

Request to Condition FY '91 CDBG

July 16, 1991

MEMORANDUM FOR: John A. Mastropietro, Acting Regional Administrator-Regional Housing Commissioner, 1S

ATTENTION: Frank Del Vecchio, Regional Director for Community Planning and Development, 1C

FROM: Anna Kondratas, Assistant Secretary for Community Planning and Development, C

SUBJECT: Request to Condition the Fiscal Year 1991 Community Development Block Grant, City of Springfield, MA

This is in response to the memorandum of May 31, 1991 from Robert Paquin, requesting the approval of a special contract condition to be placed on the FY 1991 CDBG entitlement grant to the City of Springfield.

Your request is based on specific monitoring findings reported in December 1989 and December 1990. According to the information submitted to this office, the Field Office has determined that the City's major subgrantee, the Springfield Redevelopment Authority, has serious financial management deficiencies. A state audit, issued in October 1990 confirmed the deficiencies found and cited several others. Two of the three monitoring findings have not yet been resolved, namely:

1. the City has failed to ensure that the financial management system of the Springfield Redevelopment Authority meets Federal requirements under CFR Part 85.20 pertaining to financial reporting and accounting records; and
2. the City is providing CDBG funds to the Springfield Redevelopment Authority in excess of its immediate cash needs.

Therefore, because actions taken to date have not been successful in addressing this continuing problem and the Authority receives substantial funding from the City, you are hereby authorized to impose a grant condition on the City's

FY 1991 grant (see attached). It is our understanding from discussions with your staff that the City has now decided to assume the financial management function of the Authority on an interim basis and that all costs incurred by the Authority will be paid by the City. Because the performance deficiency is with a subrecipient and the City is ultimately responsible for both monitoring and oversight of that subrecipient and having adequate control over the use of block grant funds, we have revised the proposed contract condition to reflect this relationship.

The contract condition states that the City may not provide any additional block grant funds directly to the SRA until the SRA has a financial management system in place which is in compliance with program requirements and has been reviewed and approved by HUD. The SRA must have an acceptable financial management system to receive any further block grant funding. The contract condition requires that the

City immediately take all actions authorized under the subrecipient agreement to effect the transfer to the City of all CDBG funds, including any program income on hand plus accounts receivable which are attributable to the use of block grant funds. If, after 90 days from the date of the grant agreement, the SRA does not have a financial management system which meets Federal standards, the City must invoke the termination provisions of the subrecipient agreement. If the City wishes to fund the SRA through another subrecipient agreement, the City must demonstrate to HUD that the SRA has an acceptable financial management system in place. This condition, however, does not preclude the City from providing the financial management support for the SRA or the SRA from carrying out activities as an agent of the City once all CDBG funds including program income and accounts receivable are transferred to the City.

Attachment

cc: Linda Marston, SC

SPECIAL CONTRACT CONDITION
FY 1991 ENTITLEMENT PROGRAM
CITY OF SPRINGFIELD, MA

Pursuant to Section 104(e) of the Housing and Community Development Act of 1974, as amended, the Department has reviewed the performance of the City of Springfield (the "City") in carrying out its Community Development Block Grant (CDBG) Program. The Department has determined, in accordance with 24 CFR 570.901, that the City has failed to comply with the financial management standards under CFR Part 85.20(b)(1),(2), (3) and (7) pertaining to financial reporting, accounting records, internal control and cash management, respectively, and the payment requirements of 24 CFR 85.21.

Accordingly, notwithstanding any other provisions, effective with the execution of this grant agreement by the City:

1. The City must immediately take all actions authorized under the subrecipient agreement with the Springfield Redevelopment Authority (SRA) to effect the transfer to the City of all CDBG funds as defined at 24 CFR 570.3(e), including any CDBG program income on hand plus accounts receivable which are attributable to the use of CDBG funds.
2. The City may not obligate any additional CDBG funds to the SRA until the SRA has a financial management system in place which is in compliance with the standards and requirements referenced above and has been reviewed and approved by HUD.
3. If after 90 days from the date of this grant agreement the SRA does not have in place a financial management system which meets the applicable requirements, the City must invoke the termination provision of the subrecipient agreement.
4. Before the City may fund the SRA through another subrecipient agreement, the City must demonstrate to the satisfaction of HUD that the SRA has a financial management system in place which complies with applicable requirements under 24 CFR Part 85.

If any the above conditions are not met, HUD shall have cause, pursuant to 24 CFR 570.911(b), to reduce the City's FY 1991 grant by an appropriate amount.

cc:

CGBE: Hirschmann 7282 CGBE: Buell 7282 CGBE: Broughman 7282 CGBE: Chron 7282 CGBE: Files
Reg. 1 COOF: Davis 7224

OGC: Landau 8158 FCU: 7232

CGBE: Hirschmann/ry Ext. 708-1577 Rm. 7282 CBH-1 "SPRING1" 7/10/91 HS CPD 50811H