



FROM: NCDA STAFF

DATE: November 10, 2011

NCDA Advanced CDBG Training – Miami, FL – November 14-15, 2011

Audrey Nelson Award Applications Due on November 18, 2011

NCDA CDBG Basics Training – Orlando, FL – December 5-7, 2011

NCDA Winter Conference – Washington, DC – January 18-20, 2012

FEATURED ARTICLES

- ✓ *Appropriations Update*
- ✓ *Joint Select Committee on Deficit Reduction*
- ✓ *Assault on the HOME Program Continues*
- ✓ *HUD NEWS – HUD Sends Proposed HOME Rule to Congress; OIG Audit Report on CDBG*
- ✓ *NCDA NEWS – CDBG Training Available; 2012 Winter Conference; Audrey Nelson Awards*
- ✓ *HUD Budget Chart*

Appropriations Update

Conferees began negotiation last Thursday on HR 2112, the measure that combines the FY12 spending bills for the departments of Agriculture, Justice, Transportation, HUD, and various smaller agencies into one “mini-bus” appropriations bill. With the House in recess this week, congressional staff have continued negotiations. Congress is expected to wrap-up final negotiations and vote on the bill next week. The following conferees are charged with negotiating the bill: Inouye (D-HI), Cochran (D-MS), Murray (D-WA), Collins (R-ME), Rogers (R-KY), Dicks (D-WA), Latham (R-IA), Olver (D-MA), Aderholt (R-AL), Blunt (R-MO), Bonner (R-AL), Brown (D-OH), Carter (R-TX), Culberson (R-TX), DeLauro (D-CT), Emerson (R-MO), Farr (D-CA), Fattah (D-PA), Feinstein (D-CA), Harkins (D-IA), Hoeven (R-ND), Hutchison (R-TX), Johnson (D-SD), Kingston (R-GA), Kohl (D-WI), LaTourette (R-OH), Lewis (R-CA), McConnell (R-KY), Mikulski (D-MD), Moran (R-KS), Nelson (D-NE), Pastor (D-AZ), Price (D-NC), Pryor (D-AR), Schiff (D-CA), Shelby (R-AL), Wolf (R-VA), and Young (R-FL). A short-term continuing resolution will be attached to the measure to keep the remaining federal agencies without approved appropriations bills operating through the third week in December. Congress plans to incorporate all of the remaining spending bills into one larger measure by that date. It will be the first time in years that the spending bills have been completed in a reasonable

time period.

NCDA and its sister organizations who comprise the CDBG Coalition (U.S. Conference of Mayors, National Association of Counties, Council of State Community Development Agencies, National Association of Housing and Redevelopment Officials, National Association of Local Housing Finance Agencies, National Association for County Community and Economic Development, YWCA USA, Habitat for Humanity International, and Rebuilding Together) have been busy wrapping up meetings with congressional appropriators and sending support letters to the Hill on CDBG and HOME. This week the Coalition e-mailed support letters to every conferee of HR 2112. A copy of the letter is attached. The letter reiterates what we have been saying to appropriation staff in our meetings:

- Support the House-recommended funding level of \$3.5 billion in formula funding for CDBG in FY12;
- Support the House-recommended funding level of \$1.2 billion in formula funding for HOME in FY12;
- Do not cut the CDBG 20% administrative and planning cap; and
- Insert language into the bill directing HUD to notify grantees of their formula allocations within 60 days of enactment of the bill

Last week, NCDA provided data to appropriators on the current CDBG administrative caps for communities in their districts. NCDA, along with NACCED, drafted a memorandum to appropriators a few weeks ago outlining the arduous regulatory requirements that have to be met under the program. This memorandum has been shared with appropriations staff. House staff have argued that grantees are using their CDBG administrative funds for other program operations such as HOME and the Emergency Shelter Grants Program and, thereby, don't need the full 20% to operate their CDBG program. We located data from HUD that indicates that less than 1% of the CDBG administrative cap has been used for HOME operating costs from FY01 to FY09. We shared this information with appropriators as well.

