



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Little Rock Field Office, Region VI
Office of Community Planning and Development
425 West Capitol Avenue, Suite 1000
Little Rock, AR 72201
Phone (501) 324-6375 Fax (501) 324-5954
www.hud.gov or espanol.hud.gov

March 12, 2012

Mr. Matthew Jennings
Community Development Director
City of Fort Smith
P. O. Box 1908
Fort Smith, AR 72902

Dear Mr. Jennings:

We have completed our annual monitoring review of the City of Ft. Smith's Community Development Block Grant (CDBG), CDBG-Recovery (CDBG-R), and HOME for the 2010 Program Year. This letter is to report to the City the results of our February 6-8, 2012 monitoring review and assessment of the City's performance in the administration of these programs. The success of our monitoring visit was greatly aided by the professional coordination and cooperation of your Community Development (CD) staff. The assistance provided by your staff was a valuable contribution to our review.

Monitoring is the principle means by which this office carries out its statutorily mandated responsibility to review grantee performance in administering block grant activities pursuant to the Housing and Community Development Act of 1974. Monitoring is also used to both ensure grantee compliance with statutory and regulatory requirements, and improve grantee program performance. Our objectives are to improve performance, assure that Federal funds are being managed properly, and to evaluate the effectiveness of your programs and need for technical assistance.

At the exit conference held on February 8, 2012, the HUD staff discussed the results of the review and provided you with an opportunity to comment on their initial conclusions. The enclosed monitoring report contains the results and details of each program area reviewed. There was one (1) finding noted which requires corrective action. Please provide a response to the finding within 30 days of the date of this letter.

03-01-27 11:03 AM

Thank you for your continued interest in HUD programs. Should you have questions concerning this letter or other matters pertaining to your grant programs, please call your Community Planning and Development Representative, Lisa Spigner, at (501) 918-5734.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Slater", written in a cursive style.

James E. Slater
Director, Community
Planning and Development

Enclosure

cc:
Mr. Ray Gosack
City Administrator

Little Rock Office of Community Planning and Development
Monitoring Report for the City of Fort Smith, Arkansas

Monitoring Team

Lisa Spigner, CPD Representative
Rhonda Shannon, CPD Representative
Clint Johnson, Senior Financial Analyst

Your Community Planning and Development Representative, Lisa Spigner, can be reached at (501) 918-5734. Please feel free to contact her if there are questions or concerns regarding this report.

Date of Review

February 6-8, 2012

Scope of the Review

The review covered the City's Community Development Block Grant (CDBG), CDBG-Recovery (CDBG-R), and HOME Program activities carried out during the period July 1, 2010 through June 30, 2011. Program areas reviewed include Program Benefit, Program Progress, Program Eligibility, Housing Rehabilitation, and Financial Management. Our review encompassed activities that were included in your Consolidated Plan/Annual Action Plan for the 2010 Program Year. This included a review of files and other records, on-site inspections, IDIS reports, performance reports submitted to HUD and your annual audit.

EXECUTIVE SUMMARY

The City of Fort Smith has carried out its CDBG, CDBG-R, and HOME Programs and related activities in substantial compliance with program regulations, handbooks, and other administrative directives governing Community Planning and Development programs. Additionally, we have concluded that overall, the City of Fort Smith appears to have well-managed HUD-funded programs, and a staff committed to providing quality services to the community. There was one (1) finding noted in the HOME Program which requires corrective action by the City.

Finding Number 1 – Need to Continue Efforts to Closeout open HOME activities in final draw (FD) status.

PROGRAM BENEFIT

Performance Standard: The CDBG regulations provide that funds must be used to assist activities that are both eligible and meet one of three national objectives. Basically, only those activities that are designed to principally benefit low and moderate-income persons (LMI), aid in the prevention or elimination of slum and blight, or meet an urgent need, can be undertaken with CDBG funds. Further, the regulations at 24 CFR 570.200 (a)(3) require a minimum of 70 percent of funds expended for CDBG activities over a 1-3 year period as specified by the grantee principally benefit low and moderate-income persons.

