

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2025	2026	2027	2028	2029
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	None				
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes _____ No X
 Is this item using Federal Funds? Yes _____ No X
 Is this item using State Funds? Yes _____ No X

Budget Account No.: Fund _____ Agency _____ Org. _____ Object _____

Program Number _____ Revenue Source _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

No fiscal impact

A. Department Fiscal Review:

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

Lexi Mait 2/12/2025
 Budget/OFMB *JA 2/12*
MO 2/12

Kevin Grackel 2/13/25
 Contract Administration
 267 2-13-25

B. Legal Sufficiency:

[Signature] 2/19/25
 Assistant County Attorney

C. Other Department Review:

 Department Director

This summary is not to be used as a basis for payment.



Office of the County Internal Auditor
Audit Report
Report #2025-02

**HOUSING AND ECONOMIC DEVELOPMENT DEPARTMENT (HED)
INTERNAL AUDIT REPORT**

**GRANT MONITORING OF
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
AWARDED FUNDING CONTRACTS**

W/P No. 2023-03

Stewardship – Accountability – Transparency

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GRANT MONITORING OF
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
AWARDED FUNDING CONTRACTS

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AUDIT OBJECTIVES AND CONCLUSIONS

We performed the Housing and Economic Development (HED) audit to answer the following objective:

Did the Housing & Economic Development (HED) Department Director ensure grant-monitoring oversight was in place throughout the entire grant management process (Pre-Award, Award, Post-Award) for the period October 1, 2022 through March 31, 2023?

Except for the findings and recommendations below, the Housing & Economic Development Department Director did ensure grant-monitoring oversight was in place throughout the grant management process for the period October 1, 2022 through March 31, 2023.

In addition to our findings and recommendations, we noted two issues of a minor nature that did not rise to the level of a finding but are reportable to management for their attention and possible action. We addressed these two issues in our management letter.

FINDINGS AND RECOMMENDATIONS

Finding #1: Monitoring of subrecipient agreement terms needs improvement.

HED is responsible for monitoring terms of Community Development Block Grant (CDBG) Agreements between Palm Beach County (Grantee) and Municipalities (Subrecipients). Tools used by Capital Improvement Real Estate and Inspection Services (CIREIS) and recommended by HUD for CDBG monitoring include, but are not limited to:

- A. Progress Performance Reports (Monthly Performance Reports);
- B. "On-site" monitoring visits.

A. Progress Performance Reports (Monthly Performance Reports) not obtained in accordance with the Agreement.

The CIREIS Division assists participants in carrying out program responsibilities and monitoring subrecipients to ensure compliance with HUD regulations and terms of agreements.

Monthly Performance Reports are required under the County's agreements with subrecipients. Report submission begins with the effective date of the

agreement. According to the CIREIS Manager, Monthly Performance Reports are used as a form of monitoring project progress based on budgeting and expenditures. Projects are monitored based on percentage of completion to determine if they will be completed by the date required in the agreement.

Condition:

According to the CIREIS Manager and the HED Director, the Monthly Performance Report is both a requirement and tool used in monitoring a subrecipients' progress on completing the project.

Four of the five CIREIS projects selected for review (80%) had Monthly Performance Reports with issues identified by HED staff. Examples of report issues included missing signatures, untimely submission, and undated reports. For one of the selected projects (C. L. Brumback Health Center Renovations), all monthly reports for a nine-month period (January-September 2022) were missing. The CIREIS Manager confirmed they did not reach out to subrecipients to discuss Monthly Performance Report issues.

Cause:

Although the agreements require submission of Monthly Performance Reports, the CIREIS Manager indicated they do not enforce submission of these reports nor return them for correction as they do not rely on them to monitor projects or to evaluate subrecipient performance. CIRIES staff use other forms of monitoring (i.e. site visits, meetings with subrecipients and emails) to evaluate job progress.

Effect:

Not receiving/nor requesting a Monthly Performance Report from the subrecipients at the beginning of each month is non-compliant with the terms of the agreement.

In addition, issues identified with Monthly Performance Reports could be a symptom of performance issues that could be considered in monitoring efforts.

Criteria:

Title 2 entitled *Grants and Agreements*, Subtitle A Office of Management and Budget Guidance for Federal Financial Assistance, Chapter II Office of Management and Budget Guidance, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D Post Federal Award Requirements under – Performance and Financial Monitoring and Reporting 200.329 Monitoring and reporting program performance letter...(d) Construction performance reports, states "...pass through entity may require additional performance reports when necessary to ensure goals and objectives for Federal funds are met."

