

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.

The City responded to this concern in the following manner

“Administrative delays from system failures in HEROES and HUD staff transitions resulted in the City not receiving the 7015.16 form until a year after the City’s submittal of Form HUD 7015.15. However, as of the time of the Draft Corrective Report, HUD has provided the City with 7015.16, so all Tier 2 reviews completed after July 1, 2022 have been entered into HEROES and the issue is not anticipated to occur again.

Concern #3

There is no documentation of the receipt by homeowners of the Renovation, Repair, and Painting (RRP) Pamphlets in the participant files as required by HUD program record-keeping requirements at 24 CFR 570.506 (j) and 24 CFR 35.9 10(b), to be kept for at least three years to demonstrate compliance with the requirements of the Lead Safe Housing Rule. Although interviews with program staff indicated that lead disclosure information was provided to those participating in the Home Rehab Loan Program (HRLP) and a pamphlet was uploaded, no pamphlet was located in participant files which demonstrates acknowledgement of the receipt of the information by program participants.

The City responded to this concern in the following manner

In response to Concern 3 the Office of Housing has amended the Home Rehabilitation Loan Program (HRLP) documents to include a form to be signed by the homeowner acknowledging receipt of the RRP Pamphlet. The revised section of the HRLP Guidelines and new form are attached.

Conclusion

HUD provided a memorandum on December 1, 2022 stating that findings identified had been officially closed (Exhibit 3 Page 22), Based on the departments completion of the measures specified by HUD we consider this engagement closed. Should you have any questions, please contact our office at internalaudit@alexandriava.gov or via phone at 703.746.4742.



U.S. Department of Housing and Urban Development
 Office of Community Planning and Development
 Washington, DC Field Office
 820 First Street N.E., Suite 300
 Washington, DC 20002-4255

September 23, 2022

Ms. Helen McIlvaine
 Director
 Office of Housing
 421 King St, Suite 215
 Alexandria, VA 22314

SUBJECT: Fiscal Year 2022 Remote Monitoring Review
 Community Development Block Grant (CDBG) Programs
 Grant No. B-20-MW-51-0001 and B-20-MC-51-0001

Dear Ms. McIlvaine:

From May 31st, 2022 – June 29th, 2022, HUD conducted a remote monitoring of the City of Alexandria's Community Development Block Grant (CDBG) and CDBG CARES Act (CDBG-CV) Grant Program to assess your organization's performance and compliance with applicable Federal program requirements. Program performance was assessed through a review of operations, file documentation and interviews.

This letter transmits the results of HUD's monitoring review. The review did result in two (2) Findings and three (3) Concerns which will be discussed below per applicable section. A Finding is a deficiency in program performance based on a violation of a regulatory or statutory requirement and requires a mandatory corrective action. A Concern is a deficiency in program performance, if continued, will lead to a potential violation of a regulatory or statutory requirement. Although no response is required for Concerns, HUD is requesting that the City of Alexandria to respond to the 2 findings within 45 days of receipt of this letter.

We would like to thank you as well as your staff for their assistance and cooperation during our review. If there are any questions relating to the monitoring report, you may contact Ms. Shaina Gaines, Community Planning and Development Representative at shaina.gaines@hud.gov or at (202) 275-6269.

Sincerely,

A handwritten signature in black ink that reads "Michael D. Rose".

Michael D. Rose
 Director
 Office of Community Planning and Development
 HUD Washington, DC Field Office

Enclosure

cc: City Manager, James Parajon

U.S. Department of Housing and Urban Development

**Office of Community Planning and Development
Washington, DC Field Office**



Monitoring Report

**Community Development Block Grant
(CDBG) and CDBG-CV Grant
Programs**

**City of Alexandria, VA
Grant # B-20-MW-51-0001
B-20-MC-51-0001**

Monitoring Dates: May 31, 2022 – June 29, 2022

OVERVIEW

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency, and that programs are carried out in compliance with applicable laws and regulations. It provides a method for staying abreast of CPD-administered programs and technical areas within the communities that HUD programs serve. Monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews.