Actual Performance: We selected a sample of your 2010 projects for review to determine whether each activity met the stated objective. The activities we reviewed included Public Facility Projects, Public Service Projects, and Housing Rehabilitation. We reviewed information concerning project description, location and service areas, and identified beneficiaries included in your block grant files for your 2010 program year (see activities listed below that were visited onsite).

Conclusions: A site visit to thirteen of the projects listed corroborates the information in your files, verifying compliance with the national objectives. There were no activities attempted under either the urgent needs criteria or the slum and blight criteria. The records for the 2010 program year revealed that all funds expended during that period were for activities that principally benefit LMI persons. On-site reviews of the project service areas did not reveal any inconsistencies between the records, nor any instances where LMI benefit is questionable.

Findings and Concerns: None.

PROGRAM PROGRESS

Performance Standard: Monitoring program progress requires an assessment of whether a grantee is carrying out both individual activities and its program as a whole in a timely manner. This assessment is an important element in determining whether the grantee has a continuing capacity to carry out its program in a timely manner as required at 24 CFR 570.902 (a)(i). HUD's established benchmark for Formula grantees, as an indicator of timely program performance, is that un-disbursed program funds at 60 days prior to the end of the program year should be no more than 1.5 times the amount of the current grant.

Actual performance: We reviewed individual activities to determine whether they are progressing in a timely manner according to established performance goals. On-site inspections were made to the following activities: six (6) Housing Rehabilitation projects; one (1) CHDO Acquisition/Rehabilitation CHDO Project; three (3) Public Service Projects: the Next Step Day Room Homeless project; the Lincoln Child Care Center project; and the Community Services Clearinghouse project; and three (3) Public Facility Projects: the CDBG-R Sidewalks project; the Lend A Hand Fisher's Way infrastructure project; and the Children's Emergency Shelter project. Grantee program expenditures were also determined as of May 1, 2010, and performance was projected based on the rate of expenditures to determine whether the grantee

would meet the 1.5 standard 60 days prior to the end of the current program year. We also reviewed the grantee's LOCCS balance as of May 1, 2010, to determine whether the standard was met for the current program year.

Conclusions: The City's progress during the past Program Year has been satisfactory in the implementation of individual activities. The City's Community Development Staff has successfully administered the CDBG Program and is commended for the completion of approved activities in a timely manner. HUD Regulations state that there should be no more than 1.5 times the annual grant remaining in the line of credit at 60 days prior to the end of the program year. The City is commended for meeting HUD's timeliness standard during the 2010 Program Year. Based on the 60-day drawdown ratio, the City's current ratio of timeliness for expending CDBG funds is at .75, which is well below the allowable 1.5 ratio. This is below the benchmark and is an indicator of good performance in this area. Accordingly, the City is on schedule as far as meeting the standard for the current program year.

Findings and Concerns: None.

NATIONAL OBJECTIVES AND ELIGIBILITY

Performance Standard: Each activity undertaken by a grantee must fit one of the categories of eligible activities identified in Subpart C of the CDBG regulations at 24 CFR Part 570. Grantees are required to maintain records for each activity that fully describes the activity assisted, including its geographic location and the provision in Subpart C under which it is eligible. Grantees are also required to maintain evidence that each of their assisted activities meets one of the three national objectives of the CDBG program: benefiting low-to-moderate income persons; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency. The documentation requirements for each of the national objectives are described at 24 CFR 570.208, while the recordkeeping requirements are described at 24 CFR 570.506. The Fort Smith CDBG program consists of only activities that benefit low-to-moderate income persons.

Actual Performance: We reviewed the following activities for compliance with eligibility and national objective documentation and reporting requirements: Public Services, Public Facilities, and Housing Rehabilitation. Specifically, our review consisted of a file documentation review and/or an on-site visit to three (3) Public Service Projects: the Next Step Day Room Homeless project; the Lincoln Child Care Center project; and the Community Services Clearinghouse project; and three (3) Public Facility Projects: the CDBG-R Sidewalks project; the Lend A Hand Fisher's Way infrastructure project; and the Children's Emergency Shelter project; and review of nine (9) Housing Rehabilitation files and an on-site review/inspection to six (6) Housing Rehabilitation dwellings, and one (1) Acquisition/Rehabilitation Project files for the activities identified above were reviewed to determine if the activities carried out were eligible, appropriately classified, and documented by the City of Fort Smith.

