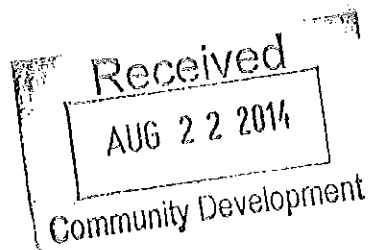




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AUG 15 2014



Alsie Bond, Manager  
Community Development Services Department  
City of Bryan  
P.O. Box 1000  
Bryan, Texas 77805

Dear Ms. Bond,

SUBJECT: On-Site Monitoring and Technical Assistance Visit  
Community Development Block Grant Program

During the period from June 2 through June 5, 2014, one member of my staff conducted a monitoring of the City of Bryan with regard to activities funded by the Office of Community Planning and Development (CPD) of the Department of Housing and Urban Development (HUD). The area examined involved the Community Development Block Grant Program (CDBG). Robert Beck, CPD Representative, performed the on-site monitoring and technical assistance visit. We thank you and your staff for the courtesies and excellent cooperation extended during this visit.

Enclosed is the report of our review. We are pleased to report that there were no findings made during the visit. However, there were three concerns. CPD does not require a response to a concern because a concern is not a violation and therefore requires no corresponding corrective action. We discussed the results of our review and provided an opportunity to comment on our initial conclusions during the exit conference with you on June 5, 2014. If you have any questions or need to discuss any portion of this report, please contact me or call Mr. Beck at (713) 718-3119.

Sincerely,

A handwritten signature in cursive script that reads "Sandra H. Warren".

Sandra H. Warren  
Director, Community Planning and  
Development

Enclosure

**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
ON-SITE MONITORING REPORT**

**Grantee:** Bryan

**Grant Programs:** Community Development Block Grant Program (CDBG)

**Date of Site Visit:** June 2 through June 5, 2014

**Type of Visit:** On-site Monitoring Review and Technical Assistance

**Purpose of Visit:**

- Ensure the grantee's compliance with applicable statutes, rules, Notices, and regulations
- Assist the grantee in improving its performance so that statutory, regulatory, and programmatic purposes and goals may be achieved
- Validate, to the extent possible, program files and data for accuracy, completeness, and consistency
- Interview staff as necessary
- Provide technical assistance

**HUD Personnel Conducting the Monitoring:**

NAME & TITLE

Robert Beck                      Community Planning and Development Representative

**City Staff Involved:**

NAME & TITLE

Alise Bond                      Manager, Community Development Services Department  
Arthur Roach                    Assistant Manager, Community Development Services Department  
Joey Dunn                        Deputy City Manager  
Eric Barton                       Construction Specialist  
Blanca Nava                      Program Analyst  
Randy Brumley                  Housing Assistant  
Vicki Mack-Carr                Rehabilitation Specialist  
Patricia Ortega                  Administrative Assistant

## SUMMARY OF REVIEW

### **Community Development Block Grant Program**

The CDBG Program enables the City to more fully develop and maintain a sustainable urban community by providing decent housing and a suitable living environment, and by expanding economic opportunities, primarily for low and moderate income persons. The Office of Community Planning and Development (CPD) awards grants to entitlement community grantees to carry out a wide variety of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services.

#### **Subrecipient/Community-Based Development Organization (CBDO) Management**

Subrecipients and CBDOs can make a significant contribution toward the success of a grantee's CDBG Program. Ideally, a subrecipient can be an effective partner to a city or county and assist the community in reaching many of its goals on a yearly and multi-year basis. However, grantees must carefully manage and monitor subrecipients and CBDOs in order to ensure that they operate within the parameters of the regulations, statutes, and other requirements.

Since the 1970's, grantees began using subrecipients more often and for a broader range of activities. However, the increasing participation of subrecipients created a number of problems over time. Grantees were sometimes unaware of what their subrecipients were using CDBG funds for and subrecipients could not produce documentation showing how Federal rules were being met. By the end of the 1980's, HUD's Inspector General declared that the lack of proper management of subrecipients in the CDBG program constituted a "material weakness." HUD knew that it had to find tools to enable its grantees to deal with this growing problem.

