



**OFFICE OF INSPECTOR GENERAL
CITY OF ALBUQUERQUE**

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REPORT OF INSPECTION

FILE NO: 23-0003-N

SUBJECT: Inspection of CDBG-CV Grant Compliance for the Eviction Prevention Program and the Sure Stay Motel Acquisition

STATUS: Final

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May 15, 2024
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Executive Summary

The Office of Inspector General (OIG) for the City of Albuquerque (City), New Mexico (NM), conducted an inspection to evaluate the compliance of the Community Development Block Grant-Coronavirus (CDBG-CV) expenditures managed by the Health, Housing, and Homelessness Department (HHH), formerly known as the Family and Community Services Department (FCS). The inspection focused on the Eviction Prevention Program and the Sure Stay Motel Acquisition, funded by CDBG-CV monies, to assess adherence to governing laws, rules, and regulations.

This inspection, adhering to the principles and standards outlined in the "Green Book," aimed to ensure impartiality, objectivity, and responsible stewardship of public funds. While limited in scope, it examined the projects' policies and procedures, compliance with CDBG-CV requirements, and quality oversight.

Several observations were made during the inspection, revealing areas for potential improvement:

1. **Incomplete Documentation:** The Eviction Prevention Program's checklist lacked documentation of a three-month follow-up, though completed in the HHH computer system, leading to potential oversight during inspections.

Recommendation: Conduct a quality control review of all completed cases to ensure proper documentation and completion of required steps.

2. **Staffing Constraints:** Limited staffing at City Community Centers may hinder effective program delivery, suggesting the need for staffing adjustments to accommodate new services adequately.

Recommendation: Assess the staffing needs of Community Centers when implementing additional programs to ensure efficient operations.

3. **Tax Return Verification:** While tax returns were on file, validation of filing was lacking, potentially leading to erroneous provision of services to ineligible applicants.

Recommendation: Implement procedures to obtain verification of filed tax returns, such as obtaining e-file verification forms.

4. **Lack of Feedback:** Some landlords/utility companies failed to provide post-payment updates, hindering program effectiveness assessment.

Recommendation: Include specific language on payment documentation requiring recipients to comply with follow-up requests.

5. **Benefit Limitation Oversight:** Instances were noted where benefits exceeded the prescribed limit, suggesting the need for supervisory and fiscal review processes.

Recommendation: Conduct supervisory review of benefit computations before payment and implement fiscal review processes to ensure compliance with policies and regulations.

6. **Training Discrepancies:** Variations in program implementation arose due to inadequate training for new employees, emphasizing the necessity of standardized, annual training sessions.

Recommendation: Provide annual training to all Community Center employees involved in the Eviction Prevention Program to ensure consistent implementation and adherence to program processes.

In light of these observations, recommendations are proposed to strengthen program integrity, including quality control reviews, staffing assessments, enhanced documentation protocols, feedback mechanisms, benefit computation reviews, and standardized training initiatives.

City leaders are encouraged to consider these recommendations to fortify processes, prevent fraud, and instill confidence in the management of taxpayer funds, ensuring efficient and equitable delivery of services.

ABBREVIATIONS

AIG	Association of Inspectors General
CDBG-CV	Community Development Block Grant-Coronavirus
CFR	Code of Federal Regulations
CIGIE	Council of Inspectors General on Integrity and Efficiency
City	City of Albuquerque
COVID-19	Coronavirus Pandemic
FCS	Department of Family and Community Services
HHH	Health, Housing & Homelessness Department
HUD	Housing and Urban Development
OIG	Office of Inspector General

Introduction:

The purpose of this report is to document the results of an inspection conducted by the City of Albuquerque (City) Office of the Inspector General (OIG) of the City's compliance with CDBG-CV grant expenditures of the Eviction Prevention Program and the Sure Stay Motel Acquisition. The objectives of this inspection were to obtain information and assess whether the City's expenditures for these two programs complied with governing laws, rules, and regulations to ensure impartiality, objectivity, and responsible stewardship of the public's funds. Our inspection consisted of a review of the CDBG-CV grant and applicable compliance requirements and regulations, collaborating with Health, Housing & Homelessness (HHH), formerly known as the Department of Family and Community Services (FCS), to gain an understanding of their processes, for documenting our understanding of each program, and a review of expenditures funding with the CDBG-CV grant for compliance requirements. These procedures were conducted to ensure compliance with grant requirements and to bring transparency to the process for the citizens and taxpayers.

