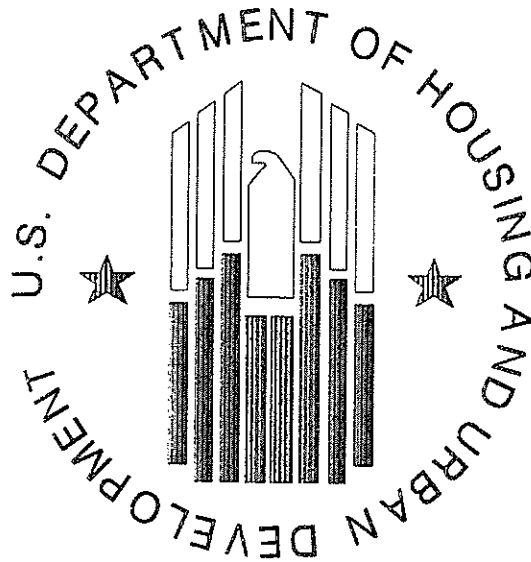


**U.S. Department of Housing & Urban Development
Buffalo, New York Office**



Monitoring Report
Community Development Block Grant Program

City of Dunkirk, New York

Monitoring Dates:
August 12-13, 2014

INTRODUCTION

Monitoring is the principal means by which the Department of Housing and Urban Development (HUD) ensures that programs and technical areas are carried out efficiently, effectively, and that the programs comply with applicable laws and regulations. It assists grantees in improving their performance, developing or increasing capacity and augmenting their management and technical skills. Also, it provides the means for staying abreast of the efficacy of CPD-administered programs and technical areas within the communities HUD programs serve. Monitoring is not limited to a one-time review but is meant to be an ongoing process that assesses the quality of a grantee's performance over a period of time involving continuous communication and evaluation. Specifics relating to this evaluation are as follows:

Date Monitoring Conducted: August 12 - 13, 2014

Type of Monitoring: On-Site

HUD Reviewers: Community Planning and Development Representatives:
Lambros Touris and Jill Casey
Kenneth Naples, HUD Financial Analyst

Entrance Conference:

Date: August 12, 2014

Participants:

The Honorable A. J. Dolce, Mayor, City of Dunkirk
Steven Neratko, Dunkirk Community Development
Director
Nicole Waite, Dunkirk CDBG Program Administrator
Kenneth Naples, HUD CPD Financial Analyst
Jill Casey, HUD CPD Representative
Lambros Touris, HUD CPD Representative

Exit Conference:

Date: August 26, 2014

Participants:

Jill Casey, HUD CPD Representative
Lambros Touris, HUD CPD Representative
Kenneth Naples, HUD Financial Analyst
Steven Neratko, Dunkirk Community Development
Director
Nicole Waite, Dunkirk CDBG Program Administrator

Contact Information for Further Information and Follow-Up:

Lambros Touris, CPD Representative 716-551-5755, extension 5810
or lambros.j.touris@hud.gov.

SCOPE of REVIEW

In determining which grantees will be monitored, the Department uses a risk-based approach to rate grantees, programs and functions, including assessing the Department's exposure to fraud, waste and mismanagement. This process not only assists the Department in determining which grantees to monitor, but also identifies which programs and functions will be reviewed. As a result of our analysis of your program(s), the following areas were identified for review:

- Citizen Participation
- Housing Rehabilitation Program Design
- Administrative Costs

Areas reviewed may result in the identification of findings, concerns or exemplary practices. A finding is identified as a deficiency in program performance based on a statutory, regulatory or program requirement. It is a condition that is not in compliance with a statute, regulation or handbook. A concern is a deficiency in performance that is not based on a regulatory or statutory requirement but is brought to the grantee's attention. If a finding or concern is noted, it will include a recommendation to change or provide further information on current practices.

This report contains one finding, two concerns and one recommendation. A summary of results, including findings and/or concerns are identified below under the area reviewed section of the report. The enclosed Exhibits were used in formulating the basis for this report. You may find this information useful in responding to any findings or concerns or in further developing your program(s). In addition to the new finding and concern, we have included Attachment A with open findings from previous years which still require corrective actions.

Your HUD representative is available to discuss the monitoring results and provide technical assistance. If you disagree with any of HUD's determinations or conclusions, please address the issues in writing to the Department within 30 days from the date of this report. Your written communication should explain the reasons why you disagree and include supporting evidence and documentation. All communications should be forwarded to:

U. S. Department of Housing and Urban Development, Buffalo Office
Community Planning and Development Division
465 Main St., 2nd Floor
Buffalo, NY 14203-1780

AREAS REVIEWED

Citizen Participation

References:

Exhibit 19-1 - Guide for Completeness Review of Local Government Citizen Participation Plan

Exhibit 19-3 - Guide for Review of Local Government Citizen Participation Plan Performance

There is one finding and no concerns.

