



**U.S. Department of Housing and Urban Development**  
**Office of Inspector General**  
Region VIII Office of Audit  
UMB Plaza - 24<sup>th</sup> floor  
1670 Broadway  
Denver, Colorado 80202-4801

MEMORANDUM NO: 2009-DE-1802

September 30, 2009

MEMORANDUM FOR: LeRoy Brown, Director, Office of Community Planning  
and Development, 8AD

**//signed//**

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

SUBJECT: City of Aurora, Colorado's Capacity to Administer Recovery Act Funding

### **INTRODUCTION**

In accordance with our goal to review funds provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we conducted a capacity review of the City of Aurora's (City) operations. Our objective was to determine whether there was evidence to indicate that the City lacked the capacity to adequately administer Recovery Act funding.

### **METHODOLOGY AND SCOPE**

Our review of the City was limited to gaining an understanding of internal controls over the administration of Recovery Act funds. To meet our objective, we reviewed Recovery Act documentation and funding agreements. We interviewed the City's management and staff and briefly reviewed the City's documentation such as policies and procedures, organizational charts, and job descriptions. Additionally, we reviewed the City's action plan, including substantial amendments, and grant agreements. Our review of this documentation was limited to our stated objective and should not be considered a detailed analysis of the City's internal controls or operations.

We used the *Internal Control – Integrated Framework*, generally referred to as the Committee of Sponsoring Organizations (COSO) report, as a framework to evaluate the City's capacity to administer its Recovery Act funding. The COSO report was published in 1992 and was a joint project of five organizations which formed the Committee of Sponsoring Organizations of the Treadway Commission. This report describes the five interrelated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring.

## **BACKGROUND**

Under the Recovery Act of 2009, the U.S. Department of Housing and Urban Development (HUD) allocated more than \$1.6 million in funding to the City. This amount included more than \$1 million in Homelessness Prevention and Rapid Re-Housing Program funding and \$660,366 in additional Community Development Block Grant (CDBG) Recovery Act funding.

For the Office of Community Planning and Development's formula programs for fiscal years 2007 to 2009, the City was awarded more than \$11.4 million. This amount included funding under CDBG, the HOME Investment Partnerships Program (HOME), and Emergency Shelter Grants (ESG). Below is a chart showing the allocations per program per fiscal year.

Fiscal year	CDBG	HOME (including ADDI*)	ESG	Total
2009	\$2,472,351	\$1,301,829	\$108,245	\$3,882,425
2008	\$2,431,204	\$1,183,497	\$108,298	\$3,722,999
2007	\$2,513,507	\$1,242,846	\$108,407	\$3,864,760
	<u><u>\$7,417,062</u></u>	<u><u>\$3,728,172</u></u>	<u><u>\$324,950</u></u>	<u><u>\$11,470,184</u></u>

\*ADDI=American Dream Downpayment Initiative

Additionally, under the Recovery Act, the City submitted an application to HUD requesting more than \$14 million in Neighborhood Stabilization Program II funding. The City was previously awarded more than \$4.4 million under the Housing and Economic Recovery Act of 2008 for the Neighborhood Stabilization Program I.

## **RESULTS OF REVIEW**

We did not find evidence to indicate that the City lacked the capacity to adequately administer its Recovery Act funding. Based on our limited review, the City had

- Written policies and procedures,
- A staffing plan,
- Plans for the use of funds, and
- A proven track record of past performance.

The City had written policies and procedures for its community development programs and was updating them to incorporate the Recovery Act programs. Its substantial amendments to the action plan outlined the planned staffing and the use of the funds. The most recent HUD reviews of the City's HOME and CDBG programs determined that its past performance complied with HUD program requirements.

### **AUDITEE COMMENTS**

We discussed the results of our review with the City at the informal exit conference on August 12, 2009. We provided the City the draft memorandum on September 17, 2009, and requested its comments within seven days. Since there were no findings or recommendations noted, the City agreed that an additional exit conference was not necessary. In an email dated September 23, 2009, the City concurred with the memorandum and offered no additional comments.

### **RECOMMENDATIONS**

Based on the results of the capacity review, this memorandum contains no recommendations.