In the agreement entitled "*Agreement Between Palm Beach County and City of Belle Glade*" for Airport Park Rehabilitation, dated October 1, 2022, under Exhibit "A," entitled *Scope of Work*, under H. REPORTS, it states: "The Subrecipient shall submit to DHED a detailed Monthly Report in the form provided as Schedule "I" to this Agreement, or other form as may be required by DHED. Each Monthly Report must account for the total activity for which the Subrecipient is funded under this Agreement, and a Subrecipient representative must certify to the accuracy of the Monthly Report." The Agreement also, states, "These Monthly Reports shall be submitted to DHED beginning with the month of the effective date of the Agreement. They shall be used by DHED to assess the Subrecipient's progress in implementing the project." *Note: Each agreement between Palm Beach County and Municipalities has the same Monthly Performance Report requirement.*

B. Monthly "On-Site" visit documentation missing in project files.

"On-site" visits are a tool used by CIREIS to monitor project progress to determine if subrecipients will meet contract deadlines. The CIREIS Manager indicated that he requires staff to perform periodic site visits (at least monthly) as part of its monitoring efforts. Site visits are performed at the discretion of project managers, and are to be done at least monthly once site activity begins.

Condition:

For the five CDBG capital-project agreements selected, 54 separate monthly periods were identified based on the contract periods. Of 54 monthly periods, we obtained documentation showing 30 monthly "on-site" visits were performed. There was no documentation that showed the remaining 24 months (44%) had a site visit.

Monthly "On-Site" Visits Performed

Capital Project Selections						
Month/Year	Project #1	Project #2	Project #3	Project #4	Project #5	TOTAL VISITS
Jan 2023	Y		Y			2
Feb 2023		Y	Y			2
Mar 2023		Y				1
Apr 2023	Y	Y	Y			3
May 2023	Y				Y	2
June 2023						0
July 2023	Y		Y	Y		3
Aug 2023						0

Sept 2023	Y		Y	Y	Y	4
Oct 2023	Y			Y		2
Nov 2023	Y		Y	Y	Y	4
Dec 2023	Y		Y	Y	Y	4
Jan 2024	Y	Y		Y		3
Total "On-Site" Visits Performed	9	4	7	6	4	30
Missing Monthly "On-Site" Visits	4	8	6	1	5	24
Total Monthly Periods	13	12	13	7	9	54
Percentage Total Performed	69%	33%	54%	86%	44%	56%

Grayed field=non-applicable monthly period as project did not proceed until after this time

Cause

Site visits are not tracked and/or documented until the end of a project when a project checklist is completed by the program manager to confirm all HUD required documents are in the project file.

Effect

Without documented site visits maintained in project files, it is difficult for CIREIS management to monitor and verify when they are performed. In addition, documented information is not available to perform a comparative analysis between a prior site visit and current site visit. There is no cumulative "on-site" monitoring worksheet to assist staff in confirming requirement is met each month

Criteria

The United States Department of Housing and Urban Development Handbook entitled "*HUD Monitoring Desk Guide, Policies and Procedures for Program Oversight*," under 4. Program Monitoring Strategies, states, "On-site monitoring reviews are essential for high-risk program participants and recommended for other participants, to the extent practicable."

Department of Housing & Economic Sustainability Monitoring Handbook, entitled "*DES Monitoring Handbook*," under Chapter 2, entitled "*Management of Monitoring Activities*," under 2-11 Building an Administrative Record, B. Documentation, states "HES will adequately document each step of the monitoring process. Documenting preserves the valuable results, both positive and negative. All correspondence, documentation and working papers relating to the monitoring and conclusions will be maintained in the official HES file."

Recommendations:

1. Department Director should ensure monitoring documentation (Monthly Performance Reports, "On-Site" visits) for subrecipient projects are complete for compliance with the terms of the agreement and HUD requirements.
2. Department Director should either ensure compliance with terms of subrecipient agreements (obtain monthly performance reports), or revise terms of subrecipient agreements to align with the departments' monitoring efforts (exclude requirement to provide monthly reports).

Management Comments and Our Evaluation

In response to the draft audit report, the Department Director does not concur with the finding. HED emphasizes its preference for providing technical assistance over strictly enforcing documentation requirements. While HED favors a less tailored approach to project monitoring, the audit finding highlights the importance of improving adherence to established monitoring protocols and documentation standards to ensure compliance with agreements and federal regulations.

Enhancements in monitoring and oversight of grant activities were also emphasized in a 2016 audit conducted by the Office of Inspector General (OIG). Both the Internal Auditor (IA) and OIG recommended improvements in documentation practices and adherence to compliance and agreement terms."

Finding #2: Post-Monitoring Plan needed for non-visible completed capital projects

HUD requires post-monitoring of CDBG funded capital projects for five years after expiration of the related agreement.

HED has two municipal contracts for non "traditional" capital projects. One project is an Urban Garden (currently in the process of being reverted into another project) and another project for Wi-Fi.

Condition

The City of Riviera Beach received CDBG funding for one non-traditional capital project for Internet/Wi-Fi under a subrecipient contracted with a vendor for three years.

