

Memorandum



DATE January 4, 2019

CITY OF DALLAS

TO Members of the Economic Development & Housing Committee: Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **A Proposed Agreement with TDA Consulting, Inc. in an amount not to exceed \$1,481,484 to provide Compliance and Monitoring Services to the Housing and Neighborhood Revitalization Department**

On Monday, January 7, 2019, the Economic Development and Housing Committee will be briefed on a proposal to authorize the City to enter into a 3-year agreement with a firm that specializes in assisting recipients and subrecipients of federal grants in developing policies and procedures related to compliance with grant regulations. The firm would provide such services to the Department of Housing and Neighborhood Revitalization.

Summary

On May 9, 2018, via Resolution 180704, the Dallas City Council adopted a comprehensive housing policy. Leading up to the adoption of the comprehensive housing policy, and continuing after its adoption, Housing has been evaluating its capacity to: implement the comprehensive housing policy; develop processes to administer the programs, tools and strategies authorized by the comprehensive housing policy; and draft policies and procedures that will guide staff in administering the programs.

One fundamental role where Housing has a documented history of deficiencies is in its compliance function. And, during Housing's ongoing evaluation of its capacity to implement the comprehensive housing policy, it became apparent that Housing does not have the existing staff capacity to be able to effectively engage in its compliance function and is unlikely to be able to quickly recruit and hire staff with specialized expertise in housing program compliance.

Therefore, Housing is proposing that, over the next three years, Housing will engage a third party consultant to provide hands-on support in identifying and eliminating compliance gaps, creating and implementing internal controls, and offering ongoing support to sustain changes made to Housing programs.

The Office of Procurement Services conducted a Request for Proposals process to solicit proposals from federal grant compliance firms with expertise in Community Development Block Grants (CDBG) and the HOME Investment Partnerships Program (HOME). Through the evaluation process, TDA Consulting was selected to receive the contract.

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Background

In the past two years, Housing has been the subject of 12 audits, monitorings and reviews that generated more than 30 findings of non-compliance related to recordkeeping, underwriting, program compliance and HUD reporting. Some findings resulted in financial repayments from the City's General funds and the forfeiture of federal grant dollars. Staff have spent countless hours working to resolve these findings, but many of the factors that led to the findings are still prevalent today. From weak or non-existent internal controls to knowledge gaps, Housing continues to operate in an environment that generates compliance concerns.

TDA Consulting specializes in fixing compliance issues that the City is experiencing with its management of federal grants.

In Year 1 of the contract, TDA would provide the following:

- Embed two staff to manage HUD reporting and compliance oversight,
- Train current and new Housing staff in federal grant rules,
- Develop Housing policies and procedures to align with the Comprehensive Housing Policy,
- Develop internal controls to support coordination across Housing divisions,
- Assess Community Housing Development Organization (CHDO) performance and develop technical assistance plans to address any deficiencies observed.

In Years 2 and 3, TDA would focus its services on providing:

- On-call and remote technical assistance to support problem-solving activities with federal grant management, and
- On-site quarterly trainings to further develop City staff's and CHDO's knowledge of federal grant compliance as it relates to Housing programs.

Issues

The City of Dallas receives approximately \$19.6M in CDBG funds and \$6M in HOME funds each year. Ensuring that these funds are effectively serving Dallas residents requires a commitment to compliance oversight. Based on the audit findings described above, there is significant room for improvement. The City needs to make a greater commitment to compliance to preserve these valuable grant dollars.

Alternatives

Given the volume of audit findings related to Housing's past practices and the number of audits still outstanding or underway, it is expected that this trend of non-compliance with federal grant regulations will continue until Housing can make meaningful changes to its processes and practices. The alternative to hiring a federal grant compliance firm is to attempt to recruit and hire individuals who have specialized experience with grant

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compliance and to train existing staff. This alternative could only be implemented in a piecemeal fashion and would likely take over a year for Housing to complete, while still trying to engage in compliance activities and overcome significant training and internal control deficits simultaneously. This alternative approach will continue to put the City's HUD grants at risk. Loss of CDBG and HOME dollars would impact the City's ability to serve affordable housing development needs and provide homebuyer assistance, home repair, and community services such as senior programs, tenant based rental assistance, and community centers.

Fiscal

The TDA Consulting proposal is valued at \$1,481,484.21 over a three-year period. This cost would be paid with the City's CDBG allocation of funding for administrative expenses.

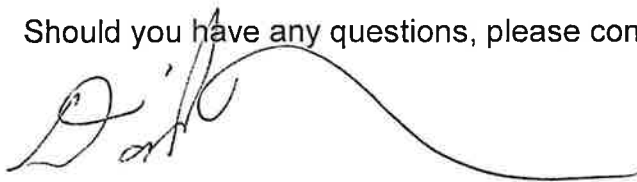
Departments/Committee Coordination

Housing administers the City's CDBG and HOME grants in collaboration with the Office of Financial Services. Housing also consults regularly with the City Attorney's Office regarding compliance issues. If the City is authorized to obtain the compliance consulting services, Housing will invite both the Office of Financial Services and City Attorney's Office to participate in the training and technical assistance that TDA Consulting would bring to the City of Dallas.

Staff Recommendation

The Housing and Neighborhood Revitalization Department recommends that the City Council accept TDA Consulting's proposal and allow the City to contract with them to provide federal grant compliance services for the City's CDBG and HOME grants.

Should you have any questions, please contact me at (214) 670-3619.



David Noguera
Director
Housing and Neighborhood Revitalization

c: Christopher Caso, City Attorney (Interim)
Craig D. Kinton, City Auditor
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