

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 13, 2023

TO: JAMES PARAION, CITY MANAGER

FROM: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

SUBJECT: OFFICE OF HOUSING HUD REMOTE MONITORING REVIEW (FS23-08)

Background

From May 31, 2022, to June 29, 2022, the U.S. Department of Housing and Urban Development (HUD) conducted a remote monitoring visit of the City of Alexandria's Community Development Block Grant (CDBG) and CDBG Coronavirus Aid, Relief, and Economic Security (CARES) Act (CDBG-CV) Grant Program to assess the City's organization performance and compliance with applicable Federal program requirements. Program performance was assessed through a review of operations, file documentation, and interviews.

The review conducted by HUD resulted in two (2) findings and three (3) concerns. It is important to categorize the difference between findings and concerns. A finding is a deficiency in program performance based on a violation of a regulatory or statutory requirement and requires a mandatory corrective action plan. A concern is a deficiency in program performance, that if continued, could possibly lead to a potential violation of a regulatory or statutory requirement. The HUD gave the City 45 days from receipt of the letter dated September 23, 2022 (Exhibit 1 Page 5), to respond to the two findings. Technically there is no requirement to respond to the concerns, but the City addressed these in their response. (Exhibit 2 Page 18),

Finding #1

The City of Alexandria temporarily relocates families who participate in the housing rehabilitation program depending on the scope of the rehab. The cost of the rehab is included in the loan. The rehab is not tracked as a separate activity in the Integrated Disbursement and Information System (IDIS).

Corrective Action

HUD requested the City take the following actions 1) update the policy regarding the relocation payments, 2) include the requirement to provide equal payments for all displaced persons in similar circumstances, 3) prepare an implementation plan to maintain separate activity codes for rehab and relocation.

The City responded to this finding in the following manner

In response to Finding 1 the Office of Housing amended its Home Rehabilitation Loan Program (HRLP) Guidelines to clarify that reasonable relocation costs that are paid with CDBG funds

will not be included in the rehabilitation costs IDIS activity and will be tracked as a separate activity in IDIS as relocation costs.

Finding #2

The City of Alexandria did not obtain a clearance report showing that the property was contained and passed clearance as lead-based paint was known and the amount of material to be disturbed was above the de minimis threshold as required at 24 CFR 35.1340(c). The homeowner had the lead-based paint remediated privately due to cost the City shared. There is no documentation in participant/program files documenting compliance with program requirements.

Corrective Action

To ensure compliance with applicable lead-based paint requirements, HUD is requesting that the City of Alexandria take the following actions: 1. Implement and document interim controls, remediation, and clearance requirements for CDBG-funded housing activities; and 2. Update program policies and procedures indicating the precise process that will be followed for interim controls, remediation, and clearance, to include when participants have multi-stage rehab activities. HUD is requesting a response from the city within 45 days from the receipt of the report.

The City responded to this finding in the following manner

In response to Finding 2 the Office of Housing amended the Home Rehabilitation Loan Program (HRLP) Guidelines to address the issue: “The Federally approved pamphlet on lead poisoning prevention will be provided to homeowner. The homeowner will sign an acknowledgment they received the pamphlet, and the acknowledgment will be added to the case file by the Housing Program Specialist” See full section below:

“Lead-Based Paint Procedures

Process for Homeowners Notification

The Federally approved pamphlet on lead poisoning prevention will be provided to homeowner. The homeowner will sign an acknowledgment they received the pamphlet, and the acknowledgment will be added to the case file by the Housing Program Specialist (HPS).

Process for projects: (to be document in the case file)

As part of the initial property inspection, properties constructed before 1978 will be tested for the presence of lead by a licensed lead-based paint inspector. The HPS and the homeowner will each receive a copy of the inspector’s report and a copy will be placed in the case file.

Based on the inspector’s report, the scope of work to address lead-based paint items as defined under the HUD regulations is established by the architect/project manager if lead is present and at a level that needs to be addressed. The scope of work will include abatement or encapsulation of lead issues that need to be addressed. The Contractor’s Bid Package developed by the HPS will specify that a certified, licensed Virginia Lead Abatement Contractor will be used by the general contractor to address lead-based paint issues. During construction, the project will be monitored for general construction compliance and lead-based paint related issues.

Upon project completion, the property will be retested by the same firm which conducted the original testing to clear property of lead-based paint concerns. A clearance certificate will be required prior to final release of funds. This clearance certificate will be placed in the case file.

Notes:

All projects that use Federal Funds will follow federal guidelines as outline in Federal Regulations Projects with limited work scope are exempt where no lead-based paints containing materials will be disturbed or present during the replacement of these items such as a direct replacement of the Heating and Air Conditioning System.”

Concern #1

As stated earlier, a concern can progress to a finding if the grantee does not address the deficiency in program performance before HUD’s next monitoring review. HUD’s grant contracts require grantees to provide adequate oversight regarding the utilization of Federal program resources. This includes ensuring that all costs are allowable, reasonable, and necessary as set forth in 2 CFR 200. HUD recommends that the Office of Housing develop and/or enforce policies and procedures which ensure a systematic and consistent method to improving program oversight regarding the expenditure of grant proceeds.

The City responded to this concern in the following manner

The City noted that additional administrative oversight and training will be added with case files to be reviewed internally to verify all inspection reports are signed and dated by appropriate program staff. Regarding the reasonableness of expenses reimbursed to homeowners who incur a hard cost in self-performing some aspect of their rehabilitation the reimbursement cost is incorporated into the loan amount and repaid in the future to replenish program funding for future projects. However, the Office of Housing stated that HUD’s concerns are noted, and that they will continue to review program funds use and guidance across all federally funded City programs.

Concern #2

HUD recommends that the City implement tighter controls to ensure that all environmental review requirements are being met. Grantees cannot expend CDBG grant funds until the appropriate environmental review has been completed. To improve the efficiency of the review and approval for Request for Release of Funds (RROF), HUD strongly recommends that CDBG grantees utilize the HUD Environmental Review Online System (HEROS) system for environmental reviews. Both the 7015.15 and 7015.16 forms are uploaded into the system electronically, including the option to provide attachments as well as the ability to submit the request to the HUD field office as well as back to the grantee in a more efficient and convenient manner.

As stated earlier, it is important to note that when environmental review requirements are not met, it is possible activities will no longer be eligible for any HUD assistance under 24 CFR Part 58 or may need to be repaid (58.22 Limitations on activities pending clearance) exceptions are planning, site testing, and administrative cost. HUD recommends that the City update their policies and procedures to reflect programmatic environmental review requirements consistent with the program regulations set forth at 24 CFR 570.604.