Specifics relating to this review are as follows:

Date(s) Monitoring Conducted: May 31st, 2022 – June 29th, 2022

Type of Monitoring: Remote

Grantee Staff in Attendance: Eric Keeler, Deputy Director
Kimberly Cadena, Housing Analyst
Gypsy Roberts, Division Chief

HUD Reviewers: Shaina Gaines, CPD Representative

Areas Reviewed:

- I. CDBG-Funded Rehabilitation Activities
- II. Rehabilitation Program Management
- III. National Objective
- IV. Overall Management Systems
- V. Financial Management Requirements
- VI. Lead-Based Paint Requirements

Program Summary:

Under CDBG, Alexandria, Virginia's Department of Housing used \$200,068.47 of its FY 2020 CDBG funds and \$253,319.50 in Program Income for its Home Rehabilitation Loan Program (HRLP) which rehabilitates condominiums, row houses, townhouses, and single-family homes occupied by low- and moderate-income homeowners. The goal of the HLRP is to bring properties up to code, increase accessibility, increase livability, and extend the life of the property.

Under CDBG-CV, Alexandria's COVID-19 Rental Assistance Program provides up to \$1500 in rental assistance to 664 tenants in City-supported properties who have incomes under 60% AMI. The City identified these properties as some of the most vulnerable populations resided in them based on employment and income qualifications. While the properties did not have CDBG funds prior to receiving CDBG-CV funds on behalf of tenants, the City had loans on most properties receiving CDBG-CV funds.

I. CDBG-Funded Rehabilitation Activities

The scope of this review was to monitor the City's individual CDBG Rehabilitation Activity.

Conclusions:

The City of Alexandria's Home Rehab Loan Program (HRLP) activity addresses the needs of existing homeowners with incomes at or below 80% AMI by providing no-interest deferred loans and technical assistance to repair code violations, extend the useful life of the property, and make necessary accessibility modifications to allow the owners to age in place. Participant loans become immediately due and payable if the property is sold or transferred during the term of the loan. The activity is classified under matrix code 14A - Rehab; Single-Unit Residential. Single, owner-occupied units were rehabbed only within this activity.

Concern #1

Condition:

HUD conducted a sample review of four (4) applicants files who participated in the City's CDBG-funded rehabilitation loan program. The review revealed that the participants who were provided loans met HUD's program income requirements. A review of files indicated that while each participant file contained initial and final inspection reports, however, they were not signed nor dated by grantee staff. Also, in the review of file 5070 funds were reimbursed to the program participant for questionable purchases which may not be consistent with CDBG program objectives. In addition, the standards used to determine the rehab necessary were not being followed consistently amongst participants. Costs must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity (grantee) as set for at 2 CFR 200.403 (c). HUD encourages grantees to implement procedures to ensure cost are reasonable as well as necessary in utilizing scarce Federal resources.

Recommendation:

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.

Concern #2*Condition:*

HUD's review revealed that although an Environmental Review was completed, there is evidence which suggest that the RE has expended or obligated grant funds prior to receipt of the Form HUD-7015.16, "Authority to Use Funds" a requirement of 24 CFR Part 58 and 24 CFR 570.604.

Recommendation:

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 HUD's 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.

II. Rehabilitation Program Management

The scope of this section of the remote monitoring review evaluated the City of Alexandria's rehabilitation program from a overall management perspective, reviewing both rehabilitation productivity and the cost effectiveness of program operations.

More specifically, the focus of the review was the management of the Home Rehabilitation Loan Program. The Program is carried out by the City's Office of Housing and provides for loans with a term of 99 years bearing no finance charge.