The Federal Council of the Inspectors General on Integrity and Efficiency (CIGIE) states that "the term 'inspection' includes evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation."¹ The City's Inspector General Ordinance defines inspections, evaluations, and reviews as analyses of operations and programs to provide information for decision-making and provide recommendations to improve programs, policies, or procedures. The City's IG ordinance states "that inspections shall conform to the professional standards of the Association of Inspectors General (AIG)."² While the AIG doesn't specifically define and distinguish an "inspection," from other activities of an OIG, it does include "inspections" within the same "Quality Standards" for "Inspections, Evaluations, and Reviews."

This report provides information that should be helpful to the City's leaders, including the Mayor and City Councilors, as they make future decisions for the City that are in the best interest of the public. The observations, recommendations, and conclusions may assist in considering what actions are needed to ensure mitigating remedies to the current projects and to consider appropriate changes that should be made to the rules and policies for additional funding or future projects, to strengthen process integrity, to ensure project effectiveness and reduce unnecessary expenditures.

Our inspection included a review of relevant documentation and interviews of HHH staff involved in the operations of the Eviction Prevention Program and the Sure Stay Motel Acquisition funded with CDBG-CV grant monies. The inspection also involved a visit to the four decentralized centers administering the Eviction Prevention Program.

Background:

In response to the Coronavirus Pandemic (COVID-19), Housing and Urban Development (HUD) notified the City that it would receive an allocation of \$2,678,828 in CDBG-CV funds to be used to prevent, prepare for, and respond to the coronavirus. On December 11, 2020, the City allocated the CDBG-CV funding to four (4) projects, including the Eviction Prevention Program, the Foreclosure Prevention Program, Public Facilities, and Administrative Costs. In April 2021, the City was notified by HUD that it would receive an additional \$3,269,040 in CDBG-CV funds for a total of \$5,947,868. The City amended its 2020 Annual Action Plan to reallocate funding

¹ Council of the Inspectors General on Integrity Quality Standards for Inspection and Evaluation, January 2012, p.1

² Article 17, Section 2-17-7, para (A).

between programs and to add programs. The grant funds can be expended for a period of six (6) years beginning on January 7, 2021. This funding was authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136, which was signed by President Trump on March 27, 2020, to respond to the growing effects of this historic public health crisis.

The Eviction Prevention Program was designed to provide emergency rental and utility assistance for low to moderate-income persons residing within Albuquerque city limits in response to the Coronavirus pandemic. This program was allocated \$1,000,000 by the City of Albuquerque, which was later increased to \$2,000,000.

The Foreclosure Prevention Program was designed to provide mortgage assistance to low to moderate-income homeowners within Albuquerque city limits in response to the Coronavirus pandemic. Initial funding of \$500,000 was to be allocated to Homewise to administer and was later amended for an increase and a reduction in funding resulting in a total allocation of \$84,061.88.

The Public Facilities Program was designed to acquire and/or renovate various public facilities to prevent, prepare for, and respond to the Coronavirus pandemic. Initial funding of \$643,063 was amended for a reduction in funding resulting in a total allocation of \$0.

Administration funds were designed to be used for administrative costs to support the implementation of the City's Cares funding. Initial funding of \$535,765 was allocated and later amended for a decrease resulting in a total allocation of \$189,573.

A subsequent amendment to the 2020 Annual Action Plan dated April 9, 2021, allocated \$614,571.00 to Public Services to provide public services to low to moderate-income persons to prevent, prepare for, and respond to the Coronavirus pandemic. This was identified as the Motel Voucher Program.

On January 5, 2023, another amendment to the 2020 Annual Action Plan reallocated \$3,059,662.12 of the total funds to the purchase of the Sure Stay Hotel to provide permanent housing with supportive services.

Scope and Methodology

The initial focus of the OIG inspection was on the Eviction Prevention Program and the Sure Stay Motel Acquisition's compliance with federal regulations for the CDBG-CV grant. This topic included addressing the following aspects of the broad funding issue:

- Status of CDBG-CV grant funds
- Programs funded by CDBG-CV funds
- Applicable laws, ordinances, regulations, and policies that pertain to the source, use, and method of compensation

Scope:

The scope of the inspection was to focus on whether the CDBG-CV grant funding administered by FCS for the Eviction Prevention Program complied with federal regulations and City policies and procedures. The OIG considered all expenditures for the selected programs from the general ledger (GL) between January 7, 2020 and June 30, 2023.

