

Audit Response:

Misty, I want to thank you for stating that your findings showed no financial, operational, or management problems other than the creation of procedure which I shared with you,

While this department was a full year plus behind in the CDBG program with open projects dating back to 2003, its potential was, and is, stupendous. We were left with critical federal deadlines, reporting issues, and the development of new programs – all equally imperative. The Actual spending versus the Expected for 2006 appears divergent – however it is due to addressing these backlog issues.

Continuum of Care Funding: While most projects are single source/vendor situations where a single entity is involved - this project was new to the department and had to be developed from scratch. In this instance we were facing the critical need to meet expenditure deadlines or reallocate the funding. A unique sequence of events occurred that this department had not anticipated. The time required to obtain contract approval, approval by the individual subrecipient Boards, and the wait to meet with the Finance Committee (once/month), prior to City Council approval were among them. The second round of Continuum funding had been agreed upon prior to our department ceasing the administration of the Continuum. Due to this change, the process was again prolonged after meeting expenditure deadlines in order to afford these agencies the opportunity to participate. The Finance Committee now allows us to take our contracts directly to the City Council, and we have established project timelines and procedures that eliminate future occurrences.

Contracts are currently the responsibility of the individual Department Head (with assistance from Philip Crego) which require legal knowledge, knowledge of state and federal regulations, and HUD specific requirements - a tremendous amount of research is required. Rather than put the City at risk, we created one general contract that included every contingency. We have since discovered that some of those specifics, as those mentioned in this report, can be covered in a general statement requesting the documentation be on file. Our contracts will be revised accordingly to reduce such time intensive monitoring.

We now have project specific contracts for individual CDBG projects, a full line of homeowner applications, a complete Request for Proposal procedure including application with performance measures, complete instructional guidelines and scoring criteria. We also have subrecipient quarterly monitoring reports, demolition procedures, application, timelines, checklists, and housing rehabilitation procedures, application and checklists. We are currently working on our new homeownership procedures and checklists, and the remaining project timelines which include monitoring specifics.

Although we are still faced with a project backlog, reporting backlog, and further expenditure deadlines, every project is either complete or in process. We are working closely with HUD, they, above all, understand the time required to execute these projects, stay in compliance, and develop new programs and procedures inclusive of monitoring. It is true, our department is understaffed, however, given the deadlines, there is no time for training. HUD is assisting us, it is their opinion, based on decades of experience, that it takes three years to recover ... of course ... our goal is much less.