Based upon the program policies and procedures "all homes rehabilitated under the program must, when completed, meet the minimum standards for rehabilitation under the Section 8 Substantial Rehabilitation Program and be in conformance with all state and local health, housing, building, mechanical, electrical, plumbing and fire prevention codes, ordinances and/or standards. In addition, lead-based paint Hazards

must be addressed; cost effective weatherization and exterior improvements must also be included in the rehabilitation work if there are sufficient funds after the code requirements are met.”

The maximum construction loan limit for a Home Rehabilitation Loan Program loan for an owner-occupied single-family home, duplex, row house or townhouse residence is \$135,000 and the maximum construction loan limit for an owner-occupied residential condominium unit is \$75,000 OR the available equity (whichever is less). The loan limits may be exceeded in cases which address lead-based paint hazard abatement.

Each prospective applicant submits an application and documentation which is reviewed by the City to verify applicant qualifications for the program. The City uses the Annual income definition under Section 8 at 24 CFR 570.3, with the value of the primary residence excluded. Eight units are proposed for rehabilitation this program year, with the City budgeting \$2,375,694 in CDBG for rehabilitation this program year.

The City of Alexandria has established operating policies and procedures for the rehab program. However, the City noted that they deviated from them during the COVID-19 pandemic to continue to help those in need.

However, policies and procedures were not comprehensive in areas such as grant administration. HUD provided on-site technical assistance regarding program policies and procedures and recommends that the City update their policies and procedures to correct deficiencies noted during the review. In addition, HUD review revealed that, in some instances, relocation benefits were provided to program applicants as part of the program.

Finding #1:

Condition:

The City of Alexandria temporarily relocates families who participate in the rehab 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 IDIS.

Criteria:

The funds for relocation should not be included in the cost of the rehab loan. Relocation costs under 570.201(i) are required to be paid when an individual or household must temporarily relocate because of CDBG-assisted rehabilitation work performed on the housing unit. Relocation costs must be tracked as a separate activity in IDIS.

Although relocation costs are not specified as eligible rehabilitation costs in the CDBG regulations at 570.202(b), such costs may be eligible pursuant to 24 CFR 570.606 using IDIS HUD Matrix Code 08. According to program regulations, CDBG funds may be used for relocation payments and other assistance to individuals and families requiring permanent or temporary relocation under the following circumstances:

1) Relocation is required under the provisions of 24 CFR 570.606 of the regulations (i.e. the individual or family meets the definition of a "displaced person" at 24 CFR 570.606(b)(2);

2) State or local law requires the provision of relocation payments and assistance; or

3) The grantee elects to provide optional relocation payments and assistance because permanent or temporary relocation is appropriate under the provisions of 24 CFR 570.606(d), which require the grantee to make a written determination documenting that the contemplated relocation payments and assistance are appropriate and require the grantee to adopt a written policy, available to the public, stating the relocation payments and assistance it elects to provide. The written policy must stipulate for equal payments for all displaced persons in similar circumstances.

Cause:

The City of Alexandria did not separate the costs of rehabilitation and relocation into separate activities. The City of Alexandria included the costs of relocation in rehabilitation loans under CDBG. Relocation costs are not specified as eligible rehabilitation costs in the CDBG regulations at 570.202(b).

Corrective Action:

To ensure that the city is in compliance with applicable relocation requirements, HUD is requesting that the City of Alexandria establish and submit to HUD written procedures outlining the following:

1. An updated written policy, available to the public, stating the relocation payments and assistance the grantee elects to provide, which cannot be included in the rehabilitation loan.
2. The written policy must stipulate equal payments for all displaced persons in similar circumstances. Grantees should have an optional relocation plan to ensure that any assistance beyond that required by the URA is provided equitably and consistently to like recipients (e.g., homeowners that need to be temporarily relocated due to rehab activities).
3. An implementation plan to maintain separate activities for rehabilitation and relocation. Relocation costs can be tied back to the housing rehabilitation by putting the IDIS Activity Number(s) for the rehabilitation in the narrative section of the relocation activity.

III. National Objective

The scope of this section of the monitoring review is to assess the City of Alexandria's compliance with National Objective requirements set forth at 24 CFR 570.208.