HED management has not developed a monitoring plan to ensure the real property under the subrecipient's control (acquired/improved in whole or in part with CDBG funds) is being used to meet one of the national objectives until five years after the expiration of the agreement.

Cause

The HED Director indicated, before now, capital projects were tangible (i.e. park, basketball court, remodeling of public facilities). Thus, monitoring their existence during the five years after expiration of the agreement was not an issue. A method as to how to perform post five-year monitoring for less visible types of projects has not been established.

Effect or Risk

If the project was not monitored and deemed non-compliant (or reversion of assets to another project not compliant with CDBG funding requirements), it may result in repayment of HUD funds by subrecipient. HUD does recognize project reversions and provides opportunities for reutilization.

Criteria

Title 24 entitled *Housing and Urban Development* Subtitle B, Regulations Relating to Housing and Urban Development, Chapter 5, Subchapter C Community Facilities, Part 570 Community Development Block Grants, Subpart J Grant Administration 570.503 Agreements with Subrecipients... (7) Reversion of Assets states "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... It should also include provisions designed to ensure that any real property under the subrecipient's control that was acquired or improved in whole or in part with CDBG funds...in excess of \$25,000 is... (i) Used to meet one of the national objectives in 570,208...until five years after expiration of the agreement..."

In the agreement entitled "*Agreement Between Palm Beach County and City of Riviera Beach*" for WI/FI, under Exhibit "A" entitled, "*Work Program Narrative*", under 1. Subrecipient Obligations: I. Use of the Project/Facility/Property, states: "The Subrecipient agrees, in regard to the use of the facility/property whose acquisition or improvements are being funded in part or in whole by CDBG funds as provided by this Agreement, for a period of five (5) years after the expiration date of this Agreement (as may

be amended from time to time.): (1) The Subrecipient shall properly maintain the facility/project..."

Recommendations:

3. Department Director should ensure CDBG funded capital projects (including less visible types) are monitored and maintained for the required five-year period.
4. Department Director should ensure written procedures are developed (and included in the Department's monitoring handbook) to monitor/maintain less visible CDBG funded capital projects for the five-year period required by HUD. Example of monitoring could include an annual Declaration of Agreement signed to provide written evidence project is being maintained. In addition, ensure pertinent staff are aware of the newly established plan.

Management Comments and Our Evaluation

In response to the draft audit report, the Department Director does not concur with the finding, asserting that HED's current monitoring framework adheres to HUD regulations and sufficiently addresses the requirements for less visible CDBG-funded projects. The Department further notes that no additional post-monitoring plan or written procedures are necessary.

Our audit finding emphasizes the need for a post-monitoring plan to ensure compliance with HUD's requirements to monitor CDBG-funded capital projects for five years after the expiration of the related agreement. This issue is particularly relevant for non-traditional, less visible projects such as the Urban Garden and Wi-Fi project in Riviera Beach, which differ significantly from tangible projects like parks or public facility renovations.

The primary concern is the inherent difficulty in ensuring that these non-traditional projects continue to meet HUD's national objectives during the required five-year post-agreement period. Without a clearly defined post-monitoring plan or documented procedures tailored for such projects, there is an increased risk of non-compliance, which could lead to potential repayment of HUD funds by the subrecipient. Developing a structured plan would enhance accountability and ensure that all projects, regardless of visibility, are monitored effectively to meet regulatory requirements

OPERATIONAL STRENGTHS

During our audit we noted the department is working under constraints of limited staff and ever-growing grant funding opportunities, which makes allocating necessary staff a challenge. However, the HED management and staff we evaluated have been working in their areas of expertise for several years with minimal turnover.

From our examination of grant funding project files, we observed that the Strategic Planning and Operations, CIREIS and Finance divisions are working together to provide "on-going" technical assistance and monitoring to CDBG subrecipients.

BACKGROUND

The Housing and Economic Development Department (HED) has had several name variations over the years: Department of Economic Sustainability (DES), Housing and Economic Sustainability (HES) Department, Housing and Community Development Department (HCD) and now Housing and Economic Development (HED).

We originally identified HED in the FY2022 Annual Risk Assessment as a "high-risk" department based on Internal Audit combined risk factors. These factors included the rankings of management input, grant revenue, operating budget, and number of years since the last audit. The Audit Committee approved HED for inclusion in the FY2023 audit plan.

As part of the internal control review process, we met with the HED Department Director and Senior Management to discuss grant management. From information gathered in our meeting, we created a business process narrative and assessment of related risk. We identified medium-high risks associated with the department's grant management process. We discussed these risks with HED management to identify controls in place to mitigate the identified risks. Several of the higher rated risks were related to monitoring activities within the grant management process.

