

# OIG Audits

## A Grantee's Perspective

# What's the process for an OIG Audit?

- » OIG notifies grantee of upcoming audit
- » OIG review files – may visit a community
- » Exit conference (grantee can provide verbal comments)
- » OIG issues draft report
- » Grantee can respond to the draft with written comments
- » OIG issues final report (this includes grantee's written response)
- » HUD Disaster Recovery (DR) staff work with grantee to determine what action, if any, is needed.
- » DR staff draft a management decision which outlines what corrective actions the grantee will take in response to the audit findings/recommendations
- » OIG concurs or disagrees with the management decision
- » DR staff work with the grantee to complete corrective action and satisfy audit recommendations

## What OIG found- Jumpstart Business Assistance Program

### » Finding 1

- The grantee provided disaster funds to 305 of 406 businesses without supporting their eligibility.
- As a result the grantee misspent more than \$10.5 million of its CDBG disaster funds

### » Finding 2

- Failed to check for duplication of benefits
- As a result HUD had no assurance that grantee complied with the Stafford Act

## Grantee Response

### » Finding 1

- Grantee disagrees. OIG's comments imply much greater neglect than actually occurred. Rule language did not represent the intent that a business received a loan "approval" rather than an "executed" loan. Monitoring for business program is underway.
- Did not agree we hadn't monitored in general...housing monitoring, money was just out the door and other programs were under development.

### » Finding 2

- Grantee agrees with DOB finding

## Management Decision/Status

### » Finding Recommendation 1A

- Provide documentation to support \$10 million paid to business in accordance with grantee law or reimburse CDBG program with nonfederal sources.
- Status – Finding is open

### » Finding Recommendation 1B

- Perform timely oversight and monitoring of disaster activities
- Status – Finding is closed

### » Finding Recommendation 2A

- Perform duplication of benefits (DOB) on all 406 businesses
- Status – finding is closed

### » Finding Recommendation 2B

- Repay any amount found to be duplicated
- Status – finding is open

## What OIG found – Business Rental Assistance Program (BRAP)

### » Finding 1

- grantee did not implement adequate controls over its program
- Specifically we relied on the administrators to determine whether the lease met the program guidelines rather than provide specific guidance on conducting a market-rate-lease analysis and identity of interest for every community.

## Management Decision/Status

### » Finding 1A

- Provide documentation that funds were paid to businesses with 1-year, market-rate leases as required by Iowa Code or reimburse the CDBG program from non-Federal sources for amount that it cannot support
- Status – finding open

### » Finding 1B Develop and implement improved controls over the program

- Conduct DOB on BRAP applicants statewide
- Instructed administrative entities to conduct a market-rate lease analysis on every applicant
- And document identity of interest issues.
- Status – finding closed

# Lessons Learned

- » Monitor early
- » Scrutinize documentation needed to support every word of guidance/program rules
- » Grantee can respond to OIG Draft Audit Report – grantee response is included in Final Report
- » Scary at first – misspent \$10 million. But HUD-DR staff will work with you to resolve issues.
- » Disaster recovery cannot escape politics - Inform stakeholders - OIG audit results may appear in newspaper
- » Stafford Act – HUD/SBA had different interpretations of what constitutes a Duplication of Benefits.
- » Resolving OIG findings is a long arduous process – audit issues from 2009.

# Contact Information

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