Conclusions:

The City of Alexandria classified the activity 780 as low- and moderate-income housing. The project is properly classified by the City in HUD's Integrated Disbursement and Information System (IDIS) to provide housing for low- and moderate-income persons.

The program finances the rehabilitation of privately-owned properties for residential purposes (570.202(a)(1)). All work is performed on existing structures. Based on the policy and procedure manual, properties must be an owner-occupied single family, duplex, row house, townhouse or condominium located within the Corporate Limits of the City of Alexandria. HUD reviewed four randomly sampled files to determine compliance with national objective requirements set forth at 24 CFR 570.208. The review revealed that the participants who were provided loans met HUD's program income requirements. The sampled files contained pertinent income verification documentation to obtain the financing. The files also contained assurance that the rehabilitation documentation provided a full description of each participant's rehabilitation CDBG assistance.

IV. Overall Management Systems

The scope of this review was to evaluate the City's overall management of CDBG-funded program to include: grantee's systems/procedures for ensuring program compliance; written procedures; authority/responsibilities for program management and system for tracking progress.

Conclusions:

The City of Alexandria has financial policies and procedures and program specific guidelines in accordance with 24 CFR 570.501(b), however they are outdated. The City of Alexandria's in house documentation is consistent with that reported in the CAPER regarding the number of persons served with a system to collect data on the use and investment of CDBG resources. The program participant submits its CAPER timely.

The City of Alexandria provided records which included a full description of the activity assisted, including location and the amount of CDBG funds budgeted and expended, the total cost of the activity, the size, and the income of each household per 24 CFR 570.506. A tracking system is maintained, and data collected is entered into IDIS.

V. Lead-Based Paint Requirements

The purpose of this review was to determine if the City was in compliance with applicable lead-based paint requirements set forth at 24 CFR 570.608 and 24 CFR 35.

HUD's review revealed that the City of Alexandria's rehabilitation program is not in compliance with all applicable lead-based paint requirements at 24 CFR 35. The Program staff utilizes contracted Virginia licensed Lead and Asbestos Risk Assessors to conduct Site-Specific Risk Assessments at properties constructed prior to 1978 and meeting the rehabilitation funding thresholds to determine the existence and locations of lead-based paints or asbestos containing materials present at a project residence. A copy of the Risk Assessment Report(s) and Test Data is incorporated into the Environmental Review and a copy is provided to the residents/owner with a HUD Lead-based Paint pamphlet, however a copy of the pamphlet is not documented in the file. All CDBG funded properties must meet certain property standards upon project completion.

Concern #3

Condition:

There is no documentation of the receipt by homeowners of the RRP Pamphlets in the participant files as required by HUD program record-keeping requirements at 24 CFR 570.506 (j) and 24 CFR 35.910(b), to be kept for at least three years to demonstrate compliance with the requirements of the Lead Safe Housing Rule. Although interviews with program staff indicated that lead disclosure information was provided to those participating in the Home Rehab Loan Program (HRLP) and a pamphlet was uploaded, no pamphlet was located in participant files which demonstrates acknowledgement of the receipt of the information by program participants. Staff confirmed that the pamphlet is not presently kept in the files.

Recommendation:

To prevent the issuance of a Finding with a mandatory corrective action, HUD recommends that the City enforce or implement policies and procedures to verify compliance with program regulations set forth at 24 CFR 570.506 (j) and 570.608.

Finding #2:

Condition:

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.

Criteria:

Abatement conducted of all lead-based paint hazards identified by the risk assessment or presumed to be present, and for paint disturbed by the rehabilitation for rehab assistance with hard costs over \$25,000 per unit must be conducted as required at 24 CFR 35.980(d)(3). The City must 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 at 24 CFR 35.1340(c). In addition, the city did not meet the CDBG program's lead-based paint record-keeping requirements set forth at 24 CFR 570.506 (j).