HED manages federal and state grants under the rules and regulations for each particular program. HED has a decentralized grant process that requires each HED division to administer and monitor its own grant agreements under the program guidelines. Our audit objective incorporates the entire grant cycle (Pre-Award, Grant, Post-Award).

Due to the separation of divisional responsibilities, we concluded with the Department Director that we would provide two separate audit reports.

The first HED audit report on monitoring was related to the Mortgage Housing and Investments (MHI) Division, which included Pre and Post-Grant monitoring. This second HED audit report discusses issues concerning the Grant Monitoring responsibilities of:

- CDBG Capital Projects: The Capital Improvements Real Estate and Inspection Services (CIREIS) Division is responsible for post-award technical assistance, inspection and monitoring of capital projects under Community Development Building Grants (CDBG) involving municipalities and County departments.
- CDBG Agreements: The Strategic Planning Division is responsible for monitoring Public Service Agreements, Economic Development Agreements, & Code Enforcement Agreements.

HED's Financial Administration and Loan Servicing Division is responsible for reviewing and authorizing payment approvals. Payment requests, along with required backup are forwarded to the Clerk's Office for payments to be issued.

We conducted our fieldwork that covered grant monitoring (CIREIS and Strategic Planning divisions), both remotely and at their offices, during the period from December 2023 through June 2024.

AUDIT SCOPE AND METHODOLOGY - GENERAL

This report addresses the management and oversight of the grant monitoring process of CDBG Agreements. To support our audit objective, our methodology included:

- Conducting a risk assessment of the HED Department to evaluate related risks and to identify associated controls.
- Reviewing PPMs, Guides, and Manuals relating to how "monitoring" is to be performed.
- Interviewing key personnel at HED and ISS departments to evaluate internal controls related to IDIS (Integrated Disbursement Information System) and Calyx systems access.

For the Grant-Award stage, we judgmentally selected projects under CIREIS and Strategic Planning divisions, based on location, size, dates, municipalities,

discussions with CIREIS manager, and auditor experience. We reviewed HED monitoring processes under judgmentally selected subrecipient CDBG agreements in effect between October 1, 2022 and March 31, 2023 by confirming:

- Performance of monitoring processes as required under CDBG Agreement requirements.
- Compliance and use of monthly performance reports, site visits, third-party insurance certificates and annual risk assessments.
- Oversight and reconciliation of subrecipient funding requests.

Our discussions focused on the audit objectives, the associated risks, and HED procedures in place to mitigate those risks. We considered areas of fraud as they related to our audit objectives and data reliance in our planning and in discussions with the Internal Auditor, and with HED divisional and departmental management.

We also reviewed the grant-monitoring requirements under CDBG, along with county, departmental and divisional policies and procedures.

AUDIT METHODOLOGY – DETAIL BY AUDIT FINDING

Finding #1:

We obtained agreements from subrecipient (Municipality), City resolution, competitive bidding documentation for personal services contract awarded, and requests for reimbursements by subrecipient for consultant work performed.

Of the 30 CIREIS Capital Improvement Agreements in effect between October 1, 2022, and March 31, 2023, we selected five for review. For each agreement selected, we reviewed the monitoring requirements and agreements, and reviewed the following documentation in each capital project file that included HES Monthly Summary Forms, file checklists, Monthly Performance Reports, and Periodic Site Visits.

Finding #2:

Of five selected capital projects reviewed, we identified one subrecipient's project was less visible (i.e. Wi-Fi) for monitoring/maintenance. We discussed with the HED Director how this type of project is monitored during the five-year period after the contract expiration per the CDBG requirement.

MANAGEMENT AND AUDIT RESPONSIBILITIES

Management is responsible for establishing and maintaining effective internal controls to help ensure that appropriate goals and objectives are met; resources are used effectively, efficiently, and economically, and are safeguarded; laws and regulations are followed; and management and financial information is reliable and properly reported and retained.

Internal Audit is responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to perform, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

David Zamora, CIA, CRMA, CFE, CGAP, CFI
County Internal Auditor
December 19, 2024



November 20, 2024

David Zamora
Palm Beach County, Internal Auditor

**Re: HED Grant Monitoring of Community Development Block
Grant Awarded Contracts Audit – *Department Response***

**Department of Housing and
Economic Development**

Administration

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Department of Housing and Economic Development (DHED) is in receipt of Final Draft Audit Report #2025-02.

DHED does not concur with the report's findings and recommendations. This response provides further clarification of DHED monitoring practices, procedures, and policies; as well as DHED staff's correct views and statements; and recites applicable specific Department of Housing & Urban Development (HUD) monitoring and regulatory guidance to grantees for monitoring their subrecipients in redress to the apparent *misunderstandings, misconceptions, and incorrect generalizations* within the report.

