

**ESTADO LIBRE ASOCIADO DE PUERTO RICO
GOBIERNO MUNICIPAL DE HUMACAO
LEGISLATURA MUNICIPAL
HUMACAO, PUERTO RICO**

CERTIFICACIÓN

Yo, LUIS M. CASTRO DÍAZ, Secretario de la Legislatura Municipal de Humacao, Puerto Rico, por la presente **CERTIFICO**:

Que la que procede es copia fiel y exacta de la **Resolución Núm. 8, Serie 2002-2003**, la cual fue aprobada por la Legislatura Municipal de Humacao, Puerto Rico, en Sesión Ordinaria celebrada el 6 de julio de 2002.

VOTACIÓN

VOTOS AFIRMATIVOS:

1. Hon. Carmen López Dipiní
2. Hon. María N. Álvarez Márquez
3. Hon. Wilfredo Rosa Santory
4. Hon. Juana C. González Irizarry
5. Hon. Miguel Rodríguez Vega
6. Hon. Nardén Jaime Espinosa
7. Hon. Víctor Velázquez Casillas
8. Hon. Luis E. (Gardy) Fontáñez
9. Hon. Saúl González Gerena
10. Hon. Pedro J. Cruz Cruz
11. Hon. José L. Burgos Millet
12. Hon. Nydia M. Vega Cintrón
13. Hon. Rose V. Nieves Ruiz
14. Hon. Sonia L. Vázquez García

EN CONTRA:

Ninguno.

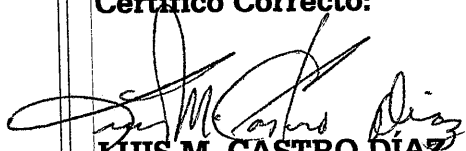
ABSTENIDOS:

Ninguno.

AUSENTES:

1. Hon. Ángel C. Cora Romero
2. Hon. Efraín Díaz Robledo

Certifico Correcto:


LUIS M. CASTRO DÍAZ
SECRETARIO
LEGISLATURA MUNICIPAL

SELLO OFICIAL



MAR 28 2002

Honorable Marcelo Trujillo Panisse
Mayor
Attention: Mr. Luis A. Camacho
Municipality of Humacao
PO Box 178
Humacao, PR 00792



Dear Mayor Trujillo Panisse:

**SUBJECT: MONITORING REVIEW
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)
Grant Numbers: B-01-MC-72-0013, B-00-MC-72-0013, B-99-MC-72-0013
EMERGENCY SHELTER GRANT (ESG)
Grant Numbers: S-01-MC-72-0008, S-00-MC-72-0008, S-99-MC-72-0008
DISASTER RECOVERY INITIATIVE GRANT (DRI)
Grant Number: B-98-MU-72-0013**

This is to inform you the results of our monitoring review of the CDBG, ESG and DRI Programs conducted by Ms. Rosa C. Rodríguez, CPD Representative and Mr. Andres Delgado, Financial Analyst, during February 25 – March 6, 2002. The purpose of the review was to determine compliance with applicable Federal laws and regulations pertaining to these programs, to identify potential problem areas and recommend actions to address “Concerns” or “Findings”. Please note that our monitoring review was also dedicated to providing technical assistance program-wide and we intend to continue doing so during the coming year and when needed at the request of your staff.

The review covered the areas of Overall Grant Management, Compliance with National Objectives, Financial Management Systems, Procurement Procedures, Allowable Cost, Equipment Management and limited reviews in the areas of Citizen Participation and Fair Housing and Equal Opportunity.

We want to thank the staff for their courtesies rendered, especially Mr. Luis Camacho, Federal Programs Director, Ms. Nereida Ruiz, Federal Programs Administrative Director, Mr. Orlando Martínez, Accounting Assistant, Mrs. Alma Marcano, Accounting Assistant, Ms. Marilys Reyes, Accounting Assistant, Mr. Víctor Rivera, Engineering Assistant, Mrs. Carmen Lao, Single Family Housing Rehabilitation Coordinator, and Mr. Iván Ramos, Chauffer. Their professionalism and assistance was crucial in conducting our review.

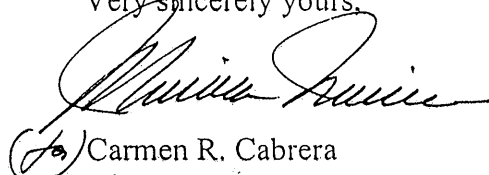
This report contains the terms "Finding" and "Concern". A "Finding" is a violation of the program laws, Federal regulations or grant agreement for which sanctions or other corrective actions may be subject to HUD's discretion. For each "Finding" we have indicated a corrective action the Municipality must take. A "Concern" is a deficiency in program performance that could potentially become a "Finding" if not addressed. For each "Concern" we have made recommendations on how the Municipality can correct the problem.

On March 25, 2002 the results of our review were discussed with you and Mr. Luis Camacho, Director of Federal Programs, Mss. Nereida Ruiz, Administrative Director of Federal Programs, and Mrs. Alma Marcano, Accounting Assistant. Attached is our monitoring review.

Please provide our office with your response to the Concerns/Findings contained in this letter within 30 days from the date of this letter.

If you or your staff have any questions or desire assistance related to this letter, please contact Mrs. Rosa C. Rodriguez, CPD Representative, at (787) 766-5400, extension 2085.