Cause:

The City of Alexandria failed to document the remediation of lead-based paint identified by the risk assessment. The City of Alexandria also failed to obtain a clearance report indicating lead was contained and a property passed clearance.

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.

VI. Financial Management Requirements

Financial Management System:

The financial management review is designed to assess the City of Alexandria's Financial Management system and the eligibility of CDBG Rehabilitation and CDBG-CV Rapid Rehousing expenditures in accordance with 2 CFR 200.302(b)(1)(2)(3)(4)(5), 2 CFR 502(a), 2 CFR 200.507(c)(3).

Conclusion:

The City of Alexandria utilizes MUNIS as their Financial Management System. The MUNIS system provides sufficient records to demonstrate that CDBG Rehabilitation and CDBG- CV Rapid Rehousing Financial Management requirements are being met. The City has outdated CDBG written financial management policies and procedures, however, maintains financial records that meet CDBG program requirements. The City is formalizing a CDBG-CV addendum to meet financial management requirements. The City's Financial Management procedures, while outdated, do include internal expenditure controls that describes financial management responsibilities and segregation of duties. The City's internal control procedures support its ability to prepare financial statements that are fairly presented in conformity with generally accepted or other relevant and appropriate accounting principles and regulatory requirements. HUD recommends the City of Alexandria update their written policies and procedures.

Lastly, while the city has PII guidelines, during this monitoring all information was requested to be without PII and the information had to be resubmitted several times to before it was fully redacted. During the monitoring, it did not appear that the City of Alexandria staff ensured that reasonable measures have been taken to safeguard personally identifiable information (PII), that HUD deems as sensitive in compliance with 2 CFR 200.303(e); and 24 CFR 570.502(a).

While HUD understands the City of Alexandria maintains a secure IT system to protect against hacking the City's current PII procedures are not updated and do not address what processes occur to ensure that reasonable measures have been taken to safeguard personally identifiable information (PII), to include when documents are shared such as in the case of monitoring or an outside audit. The recipient must comply with 2 CFR 200.303(e) and 24 CFR 570.502(a). HUD provided on site TA and recommends that the City of Alexandria implement tighter internal controls.

Cost Eligibility CDBG/CDBG-CV:

The purpose of this section of the review is to ascertain whether the City is in compliance with Cost Eligibility at 2 CFR 200.302 (b)(1)(2)(3)(4)(5), and 2 CFR 502(a) when supporting a voucher for eligible program costs.

A randomly sampled review of CDBG draws was performed to determine whether the funds drawn for the City's CDBG program expenditures could be supported adequately. Due to time and resources two draws were randomly selected.

Voucher 6465601: \$122,728.70

This draw was recorded on March 1, 2021. The rehabilitation voucher support included in the draw contained all pertinent data for the loan processing to include income verification, income calculation, as well as all other pertinent documents.

Voucher #6528868: \$130,590.80

This draw was recorded on August 12, 2021. The rehabilitation voucher support included in the draw contained all pertinent data for the loan processing to include income verification, income calculation, as well as other pertinent documents.

CDBG-CV Vouchers 6390364: \$144,631 and 6532585: \$83,938.14

A random sampled review of two draws was performed to determine whether the funds drawn for the CDBG-CV rapid rehousing program used for COVID purposes to prepare, prevent, and respond to COVID, could be adequately supported. Funds are advanced from the City's local sources and then reclassified to CDBG funds once verified and the uploaded into the MUNIS system. Payments are made to City supported landlords, non-profit organizations, and the public housing agency, which the City identified as housing vulnerable tenants due to income or rent restrictions. The City had loans on sixteen of the properties per city staff and documents provided. The remaining properties were public housing replacement properties or received LIHTC. Properties did not receive CDBG prior to receiving CDBG-CV on behalf of tenants per the City.

Voucher #6390364: \$144,631

This draw, recorded June 29th, 2020, included rapid rehousing expenditures identified as eligible for CDBG-CV participants within the City's Rapid Rehousing Program.

