



U.S. Department of Housing and Urban Development
San Francisco Regional Office – Region IX
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OCT 24 2019

Joseph Lopez
City Manager
City of Modesto
PO Box 642
Modesto, CA 95353-0642

Dear Mr. Lopez:

SUBJECT: Federal Fiscal Year (FFY) 2019 On-Site Monitoring
Community Development Block Grant (CDBG) Program
Neighborhood Stabilization Program (NSP)
Exit Conference: August 16, 2019

From August 12, 2019 to August 16, 2019, the Department of Housing and Urban Development (HUD) San Francisco Regional Office Community Planning and Development (CPD) Division conducted on-site monitoring of the city of Modesto's Community Development Block Grant (CDBG) Program and Neighborhood Stabilization Program to assess the city's performance and compliance with applicable federal program regulations and requirements. CDBG program performance was assessed through a review of operations, file documentation, and interviews. An exit conference was held between HUD and the city of Modesto on August 16, 2019, to deliver the monitoring results.

This letter transmits the results of the Federal Fiscal Year (FFY) 2019 monitoring review and contains no findings or concerns. A finding is a deficiency in program performance based on a violation of a statutory or regulatory requirement. A concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee's attention. Required corrective actions to address noncompliance would be identified for all findings. Recommended corrective actions would be identified for concerns. If there were any findings, a response to each finding would be required to be submitted within 30 days of this letter. However, because there are no findings, no response is required.

HUD found that the city had made significant improvement on CDBG program management since the previous HUD monitoring visit. The city hired key CDBG staff and submitted the recent annual action plan prior to its submission deadline. In addition, the city established a plan to have CDBG funds drawn timely.

OVERVIEW

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency, and that programs are carried out in compliance with applicable laws and regulations. It assists grantees in improving their performance, developing or increasing capacity, and augmenting their management and technical skills. It also provides a method for

<u>Program Year</u>	<u>IDIS Project ID/ Activity No.</u>	<u>Project/Activity Name</u>
2018	2 / 1328	615 5 th Street – Acquisition
2018	2 / 1314	0 Vine Street – Acquisition
2018	9 / 1298	Owner-occupied Housing Rehabilitation

Monitoring of these areas was conducted using the following monitoring exhibits:

- Exhibit 3-1: Guide for Review of Eligibility
- Exhibit 3-2: Guide for Review of National Objective of Low- and Moderate-Income Area Benefit
- Exhibit 3-3: Guide for Review of National Objective of Low- and Moderate-Income Limited Clientele
- Exhibit 3-4: Guide for Review of National Objective of Low- and Moderate-Income Income Housing
- Exhibit 3-11: Guide for Review of Individual CDBG-Funded Rehabilitation Activities
- Exhibit 24-1: Guide for Review of Lead-Based Paint Compliance in Properties Receiving Financial Rehabilitation Assistance
- Exhibit 34-1: Guide for Review of Financial Management and Audits
- Exhibit 34-2: Guide for Review of Cost Allowability

Exhibits from the *Community Planning and Development Monitoring Handbook 6509.2* were used to guide the review. They are available at:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Overall CDBG Grant Management

The purpose of this review was to determine if the city of Modesto has developed systems and procedures for ensuring that CDBG funds were used in accordance with program requirements. As a part of this evaluation, HUD reviewed written procedures describing the city's management of its CDBG program, including the tracking of individual activities and documenting of accomplishments. Monitoring of this area was conducted utilizing the following exhibit:

- Exhibit 3-11: Guide for Review of Individual CDBG-Funded Rehabilitation Activities

Eligibility and National Objectives

The purpose of this review was to ensure compliance with the eligibility and national objective requirements at 24 CFR Section 570.201, 570.202, and 570.208, respectively. Monitoring of this area was conducted using the following exhibits:

- Exhibit 3-1: Guide for Review of Eligibility

- Exhibit 3-2: Guide for Review of National Objective of Low- and Moderate-Income Area Benefit
- Exhibit 3-3: Guide for Review of National Objective of Low- and Moderate-Income Limited Clientele
- Exhibit 3-4: Guide for Review of National Objective of Low- and Moderate-Income Income Housing

Financial Management

This review was designed to assess the grantee's conformity to program financial management requirements. The city of Modesto's financial management system was reviewed for compliance with Subpart J *Grant Administration* and for compliance with 2 CFR Section 200, Subpart E, which provides guidance on determining the allowable costs of programs administered by state and local governments. A limited review of administrative costs, staff, overhead, and travel expenditures for compliance with this rule was conducted. Monitoring of this area was conducted using the following exhibits:

- Exhibit 34-1: Guide for Review of Financial Management and Audits
- Exhibit 34-2: Guide for Review of Cost Allowability

This section did not have any findings.

NEIGHBORHOOD STABILIZATION PROGRAM

Overall NSP Grant Management

The purpose of this review was to determine if the city of Modesto has developed systems and procedures for ensuring that NSP funds were used in accordance with program requirements. As a part of this evaluation, HUD reviewed written procedures describing the city's management of its NSP program. Monitoring of this area was conducted utilizing the following exhibits:

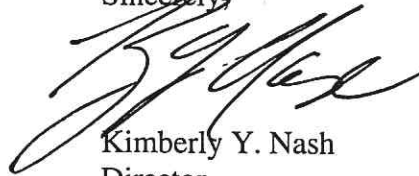
- Exhibit 8-11: Guide for Review of NSP-1 National Objective of Benefit to Low, Moderate-, and Middle-Income Persons
- Exhibit 8-14: Guide for Review of NSP-1 Continued Affordability
- Exhibit 8-19: Guide for Review of NSP-3 Program Progress

This section did not have any findings.

If the city disagrees with any of HUD's determinations or conclusions in this monitoring letter, please address these issues in writing to HUD within 30 days of this letter. The city's written communication should explain the reasons why the city disagrees, along with supporting evidence and documentation. All communication should be sent to the Department of Housing and Urban Development, San Francisco Regional Office, Community Planning and Development Division, One Sansome St, Suite 1200, San Francisco, CA 94104-4430.

HUD would like to thank you and the city of Modesto staff for their professionalism and cooperation during the review. If the city wishes to discuss the results of this monitoring review or request technical assistance from the Community Planning and Development Division, please contact Eric Christensen, Community Planning and Development Representative, at 415-489-6589, or via e-mail at Eric.F.Christensen@hud.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kimberly Y. Nash', written in a cursive style.

Kimberly Y. Nash
Director
Community Planning and
Development Division

cc:

Jaylen French, Director
Community & Economic Development

Jessica Narayan, Community Development Manager
Community & Economic Development