In response to this dilemma, CPD created and released a number of valuable guidance resources. These resources included the following: Managing CDBG A Guidebook for Grantees on Subrecipient Oversight, Training CDBG Subrecipients in Administrative Systems, and Ensuring CDBG Subrecipient Timeliness. Grantees and subrecipients may access these important guidance resources at the link that follows: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/library/subrecipient](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/library/subrecipient)

Despite the guidance that has been made available, experience has demonstrated that activities undertaken by subrecipients are still potentially problematic. Many subrecipients use volunteers or inexperienced staff who are not well versed in Federal requirements. During the course of advocating timely expenditure of CDBG funds, CPD staff around the nation have found that delays in subrecipient activities were also a significant cause for many grantees' failure to comply with the timeliness requirements at 24 CFR 570.902.

This part of the review involved the determination of the extent to which the City is satisfactorily managing subrecipients and monitoring subrecipient performance. The City of Byran does not utilize a CBDO. The regulations at 24 CFR 570.501-503 and 24 CFR 85.40 require program participants to monitor the daily operations of subrecipient activities for compliance with

applicable Federal requirements as well as to assess performance goal achievements. Program participant monitoring must cover each program, function, or activity. In addition to the general requirements, sixteen percent of the subrecipients for the two years in question were randomly sampled as part of this portion of the review. Specific areas that were examined included the following: subrecipient management and training systems; internal controls; review of subrecipient written agreements; reporting; subrecipient monitoring by the program participant; program income monitoring; and CPD review of subrecipients.

The City operates in proactive manner. One of the practices that was observed which is advisable for promoting compliance is that the City maintains a sign in sheet for both the pre-proposal and post-award training workshop. This process documents that subrecipient staff were provided with instructions regarding the relevant requirements. Additionally, the City issued a memorandum to all subrecipients who are involved with either the CDBG or HOME Investment Partnerships Program. The memorandum was dated June 8, 2012. It described the HUD Houston Field Office's interpretation of immediate family ties and family members. The City issued and provided the memorandum in order to make certain that subrecipients were fully knowledgeable about the conflict of interest prohibitions and in order to ensure compliance with the current standards.

At the Exit Conference, the monitor also recommended that the City direct subrecipients to the Federal website where each may obtain an electronic copy of the Code of Federal Regulations. The United States Government Printing Office website is as follows: [www.gpo.gov](http://www.gpo.gov). The Annual Editions of the Code of Federal Regulation may be directly accessed at: <http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR>. Many subrecipients do not have the financial ability to purchase the Code of Federal Regulations in book form after every instance in which it is amended. Therefore, it is important that they know about the free access that is available by means of the United States Government Printing Office.

**Concern No. 1:** An analysis of Question 14.h. (which deals with reversion of assets) raised a concern.

**Condition:** 570.503(b)(7) states the following: "Reversion of assets. The agreement shall specify that upon its expiration the subrecipient shall transfer to the recipient any CDBG funds on hand at the time of expiration." However in the written agreement, the City used the term "unexpended funds" which is more generalized in nature. Yet, no evidence was uncovered to demonstrate that the City violated the standard established in 570.503(b)(7).

**Cause:** The terms used by the City could have ideally been written in a more precise manner.

**Effect:** The City's wording could create some confusion with regard to the subrecipient and/or the City staff (especially given that staff members do naturally turnover during the course of time).

**Recommendation(s):** CPD would therefore recommend that the City replace the term "unexpended funds" with "unexpended CDBG funds" in order to more precisely mirror the meaning of the 570.503(b)(7) requirement. This revision to future contracts would help to avoid a possible misunderstanding and/or misapplication of the underlying regulation. Of course,

570.503(b)(7) only mandates the transfer of CDBG funds on hand at the time of expiration and not non-CDBG funds.