Voucher #6532585: \$83,938.14

This draw included rapid rehousing expenditures for households identified as eligible for CDBG-CV participants within the City's Rapid Rehousing Program recorded August 23, 2021.

Conclusion

To date, the city has assisted 664 households with CDBG-CV funding and four participants with rehabilitation loans during the period of the grant. The City's financial system (MUNIS) has multiple levels of review within the Department of Housing and then additional review with the Finance Department to ensure multiple layers of sign

offs occur before any expenditures are paid. After department review is done secondary review is processed by the accounting division before a check is issued. Once it is revealed that the payment requested for the CDBG /CDBG-CV activity costs can be reconciled to supporting documents, MUNIS, and IDIS without exception, the expenditure is paid. The CDBG-CDBG-CV expenditures provided adequate indication identifying that the CDBG-CDBG-CV cost expenses were allowable, allocable, and reasonable program expenditures.

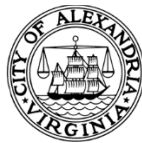
The CDBG/CDBG-CV sampled vouchers reviewed met the requirements at when 2 CFR 200.302 (b)(1)(2)(3)(4)(5), and 2 CFR 502(a) supporting a draw for eligible cost.

Audit

The purpose of this review is to ascertain if the City of Alexandria expends over \$750,000 in Federal awards during the recipient's fiscal year and are having a single or program-specific audit conducted for that year in accordance with the provisions of Subpart F, Audit Requirements in compliance with 2 CFR 200.507(c)(3) and 2 CFR 200.512(b).

Conclusion

The city expends over \$750,00 in HUD CDBG and CDBG-CV federal awards during the fiscal year and are not exempt from audit requirements to submit a Single Audit with the Federal Clearing House by hiring a CPA firm to perform the audit. Based on review of the FY2020 Single Audit, the City electronically submits to the Federal Audit Clearinghouse the reporting package required by 2 CFR 200.507(c)(3) and the data collection form prepared in accordance with 2 CFR 200.512(b) within 30 days after the end of the audit period without exception. The city has not yet submitted their audit for FY 2021.



OFFICE OF HOUSING

www.alexandriava.gov
 421 King Street, Suite 215
 Phone (703) 746-4990
 Alexandria, Virginia 22314

November 1, 2022

Mr. Michael D. Rose, Director
 Community Planning and Development Division
 U.S. Department of Housing and Urban Development
 District of Columbia Office
 820 First Street N.E.
 Washington, DC 20002-4255

Dear Mr. Rose:

The City of Alexandria Office of Housing (Housing) appreciates the opportunity to respond to your letter dated September 23, 2022, regarding HUD's review of Housing's administration of the Community Development Block Grant (CDBG) program for Federal Fiscal Year 2020 (July 1, 2020 – June 30, 2021).

Housing staff who were involved in this first fully virtual monitoring visit have positively commented to me regarding the comprehensive approach undertaken by Ms. Deborah Davis, Senior Financial Analyst and Ms. Shaina Gaines, Community Planning and Development Representative, their attention to detail, and willingness to provide technical assistance and support staff in meeting our shared, mutual goals of compliance with HUD's programmatic requirements for CDBG-funded activities. To that point, I would like to acknowledge that the monitoring review process was very iterative in nature, and Housing staff valued their direct access to your staff throughout the visit to refine and improve internal processes and procedures in real time pursuant to HUD's direction. The opportunity for communication and exchange among our staff was particularly useful since Housing had been in COVID emergency response mode during most of the period monitored with the majority of their work focused on providing Emergency Rental Assistance to keep Alexandrians stably housed.

The CDBG Monitoring report included **two findings**:

1. **"The City of Alexandria temporarily relocates families who participate in the rehab 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 IDIS."**

In response to this finding the Office of Housing has amended its Home Rehabilitation Loan Program (HRLP) Guidelines (attached; see pp. 17) to clarify that reasonable relocation costs (we assume HUD meant "relocation" versus "rehab") 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.