Conclusions: The project and client files reviewed for the above activities indicated that the low-to-moderate income activities carried out were well documented by the City. All of the activities reviewed met the eligibility requirements for CDBG funded projects.

Findings and Concerns: None.

CITIZEN PARTICIPATION

Performance Standard: The Consolidated Plan regulations at 24 CFR Part 91.105(b) stipulate that grantees must meet certain minimal citizen participation requirements, including a Citizen Participation Plan detailing the community's procedures for involving the public in its program planning and implementation. At a minimum, the Citizen Participation Plan must ensure that the following requirements are met: (1) Citizen Participation Plan must state when and how the City will make this information available. (2) At least two public hearings a year must be held to obtain citizens' views and to respond to proposals and questions. (3) One of the public hearings should be held during the development of the Consolidated Plan. (4) There must be a 30-day period for citizen review and comment prior to submitting the plan to HUD. (5) Public comments must be given consideration.

Additionally, grantees must consult with other public and private agencies that provide assisted housing, health services, social services, child welfare agencies (regarding lead paint), adjacent units of local government (for non-housing community development needs), and local Housing Authorities. Meeting or exceeding the minimum citizen participation requirements may help grantees to: better inform the public about community needs and the resources available to address needs; learn about "hidden" community needs and issues; allow citizens and organizations to bring forward ideas on how to address community needs; and generate involvement in and commitment to proposed solutions.

Actual Performance: The City's Citizen Participation Plan and supporting documentation revealed that public hearings are being held as required. At least two public hearings were held prior to publishing the proposed activities in the local media. It appears the citizens of Fort Smith were afforded the opportunity to comment on the proposed CDBG-assisted activities and proposed use of funds.

Conclusions: The City's Citizen Participation Plan and process meets the requirements of 24 CFR Part 91.105(b).

Findings or Concerns: None.

FAIR HOUSING LIMITED REVIEW

A limited review was conducted of civil rights-related program requirements of the City's CDBG Program. It appears that the City is in compliance with Section 570.506 and maintains the required records to document eligibility of activities and beneficiaries; has an updated Analysis of Impediments to Fair Housing on file; documents the required data on racial and ethnic groups and single parent headed households of applicants for CDBG Program assistance; has properly executed sub recipient written agreements on file; monitors sub recipients to ensure

compliance with CDBG Program recordkeeping requirements; maintains records and follows displacement requirements; and fosters opportunities for minority and women owned business enterprises to compete for contracts and subcontracts and maintains appropriate records on those receiving contracts through the CDBG Program.

It also appears that the grantee's CDBG Program is administered in compliance with the communication and program accessibility requirements of Section 504 pertaining to persons with disabilities and maintains the appropriate records. The CD Director stated that public hearings are wheelchair accessible and interpreter services or special accommodations would be made if requested. Public Notices include language to inform the public of accessibility provisions for citizens with physical limitations and standard language is being added to these notices to advertise that citizens may contact the Community Development Director's office to request interpreter services or the need for other special accommodations. Our review further reveals that the City has included the required Section 3 clauses in its contracts and follows the requirements of Section 3 concerning training opportunities and employment. It also appears that the City is in compliance with the civil rights related program requirements for Section 504 of the Rehabilitation Act of 1973, as amended.

Findings or Concerns: None.

CDBG-R Project

Performance Standard: The American Recovery and Reinvestment Act of 2009 (Recovery Act), signed into law on February 17, 2009, appropriated \$1 billion in CDBG funds to states and local governments to carry out "shovel ready" projects that are eligible activities under the CDBG program. Statutory and Regulatory provisions governing the CDBG Program, including those at 24 CFR Part 570, apply to the use of these funds. The Recovery Act investments are designed to stimulate the economy as well as serve to meet significant community needs while aiding in economic recovery of our cities and communities.

Actual Performance: The City of Fort Smith was awarded CDBG-R grant funds in the amount of \$223,294 through the American Recovery and Reinvestment Act (ARRA) of 2009. CDBG-R funds in the amount of \$223,294 were expended on a Public Facility Activity (sidewalk projects on Grand Avenue, North 15th Street, North "I" Street, and North 10th Street, which are all located in a target area of 75.4% LMI). The City's project files were reviewed and CPD staff conducted on-site visits to the projects.