Summary

HUD requires recipients of CDBG funding to develop a Consolidated Plan, Annual Action Plans and annual reports (CAPERs). These documents are all regulatory requirements but are also intended to be tools to share with the local community and citizens to explain the community development needs, use of CDBG funds and accomplishments. The grants administration process is by statute, designed to include the participation of citizens of the community and very specifically residents of low- and moderate-income neighborhoods and the organizations that serve members of the community in need. HUD sought to determine if Dunkirk met both the letter and spirit of the requirements.

The monitoring review considered the Dunkirk documents related to the Citizen Participation Plan (CPP) and the actions taken in 2013-2014 to engage citizens and make the public aware of the CDBG program plans, programs and reports. Of concern during the monitoring was a lack of clarity regarding the document being used to govern the Citizen Participation process. Dunkirk presented a CPP dated 2003-2007 during the on-site monitoring period. HUD representatives had a CPP copy dated 2008-2012. During interviews, Dunkirk staff indicated they utilized the earlier plan and referenced the Consolidated Planning regulations to guide their efforts. Staff was unaware of the later version until it was presented by HUD.

While actions taken to satisfy HUD requirements have been largely met, the City of Dunkirk must address inconsistencies and establish a clear CPP and practices to ensure it is consistent, fair and compliantly implemented.

It should be noted that Dunkirk is meeting the spirit of the requirements and taking a number of steps to engage citizens in the planning and programming. A review of the 2013 five-year Consolidated Plan included significant outreach, hearings and attempts to engage the community in the development of goals and programs.

Finding Number One -- Need to formally adopt a current Citizen Participation Plan that is compliant with regulations and shared with the public and community stakeholders.

Condition	There are two versions of the Dunkirk CPP. Current Dunkirk staff was unaware of a more recent CPP and was referencing an earlier document during the monitoring visit. Dunkirk was uncertain if any plan was presented to the public for comment or officially adopted by the City. The HUD regulations
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	require that significant amendments to the CPP must be shared with the public for comment. It could not be determined if Dunkirk has formally adopted a CPP document as per regulatory procedures.
Criteria	24 CFR 91 Subpart B – Citizen Participation and Consultation. 24 CFR 91.105(a)(1) & (3)
Cause	Frequent turnover in staff and a lack of well-established policies and procedures led to confusion regarding the governing document.
Effect	Lack of a sufficient CPP and poorly informed implementation makes it difficult for stakeholders and interested citizens to know what is expected and required of a CPP. An insufficient CPP may lead to non-compliance with execution of the HUD CPP standards.
Corrective Action(s)	<p>Within 30 days of this report, Dunkirk must:</p> <p>1 - Select which version is going to be the official Citizen Participation Plan or develop a new CPP. The Plan must include all the HUD requirements of 24 CFR 91.105. This specifically should include:</p> <ul style="list-style-type: none"> • A definition of predominately low- and moderate-income neighborhoods • Identification of City CDBG target areas • How the CPP can be accessed by the public • Clear criteria of amendments / substantial amendments <p>2 - Upon completion of the selected or new/amended CPP, a draft copy should be sent to HUD for review. HUD will provide feedback regarding content and compliance with the regulations.</p> <p>Within 60 days of this report:</p> <p>3 - The new/amended CPP must be available to the public in the prescribed way (on website, hold public meetings, provide reasonable access, etc.) and create a means within the CPP to provide citizens with a reasonable opportunity to comment on the original plans and substantial amendments. Citizen comments should be recorded, considered and incorporated as appropriate.</p> <p>Within 90 days of this report:</p> <p>4 - The local government must adopt the amended plan and it should be incorporated into the City's Community Development Policies and Procedures.</p> <p>5 - HUD should be notified of the adoption and a final copy forwarded to the City's HUD Representative within three (3) months of this report.</p> <p>The City is encouraged to develop a plan that is compliant but also can be</p>

	realistically implemented and will result in meaningful participation of citizens, especially low- and moderate-income residents of the City.
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The monitoring review confirmed that despite the confusion around the version of the CPP, the City implemented citizen participation consistent with the HUD Regulations during the 2013 – 2014 review period. The monitoring confirmed the following:

- Dunkirk reached out and provided citizens an opportunity to learn about the Consolidated Plan process through public information sessions at multiple venues which were accessible and held at times either during the day or evening. The City targeted neighborhood groups such as Spanish-speaking residents, public housing residents and stakeholder groups which included small business owners.
- Dunkirk provided citizens several opportunities to comment on the Consolidated Plan (2013-2017) and the 2013 and 2014 Annual Action Plans.
- Adequate notice was provided to the public to encourage participation. This was accomplished in legal ads, press releases and letters to stakeholder agencies.
- Efforts were made to garner participation from the public housing authority residents, neighborhood organizations and agencies serving low- to moderate-income persons.
- A sufficient number of public hearings were conducted at different stages of the program year.
- Technical Assistance was available to organizations interested in applying for CDBG funds.
- The City received, reviewed and responded to citizen comments during the development of the Consolidated Plan and Annual Action Plans. The comments were largely received during the public meetings.
- The City's public engagement efforts included accommodations for persons with special needs and persons with limited English proficiency.
- The 2013 CAPER (most recent reporting step) included a legal ad noting that copies were available for comment (City Hall locations and online) for 15 days. A public hearing was pending at the time of monitoring.
- No formal amendment actions have occurred during the period reviewed therefore the City's compliance with amendments could not be reviewed.
- While the City did not report that any requests for handicapped accessible formats of documents or non-English documents have been received, the City expressed preparedness and willingness to meet such requests.

Dunkirk must note that the final version of a Citizen Participation Plan will be subject to a citizen participation process and the local government must adopt the amended plan. This should be made available to interested parties consistent with the plan so that residents and organizations are aware when and how they can engage in the Consolidated Planning process.

Housing Rehabilitation Program Design

References:

Exhibit 3-10 - Guide for Review of CDBG-Funded Rehabilitation Program Management

There are no findings and two concerns.

Summary

Dunkirk has spent the past year re-designing an Owner Occupied Housing Rehabilitation (OOR) program. The program that was previously administered by the City was terminated. A Request for Proposals went out to the public and local agencies to seek an experienced housing organization to administer the new Owner Occupied Rehab program. The City of Dunkirk selected Chautauqua Opportunities, Inc. (COI), a local community action and community development organization as the OOR Program operator.

HUD selected this area for monitoring to ensure the program was set up consistent with HUD rules and regulations as well as best practices for housing rehabilitation. The strategy of monitoring this area prior to project implementation of the program was preventative and technical assistance-oriented. The monitoring focused on policies and procedures that have been put in place to date.

An agreement between the City and COI was executed in 2014. COI has operated a county-wide housing rehabilitation program with other funding resources, including New York State and HOME. The agency is the local Weatherization Assistance Program administrator and brings that experience and the funds as project leverage. CDBG funds from 2012 and 2013 were targeted for housing rehabilitation and the 2014 Annual Action Plan included additional funds to ensure a program would be in place for the next couple years. The program design included targeted neighborhoods based on income and property needs. The program is a single family homeowner rehabilitation program that provides up to \$25,000 in CDBG grant funds for properties located in identified target areas for necessary repairs to address unsafe and hazardous conditions. At the time of the monitoring no CDBG funds had been obligated to specific projects.

The monitoring confirmed that Dunkirk and COI have established written program policies and procedures that are consistent with HUD CDBG requirements. This included homeowner eligibility determinations, rehab work write ups, bidding, and compliance with HUD regulations for Lead Based Paint. COI administers all aspects of the program which will include: processing and qualifying applicants, determining the scope of work and its costs, hiring contractors and inspecting their work, as well as paying them when work is completed and only after the work is found acceptable by the homeowner. The City of Dunkirk program

administrator will provide direct oversight of all aspects of COI's administration of the program and is responsible for approving all vouchers submitted by COI for reimbursement.

It was noted during the monitoring, that persons on the former waiting list the City maintained of homeowners requesting rehab were not rigorously recruited to participate in the newly designed program and their pending applications were cancelled. COI did send these persons a letter inviting them to apply again. The window to apply for the program was short (30 days) and mostly conducted by word of mouth and online. There were a total of eight (8) applicants. Of these, two (2) were outside the target areas and one applied after the deadline. The remaining five (5) were all selected. Based on a windshield survey of the properties selected and the work scopes in the project files, HUD is concerned that the Dunkirk Rehab Program may not be reaching the families and properties most needing rehab. HUD strongly recommends that the next round of applications include the following:

- A more robust outreach effort – mailing or neighborhood meetings in the target area(s); flyers to organizations within the target areas, perhaps a flyer to properties that visually appear to need rehab. Also possible press releases to local media announcing the program and how to apply.
- An application window that is longer than 30 days to allow more interested families to get on the list.
- Improved coordination with the City's Code Enforcement Office in such that as properties are cited for violations, they receive information about the rehab program.
- Continued linkage to the COI Weatherization program to cross reference applicants awaiting WAP that might be eligible for Dunkirk Rehab.