Key Points:

- The projects funded with CDBG-CV monies
- Each project’s policies and procedures
- Compliance with CDBG-CV requirements
- Quality Oversight

Methodology:

The methodology involved reviewing governing statutes, ordinances, regulations, and policies, as well as relevant documents including contracts, contract-associated documents, funding-related documents, and quality oversight reports and associated documents. Additionally, the inspection included examining the processes for the Eviction Prevention Program and the Sure Stay Motel Acquisition funded with the CDBG-CV grant. The methodology also involved conducting meetings and interviews of various individuals involved in operations, funding, and contract administration to include the inspection and quality control monitoring of each program.

FUNDING:**Federal Funding:**

Chapter 5, § 5-5-9 Procurement Requirements, of the City Code of Ordinances, states: “(D) Federal funding. When a procurement involves the expenditure of federal funds, the procurement shall be conducted in accordance with mandatory applicable federal laws and regulations. When mandatory applicable federal laws or regulations are inconsistent with the provisions of this article, compliance with federal law or regulations shall be in compliance with this article.”

The inspection of the compliance of CDBG-CV funded expenditures for the Eviction Prevention Program and the Sure Stay Motel Acquisition considered requirements from the Code of Federal Regulations and other federal laws as required and is more specifically addressed in this report when applicable.

CDBG-CV Grant funds allocation by program

The table below reflects data regarding CDBG-CV federal funds allocated for projects.

CDBG-CV Grant Funding Allocation-Budgeted	
Program Funded	Total Allocation by Fund
Eviction Prevention Program	\$2,000,000.00
Motel Voucher Program/ Public Facilities	\$614,571.00
Mortgage Assistance Program	\$84,061.88
Sure Stay Motel Acquisition	\$3,059,662.12
Administration	\$189,573.00
Total CDBG-CV Grant Funding Allocation	\$5,947,868.00

CDBG-CV Grant funds expended and remaining

The following reflects the CDBG-CV expenditures by project.

CDBG-CV Grant Budget Expended June 30, 2023	
Eviction Prevention Program	\$1,122,550.38
Motel Voucher Program/Public Facilities	\$506,094.08
Mortgage Assistance Program	\$84,061.88
Sure Stay Motel Acquisition	\$2,863,050.53
Administration	\$94,258.31
Total CDBG-CV Grant Budget Expended	\$4,670,015.18

The following reflects the amount of budget remaining by project.

CDBG-CV Grant Budget Remaining on June 30, 2023	
Eviction Prevention Program	\$877,449.62
Motel Voucher Program/Public Facilities	\$108,476.92
Mortgage Assistance Program	\$0
Sure Stay Motel Acquisition	\$196,611.59
Administration	\$,95,314.69
Total CDBG-CV Grant Budget Remaining	\$1,277,852.82

The City anticipated funding the Eviction Prevention Program using federal grant funds under the CARES Act. Later the Consolidated Plan was amended to allocate funding for the acquisition of the Sure Stay Motel.

Health, Housing & Homelessness Department

The City's HHH oversees millions of taxpayer dollars covering a wide array of services for Behavioral Health and Wellness, Community Development, Health and Social Service Centers, and Homeless Programs and Initiatives. The Department has four (4) Health & Social Service Centers across the City that are responsible for providing, as a community focal point, services to meet the health, education, and social services needs of the community. One key responsibility of the Health & Social Services Centers is to accept and process applications for the Eviction Prevention Program.

Eviction Prevention Program

The OIG obtained and reviewed the policies and procedures for the Eviction Prevention Program, and conducted interviews of Department Managers and staff. The OIG also reviewed the program file and selected individual case files to gain an understanding of the program's processes. The OIG reviewed the overall Program file which contained a report indicating that the Eviction Prevention Program assisted one thousand two hundred sixty (1,260) constituents with rental assistance, utility assistance, or some combination of these differing types of assistance.

The OIG reviewed both CDBG-CV compliance requirements and regulations outlined in the CFR and the City's policies to ensure compliance with requirements set forth by HUD and the City. Those qualifying for the Eviction Prevention Program had to meet the following specified eligibility requirements derived from HUD and incorporated into the city policies.

Rental assistance requires an individual to provide proof of income, current tax return, identification, a valid lease agreement with a validated property owner or property management company, a current month eviction notice, notice of non-payment, Writ of Restitution, or account statement showing a past-due account.

Utility assistance requires an individual to provide proof of income, a current tax return, proof of current address via a rental agreement or mortgage, a statement of a past-due account or disconnected status in the name of the applicant, and an account statement showing a past-due amount.