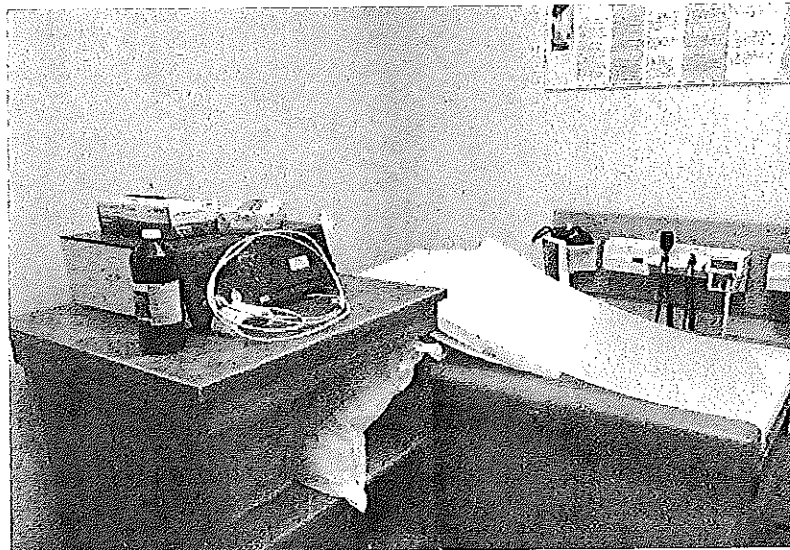
**Concern No. 2:** The second concern arose during the analysis of Question 26.

**Condition:** With regard to the issue of whether or not the program participant/City checks to ensure that each subrecipient has established revenue accounts to record program income, the CPD Representative did not find this factor listed as an explicit factor on the template that the City staff is using to monitor the subrecipients.

**Cause:** A template was created which did not explicitly include the factor in question.

**Effect:** Because it is not explicitly mentioned on the template, the factor could be overlooked or inadvertently omitted by a City monitor.

**Recommendation(s):** Therefore, CPD would recommend that the City add an explicit program income or revenue account factor to the monitoring template that the City uses to ensure that it is not overlooked or inadvertently omitted by the City monitor. This modification to the template is recommended in order to attempt to avoid a future problem from emerging with one or more of the subrecipients.



One of the subrecipients that was reviewed was the Prenatal Clinic. The Clinic provides community-centered prenatal care and health education to medically indigent pregnant women in the Brazos Valley. Comprehensive, accessible and affordable prenatal care and health education significantly improves pregnancy outcomes. Prenatal care and health education are also the foundation of a healthy pregnancy, a safe birth, a nurturing family and a viable community. The goal of the clinic is to reduce illness and death associated with the prenatal (pregnancy) and perinatal (around the time of birth) timeframes. Specifically, the clinic endeavors to reduce the number of low birth-weight infants and the rate of newborn mortality.

The Clinic is conveniently located next to the Brazos Transit bus terminal, in a new, well equipped facility, shared with the Family Health Clinic, the Brazos Family Dental Clinic, and

other community service agencies. The proximity to public transportation make it much easier and more feasible for the low income pregnant women and families to access the many services offered nearby. This is an important consideration to emphasize given that transportation expenses have increased steadily over the years.

Since the Prenatal Clinic was founded in 1985:

- The number of Brazos County women who give birth with no prenatal care has been reduced by 76%.
- The number of Prenatal Clinic patients starting their prenatal care in the first trimester has risen from 30% in 1987 to over 65% in 2009.
- The number of fetal deaths in Brazos County declined by 26% since 1992.

By 2014:

- The mothers of over 25% of the babies born in Brazos County are seen at the Prenatal Clinic.
- The Prenatal Clinic annually serves over 750 women, many of whom might otherwise receive no prenatal care.
- Through a Social Services program and referrals, the Prenatal Clinic also helps these families to obtain other necessary health, education, and assistance services.

The Prenatal Clinic offers a variety of services to its patients to insure a healthy pregnancy. All services are provided by a qualified staff, which includes:

- Two Nurse Practitioners
- Health Educator
- Social Worker
- Trained Volunteers
- Local doctors who volunteer some of their valuable time

The Prenatal Clinic provides medical care during pregnancy. Some basic services provided include physical examinations, distribution of prenatal vitamins, and laboratory work. A social worker is available to aid patients in various ways. Social services, individual counseling, and income verification assistance services are provided.

