

Highlights

Why We Did This Audit

This audit is required by a Memorandum of Agreement (MOA) between the U.S. Department of Housing and Urban Development (HUD) and the City of Kansas City, Missouri.

Our work focuses on whether the city fulfilled the contractual obligations under the MOA from April 1, 2013 to April 30, 2014; and on certain critical regulatory criteria to ensure that the city's HOME program policies and procedures incorporate recent changes to HUD's HOME program.

Background

The city entered into the MOA with HUD on April 1, 2013. The MOA establishes performance measures to evaluate the city's development of properties previously held by the Housing and Economic Development Financial Corporation (HEDFC). HEDFC was the city's largest subrecipient of grant funds.

The MOA also identifies corrective actions to resolve performance deficiencies in the city's administration of CDBG and HOME funds. The city's Neighborhoods and Housing Services Department is responsible for fulfilling the MOA provisions and reporting to HUD on the city's progress.

For more information, contact the City Auditor's Office at 816-513-3300 or auditor@kcmo.org.

To view the complete report, go to <http://kcmo.gov/cityauditor> and click on Search Audit Reports.

PERFORMANCE AUDIT

City's Performance Under the HUD Memorandum of Agreement (April 1, 2013 – April 30, 2014)

What We Found

The city met most of the property development deadlines established to evaluate the city's development of properties previously held by the Housing and Economic Development Financial Corporation. Out of seven deadlines we reviewed, the city met six. We could not determine whether the eighth deadline was met because of a lack of documentation. Additionally, five project extension requests were made after missing the deadlines.

The city addressed most of the long-term reform measures to resolve performance deficiencies in the city's administration of the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funds. However, the city's subrecipient contract practices could be improved. Although HUD's approval is required prior to executing subrecipient contracts, the Neighborhoods and Housing Services Department (NHSD) executed three contracts before receiving approval. The department did not request any 2013 grant reimbursements from HUD until June 2014. Waiting up to a year to request reimbursements can impact the city's cash flow and the department's ability to track remaining grant funds.

The city has not taken steps suggested by HUD to implement new HOME Community Housing and Development Organization (CHDO) regulations. NHSD has not revised its CHDO certification checklist or CHDO contract template to reflect all regulatory changes. Although, changes to regulations related to CHDO will affect NHSD's current practices and require faster commitment of CHDO funds, NHSD does not have a tracking system in place to ensure they will meet new commitment deadlines for CHDO projects. NHSD does not have updated written policies and procedures for CHDOs.

The city has implemented home purchase price limits consistent with new HUD regulations for the city's homebuyer assistance program, the KC Dream Program, and has policies in place to protect homebuyers from predatory lending practices and to address HUD's loan refinancing regulations. The KC Dream Program's underwriting policy, however, does not base loan amounts on homebuyer financial need as required by HUD.

What We Recommend

Our recommendations are directed towards:

- Ensuring compliance with the MOA's development deadlines, extension requests, and approvals of subrecipients.
- Requesting reimbursement of CDBG/HOME grant funds from HUD at least monthly.
- Ensuring the city is prepared to implement HUD's new HOME regulations.

Management agreed with most of the recommendations.