Conclusions: The City's CDBG-R funded Public Facility Projects in low-to-moderate income areas of the City are in compliance with the CDBG-R requirements under the American Recovery and Reinvestment Act (ARRA) of 2009 and meet the objectives of the CDBG-R program. The City's overall progress is acceptable.

Findings or Concerns: None.

CDBG AND HOME HOUSING REHABILITATION

Performance Standard: The activities were reviewed to determine whether they meet the minimum requirements of 24 CFR Part 570.202 of the Community Development Block Grant regulations, which outlines eligible rehabilitation activities. Areas tested for compliance included application processing, client eligibility, contracting, construction management, and lead-based paint procedures.

Actual Performance: It was noted that program guidelines have been developed describing assistance offered to clients in terms of the program benefits, income limits, grant limits and other conditions of eligibility. Information concerning the program is provided to potential beneficiaries and applications are processed in a timely manner.

The City committed \$425,010 to the CDBG Rehabilitation Program in Fiscal Year 2010. According to our review of files and reports submitted to HUD, the City's Single Family Rehabilitation Program/Emergency Rehabilitation provided Emergency Assistance Grants to low-income homeowners; and the City's Single Family HOME Rehabilitation Program provided forgivable loans to low-income homeowners to make substantial repairs to their homes to bring the houses up to designated Housing Quality Standards (HQS). The City partnered with the Crawford-Sebastian CDC, a CHDO, to provide HOME rehabilitation assistance and an acquisition/rehabilitation program to provide homeownership opportunities with existing housing stock. Program objectives are being met, and the overall program is progressing as planned by the City.

We reviewed nine (9) of the City's CDBG housing rehabilitation files, one (1) of the HOME acquisition/rehabilitation files, and made on-site inspections of six (6) of the CDBG housing rehabilitation projects and one (1) of the HOME acquisition/rehabilitation project files reviewed. The file reviews and on-site visits were completed to determine if the costs were reasonable; workmanship was acceptable; all repairs included in the work description were completed; and if each dwelling, upon completion, met your program objective and adopted codes for the City's Rehabilitation Program. Further, we conducted an examination of each file to assess program compliance with the Lead Based Paint Rules as set forth at 24 CFR Part 35.915(b) of the Federal Regulations. The files reviewed were found to be extremely well organized. Documentation of the rehabilitation process was easy to follow and understand.

All of the above files were spot checked for compliance with LBP notification requirements and the documentation for required testing. We noted that one (1) required testing and was negative for LBP, and nine (9) were of an emergency nature and were completed according to lead safe work practices. The City's file documentation reviewed on the ten rehabilitated homes verified that the City is in compliance with the LBP requirements.

Conclusions: We concluded that your overall program performance is acceptable when compared to the national standard. We inspected projects that had been completed in the program year, and noted that repairs were limited to eligible improvements and assistance was provided to only low and moderate-income persons. Also, the units selected were inspected to ensure compliance with the City's program's objectives and local codes are being met. The City

is providing assistance to a significant number of households with limited funding. Assistance provided allows homeowners to remain in their homes, improved energy efficiency, and in some cases removed potential life/safety issues. All of the homeowners we spoke with expressed satisfaction with the work completed and with the Program staff. The City is to be commended for effectively using a partnership with World Changers, Inc. to significantly leverage CDBG funds with a substantial volunteer effort to make repairs to thirteen homes for only the cost of materials.

HOME PROGRAM

Overview: Under the HOME Investment Partnership Act Program, HUD allocates funds by formula to Participating Jurisdictions (PJs) in order to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, for very low and low-income families. Generally, nonfederal resources must match HOME funds. PJs may use HOME funds to carry out multi-year housing strategies through acquisition, new construction, and rehabilitation of housing, and tenant-based rental assistance. PJs may also provide assistance in a number of eligible forms, including loans, advances, equity investments, interest subsidies, and other forms of investments that HUD approves.