HUD Subrecipient Monitoring approach states: "*Monitoring is not just a one-time event. It is an ongoing process requiring continuous planning, implementation, communication, and follow-up with your Subrecipient.*"ⁱ

DHED Subrecipient Monitoring approach / process: "Department follows HUD's monitoring approach, and we don't view it as a once a year or periodic exercise, neither do we use a "*got you approach*" to monitoring. It is an ongoing process involving continuous communication and evaluation, to ensure our partners are following all the rules and regulations associated with their funding. Such a process involves frequent telephone/email contacts, written communications, analysis of reports and audits, and periodic meetings." "Where possible, any identified deficiencies in need of corrective action should be handled through discussion, negotiation, or technical assistance in a manner that maximizes local discretion."ⁱⁱ

Internal Audit Report #2025-02:

Finding #1 – Progress Performance Reports: Monitoring of subrecipient agreement terms needs improvement.

A. Progress Performance Reports (Monthly Performance Reports) not obtained in accordance with the Agreement

Internal Audit Recommendation #1. Department Director should ensure monitoring documentation (Monthly Performance Reports,

"On-Site" visits) for subrecipient projects are complete for compliance with the terms of the agreement and HUD requirements

Stated Condition:

Four of the five CIREIS projects selected for review (80%) had Monthly Performance Reports with issues identified by HED staff. Examples of report issues included missing signature, untimely submission, and undated reports. For one of the selected projects (CL Brumback Health Center Renovations), all monthly reports for a nine-month period (January –September 2022) were missing. The CIREIS Manager confirmed they do not reach out to subrecipients to discuss Monthly Report issues

Response to Finding #1:

DHED does not concur with Finding #1. CIREIS Division Director and division staff issue reminders to subrecipients to submit reports timely for projects with agreements that require monthly reports. Division staff reviews submitted reports for missing information or other deficiencies. CIREIS Division Director does not require division staff to return reports to subrecipients for correction and resubmittal. Instead, Division staff regularly reaches out to subrecipients to review reports as well as other required project documentation directly with them, to help train them to better monitor their own projects, and to help improve their performance in submitting reports and other required project documentation.

HUD's Guidance to Grantees regarding Subrecipient Agreements: "Subrecipient Agreements are essential management tools for measuring your subrecipient's performance and regulatory compliance. They are also useful in teaching or reminding subrecipients about their performance objectives, methods, and administrative responsibilities."ⁱⁱⁱ "Tailor your agreement to the specific program or project your subrecipient will carry out." "No matter how carefully you craft your agreement, be prepared to revise the document to address loopholes or unanticipated problems."^{iv}

DHED Comments: C.L. Brumback subrecipient agreement is a 'Memorandum of Understanding' (MOU) between DHED and Palm Beach County Facilities, Development and Operations, a BCC authorized County Construction Department. Of the five (5) agreements selected for review in the audit report, two (2) contain no monthly performance report requirements. The second agreement is also a MOU between DHED, FDO and County Parks Department for Glades Pioneer Park. CIREIS Division staff prepares a single monthly report for all DHED funded projects undertaken by Palm Beach County FDO and Parks Departments, and updates the report during monthly conference calls scheduled to review the status for each project in detail with County Project Managers. CIREIS Division staff work cooperatively with the departments to provide technical assistance in order to help them meet required project expenditures and regulatory requirements.

CIREIS Division staff does not rely solely on submitted monthly reports to review subrecipient project performance. Division staff maintains frequent direct contact with all subrecipients through phone calls, emails, and regularly scheduled project meetings;

attending and presenting at contractor meetings; review of weekly worker payroll and other required project reports; in addition to on-site visits when construction activities are actively underway. Division staff utilizes all points of contact to provide ongoing monitoring of each critical step and benchmark throughout the project.

Furthermore, CIREIS Division staff document review and approval of all required project documentation throughout the entire project (See attached Project Monitoring Checklist prepared by CIREIS Division staff to document each file for critical project step that requires regulatory review). CIREIS Division provides cumulative CDBG project reports regularly to the DHED Director that accurately reflect the status of each project, expenditures, reimbursements, but also provides estimated expenditure projections toward meeting the Department's HUD annual expenditure requirements.

DHED's monitoring approach proves most effective in assisting subrecipients to meet their project goals, and DHED meet all HUD regulatory and expenditure requirements.

HUD's Guidance to Subrecipients on reporting to Grantees: "Your reporting requirements are specified by the grantee in your subrecipient agreement." "Your Grantee has discretion over the type and frequency of reports they will require."^v

DHED Comment: HUD does not require subrecipients to submit monthly performance reports to their grantees. DHED determines if submittal of monthly performance reports are required under each subrecipient agreement. DHED sets subrecipient agreement terms regarding subrecipient reporting and other requirements, and determines if any agreement terms need to be modified.