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.”**

In response to this finding the Office of Housing has amended the Home Rehabilitation Loan Program (HRLP) Guidelines to address this issue (attached; see page 24).

The CDBG Monitoring report also included **three concerns** which the City would also like to address:

1. “HUD conducted a sample review of four (4) applicants files who participated in the City’s CDBG-funded rehabilitation loan program. The review revealed that the participants who were provided loans met HUD’s program income requirements. A review of files indicated that while each participant file contained initial and final inspection reports, however, they were not signed nor dated by grantee staff. Also, in the review of file 5070 funds were reimbursed to the program participant for questionable purchases which may not be consistent with CDBG program objectives. In addition, the standards used to determine the rehab necessary were not being followed consistently amongst participants. Costs must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity (grantee) as set for at 2 CFR 200.403 (c). HUD encourages grantees to implement procedures to ensure cost are reasonable as well as necessary in utilizing scarce[sic] Federal resources.”

To address the signature and dating issue raised the Office of Housing has amended the Home Rehabilitation Loan Program (HRLP) Guidelines to address this issue (attached; see page 19). Additional administrative oversight and training will be added with case files to be reviewed internally to verify all inspections 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, as was discussed with our Community Planning and Development Representative during the monitoring, Housing considers these costs reasonableness from an equity and programmatic standpoint provided they are not excessive. As Housing explained, the reimbursement cost is incorporated into the loan amount and repaid in the future to replenish program funding for future projects. However, HUD’s concerns are noted, and we will continue to review program funds use and guidance across all federally-funded city programs.

2. “HUD’s review revealed that although an Environmental Review was completed, there is evidence which suggest that the RE has expended or obligated grant funds prior to receipt of the

Form HUD-70 15.16, “Authority to Use Funds” a requirement of 24 CFR Part 58 and 24 CFR 570.604.”

Administrative delays from system failures in HEROES and HUD staff transitions resulted in the City not receiving the 7015.16 form until a year after the City’s submittal of Form HUD 7015.15 “Request for Release of Funds.” City staff repeatedly contacted the Field Office about the status of the 7015.16 throughout the year (CPD staff was provided with documentation of these efforts during the monitoring review). Nearly three months passed between the City’s submittal of its 7015.15 and the City’s final attempt to receive the 7015.16 from HUD. During the delay, the City continued to fulfill the purpose of the CDBG program by assisting low- and moderate-income residents by undertaking program activities and ensuring all federal environmental guidelines were followed and documented. Because City staff were unable to upload the Tier 2 environmental reviews of those activities without access to the Tier 1 review in HEROES provided by HUD staff, Housing alternatively included electronic and hard copies of Tier 2 environmental reviews in program participant files. As of this time, HUD has provided the City with 7015.16, so all Tier 2 reviews completed after July 1, 2022 are being entered into HEROES and the issue is not anticipated to occur again.

3. “There is no documentation of the receipt by homeowners of the RRP Pamphlets in the participant files as required by HUD program record-keeping requirements at 24 CFR 570.506 (j) and 24 CFR 35.9 10(b), to be kept for at least three years to demonstrate compliance with the requirements of the Lead Safe Housing Rule. Although interviews with program staff indicated that lead disclosure information was provided to those participating in the Home Rehab Loan Program (HRLP) and a pamphlet was uploaded, no pamphlet was located in participant files which demonstrates acknowledgement of the receipt of the information by program participants. Staff confirmed that the pamphlet is not presently kept in the files.”

In response to this concern, the Office of Housing has amended the Home Rehabilitation Loan Program (HRLP) documents to include a form to be signed by the homeowner acknowledging receipt of the RRP Pamphlet. The revised section of the HRLP Guidelines and new form are attached.