Commitment and Expenditure of HOME Funds

Performance Standard: The PJ must commit and spend its allocated funds within certain timeframes or it will lose the HOME funds. Specifically, the PJ has 24 months to enter into written agreements with developers, contractors, subrecipients, and Community Housing Development Organizations (CHDO's) to commit HOME funds. The PJ also has five years to expend its HOME funds, as required at 24 CFR Part 92.500(d) of the Federal Regulations.

The PJ's program was reviewed to determine whether it met the minimum requirement of 24 CFR Part 92.500(d) of the Federal regulations, which outlines performance for the HOME activities. The areas tested for compliance included CHDO set-aside, monitoring, recordkeeping, and reporting.

Actual Performance: HUD noted that written agreements are executed between the PJ and Community Housing Development Organizations (CHDOs) carrying out HOME funded activities. The City was awarded \$522,299 in HOME funds during 2010. In addition, the City received \$163,102.61 in program income during 2010. Federal regulations found at 24 CFR 92.500(d) require the City to accomplish its 2010 HOME Commitment and CHDO Reservation, and HOME Disbursement requirements by July 31, 2012. HUD's HOME Deadline Compliance Status Report dated December 31, 2011 indicates that the City successfully met 100 percent of its 2010 HOME Commitment requirement, 224 percent of its 2010 CHDO Reservation requirement, and 100 percent of its 2007 HOME Disbursement requirement before the July 31, 2012 deadline date.

However, a review of open activities for the period ended December 31, 2011 indicated that the PJ had one (1) project in final draw (FD) status for more than one (1) year; and one project in FD

status for more than two (2) years, as indicated in Table-1 below. The HOME final rule at 24 CFR 92.502(d)(1) requires PJs to enter project completion information into IDIS within 120 days of making a final draw for a project. Failure to do so is a violation of this provision and of 24 CFR 92.504(a), which states that PJs are responsible for managing day-to-day operations of their programs. The HOME Final Rule states that HUD may suspend further project set-ups or take other corrective actions, if satisfactory project completion data is not provided.

Table-1: City of Fort Smith – Open Activities (As of 12-31-2011)

PARTICIPATING JURISDICTION	ACT ID	PROJ ID	TENURE TYPE	SETUP TYPE	FUNDING DATE	FUNDED AMOUNT	DRAWN AMOUNT	PCT DRW	LAST DRW DATE	DRAW DAYS	Draw Days - 120	>=120	STA CD
FORT SMITH	1936	0016	HOMEBUYER	NCO	2/8/2010	59813.94	59813.94	100.00	6/22/2010	557	437	>=120	FD
FORT SMITH	1738	0012	HOMEBUYER	ACQ NCO	10/22/2008	6326.20	6326.20	100.00	11/21/2008	1135	1015	>=2years	FD
FORT SMITH	2134	3408	HOMEBUYER	ACQ REH	8/22/2011	2000.00	1475.60	73.78	12/12/2011	19	101	N/A	OP
FORT SMITH	2135	3408	HOMEBUYER	ACQ REH	8/22/2011	1000.00	805.94	80.59	12/12/2011	19	101	N/A	OP
FORT SMITH	2157	3408	HOMEBUYER	ACQ REH	12/12/2011	30035.00	21330.00	71.02	12/12/2011	19	101	N/A	OP
FORT SMITH	2152	7419	HOMEBUYER	ACQ NCO	10/25/2011	6100.00	6032.01	98.89	10/26/2011	66	54	N/A	OP
FORT SMITH	2153	7419	HOMEBUYER	ACQ NCO	10/25/2011	6100.00	6032.01	98.89	10/26/2011	66	54	N/A	OP
FORT SMITH	2144	7419	HOMEBUYER	ACQ NCO	9/19/2011	4500.00	4265.55	94.79	9/21/2011	101	19	N/A	OP
FORT SMITH	2145	7419	HOMEBUYER	ACQ NCO	9/19/2011	4500.00	4265.55	94.79	9/21/2011	101	19	N/A	OP
FORT SMITH	2146	7419	HOMEBUYER	ACQ NCO	9/19/2011	4500.00	4265.26	94.78	9/21/2011	101	19	N/A	OP

According to the guidelines found at 24 CFR 92.2, the definition of “commitment” states that HOME funds may only be committed: (1) to a project that involves acquisition of standard housing if the property will be transferred within 6 months; or (2) to a project involving new construction or rehabilitation of housing if there is a reasonable expectation that construction will begin within 12 months. Section 92.502(b)(2) of the HOME regulations permits HUD to automatically cancel an activity that has been committed in the system for 12 months without an initial disbursement of funds. HUD’s notation of the PJ’s open activities represents a finding of noncompliance with Federal guidelines found at 24 CFR 92.502(d)(1) and 24 CFR 92.2.