NCDA was alerted by Senator Leahy's office Tuesday evening that there may be a movement in the conference negotiations to offset the \$400 million in CDBG disaster funds approved by the Senate with CDBG formula funds. We quickly drafted a letter from the Coalition and e-mailed it to key appropriators (chairperson and ranking members) opposing this move and urging that the disaster funds be considered emergency funding (and not counted towards discretionary programs) as recommended by the Senate. A copy of the letter is attached.

In all, NCDA and the members of the CDBG Coalition have worked diligently over the last several months to rally support for CDBG and HOME in the FY12 appropriations bill. Our efforts led to the House recommending \$3.5 billion in formula funding for CDBG, a number we hope we can sustain in the final bill.

Joint Select Committee on Deficit Reduction

With less than two weeks to craft a deficit reduction document, the Joint Select Committee on Deficit Reduction appears mired in partisan politics. Each side (Republicans and Democrats) are suspicious of each other's recommendations and little discussion has occurred in the last week.

The Democratic position remains that the deficit-cutting target should be \$3 trillion (not the \$1.2 trillion target originally given to the committee), with new revenue counting for half and entitlement curbs making up the bulk of the rest. To their credit, Democrats on the committee are railing against cuts to discretionary programs. Discretionary programs, at all levels, have suffered under the budget axe the last two years.

Rep. Jeb Hensarling (R-TX), co-chair of the committee, said today the main obstacle to a deal is a push by the Democrats that tax increases be coupled with reforming health care programs. "I'm not giving up hope, and I hope my Democrat colleagues aren't giving up hope until midnight on the 23rd," referring to the panel's deadline of November 23.

The CDBG Coalition sent a letter to the Joint Committee on Deficit Reduction seeking support for CDBG and HOME during their negotiations of a deficit reduction measure. The letter is attached. Several Republican members of the House Financial Services Committee sent a letter to the committee seeking reductions in several federal program areas include HOPE VI, CDBG, Brownfield Economic Development Initiative, Rural Housing and Economic Development Program, Public Housing, and the Neighborhood Stabilization Program, among others. A copy of their letter is available at the following link:

<http://financialservices.house.gov/UploadedFiles/Lt12.pdf>

Assault on the HOME Program Continues

HOME Hearing

The House Subcommittee on Oversight and Investigations held a hearing on "Fraud in the HOME Program," on November 2. Chairman Neugebauer (R-TX) provided opening remarks, telling the subcommittee that the hearing was "not about the worthiness of the HOME program, but about the oversight of the program." Rep. Judy Biggert (R-IL) reiterated this point, noting that the hearing is a continuation of our the subcommittee's oversight of the HOME program. "The June hearing on HOME was troubling, showing insufficient monitoring and an insufficient database to track funding and projects," according to Biggert.

The first panel of witnesses consisted of a convicted felon ("Mrs. Smith") who testified from prison via Skype on the lack of oversight and monitoring given to HOME CHDOs and subrecipients by HUD. She was the former executive director of a non-profit organization in Gary, IN who embezzled money from her organization. The other witness, Timothy Traux, was the former rehabilitation specialist for the Dauphne County (PA) HOME Program, who testified that he rigged bids on homeowner rehabilitation projects in order to receive cash kickbacks from

contractors.

The questioning of the first panel turned into a two-hour fiasco where the Democrats questioned the validity of testimony from “criminals” and Republicans probed in vain to trash the HOME program. Rep. Gutierrez (D-IL) told the subcommittee this is the most “unusual hearing in my 20 years of serving in Congress. I’ve never had primary witnesses who were convicted felons.” He went on to chastise “Mrs. Smith” about her reported donations to congressional Republicans during her time at the non-profit organization. At one point, he asked for the names of the Republican donors, but was quickly shot down by the chairman.