The requirements required quality oversight of the programs funded with CDBG-CV funds. The OIG noted that the Eviction Prevention Program did undergo monitoring by the HHH staff. A total of forty-two case files were reviewed before the OIG inspection.

The OIG was provided a list of Eviction Prevention Program expenditures by the Fiscal Department of HHH. The OIG reviewed the payment support for one thousand one hundred thirty-one (1,131) expenditures and further selected a sample of one hundred twenty (120) case files, to review for compliance.

Of the one hundred twenty (120) case files reviewed, the OIG looked for compliance regarding client intake, quality control checklist, whether the individual met all criteria for assistance, whether the individual assisted did not exceed four (4) services, whether total assistance for past due rent or utilities was the lesser of \$3,000 or three months of billings, and whether a three (3) month follow up had been conducted. Both individually and collectively, the Health and Social Service Centers appeared to be compliant with the policies and regulations for CDBG-CV funding and the Eviction Prevention Program. Of the one thousand two hundred (1,200) attributes tested, the OIG noted a total of ten (10) exceptions, resulting in an error rate of .008. When the error rate of .008 is extrapolated to the entire population, the OIG calculates that ninety-one (91) errors could exist in the eleven thousand three hundred ten (11,310) attributes. Overall, the City's HHH appears to be compliant. The OIG's inspection findings for each site are collectively noted in the Observations and Recommendations section below.

Sure Stay Motel Acquisition

The OIG reviewed both CDBG-CV compliance requirements and regulations outlined in the Code of Federal Regulations (CFR) and the City's Policies to ensure compliance with requirements set forth by HUD. CDBG-CV funds can be used for the acquisition of real property; the acquisition, construction, reconstruction, rehabilitation, or installation of public works, facilities, and sites, or other improvements, including removal of architectural barriers that restrict the accessibility of elderly or severely disabled persons. Specifically, CDBG-CV funds can be used for the acquisition and modification of underutilized structures such as motels and schools to create shelter for people experiencing homelessness and for individuals and households unable to practice social distancing due to overcrowding or shared living spaces. This model could also be used to support the development of related short-term shelters for medical workers or vulnerable populations who

need to be isolated to avoid contracting the virus. Residential uses that provide permanent housing may be eligible as a CDBG-CV housing activity rather than as a public facility activity.

The OIG reviewed CDBG-CV Notice Frequently Asked Questions (FAQs) created by HUD on August 27, 2020, noting that the CARES Act provides that CDBG-CV funds may be used to cover or reimburse allowable costs of activities to prevent, prepare for, and respond to coronavirus incurred by a state or locality regardless of the date on which such costs were incurred. This authority is broader than the authority to reimburse costs with other CDBG-CV funds.

The Federal Regulation Notice permits the reimbursement of pre-application costs of sub-recipients, units of general local government, and the grantee, in addition to pre-agreement and pre-award costs. However, an environmental review must be performed and a release of funds must be obtained in accordance with 24 CFR part 58 prior to committing CDBG-CV funds to reimburse such costs. After the grantee signs a CDBG-CV agreement it may reimburse a unit of general local government or subrecipient for costs incurred before the unit of general local government or subrecipient applies to the grantee for assistance.

All activities that a grantee undertakes during its CDBG-CV program year must be identified in an annual action plan or an amended action plan.

FCS amended the action plan to reallocate CDBG-CV funds for the acquisition of the Sure Stay Motel in January 2023. FCS previously issued a public notice for the amendment but was required to reissue the public notice due to inadequate notice.

The OIG reviewed ten (10) expenditures, totaling \$2,863,050.53, for the Sure Stay Motel Acquisition funded with the CDBG-CV grant. The OIG's inspection revealed that the City paid for Study Design Services during the period August 2022 to November 2022 which was after the grant agreement was signed but before the purchase of the Sure Stay Motel in March 2023. The Study Design Services were allocated to administrative costs. The remainder of the expenditures represented earnest money, appraisals, purchase, and closing costs. All expenditures met the criteria for being an acquisition cost.

Observations, Recommendations & Conclusion

Observations and Recommendations:

Observation 1: The City's Eviction Prevention Program process requires a checklist to be completed for each participant. The OIG noted that the section requiring a three (3) month follow-up was not always completed. Upon further inquiry, the OIG discovered that the follow-up had been completed and was documented in a computer system utilized by HHH. By not completing the City's Eviction Prevention Program checklist, the file appears incomplete and an inspecting agency may not be aware of the log in the computer system which could result in a finding.