Audit Report #2025-02: Finding #1 – Monthly On-Site Visits: Monitoring of subrecipient agreement terms needs improvement.

B. Monthly "On-Site" Visit documentation missing in project files

Recommendation 1. Department Director should ensure monitoring documentation (Monthly Performance Reports, "On-Site" visits) for subrecipient projects are complete for compliance with the terms of the agreement and HUD requirements
Criteria:

The United States Department of Housing and Urban Development Handbook entitled "HUD Monitoring Desk Guide, Policies and Procedures for Program Oversight," under 4, Program Monitoring Strategies, states "On-site monitoring reviews are essential for high-risk program participants and recommended for other participants, to the extent practicable

Condition: For the 5 CDBG capital project agreements selected, 54 separate monthly periods were identified based on the contract periods. Of 54 monthly periods, we obtained documentation showing 30 monthly on-site visits were performed. There was no documentation that showed the remaining 24 months had a site visit.

DHED does not concur with this finding. Monthly site visit documentation is not "missing". HUD does not require CDBG grantees to perform monthly site visits. DHED

subrecipient agreement terms do not require DHED to perform monthly site visits. CIREIS Division Director sets the expectation for staff to perform monthly project site visits when the project is actively under construction. Construction projects often become inactive for many reasons: cost increases, redesign requirements encountered due to unforeseen conditions in existing facilities; approval and funding issues related to construction change orders; delays in permitting review and approvals; construction material shortages; labor and supply chain issues, adverse weather conditions, etc.

The Audit Report's inclusion of a percentage calculation of site visits conducted for each month after construction begins, fails to take such periods of inactivity into consideration. CIREIS tracks on-site visits performed by division staff through the eKPI. Six (6) CIREIS division staff members performed and reported on 835 project site visits in FY 2023 and FY 2024 for all projects assigned, including the CDBG funded subrecipient projects. Requiring performance of monthly site visits at project sites during times when no construction activities are taking place would be both inefficient and ineffective in monitoring subrecipient performance of CDBG Capital Improvement Projects.

Additionally, the audit report quoted regulations and specified criteria from "The HUD Desk Guide - Policies for Program Oversight," which was prepared between November 2004 and January 2009 for HUD Field Office's use (not grantee use). It was developed to "address deficiencies identified by the Government Accountability Office and HUD Office of Inspector General" as it was "based on policy contained in HUD's Departmental Management Control Program," for HUD Field Offices. Additionally, the document appears to be no longer accessible when searching for the document through the HUD Exchange - HUD's Online Resource Library.

HUD's Guidance to CDBG Grantees: In "Basically CDBG" (dated July 2012), HUD Office of Block Grant Assistance, 13.4.6 states, "once construction has started, grantees should: Require progress reports (weekly, monthly, quarterly or with each draw request) that flag any pending or anticipated problem; Hold regular meetings to discuss issues and provide technical assistance needed, and make periodic site visit to evaluate progress.^{vi}

Internal Audit Report #2025-02: Recommendations.

1. Department Director should ensure monitoring documentation (Monthly Performance Reports, "On-site" visits for subrecipient projects are complete for compliance with the terms of the agreement and HUD requirements
2. Department Director should either ensure with terms of subrecipient agreements (Obtain monthly performance reports), or revise terms of subrecipient agreements to align with the departments' monitoring efforts (exclude requirement to provide monthly reports)

DHED does not concur with the recommendations. Monitoring documentation for site visits is complete for compliance with the terms of the agreements and HUD requirements. DHED will continue review subrecipient agreement terms and when

necessary modify agreement requirements related to subrecipient reporting to ensure continued compliance with HUD requirements.

Internal Audit Report #2025-02:

Finding #2: Post Monitoring Plan needed for non-visible completed capital projects

HUD requires post-monitoring of CDBG funded capital projects for five years after expiration of the related agreement.

Internal Audit Recommendations:

3. Department Director should ensure CDBG funded capital projects (including less visible types) are monitored and maintained for the five year period.
4. Department director should ensure written procedures are developed (and included in the department's monitoring handbook) to monitor/maintain less visible CDBG funded capital projects for the five year period required by HUD. Example of monitoring could include an annual Declaration of Agreement signed to provide written evidence project is being maintained. In addition, ensure pertinent staff are aware of the newly established plan.

DHED does not concur. DHED is compliant with HUD requirements. HUD requires that subrecipient agreements include specific regulatory provisions in accordance with 24 CFR 570.503(b), specifically a provision regarding 'Reversion of Assets'.