The second panel consisted of the former Inspector General for HUD, Kenneth Donohue, and the current Acting Deputy Inspector General for HUD, John P. McCarty. A representative from the National Housing Conference and an employee from HUD’s enforcement center also testified. In his testimony, Donohue noted the need for HOME grantees to more aggressively monitor their subrecipients. According to Donohue, OIG audits have discovered frequent instances of noncompliance and fraud at the subrecipient level. Donohue put forth the idea of grantees hiring outside monitoring firms to conduct oversight of the subrecipients to ensure against waste, fraud and abuse, and noted that such a cost could be included in the grantees’ administrative costs. McCarty told the subcommittee that his office has expressed concern for many years about the controls, monitoring and information systems related to the HOME program. He told the subcommittee that over the past five years the OIG has conducted over 60 audits of grantees and most findings involved concerns about lack of adequate controls, sub-recipient activities, recapture provisions, over-reporting of program accomplishments, accounting issues and ineligible activities. Since October 2008, 21 individuals have been convicted of fraudulent activity. He told the subcommittee that, in some instances, grantees are not monitoring their subrecipients at all. Given the OIG has audited 60 grantees, his conclusions are certainly not a barometer for the entire HOME program.

The subcommittee will likely hold more hearings on the HOME program in the coming months. We’ve also heard that they will likely conduct some hearings on CDBG. The CDBG Coalition will meet with the subcommittee staff in the coming weeks to try to tamp down the rhetoric against the HOME program and any concerns with CDBG.

Washington Post Article

On November 6, reporter Debbie Cenziper published another unflattering article on the HOME program in the *Washington Post*. In the article titled, “Finding more flaws in HUD’s Accounting of the HOME Program,” she recounted the testimony of the witnesses from the November 2 hearing and also continued to blast HUD for not adequately tracking projects. She continued to back the numbers previously published on the HOME program in her first article – which asserted that nearly 700 HOME projects showed signs of delay – and discounted HUD’s effort to show her numbers were skewed. Any way you slice it, this negative press is not good for the HOME program. House Republicans are bent on using the articles to cast the program as wrought with fraud and abuse.

HUD NEWS

HUD Sends Proposed HOME Rule to Congress

NCDA and grantees have literally been waiting for years for HUD to release a proposed rule on the HOME program. HUD quickly completed the rule to incorporate the changes approved by the Senate in their FY12 HUD spending bill. The changes include the following:

1. Require state and local governments to adopt policies and procedures to improve their oversight of projects, develop a system for assessing the relative risk of projects, and more closely monitor their HOME-funded subrecipients;
2. Require state and local governments to assess a developer's capacity and the long-term viability of the project before they commit HOME funds to a project;
3. Require more frequent reporting by state and local governments to enable HUD to more closely track projects once they're underway; and
4. Set specific time frames for taking appropriate corrective actions against participating jurisdictions who fail to comply.

HUD sent the proposed rule to Congress [House Financial Services Committee and Senate Banking Committee] last Friday, November 4, for a required two-week review period. HUD will publish the rule in the Federal Register once Congress has reviewed it.

OIG Audit Report on CDBG

HUD's Office of Inspector General (OIG) recently released an audit report on the use of IDIS to provide oversight of CDBG. A copy of the report is available at <http://www.hudoig.gov/pdf/Internal/2012/ig1230001.pdf>

According to the OIG, HUD did not adequately use the system to provide oversight of CDBG.

Findings:

1. HUD was unaware of how grantees used nearly \$67 million that it provided them to fund more than 1,300 activities that grantees later cancelled in the system. Analysis of system data contained in HUD's list of activities by program year and project showed there were 366 grantees responsible for more than 1,300 cancelled activities as of May 2011, according to the OIG.
2. HUD lacked adequate oversight of almost \$3 billion used to fund more than 20,000 long-standing open activities that grantees had reportedly not completed for up to 11 years. Analysis of data contained in HUD's PR02 report showed there were 804 grantees responsible for 20,764 long-standing open activities, according to the OIG.