Recommendation: The OIG recommends that a quality control review of all completed cases be conducted to ensure that all steps have been conducted, the file is properly documented, and each step has been signed off.

Observation 1 Response: HHH will conduct quality control inspections to ensure all files have the proper documentation.

Observation 2: The OIG noted that each City Community Center has limited staffing to conduct the operations and management of the Center. A reasonable practice would be to have adequate staffing for new programs or services to be delivered. Due to budget constraints, generally, a staff of approximately four is charged with operating the Center and administering at least four different programs offered by the Centers such as the Eviction Prevention Program, Food Distribution Program, and Clothing Distribution Program. The limited number of Center staff may result in incomplete files or applications or a finding.

Recommendation: The OIG recommends the City consider the staffing needs of the Centers when additional funding results in an influx of services to be performed by the Centers.

Observation 2 Response: HHH is aware of the staffing shortfalls and is in the process of creating four new positions to alleviate the strain on staff.

Observation 3: The CDBG-CV program requires the Center to obtain the most current tax return filed. While reviewing the files, the OIG noted that although copies of tax returns or drafts of tax returns were on file, there was not always validation that the return was filed. Utilizing a copy of a tax return that was not filed as a form of income verification could result in a falsified application and the City erroneously providing services where the applicant did not meet the program requirements.

Observation 3 Response: HHH will be implementing an additional eligibility requirement to their CDBG Eviction Prevention guidelines which will require that applicants provide an electronic receipt to verify that the taxes have been filed. If an applicant has mailed in their taxes or cannot provide an electronic receipt the applicant will be required to provide an official IRS 1040 transcript.

Recommendation: The OIG recommends that the City processes include specific language to obtain verification that the tax return was filed. This can be accomplished by obtaining a copy of the e-file verification form.

Observation 4: The City's Eviction Prevention Program process requires a three (3) month follow-up with the landlord and/or utility companies. The OIG noted twenty-six (26) of one hundred twenty (120), where after receipt of the payment from the City, the landlords and or utility companies would not provide any information to the Center on the current status of the billing. Without this information, the City and the funding agency cannot determine if the program is effective.

Recommendation: The OIG recommends that the City include specific language on the back of the check or in a letter accompanying the payments, requiring the bearer to comply with the three (3) month follow-up.

Observation 4 Response: HHH will begin conversations with legal and internal fiscal admin to create a letter that will ask the bearer to comply with the 3-month follow-up. This letter will be added to the checks that are being mailed to the payees.

Observation 5: The City's Eviction Prevention Program process limits the benefit to the lower of \$3,000 or the last three months' charges, whichever is less. The OIG identified four (4) instances

out of one hundred twenty (120) inspected where the amount of the benefit was greater than the last three (3) months' charges.

Recommendation: The OIG recommends that a supervisory review of the computation be conducted before being sent for payment. Another re-computation should be conducted by the fiscal department to ensure the payment complies with policies and regulations.

Observation 5 Response: HHH currently has a process for supervisory review as well as fiscal review. Training will be offered to all staff to help alleviate inefficiencies in the current process.

Observation 6: Training on the implementation of the program is required by CDBG. Initially, employees did receive training on the program but through attrition, newer employees learned on the job which resulted in variations between Centers. The OIG was advised that there is a PowerPoint training and policy manual for this program on the shared drive.

Recommendation: The OIG recommends that annual training be given to all Community Center employees providing services under the Eviction Prevention Program. Annual, unilateral training would ensure each Center is provided the same information, boundaries are enforced, and ensure program processes are applied from site to site.

Observation 6 Response: HHH is currently working on a new training presentation and guide that will be implemented prior to the commencement of the next program year. Moving forward, an annual training will be held for all employees administering this program. Training will also be provided to new employees as they are onboarded during the program year.

Conclusion:

The inspection examined the City's processes, policies, legislation, and rules that applied to the CDBG-CV grant funds utilized for the Eviction Prevention Program and the Sure Stay Motel Acquisition. The inspection was proactive in nature and not due to an allegation made. While this inspection did not identify instances of fraud, it is important to note that it does not mean fraud did not occur. The inspection did identify matters that offer opportunities to improve where identified vulnerabilities exist. City leaders should consider the matters identified and recommendations made to further strengthen processes that will help prevent and deter fraud, while also ensuring more quality and confidence in the products and services that the taxpayer funds. This is essential to protecting the public's trust.

It is important to understand that an inspection is less than both an audit and an investigation in purpose and the depth of any single issue.