Conclusions: The PJ met all HOME program regulations found at 24 CFR 92.500(d), and there were no shortfalls in either HOME Commitments, CHDO Reservations, or HOME disbursements. Overall the City’s HOME program is progressing very well. However, the existence of activities that have been in final draw status more than 120 days minimizes the actual and perceived impact of HOME grant funding, and represents a finding of noncompliance with guidelines found at 24 CFR 92.502(d)(1) and 24 CFR 92.2.

Findings or Concerns: Finding Number One – Need to Continue Efforts to Closeout open HOME activities in final draw (FD) status.

At the time of the HOME monitoring review, the City had not been able to post completion data in IDIS regarding the referenced open activities in final draw status because the homes were still on the market for sale. As a result, HOME funds were not used in a timely manner to assist required beneficiaries. The City is currently exhausting every effort to locate eligible buyers for the referenced properties.

Required Corrective Actions: The City will need to continue its current efforts to locate eligible buyers for the referenced properties in order to closeout completed projects.

ADMINISTRATIVE REQUIREMENTS

Performance Standard: The HOME Program rules as set forth at 24 CFR Part 92.502(a) of the regulations specifies certain administrative requirements that must be followed and incorporated into program operations. A PJ is responsible for ensuring that all HOME funds are used in accordance with these requirements, regardless of whether funds are used by CHDOs, subrecipients, state recipients, or contractors. One of the HOME Program administrative requirements is a properly written and executed agreement between PJs and subrecipients.

A written agreement must be executed between the PJ and the recipient of HOME funds before any HOME funds are committed or disbursed, and must contain certain provisions delineating the role the entity is asked to assume, the type of project(s) to be undertaken, as well as any other terms specified for the type of agreement in accordance with 24 CFR Part 92.504(c) of the regulations. It must be a concise statement of the relationship between the PJ and the funding recipient, and state the conditions under which the HOME funds are being provided. A properly written and executed agreement is an extremely valuable management tool for verifying compliance and monitoring performance of subrecipients. It also protects the PJ's HOME funding investment.

Actual Performance: Written agreements had been properly executed between the City and its approved CHDOs -- Crawford -Sebastian Community Development Council, Inc., and Lend a Hand, Inc.

Conclusions: Based on HUD's review, all of the required elements were incorporated in the written agreements; such as the amount of funding, number of units to be completed, use of funds, program income, resale or recapture of funds, other program requirements (such as minority outreach, environmental review, labor standards, etc.), affirmative marketing, enforcement of the agreement, project requirements, and CHDO provisions. Finally, the agreements contained the role the entity is asked to assume, the type of project(s) to be undertaken, and other terms specified for the type of agreement in accordance with 24 CFR Part 92.504(c) of the regulations.

Findings and Concerns: None.

CHDO MONITORING AND OVERSIGHT

Performance Standard: The PJ must determine the eligibility and qualification of local nonprofit organizations for CHDO designation as described at 24 CFR Part 92 of the Federal regulations. Each participating jurisdiction must identify CHDOs that have the capacity for carrying out its approved housing strategy as indicated in its most recent Action Plan. Further, the PJ must monitor all CHDOs to determine whether or not housing and housing-related services are being delivered in accordance with HOME requirements, as set forth at 24 CFR Part 92 of the Federal regulations. Under the HOME rules, the PJ must reserve not less than 15 percent of its HOME allocations for investment in housing to be developed, sponsored, or owned by CHDOs.

Additionally, the PJ must ensure that HOME funds are expended only for eligible activities relative to providing housing and housing-related services for low-and very low-income residents. Also, the PJ is to ensure that all housing produced with HOME funds meets local codes to foster decent, safe and sanitary housing.

