



U.S. Department of Housing and Urban Development
Community Planning and Development
Region IV, Miami Field Office
Brickell Plaza Federal Building
909 SE First Avenue, Room 500
Miami, FL 33131-3042

June 8, 2015

Ms. Kimberley Grant, MBA, Director
Collier County
Housing and Human Services Department
3339 East Tamiami Trail
Suite 211
Naples, FL 34112-5361

Dear Ms. Grant:

**SUBJECT: Collier County - H.O.M.E. – Housing Opportunities for Everyone
Request for Reimbursement of CDBG funds – IDIS Activity #283**

This is in response to documentation submitted, along with on-site meetings, emails, and conference calls in reference to IDIS # 283. The County entered into a written agreement with Housing Opportunities for Everyone, Inc. (H.O.M.E.), on September 23, 2008, in the amount of \$427,472.42 for the Acquisition/Rehabilitation/Resale of up to 12- foreclosure properties to benefit low and very low income families in Collier County.

A review of HUD's Integrated Disbursement and Information System (IDIS) revealed the activity was funded in the amount of \$427,472.42; a total of 11 units were completed and sold to low and moderate income households. All funds for this activity have been drawn and the activity was marked by the county as complete. However, the accomplishment narrative is unclear. Also, it appears that H.O.M.E. Inc. had homes it already owned; it is not clear as to how many.

A review of documentation submitted by the County show several areas of non-compliance and concerns.

Specifically, the documentation submitted revealed that the county did not ensure adequate oversight and monitoring of its subrecipient, H.O.M.E. Inc. as required by federal regulations. Some of the issues included Appraisals, Program Income, Environmental and Conflict of Interest. The County should have the documentation of compliance showing that the homes were acquired, contracts as applicable, eligible costs for rehabilitation etc., and the disposition costs of the properties.

Appraisals

Our review of appraisals disclosed that mortgages exceeded the appraised value. In addition, it was noted that one property listed two appraisals with different appraised values. The regulations at 24 CFR Part § 225, Appendix A specifies reasonable costs: a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- b. The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

Program Income

The regulations at 24 CFR Part § 570.504 (a) require that "The receipt and expenditure of program income as defined in § 570.500(a) shall be recorded as part of the financial transactions of the grant program." The County is responsible for either collecting the program income from its subrecipients or allowing the subrecipients to use any program income generated for eligible activities that meet a national objective. The language in the subrecipient agreement (i.e.: scope of work) is important to determine what the subrecipient was required to carry out. The subrecipient agreement should state what the subrecipient was required to do with the program income it received from the sale of properties acquired/rehabilitated with CDBG funds. It cannot be a vague statement; it must clearly detail what the subrecipient is allowed to do with the program income. In addition, program income should have been receipted in IDIS as it was earned in that it is used to determine in part how much the County may spend on public services and planning and administration.

Environmental

The regulation at 24 CFR Part §58 and Part §570.604 require that grantees who receive CDBG funds must complete an environmental review of all project activities prior to obligating CDBG funds. Though the County's property inspection checklist disclosed that an environmental review was completed on 2/23/2009, (it is not clear if this is for one property or all of them) this office was not able to confirm that it was actually complete.

The documentation submitted did not contain an environmental file. This implies that that the County has no documentation to indicate that an environmental review had been completed. Consequently, the county would be required to reimburse the \$472,472.42 from the line of credit from which it was drawn.

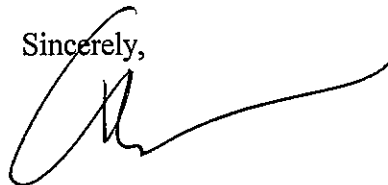
Conflict of Interest

Our review revealed that several members of H.O.M.E. Inc., which included Directors, Chief Financial Officers (CFOs), and Chief Operating Officers (COOs), received financial benefits. The regulations at 24 CFR §570.611 (b) and (c) states that "... no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties... The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients that are receiving funds under this part.

In summary, the County must reimburse its CDBG program account in the amount of \$427,472.42 plus any program income earned from non-federal funds. You may contact our office regarding the proper procedure for reimbursement of funds. In addition, the County must implement policies and procedures in accordance with the requirements of managing and implementing its CDBG program, including but not limited to ensuring adequate monitoring of sub-recipients. Once completed, the policies and procedures must be distributed to staff and incorporated into the County's day-to-day activities.

Should you have any question regarding this correspondence, please contact Nora E. Casal, Senior CPD Representative, at 305-520-5009 or via email at: nora.e.casal@hud.gov.

Sincerely,



Ann D. Chavis, Director
Community Planning & Development

cc: Lisa Bustamante, Program Manager, USHUD
James D. Molenaar, Internal Audit Manager, Collier County