The monitor had the opportunity to visit the Prenatal Clinic's staff and facility during the course of his monitoring of the City of Bryan. The Executive Director, Lynn Clary Yeager, provided the monitor with a tour of the facility, an introduction to staff members, and a description of the various services offered. The staff is very committed to prenatal care as evidenced by the disclosure that most of the staff members have been working at the Clinic for 10 years or more. So, the experience level is high and the turnover rate is very low. The monitor was very impressed with the level of professionalism and enthusiasm which the staff members demonstrated and with the range of services that are being provided.



### **Eligibility**

Each CDBG funded activity must be eligible under section 105 of the Housing and Community Development Act of 1974, as amended, as implemented at 24 CFR 570.200(a) and 570.201 through 570.206. The goal of this portion of the monitoring was to verify that the City (1) uses CDBG funds only for activities that fall under an authorized category of basic eligibility; (2) properly classifies each CDBG activity; and (3) creates and maintains adequate documentation as required by the eligibility category that the City selected for each such activity.

The areas within this module that were closely examined included the eligibility determination process and the activity-specific analysis. The first of these overall areas focused on the process or procedure by which the determination of the eligibility status of CDBG assisted activities are reached. The second area included an examination of CDBG-assisted activities. A sample of CDBG files consisting of one third of the low to moderate income housing activity files for the relevant two years which were under consideration were examined with reference to eligibility compliance. The propriety and corresponding documentation were closely scrutinized on the basis of 24 CFR 570.201-206. The evidence led to no findings.

### **National Objectives**

All CDBG funded activities must qualify as meeting one of the three national objectives. With the exception of activities involving Program Administration and Planning and Capacity Building, every activity must meet specific tests for either: benefiting low and moderate income persons, preventing or eliminating slums or blight, or meeting urgent needs.

The standard for how an activity may be considered to benefit low and moderate income persons is divided into four subcategories: area benefit, limited clientele, housing, and employment. By

meeting any one of the four subcategories, a given grantee can fulfill the overall national objective of benefiting low and moderate income persons.

#### **A. National Objective of Low and Moderate Income Housing**

Section 105(c)(3) requires that an activity which is dedicated to the acquisition, construction, or improvement of permanent, residential structures may qualify as benefiting low and moderate income persons only to the degree that the housing is occupied by low and moderate income persons. This national objective also encompasses activities directed towards homeownership assistance. This national objective subcategory provides that for these types of activities to qualify under the low and moderate income benefit national objective, it must result in housing that will be occupied by low and moderate income households after completion. It is permissible that the housing be either owner or renter occupied and can be either one family or multi-unit structures. When the housing is to be rented, in order for a dwelling unit to qualify as benefiting a low and moderate income household, it must be occupied by the household at an affordable rent level. The grantee is required to establish the criteria it will use in order to determine rent affordability and must make these criteria available publicly.

It is important to emphasize that the low and moderate income benefit status for this national objective subcategory is based on households and not persons. Therefore, there can be scenarios in which the persons residing in a CDBG assisted housing unit are not all members of the same family.

The focus of this portion of the review included the following: classification and property information, written agreements, owner-occupied structures, rental buildings, multi-family structures, and report validation and verification. A sample of CDBG files consisting of one third of the low- to moderate-income housing activity files for the relevant two years which were under consideration were examined with reference to eligibility compliance.

**Concern No. 3:** Although the CPD Representative did find compliance with the regulations, he did observe a risky practice with regard to one of the sampled files.

**Condition:** This concern arose during the analysis of 4.b. The application for Francisco and Maria A. was signed in March of 2005. However, the actual work was done years later. April 19, 2013 was the date of the Tri-Party Agreement.

**Cause:** Lack of an appropriate policy to ensure that CDBG applications are resubmitted during the course of periods greater than a year.

**Effect:** It is risky to not replace the original application over so long of a period of time given that the composition of a family can change (a higher income person can move into the household such as a brother or sister or an adult child and a new children could be born) or income could change drastically (for example, an individual could inherit a business or rental property). Fortunately, in this instance, the evidence indicated that the household did not become income ineligible as time went forward.

**Recommendation(s):** While an application is pending for an applicant for CDBG assistance, CPD would recommend that the City/program participant require that the applicant submit a new application (which would include the updated composition and income information for that



applicant household) at least once per year in order to ensure that the household remains income eligible.