Recommendations:

1. Periodically use the data contained in IDIS to provide oversight of cancelled and long-standing open or revised activities; and

2. Evaluate the adequacy of actions take regarding cancelled and long-standing open or revised activities shown in IDIS.
3. Grantees must justify the \$67 million cancelled in the system or repay the funds.

HUD's Rebuttal

Extent of the Problem

In response to the audit, CPD is conducting remote monitoring on all of the activities mentioned in the report. HUD's analysis so far has shown the problem is significantly less than the OIG implies. According to HUD, the OIG cited 1,314 activities that were initiated by grantees from 2000-2011 and that were cancelled with draws. It is important to view this number in context. HUD responded to the OIG's assertion by noting that from 2000 to the present, grantees have initiated 617,356 activities in IDIS. Thus, the number of cancelled with draws activities represents 0.2% (two-tenths of one percent) of all activities initiated over this time period, a minuscule amount.

HUD also noted in its rebuttal to that the OIG staff was unable to download or view data entered by grantees into some IDIS fields – most notably the narrative fields where grantees would typically provide further explanations of activities. Had OIG staff been able to access all IDIS data entered by grantees, the number of long-open activities would have been significantly fewer. Likewise, the number of activities and associated dollar amounts would be well less than \$67 million.

HUD goes on to say that the audit report lists 20,763 open activities with a plan year between 2000 and 2010 and with no recent activity reported in IDIS (defined by OIG as open for 6-11 years). It is important to place these numbers into the context of the total universe of activities funded by grantees over the time period covered by the audit, according to HUD. From 2000 to 2005, grantees initiated a total of 329,968 CDBG activities, of which 90.5% are already completed in IDIS; just under 7% were subsequently cancelled by the grantee. The number of activities listed by OIG as long-open activities represents 6.2% of all activities initiated by grantees from 2001-2005.

HUD also pointed out another major factor that may have affected the data collected by the OIG. In 2006, CPD introduced its Performance Measurement System into IDIS. This system added new reporting elements for activities starting in 2006. According to HUD, CPD has discovered a flaw in the programming of the system edits, which has unintended consequences for activities from prior years; the system's data edits requires these additional data elements to be entered in order to complete pre-2006 activities, even though CPD did not require this data for pre-2006 activities. To solve this problem, CPD will, where requested by grantees, undertake a manual system override to complete activities that grantees cannot complete on their own. To date, CPD has completed 886 such activities.

HUD also noted the lack of funds to adequately staff, in some instances, the CDBG operations at the local level. State and local fiscal constraints have resulted in the loss of experienced staff.

Notwithstanding the availability of CDBG funds to cover administrative costs, many grantees are unable to replace lost staff capacity. In many instances, staff turnover and staffing constraints have eroded grantees' overall level of IDIS system expertise.

In response to the audit report, CPD will make the following changes to its IDIS system:

Changes

1. HUD will develop new guidance describing IDIS OnLine system features and requirements in the context of programmatic policies and requirements.
2. CPD will undertake a review of its CPD Grantee Monitoring Handbook (HUD Handbook 6509.2) to identify ways in which reviews of grantee reporting and data quality can be better integrated into its risk-based monitoring.
3. Over the next several months, CPD intends to obtain resolution for every activity on OIG's list of cancelled activities with draws and longstanding open activities.
4. CPD will make IDIS system changes to ensure that grantees provide more complete and accurate information on cancelled, revised, and longstanding open activities. Changes being review include: automatic flagging of activities which have had no change in their status for extended periods; edits that will require grantees to regularly update or complete activities that remain open but incomplete for extended time periods; edits that will require grantees to enter justifications before cancelling activities with draws; edits that will require grantees to enter justifications into IDIS before revising draws from one activity to another; and creation of new reports displaying long-open but uncompleted activities, cancelled activities with draws, and activities with revised draws. It is CPD's goals to have these system changes in place before the end of FY 2012, *assuming funding availability*.