The oversight and management of organizations carrying out activities funded through the minimum 15 percent CHDO reserve requires the development and implementation of a system of guidelines, policies, and procedures to ensure compliance with all applicable HOME CHDO requirements. As part of their HOME oversight and management responsibilities, PJs are responsible for ensuring that HOME funds are obligated and expended in a timely fashion. Similarly, PJs are responsible for entering beneficiary data and taking steps to close projects in the IDIS system in a timely and accurate manner. Further, PJs are to verify that CHDOs are, at a minimum, complying with all the clauses contained in the "Written Agreement," as required at 24 CFR Part 92.504.

Actual Performance: Per its agreements with its CHDOs, and review of CHDO monitoring documents, the PJ monitors its CHDOs annually. Crawford-Sebastian Community Development Council, Inc., and Lend A Hand, Inc. were the only CHDO's funded by the City in 2010. Crawford-Sebastian Community Development Council, Inc. was funded (\$126,000) on August 17, 2010, and Lend A Hand, Inc. was funded (\$197,830) on August 23, 2010. Per the PJ's monitoring documentation, both CHDO's were monitored during 2010.

Conclusion: There were no deficiencies noted in this area of HUD's review. The PJ maintains close oversight of its CHDOs via annual monitoring reviews, and cost reviews of submitted requests for expenditure and reimbursement of CHDO operating and/or project funds.

Findings or Concerns: None

FINANCIAL MANAGEMENT

Performance Standard: Grantees are required to establish accounting records that are adequate to detail the historical use of Federal funds received. Grantees are also required to establish management controls that will provide for the administration of programs, while making provisions for safeguarding the integrity of program operations. Specifically, grantees must ensure that funds are spent for allowable costs, and verify that beneficiaries meet program requirements. Such systems should provide for efficient operation while minimizing the opportunity for fraud, waste, or mismanagement. These requirements are detailed in Federal guidelines found at 24 CFR Part 85, which is otherwise known as the "common rule."

Actual Performance: With regard to the City's CDBG and HOME Programs, HUD reviewed the City's overall management of program related financial operations and cost allowability, for the period ended June 30, 2011. In addition, this review included an examination of the City's management of OMB Circular A-133 audit requirements.

Conclusions: The City's records for documenting the administration of the CDBG and HOME programs were generally compliant with program requirements regarding written financial procedures and cost allocation.

Financial Procedures

Generally, the City maintains strong written financial procedures for HOME and CDBG transactions, including strong organizational management, and job descriptions for CDBG and HOME personnel. Moreover, the City's financial management practices are bolstered by the longevity of its financial management staff.

Findings or Concerns: None.

COST ALLOWABILITY

Performance Standard: Guidance found in OMB Circular A-87 and 24 CFR 85.22 establishes cost allowability standards for program expenditures to be paid with CDBG and HOME funds.

All costs incurred by the grantee must relate to the implementation of CDBG and HOME related activities, and must be considered reasonable and necessary for project implementation. In addition to being eligible, all costs must meet these standards in order to be considered allowable program costs.

Actual Performance: HUD's review included an examination of administrative costs and programmatic costs associated with the operation of the City's CDBG and HOME Programs. Moreover, CDBG and HOME related expenditures (as indicated in the following tables) were reviewed to determine whether such costs conformed to Federal guidelines.

Table-1: Selected CDBG Expenditures

Voucher Number	IDIS Act ID	Voucher Created	Status Date	Grant Number	Fund Type	Program	Drawn Amount	Supporting Documentation Submitted
5136531	1958	7/14/2010	7/20/2010	B09MC050003	EN	CDBG	\$1,702.00	Yes
5137566	2	7/16/2010	7/16/2010	B09MC050003	EN	CDBG	(\$601.34)	Yes
5144820	1949	8/2/2010	8/4/2010	B09MC050003	EN	CDBG	\$3,455.41	Yes
5152209	1857	8/18/2010	8/19/2010	B09MC050003	EN	CDBG	\$40,590.51	Yes
5153824	1996	8/23/2010	8/25/2010	B09MC050003	EN	CDBG	\$5,166.00	Yes
5174131	2019	10/7/2010	10/13/2010	B09MC050003	EN	CDBG	\$2,400.00	Yes
5192391	2015	11/18/2010	11/20/2010	B09MC050003	EN	CDBG	\$23,872.02	Yes
5211096	2006	1/3/2011	1/5/2011	B09MC050003	EN	CDBG	\$1,912.24	Yes
5239462	2006	3/7/2011	3/9/2011	B10MC050003	EN	CDBG	\$2,608.95	Yes
5249252	2015	3/28/2011	3/29/2011	B10MC050003	EN	CDBG	\$11,090.42	Yes
5132405	1876	7/6/2010	7/8/2010	B09MY050003	EN	CDBG-R	\$397.55	Yes
5150849	1876	8/16/2010	8/19/2010	B09MY050003	EN	CDBG-R	\$1,739.47	Yes
5152209	1876	8/18/2010	8/19/2010	B09MY050003	EN	CDBG-R	\$5,068.66	Yes