The CDBG Monitoring report also included items that were not characterized as findings or concerns, but regarding which we want to provide HUD our assurances that these items have been noted and elevated for discussion among other City departments involved in these processes, including the Office of Internal Audit, the Finance Department and the Department of Information and Technology Services. These issues include:

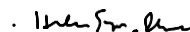
- A note regarding financial policies and procedures related to federal funding: the Office of Housing reviewed and updated these based on guidance from HUD staff during the review process.
- A note that the City Single Audit was not submitted at the time of the review. The Single Audit report for the City of Alexandria was submitted on July 8, 2022, to the Federal Audit Clearinghouse (FAC).

- A note regarding security of personal identifiable information (PII). As discussed during the HUD review, the City has policies and procedures in place to safeguard PII and is continuously reviewing these policies to protect data. The City, based on limited guidance from HUD, followed the prescribed upload process for documents to a HUD-provided portal and during this process, no PII was allowed to become available to outside sources. It is noted that this review was the first time Housing, based on HUD requirements, used an online portal along with the HUD-directed redaction procedures for monitoring. The City only released documents at all from its internal, secure storage, based on HUD's requirement to fulfill the monitoring request and redact requested documents based on this need and the City's understanding that the HUD portal was secure. This approach is a work in process, and the City will strive to improve its procedures and controls to ensure that future sharing complies with the more complete guidance regarding the security of HUD's platform. As we review procedures and develop additional safeguards based on federal government regulations, Housing is quite willing to have additional resources provided to the City to implement HUD's guidelines and standards for reasonable measures to safeguard PII.

We appreciate our partnership with HUD and look forward to collaborating closely on upcoming projects. Staff has offered Ms. Davis and Ms. Gaines a tour of the City's federally funded projects, and we would be delighted to have you join, also.

After you have reviewed this response, please let Eric Keeler or me know if you have further questions. We can be reached at (703) 746-4990, or by e-mail to eric.keeler@alexandriava.gov or helen.mcilvaine@alexandriava.gov.

Sincerely,



Helen S McIlvaine (Nov 1, 2022 10:46 CDT)

Helen S. McIlvaine
Director

Attachments:

- (1) Home Rehabilitation Loan Program Guidelines 2022 (amended)
- (2) Form to document owner's acknowledgment of receipt of lead paint pamphlet

cc: Ms. Emily A. Baker, Deputy City Manager
Mr. Robert A. Snyder, Chief Internal Auditor, Office of Internal Audit
Mr. Eric Keeler, Deputy Director, Office of Housing



U.S. Department of Housing and Urban Development
 Office of Community Planning and Development
 District of Columbia Field Office
 820 First Street N.E., Suite 300
 Washington, DC 20002-4255

DEC 01 2022

Ms. Helen McIlvaine
 Director
 City of Alexandria
 Office of Housing
 421 King St, Suite 215
 Alexandria, VA 22314

SUBJECT: Fiscal Year 2022 Remote Monitoring Review
 Community Development Block Grant (CDBG) Programs
 Grant No. B-20-MW-51-0001 and B-20-MC-51-0001

Dear Ms. McIlvaine:

The purpose of this letter is to provide a follow-up response to HUD's monitoring report which was issued September 23, 2022. From May 31st – June 29th, 2022, HUD conducted a remote monitoring review of the City of Alexandria's local Community Development Block Grant (CDBG) Programs. HUD's review resulted in the identification of one Finding and two Concerns.

HUD has completed its assessment and review of the City's response. From November 1-4, 2022, the City of Alexandria responded to the HUD's report and demonstrated that actions were successfully taken which would address the findings identified during the review. Therefore, the Findings identified in the report have been officially closed by HUD. In addition, HUD commends the City on implementing recommendations to address the three concerns which were noted in the report.

The HUD DC Field Office would like to thank you as well as your staff for their assistance and cooperation during HUD's review. If there are any questions, please do not hesitate to contact Ms. Shaina Gaines, Community Planning and Development Representative at (202) 275-6269 or via email at shaina.gaines@hud.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael D. Rose".

Michael D. Rose
 Director
 Office of Community Planning and Development
 HUD Washington, DC Field Office