



City of Bellevue

MEMORANDUM

DATE: February 12, 2020

TO: Human Services Commission Members

FROM: Dee Dee Catalano, Grant Coordinator, 425-452-6165
Human Services Division
Parks & Community Services Department

Agenda Item for February 19, 2020 Commission Meeting

HUD Monitoring Report

I will be reporting to the Commission on the results of the HUD monitoring that occurred September 23 – 27, 2019. The monitoring was officially closed on January 16, 2020. Please see the attached memo for a full report on the monitoring visit.



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RE: 2019 HUD Monitoring Visit Report

The Department of Housing and Urban Development (HUD) does periodic routine monitoring of cities' Community Development Block Grant (CDBG) programs for compliance with federal regulations. Bellevue had previously been monitored in 2014, so we were due for another monitoring. Maggie Keller, our HUD representative, visited Bellevue the week of September 23, 2019, to perform the monitoring.

The resulting HUD monitoring report outlined three Findings and three Concerns. Findings occur when a specific regulation has not been followed. Concerns are areas where program performance could be improved but does not involve a regulatory or statutory requirement.

Finding #1: Bellevue has not selected a specific definition of income to be used for home repair and other CDBG activities.

Under the regulation, jurisdictions must select one of two definitions of income: the IRS definition or the Section 8/Part 5 definition. This definition must be included in the City's policies & procedures manual and subrecipient agreements. Although Bellevue's Home Repair Program correctly verifies clients' income, as do the rest of our subrecipient programs, we did not state a specific income definition in our policies & procedures manual or in agreements. We were unaware of this requirement and had verified income the same way for many years. I worked with our Home Repair Specialist to choose the appropriate income definition for the Major Home Repair program and that definition is now included in our home repair manual. The definition of income will also be included in all future agreements with our other subrecipients.

Finding #2: Bellevue does not track whether audits are required and submitted by CDBG subrecipients.

Although we require that the most recent audit be submitted when an agency applies for CDBG funding, and our CDBG agreements require that audits be submitted per the requirements of 2 CFR Part 200, I did not have a tracking system that showed when audits were submitted and if any follow-up was required (e.g. audit findings). I have consulted with other CDBG jurisdictions and have created a spreadsheet to track audit submissions as well as a boilerplate letter to notify agencies of the audit requirements. This tracking system has now been implemented.

Finding #3: The budget for Jewish Family Service's Immigrant & Refugee Service Center program includes a substantial amount of rent and utilities for their office space charged to the CDBG grant. The rent and utilities may not have been allocable to the grant according to the cost principles of 2 CFR Part 200.

According to 2 CFR Part 200, costs have to be allocated proportionally or equitably to the benefit of the grant. In the case of rent, if an agency is carrying out several programs in addition to the program being funded by Bellevue's CDBG funding at the same location, then they cannot charge their entire rent to the CDBG grant because only a portion of that office is being used for the CDBG program.

I met with Jewish Family Service's (JFS) Chief Financial Officer and Program Director and reviewed how they allocated rent to the CDBG grant. The Refugee and Immigrant Service Center occupies 90 percent of the office space they rent. The remaining space is used by another JFS program. Although they charged the rent correctly to CDBG according to their internal allocation plan (charge 90% of the monthly rent to CDBG), there was an internal miscommunication that caused their staff to invoice 100 percent of the rent to Bellevue's CDBG grant. Fortunately, the JFS program was also funded with human services general fund dollars, so the actual amount of CDBG dollars spent on rent for the year did not exceed the allocable amount for CDBG (i.e. general fund dollars paid enough of the rent to keep the CDBG portion below 90%).

I have worked with JFS staff to ensure that their 2020 CDBG contract budget is allocated correctly. As a result of this finding, I have learned a lot about the requirements of 2 CFR Part 200 regarding the allocability of charges (something HUD provides very little training on) and will make sure requirements are implemented properly in the future.

Concern #1: Bellevue should ensure that the types of repairs done by Sound Generations as part of the Minor Home Repair program constitute repairs and not general home maintenance. Income of repeat clients should be verified more frequently to ensure they are still in compliance at the time of the repair.

I am working with CDBG staff from Seattle and Shoreline who also fund the Sound Generations Minor Home Repair program with CDBG dollars. We disagree with some of HUD's definition of general home "maintenance." For example, HUD suggested in the exit conference that replacing a leaking faucet may be more maintenance than repair. We disagree and believe that replacing a broken faucet is repair. I'll be meeting with Seattle and Shoreline staff and we will clarify what constitutes minor repair. We'll also propose that verifying a repeat client's income annually is sufficient.

Concern #2: Major Home Repair files did not indicate why lead-based paint requirements were NOT applicable to a project.

We follow all lead-based paint requirements and document in the file when and why lead abatement is required. Although we do document when lead-based requirements are *not* required, we haven't been stating the reason why they weren't required. Our Home Repair Specialist will start noting that in the client files.

Concern #3: Some things charged to CDBG Planning do not result in a plan and may be more appropriately charged to CDBG Administration.

Bellevue has charged activities to both Planning and Administration for many years. Although all of the activities were eligible for CDBG funding, some of the Planning activities might be more appropriately charged to Administration (e.g. the public notices that are published in the newspaper). Alex and I have discussed adjusting what we will charge to Planning & Administration for 2020. This is really more of a "housekeeping" concern in that it only affects how things are coded in HUD's online system and is not about ineligible activities. We have made the adjustments for 2020.

Staff submitted an official response to HUD outlining the above corrective actions to the Findings. Although we are not required to respond to the Concerns, we outlined our responses to those as well. We received a letter dated January 16, 2020, that officially accepted our corrective actions and closed the monitoring. Our next monitoring visit will likely not happen for at least three years.