



Edward M. Augustus Jr.  
City Manager

CITY OF WORCESTER

cm2015aug06035524

Attachment for Item #

9.4 B

August 11, 2015

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

The enclosed report concerning the resolution and close out of the U.S Department of Housing and Economic Development (HUD) Office of Inspector General (OIG) audit dated July 29, 2013, as received from Michael E. Traynor, Chief Development Officer is forwarded for the consideration of your Honorable Body.

Over the course of the past three years, due to the collaborative work of the EOED staff, the CDBG recipients who received funding during the period covered by the audit, and the HUD offices, the city will make a repayment to HUD in the amount of \$3,418,167.00 not the \$6,490,212.00 originally identified by HUD OIG as ineligible activities. The city will gain two positive outcomes as a result of the repayment. First, the audit will be officially closed and behind us. Second, HUD Treasury will then return the full amount of the audit repayment back to the city's line of credit, allowing the city to utilize this funding on additional CDBG eligible projects.

In correspondence dated August 28, 2014, I provided a formal update to the City Council with regard to the city's approach to the financial payback resulting from the HUD OIG audit. At that time, I stated that I had elected to hold any and all sub-recipients/agencies harmless. The repayment referenced above confirms that commitment.

I truly believe that we have been able to take a negative situation and turn it into a positive one. We are moving forward – local agencies are able to continue providing important social services and housing opportunities to our community and the city has



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been able to work with the agencies impacted to strengthen relationships that were strained by the audit process.

Respectfully submitted,

A handwritten signature in black ink, reading "Edward M. Augustus Jr." in a cursive style.

Edward M. Augustus Jr.  
City Manager



## CITY OF WORCESTER, MASSACHUSETTS

Executive Office of Economic Development

Michael E. Traynor, Esq.  
Chief Development Officer

Andrew Taylor  
Assistant Chief Development Officer  
Grants Management & Compliance

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**To:** Edward M. Augustus Jr., City Manager  
**From:** Michael E. Traynor, Esq., Chief Development Officer  
**Date:** August 11, 2015  
**Re:** HUD OIG Audit Resolution and Repayment

I offer the following update specific to the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) audit report and repayment agreement for Community Development Block Grant (CDBG) Program Years 35 through 37, which encompasses calendar years 2009-2012.

As you are aware, the city's Executive Office of Economic Development (EOED) has worked closely with the HUD OIG in its review of the city's administration of CDBG funded programs. From a financial exposure standpoint, the audit originally identified ineligible activities totaling \$6,490,212.00. Due to the efforts of EOED staff, local organizations that received funding over the three year period of the audit, and the HUD Offices, we have been able to reduce the financial exposure by \$3,509,020.00, leaving a final OIG audit exposure of \$2,981,192.00. However, during the audit resolution period, EOED staff and HUD identified additional activities in the amount of \$436,975.00 that were deemed as non-compliant and would require a future repayment. Due to the identification of these additional items, the city elected to include the additional financial exposure amount into the overall repayment. The final repayment figure agreed upon with HUD Region I and the OIG is \$3,418,167.00.

Per HUD requirements, any financial exposure resulting from an audit must be paid back with non-federal funds. Once the city has paid back HUD and closed the audit officially, **HUD Treasury will return the full amount of the audit repayment to the city's line of credit**, which means the city will have additional funding to spend on projects such as public facility improvements (i.e. streets, sidewalks, playgrounds, water and sewer infrastructure) and housing projects throughout each low- to moderate income neighborhood in the city. The city has taken tremendous strides to resolve all issues connected to the audit by implementing a number of corrective actions that will ensure federal grant compliance moving forward. Per HUD's attached memo, HUD is confident that the city has positioned itself to properly administer all HUD related grant programs.



At this time, the city acknowledges and accepts all findings identified in the audit. In order to resolve this issue, I respectfully request a finance transfer in the amount of \$3,418,167.00 to make the repayment to HUD and officially resolve the audit process. The City and HUD have agreed that the full repayment associated with the OIG audit be made no later than September 1, 2015.

The Executive Office of Economic Development (EOED) has worked extensively with HUD over the last three years to reduce its original exposure amount. Over that time, the city has developed a strong relationship with HUD and has implemented countless corrective actions as well as policies and procedures to effectively administer all federal grants moving forward.

Sincerely,

A handwritten signature in black ink that reads "Michael E. Traynor". The signature is written in a cursive, slightly slanted style.

Michael E. Traynor, Esq.  
Chief Development Officer



## U.S. Department of Housing and Urban Development

MASSACHUSETTS STATE OFFICE, NEW ENGLAND AREA  
Office of Community Planning and Development  
Thomas P. O'Neill, Jr. Federal Building  
10 Causeway Street - Fifth Floor  
Boston, Massachusetts 02222-1092

Edward M. Augustus, Jr.  
City Manager  
City of Worcester  
City Hall (Third Floor)  
455 Main Street  
Worcester, MA 01608

**FILE**

AUG - 5 2015

Dear City Manager Augustus:

SUBJECT: HUD Office of Inspector General Audit Report #: 2013-BO-1002 Repayment

As requested, we are sending this letter to provide details on the repayment amount associated with the City's OIG Audit Report. Since the publication of the Audit Report in July, 2013 the City has worked with this office to develop a corrective action plan to address identified deficiencies and to implement recommendations detailed in the Audit. Beyond the repayment requirements, the Audit recommendations required the City to make substantive changes to policies and practices associated with many different components of the City's programs. Throughout this process the City has been an open and enthusiastic partner in implementing the corrective action plan and has proactively addressed policy and practice deficiencies in their programs. HUD is confident that the City has implemented the proper administrative measures to assure compliance and meet all federal grant requirements.

The repayment amount for the Audit is \$2,981,192.00. The City, through internal monitoring and discussions with Region I, has also identified an additional \$436,975.00 that has been determined to be ineligible. The City will include this additional financial exposure amount into the overall repayment. By electing to include the additional exposure the total repayment figure will be \$3,418,167.00.

Again, we appreciate the cooperation we have received from you and your staff during this process. If you have any questions, please feel free to contact Adam Ploetz at 617.994.8351.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert P. Shumeyko", with a large, sweeping flourish extending to the left.

Robert Shumeyko  
Director

*ADP*  
Ploetz  
1ADM1  
8.5.15

Conolly  
1ADM1  
8/5/15

08/05/2015