Concern Number One – Outreach for the Rehab Program was limited and thereby resulted in few applicants and a limited opportunity to prioritize needs and impact. This also resulted in limited opportunities for resident participation in the first round of assistance.

Condition	The pool of applicants for the Dunkirk Rehab program was very small and all eligible applicants were selected for participation in the program. It appeared some of the selected properties might not be substantially substandard thereby decreasing the effective impact of the program to City neighborhoods.
Cause	A short application period. Limited outreach. Cancellation of an old waiting list of residents from two years prior.
Effect	It could be construed the program did not affirmatively market the rehab program and potentially eligible candidates did not have an opportunity to apply for the program. Properties in the most need of rehab may not receive assistance.
Recommended Corrective Action(s)	Before the start of the next round of projects, Dunkirk and COI should develop a marketing strategy that insures that citizens in these target areas are aware of this program. Specific suggestions are noted above in the report.

Concern Number Two - The housing rehabilitation policy and procedure guidelines developed by the City and COI did not include a dispute resolution procedures.

Condition	After a review of the housing rehabilitation program guidelines it is noted that there is no provision included that addresses beneficiary dispute resolution or contract resolution. Guidelines did outline procedures that all rehabilitation must be inspected by rehab specialists and approved by the homeowner before final payment to the contractor will be made.
Cause	The City and COI did not anticipate the possibility of homeowner/contractor disputes since the program has not been implemented as of the date of the monitoring.
Effect	A lack of a consistent and formal dispute resolution process could result in delayed completion of a project to the satisfaction of all parties involved and possible unnecessary litigation.
Recommended Corrective Action(s)	The City and COI should develop a dispute resolution policy and incorporate them into the policies and procedures guidelines that can be implemented in a consistent manner for all such occurrences as they might arise.

Status of Financial Management and CDBG Administrative Costs

There are no findings or concerns. There is a recommendation.

Summary

Dunkirk has been delaying expenditure of administrative funds from PY 2013 based on the lack of other spending during a period of program clean up and re-design. Therefore the monitoring was limited to a review of progress on addressing open findings and a review of budgeted and incurred administrative costs that have yet to be drawn from the City’s line of credit.

The review focused on the City of Dunkirk’s compliance with HUD CDBG Financial Management requirements, status of Financial Reporting and Program Income Reconciliation. This included these key areas: CDBG Administrative Budget, Reporting and Accounting of Program Income, Internal Controls, Federal Financial Reporting and Financial Summary Reporting. Interviews were conducted with City Development staff and in more detail with Richard Halas, Fiscal Affairs Officer.

The City’s accounting software system is called KVS Information System. The system tracks the budgets, the receipt and expenditure of the Community Development Block Grant funds and produces the appropriate accounting reports. Other than program income; this system is reconciled with IDIS and was found to be current and reflect the status of the City’s CDBG program.

The City has been submitting their annual Single Audits to the Federal Clearinghouse along with a copy to our Office on a timely basis. Federal Financial Reports have been re-submitted and

include a reconciliation of program income. These Reports are now current through quarter ended 6/30/14 and have been determined to be acceptable by HUD. This effort has significantly addressed the 2011 Finding #5 that is open. This progress will be conveyed to Dunkirk in a separate letter regarding open findings.

Dunkirk's 2013 and 2014 CDBG Administrative budgets were reviewed. The 2013 Planning and Administration budget of \$73,000 included salaries of nine employees broken down by percentages and dollar amounts. The required supporting documentation for salaries and wages was discussed during the monitoring. The City was encouraged to review the current allocation of these charges and re-analyze their administrative budget to determine if they are necessary and reasonable to the CDBG grant program. HUD recommends that Dunkirk take into consideration the required time allocation records that are needed to document salaries paid with federal funds and perhaps charge fewer staff members but more time if that is appropriate.

Also noted during the monitoring was lack of coordination between the Fiscal Affairs office and the Department of Development regarding the Planning and Administration budget. One department reported lack of awareness of the budget detail. HUD recommends that consistent with good internal controls, financial management and adequate communication, the internal City departments develop these budgets in a coordinated manner and monitor the budget progress on a regular basis throughout the year.

Enclosure