Table-2: Selected HOME Expenditures

Voucher Number	IDIS Act ID	Voucher Created	Status Date	Grant Number	Fund Type	Program	Drawn Amount	Supporting Documentation Submitted
5132405	1829	7/6/2010	7/8/2010	M05MC050202	EN	HOME	\$301.19	Yes
5141598	1935	7/26/2010	7/28/2010	M05MC050202	EN	HOME	\$953.57	Yes
5172274	2027	10/4/2010	10/5/2010	M09MC050202	PI	HOME	\$4,341.00	Yes
5184659	2045	11/1/2010	11/3/2010	M09MC050202	PI	HOME	\$5,950.00	Yes
5192391	2016	11/18/2010	11/20/2010	M10MC050202	AD	HOME	\$12,995.80	Yes
5202343	2053	12/13/2010	12/15/2010	M10MC050202	PI	HOME	\$17,903.18	Yes
5239464	1886	3/7/2011	3/9/2011	M09MC050202	CO	HOME	\$694.33	Yes
5252519	2017	4/4/2011	4/6/2011	M09MC050202	CO	HOME	\$85.91	Yes
5256837	2053	4/11/2011	4/13/2011	M09MC050202	CR	HOME	\$11,575.64	Yes
5284565	2053	6/14/2011	6/15/2011	M10MC050202	CR	HOME	\$10,017.52	Yes

All of the vouchers referenced in Table-1, and Table-2 conformed to Federal guidelines, as they were supported by documentation such as cancelled checks, paid bills, payrolls, time and attendance records, or contract documents.

Secondly, HUD reviewed the time records for the period ended June 30, 2011, which the City provided in support of payrolls for its CDBG and HOME- related personnel. Federal guidance found in OMB Circular A-87, Attachment B, Paragraph h(5) indicates that employee activity reports or equivalent documentation must “reflect an after the fact distribution of the actual activity of each employee” and that “budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.”

HUD noted during the review, that the City maintains excellent time distribution records that are reflective of actual time spent on HOME and CDBG activities for personnel who worked on two or more cost objectives. Moreover, the City’s time records were appropriately certified with employee and supervisor signatures.

Findings or Concerns: None

AUDIT MANAGEMENT

Performance Standard: OMB Circular A-133 sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. Per provisions of OMB Circular A-133, the City of Fort Smith is required to identify in its accounts, all Federal awards received and expended, and the Federal programs under which they were received. In addition, the City is required to maintain internal control over its CDBG and HOME Programs that provides reasonable assurance that it is managing its CDBG and HOME grants in compliance with applicable laws

and regulations. Finally, the City is required to ensure that required audits are properly performed and submitted when due.

Actual Performance: During the review, HUD examined the City's most recent OMB Circular A-133 audit report to ascertain compliance with audit management guidelines found in OMB Circular A-133. The accounting firm of BKD, LLP, performed an OMB Circular A-133 audit of the City's financial operations for the period ended December 31, 2010. Information provided in the audit report indicates that the City expended \$4,698,784 in direct Federal funds, including \$1,034,186 in CDBG funds, \$125,055 in CDBG-R funds and \$952,843 in HOME funds, during the period ended December 31, 2010.

Conclusions: HUD's examination of the grantee's audit records and related financial management practices indicated that the City's audit management practices were generally compliant with Federal guidelines contained in OMB Circular A-133. There were no findings associated with the City's expenditure of HUD-related grant funds.

Findings or Concerns: None.