



COMPLIANCE REVIEW SNAFUS AND HOW TO FIX THEM

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**YOU
DID
WHAT?**

OVERVIEW

- What is a Compliance Review
- Why we conduct Compliance Reviews
- What Happen at the Compliance Review
- When to Expect them
- Recent Snafus and How to Fix them
- Tools
- Keys to Compliance



What is a Compliance Review?

An in depth review of your Project files—Conducted by your Community Development Specialist (CDS).



Why we conduct Compliance Reviews

RESPONSIBILITY

➤ HUD

- ✓ Ensure Compliance with State and Federal Regulations

➤ You

- ✓ Identify Deficiencies and/or the need for Technical Assistance (TA)

What happens at a Compliance Review?

Community Development Specialist
will review the following:

- ✓ Files
- ✓ Program Oversight
- ✓ Federal Requirements
- ✓ Individual Project Files
- ✓ Financials



Illustration by Chris Gash

When do we do it?

➤ CDBG

- ✓ Pre-Contract Review
- ✓ Interim compliance Review
- ✓ Final Compliance Review

➤ IPR

- ✓ Annually

➤ NSP

- ✓ Annual



Reoccurring Snafus



Change Orders

What are we seeing?

- ✓ Missing Change Orders
- ✓ Improperly Executed Change Orders

Change Orders

- What we expect...
 - ✓ A Change Order for each of the following:
 - *Additional Work*
 - *Changes in the Specifications*
 - *Changes to the Contract Amount*
 - *Changes to the Contract's Completion Date*

Change Orders

✓ A Properly executed Change Order

Must be signed and dated by:

- *Contractor*
- *Homeowner*
- *RS*
- *PA*
- *Grantee*
- *DHCD*

Prior to work authorization

Improperly Executed Contracts

- What are we seeing?
 - ✓ Contracts that include both Construction Costs *and* either Demolition or Exceptions
 - ✓ Missing ***Federal Construction Contract Language for Housing Rehab*** Attachment

Improperly Executed Contracts

What we expect...

- ✓ Two (2) Construction Contracts for Rehab Projects
 - Base Construction Costs
 - Exceptions

- ✓ Two (2) Construction Contract for SR
 - Base Construction Costs and Exceptions
 - Demolition

Improperly Executed Contracts

- ✓ ***Federal Construction Contract Language for Housing Rehabilitation*** attached to each Contract

Disorganized Financial Documentation

- What are we seeing?
 - ✓ Grantees providing unorganized financial documentation
 - ✓ Not providing source documentation of funds deposited into the account



Disorganized Financial Documentation

What we expect...

- ✓ Organize Files
- ✓ Generally Accepted Accounting Principles (GAAP)
- ✓ Internal Controls
- ✓ Source Documentation
- ✓ Program Income Tracking



Missing Contractor Qualification Documents

What are we seeing?

- ✓ No Documentation of Contractors *License*
- ✓ No Documentation of Contractors *Insurance*
- ✓ No Documentation of Contractors *Lead Certification*

Missing Contractor Qualification Documents

What we expect...

- ✓ DPOR license
- ✓ Class A, B, or C
- ✓ Designations
 - ✓ BLD
 - ✓ SVC-HIC
- ✓ RRP Certifications
- ✓ Insurance
 - ✓ General Liability
 - ✓ Workman's Comp



Ineligible Expenses

What are we seeing?

- ✓ Over-payment to contractors
- ✓ 10-year Life Estate



Ineligible Expenses

What we expect...

- ✓ Organized Financial Records
- ✓ Complete Individual Project Files
- ✓ Life Estate



Missing Bid Documentation

What are we seeing?

- ✓ Bids being accepted that are more than 10%

Missing Bid Documentation

What we expect...

Note from the Rehab Specialist justifying the additional costs.

Completed Rehab Unit not meeting HQS

What are we seeing?

- ✓ Homes unable to pass the HQS inspection including unfinished portions, creating a hazardous environment.

Completed Rehab Unit not meeting HQS

What we expect...

All HQS violations must be identified and addressed during rehabilitation of unit.

Improper Tracking Program Income

What are we seeing?

- ✓ One Program Income Account for several projects with poor tracking—unable to determine source.

Improper Tracking Program Income

What we expect...

- ✓ **BALANCE SHEET**
 - ✓ **amounts due and received monthly**
 - ✓ **client's name**
 - ✓ **separated by active/inactive status**
 - ✓ **contract number,**
 - ✓ **project year**
 - ✓ **amount expended annually.**

DHCD Compliance Tools

- Grant Management Manual
- Workshops
- Technical Assistance Visits
- Checklists
- Grantee Monthly Status Reports/MTM Minutes
- Telephone Conversations
- Email Updates
- Webinars

Key to Compliance

Files

- ✓ Use our “Model Filing System”
- ✓ Keep Files Current

Key to Compliance

If in doubt...

1. Consult CDBG Grant Management Manual
2. Call your Community Development Specialist

Keys to Compliance

Document!

Document!

Document!

Keys to Compliance

**“If it’s not DOCUMENTED,
it didn’t happen.”**

QUESTIONS?

