant.
- Comment 4 City officials stated that they were unable to provide all of the supporting documents during the audit but would work with the HUD field office to provide any further documentation. We look forward to reviewing any supporting documentation and working with the HUD field office on this recommendation's closure.
- Comment 5 City officials stated that although they knew that supporting documents were required for all HOME applications, due to changes in administration and personnel, keeping records on these documents was a challenge they were working to address. City officials should continue working with the HUD field office during the audit resolution process.
- Comment 6 As stated in this report, we contend that City officials did not support that they earned \$130,667 in HOME administration fees to pay for the current HOME specialist's salary for program years 2016 and 2017. This determination was based on the many deficiencies identified in this report and the absence of new HOME activities since program year 2015. City officials should continue working with the HUD field office during the audit resolution process.
- Comment 7 City officials agreed to either reallocate or support the \$487,483 in unspent funds. We look forward to reviewing any supporting documentation and working with the HUD field office on this recommendation's closure.

- Comment 8 City officials stated that they had put into place policies and procedures to ensure that environmental reviews would be properly documented and supported. Additionally, they stated that they would find the environmental review record that was not signed by the certifying officer. City officials should continue working with the HUD field office during the audit resolution process. We look forward to reviewing any supporting documentation and working with the HUD field office on this recommendation's closure.
- Comment 9 City officials accepted our recommendation to establish underwriting policies and procedures to ensure that HOME activities are consistent and comply with Federal regulations.
- Comment 10 As cited in this report, a total of \$86,056 (\$74,945 + \$10,000 + \$1,111) was drawn down for this activity after the existing contract had expired and was not renewed or amended. Since City officials did not complete this activity within the required 4-year period, the remaining \$213,944 committed to this activity that was not drawn down was also ineligible and needs to be deobligated from the City's HOME account. This condition has not changed. City officials should continue working with the HUD field office during the audit resolution process.
- Comment 11 As recommended in this report, City officials should develop and implement adequate policies and procedures to ensure that fixed HOME units are identified and adequate documentation is maintained to support tenant eligibility and compliance with HOME rental limits for the entire affordability period. City officials should continue working with the HUD field office during the audit resolution process. We look forward to reviewing any supporting documentation and working with the HUD field office on this recommendation's closure.

We look forward to reviewing any supporting documentation and working with the HUD field office to successfully resolve the findings and recommendations of this report.