HUD Guidance, Required Subrecipient Agreement Provisions for Grantees: "Reversion of Assets. How and when your subrecipient must transfer remaining CDBG funds and accounts to you when the agreement ends and how to use or dispose of real property acquired or improved with CDBG funds in excess of \$25,000 (24 CFR 570.503(b)(7))."^{vii}

In accordance with HUD regulations we have included the following language in all the required CDBG Agreements:

REVERSION OF ASSETS

Upon expiration of this Agreement, the Subrecipient shall transfer to the County any CDBG funds on hand at the time of expiration and any accounts receivable attributable to the use of CDBG funds. Any real property under the Subrecipient's control upon expiration of this Agreement which was acquired or improved in whole or part with CDBG funds must either be used to meet one of the national objectives in Federal Community Development Block Grant Regulations 24 CFR 570.208 for a period of five years after expiration of this Agreement (unless a longer period is specified elsewhere in this Agreement), or, the Subrecipient shall pay the County an amount equal to the current market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for the acquisition of, or improvements to, the property. This provision shall survive the expiration or termination of this Agreement.

I. USE OF THE PROJECT FACILITY/PROPERTY: The Subrecipient agrees in regard to the use of the facility/property whose acquisition or improvements are being funded in part or in whole by CDBG funds as provided by this Agreement, that for a period of five (5) years after the expiration date of this Agreement (as may be amended from time to time):

(1) The Subrecipient shall properly maintain the facility/project, and may not change the use or planned use, or discontinue use, of the facility/property (including the beneficiaries of such use) from that for which the acquisition or improvements are made, unless the Subrecipient provides affected citizens with reasonable notice of, and opportunity to comment on, any such proposed change and either:

- a. The new use of the facility/property qualifies as meeting one of the national objectives defined in the regulations governing the CDBG program, and is not a building for the general conduct of government; or
- b. The requirements of paragraph (2) of this section are met.

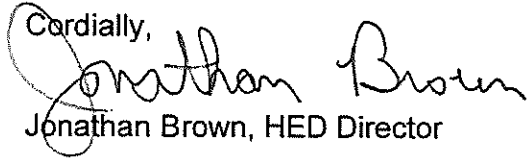
(2) If the Subrecipient determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify under paragraph (1) (a) of this section or discontinue the use of the facility/property, it may retain or dispose of the facility for such use if the County is reimbursed in the amount of the current fair market value of the facility/property less any portion thereof attributable to expenditures of non-CDBG funds for acquisition of, or improvements to the facility/property. The final determination of the amount of any such reimbursement to the County under this paragraph shall be made by the County.

(3) Following the reimbursement of CDBG funds by the Subrecipient to the County pursuant to paragraph (2) above, the facility/property will then no longer be subject to any CDBG requirements.

The provisions of this clause shall survive the expiration or early termination of this Agreement.

In closing, DHED's monitoring approach follows HUD's recommendations, as follows:

"Use a common-sense approach and engage in a thorough evaluation of data and other information to draw defensible and supportable conclusions. Always keep in mind that the main objective of monitoring is to assist program participants in carrying out their program responsibilities. Ask yourself, "Is the program purpose being accomplished? Are the program beneficiaries being served as intended? Are program requirements being met?" (HUD CPD Handbook 6509.2 REV-7 CHG 6, Chapter 2: Management of Monitoring Activities).

Cordially,

Jonathan Brown, HED Director

Attachment: HED Monitoring Checklist

cc: Tammy Fields
Sherry Howard
Bud Cheney

ⁱ Managing CDBG – A Guidebook for Grantees on Subrecipient Oversight, Chapter 5-4

ⁱⁱ Department Monitoring Handbook – DHES Monitoring Handbook, Chapter 1-3

ⁱⁱⁱ Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight, Chapter 3-2

^{iv} Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight, Chapter 3-3

^v Playing By The Rules – A Handbook for Subrecipients on Administrative Systems

^{vi} Basically CDBG (July 2012), HUD Office of Block Grant Assistance, Community Planning and Development, Chapter 13: Performance Measurement, Report, Recordkeeping, and Monitoring, 13.4.6 Project Monitoring, P. 13-19

^{vii} Managing CDBG: Subrecipient Oversight, Chapter 3: Subrecipient Agreements, Minimum Subrecipient Agreement Requirements, Reversion of Assets, Chapter 3-2, 3-3

PALM BEACH COUNTY DEPARTMENT OF HOUSING & ECONOMIC DEVELOPMENT
 Capital Improvements, Real Estate and Inspections Services Division (CIREIS)

PROJECT MONITORING SUMMARY (CAPITAL IMPROVEMENTS)

Funding Source CDBG Start (Agreement Date) 10/1/ Closeout date _____
 Records Retention Item/ Holding Period: 136 – Project Files: Capital Improvement (10 fiscal years)
 Hold until: 9/30/ Request to Dispose: 10/1/

Subrecipient:	
Project Name:	
Project Address:	
District:	Beneficiaries:
Project Description:	
Contacts:	