IDIS Training Materials

HUD also informed the OIG that the following IDIS training materials are available to grantees:

1. IDIS reference manual (<http://www.hud.gov/offices/cpd/systems/idis/training/index.cfm>)
2. IDIS webinars (<http://www.comcon.org/programs/idis.html>)

NCDA NEWS

CDBG Training Available

NCDA will hold the following CDBG training sessions.

Advanced CDBG Training
Miami, FL
November 14-15, 2011

CDBG Basics Training
Orlando, FL
December 5-7, 2011

Go to <http://www.ncdaonline.org/cdbg.asp> for the training brochure, agenda, and registration information.

NCDA 2012 Winter Conference; Audrey Nelson Awards

NCDA will hold its 2012 Winter Conference in Washington, DC on January 18-20, 2012. The conference will feature program and policy updates from HUD staff, time for members to meet with congressional members, educational sessions, and best of all, time to network with your fellow community development practitioners. To view the agenda and register for the conference go to <http://www.ncdaonline.org> Please make your hotel reservations before December 26, 2011 in order to receive the special room rate of \$179 per night plus tax.

As part of its 2012 Winter Conference agenda, NCDA will formally recognize the winners of the 2012 Audrey Nelson Award during a luncheon on Friday, January 20. The award recognizes outstanding uses of CDBG and HOME funds in low-income neighborhoods. The award application is attached. You can also go to www.ncdaonline.org to completed the application. We encourage you to apply. Applications are due to NCDA by November 18.

U.S. Department of Housing and Urban Development Budget Chart

Program	FY11 Enacted Level	FY12 President's Request	FY12 House Approp Committee	FY12 Senate Approp Committee
Community Development Fund	\$3.5 billion	\$3.804 billion	\$3.501 billion	\$3.001 billion
<i>Set-Asides:</i>				
Native American Block Grant	[\$65 million]	[\$65 million]	[\$35 million]	[\$60 million]
Sustainable Communities	[\$100 million]	0	0	[\$90 million]
University Community Fund	0	[\$23 million]	0	0
EDI Grants	0	0	0	0
Neighborhood Initiatives	0	0	0	0
Rural Innovation Fund	0	[\$25 million]	0	0
Formula Grants	\$3.335 billion	\$3.684 billion	\$3.46 billion	\$2.851 billion
Section 108 Loan Guarantees	\$275 million	\$500 million	\$275 million	\$200 million
Brownfields	\$0	\$0	\$0	\$0
HOME Program	\$1.606 billion	\$1.650 billion	\$1.2 billion	\$1 billion
Homeless Programs	\$1.9 billion	\$2.372 billion	\$1.9 billion	\$1.9 billion
Housing Counseling	\$0	\$88 million	\$0	\$60 million
Lead Hazard Control	\$120 million	\$140 million	\$120 million	\$120 million
HOPWA	\$335 million	\$335 million	\$334 million	\$330 million
Section 202 for the Elderly	\$400 million	\$757 million	\$600 million	\$369 million
Section 811 for the Disabled	\$150 million	\$196 million	\$196 million	\$150 million
Fair Housing	\$72 million	\$72 million	\$50 million	\$64 million
Section 8 TBRA	\$16.6 billion	\$16.3 billion	\$17 billion	\$17 billion
Section 8 Project-Based Assistance	\$9.3 billion	\$9.4 billion	\$9 billion	\$9.4 billion
Public Housing Capital	\$2.04 billion	\$2.04 billion	\$1.532 billion	\$1.875 billion
Public Housing Operating	\$4.616 billion	\$4.829 billion	\$3.862 billion	\$3.962 billion
HOPE VI	\$35 million	\$0	\$0	\$99.8 million
Choice Neighborhoods	\$65 million	\$250 million	\$0	\$120 million
Native American Housing Block Grant	\$649 million	\$700 million	\$648 million	\$650 million

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Native Hawaiian Housing Block Grant	\$13 million	\$10 million	\$0	\$13 million
Indian Housing Loan Guarantees	\$9 million	\$7 million	\$6 million	\$7 million
Native Hawaiian Loan Guarantees	\$1 million	\$10 million	\$1.1 million	\$386 million