Agreement

Performance Requirements	Agreement <i>date</i>	Amend 01 <i>date</i>	Amend 02 <i>date</i>	Comments
Benchmark 1				
Benchmark 2				
Benchmark 3				
Benchmark 4				

Comments (Revisions, Modifications): _____

Subrecipient Certificate of Insurance/ Affidavit

Verify Funding Availability

Action Plan Year/ Amd: _____ Source: CDBG Amount: _____
 Fund ___ Dept ___ Unit ___ Object _____ Program Code/ Period _____
 Funding Comments: _____

Environmental Review

ERR completed
 ER Letter issued
 Verified any ERR (Ph 1/ Ph 2) Expenses: _____

Federal Requirements Transmitted

Date: _____ Wage Decision/s: _____
 Date: _____ Wage Decision/s: _____

Section 3 project, per 24 CFR 75 ___ Yes ___ No

Bid Package Review

PALM BEACH COUNTY DEPARTMENT OF HOUSING & ECONOMIC DEVELOPMENT

Capital Improvements, Real Estate and Inspections Services Division (CIREIS)

Date received: _____
Review date: _____ [] approved [] not approved
Review date: _____ [] approved [] not approved

- [] **Opinion of Probable Cost** _____
- [] **Copy of bid advertisement**
Bid advertisement date: _____ New Bid Advertisement Date: _____
- [] **Bid Addenda [] No Addenda**
No. _____ Date issued: _____
No. _____ Date issued: _____
- [] **Bid Opening**
Bid opening date: _____ New Bid Opening Date: _____
- [] **Bid results and award recommendation request**
[] Received copy of bid summary sheet
[] Received confirmation of posting and no protest
[] Received award request/ recommendation letter from Subrecipient
- [] **Wage Decision Modification** [] 10Day Chg [] 90Day Chg [] Not applicable
Date: _____ WD Changed to: _____
- [] **Contract award approval letter [] Not applicable**
Letter date: _____ [] Award approved [] Award not approved
- [] **Contract Award**
Contract Award Date: _____ Contract Award Amount: _____
Contract Awarded to: _____
[] NTP Issued. NTP Commencement Date: _____
[] Construction Schedule Submitted
- [] **BABA applies ___Yes ___No ___N/A**
BABA determination and compliance notes

- [] **Received 5 forms in Federal Requirements package – Prime Contractor**
- [] **Contract documents**
[] Received copy of executed construction contract
[] Contractor Insurance
[] Payment and Performance bonds [] Bond(s) not applicable
- [] **Initial HUD 2516 Contract Activity Report**
- [] **SAM Verification for Contractor Debarment (<https://www.sam.gov/>)**
- [] **Sunbiz verification of registration and officers (<https://dos.myflorida.com/sunbiz/>)**
- [] **Review of procurement process, prior to Reimbursement #1**
- [] **Set up project Elation Account**
- [] **Pre-construction Meeting. Date** _____

PALM BEACH COUNTY DEPARTMENT OF HOUSING & ECONOMIC DEVELOPMENT

Capital Improvements, Real Estate and Inspections Services Division (CIREIS)

- Subcontractor Forms (Lower Tier Cert and Acknowledgment)** **No Subcontractors**
- Name: _____ Name: _____
- Name: _____ Name: _____
- Name: _____ Name: _____

- Change Orders** **No change orders**
- CO# _____ Date/ Approved _____ Amount \$ _____ Incr/Decr/No Chg/ Contingency
- CO# _____ Date/ Approved _____ Amount \$ _____ Incr/Decr/No Chg/ Contingency
- CO# _____ Date/ Approved _____ Amount \$ _____ Incr/Decr/No Chg/ Contingency
- Final Contract Amount: _____

- DHED received final reimbursement request**

- Closeout documents (submitted at Final Reimbursement or at actual project completion)**
- Checked updated Subrecipient Insurance
 - Checked updated Contractor Insurance
 - Received copy of final payment to Contractor
 - Cert of Completion/ Occupancy, Final Inspection or Permit Closeout (Date: _____)
 - Received Section 3 report
 - Received Section 3 Letter of Effort, if required
 - BABA documentation is in the file
 - Received final HUD 2516 Contract Activity Report
 - Received/Approved all DBRA documents, Final Payrolls
 - Received Certification of DBRA Compliance
 - DHED release of retainage/ final payment

- Monthly Reports Reviewed**
Comments: _____

- BAS & Pay Finalized**

- Triennial Report & Photos**

Final Funding and Project Costs	\$ Amount	Source
Total Construction Costs (incl Change Orders)		
Total Non-construction Costs		
Final Amount of CDBG Funding (incl Amendments)		
Final Amount of other Funding		

Construction Completion Date: _____

DHED File Closeout Date: _____
 _____ Cert of Occupancy/Completion/ Final Inspection or _____ Director signed Final Reimbursement

Comments: _____