Very sincerely yours,



(s) Carmen R. Cabrera
Director
Community Planning and
Development

Attachment

cc: Michael A. Colón
Field Office Director

**MONITORING REPORT
COMMUNITY PLANNING AND DEVELOPMENT BLOCK GRANT (CDBG)
EMERGENCY SHELTER GRANT (ESG)
DISASTER RECOVERY INITIATIVE GRANT (DRI)**

Community Planning and Development Block Grant (CDBG) are funds to carry out a wide range of community development activities giving maximum priority to benefit low and moderate income families. These community development activities are directed towards: *providing safe and secure housing, revitalizing neighborhoods, economic development, and providing improved community facilities and services.*

A. Compliance With CDBG National Objectives

Our review demonstrated the Municipality of Humacao is in compliance with the CDBG National Objectives pursuant to 24 CFR 570.200(a)(2) and 570.208. Documented evidence as well as on-site inspections of activities/projects and participant interviews verified the Municipality's efforts to ensure benefiting low and moderate income persons. The following table is a listing of activities reviewed:

| ACTIVITIES REVIEWED: | LOCATION/SCOPE |
|--------------------------------------|---|
| Elderly Homecare Program | Service to L/M Income Elderly in urban and rural areas. |
| Single Family Housing Rehabilitation | Service to L/M Income Families in urban and rural areas. |
| Water & Sewer Improvements | Parcelas Buena Vista-Sector Laguna, Punta Santiago, Rio Abajo, Pasto Viejo, Bajadas I y II, Mucaros, Batey I y II |
| Street & Sidewalks(Drainage) | Inner City, Bo. Mariana, Candelero Abajo, Candelero Arriba, Mucaros |
| Parks and Recreation | Parque Parcelas Martinez en Bo. Candelero Abajo |
| Public Facilities | Centro Communal Parcelas Martinez, Centro Communal Vista Hermosa |

B. Overall Grant Management

In general the Municipality is carrying out the Overall Management and procedures for assessing the effectiveness of each activity being funded under the CDBG Program in an adequate and effective manner. Records are generally maintained accurate, complete and in order.

Our review, however, disclosed the following concerns/findings the Municipality needs to correct to ensure funds are used in accordance with all federal regulations and program requirements.

CONCERN NO. 1. SINGLE FAMILY(S/F) HOUSING REHABILITATION PROGRAM

The Municipality needs to increase the effectiveness and efficiency of the local housing rehabilitation program. This activity is identified as the third priority in the Five Year Consolidated Plan. The policy and procedures manual established by the Municipality is not being followed. Evidence of the number of housing units completed was not available. Only one (1) housing unit was reported as being completed in Program Year 2001.

Although the participants files for eligibility requirements were properly documented as established in the manual, including pictures of the family and the housing unit before rehabilitation, our review of the three (3) waiting list demonstrated preference of participants over others. No written justification of the need to serve these persons before others waiting was documented.

CDBG funds pay for the construction materials and the program is designed where the participants have the option that the rehabilitation be done by homeowner self-help or wait for the municipal construction crew. Many even have the approved purchase order of the materials needed in the files awaiting for the work to be completed. The crew, of nine (9) contracted municipal workers, is the only labor force for the entire Municipality. The review demonstrated that the supervisor of this construction crew has conflicting duties assigned within the S/F Housing Rehabilitation Program. He is the only person that does the estimates of the materials needed, works on the construction site as supervisor and does the final inspection to certify that the housing unit has been completed.

The S/F Housing Rehabilitation Coordinator does not have any supervisory authority over the construction crew and has no knowledge of their whereabouts.

The following table summarizes the case files reviewed:

| WAITING LIST | STATUS | NAME OF PARTICIPANT | INFORMATION OBTAINED |
|--------------|-----------|--------------------------------|---|
| 2000 | Completed | Mrs. Esmeralda Suarez-Martinez | Housing rehabilitation completed on February 29, 2002. - Bo. Anton Ruiz |
| 1999 | Waiting | Mr. Juan Ayala-Benigan | Person in wheelchair. Requested handicap accessibility and facilities to bathroom and bedroom since he can not get through doors. - Bo. Buena Vista |
| 2001 | Underway | Mrs. Nilda Diaz-Garcia | On-site inspection and participant interview was performed. Materials were provided. Family Self-Help. - Bo. Anton Ruiz |
| 2001 | Waiting | Mrs. Ada Cruz-Olmeda | On-site inspection and participant interview as performed. - Bo. Buena Vista |
| 2001 | Waiting | Mrs. Dolores Toro-Santiago | Elderly couple/husband is disabled - Bo. Mariana II |

Preparar una ordenanza para someter el Reglamento a la Asamblea.

RECOMMENDATION:

The Municipality needs to take immediate action to implement the policy and procedures as established in their S/F Housing Rehabilitation Program Manual. Perform a physical inspection of housing units assisted to verify if work was completed and provide evidence, such as a photograph of housing unit after the rehabilitation or a written certification by participant. The evidence must be placed in the participants' files.

The Municipality must follow the order of the participants' waiting list and needs to document the emergency/necessity when a participant is given preference before others.

The Municipality needs to assure the conflicting duties of the Supervisor, are assigned to different employees as established in the S/F Housing Rehabilitation Manual.

The S/F Housing Rehabilitation Coordinator needs to be given the authority over work performance issues to be/being performed by the construction crew. Communication between S/F Housing Rehabilitation Coordinator and the labor force needs to be established in order to follow the scope of work performance.

CONCERN NO. 2 TIMELY EXPENDITURE OF FUNDS

The accomplishments reflected for PROGRAM YEAR 2001-2002 in the Municipality's General Ledger demonstrated that of the nine (9) activities, seven (7) appear to be at a standstill. An analysis of the current expenditure rate of the CDBG Program indicates problems with the timely expenditure of funds which may result in non-compliance with "timeliness expenditure of funds" as stated in 24 CFR 570.902 (a)(1)(i).

An inspection of the program year 2001 accounting records and project files as of February 28, 2002 demonstrated the following:

| PROJECT | FUNDING |
|--|---|
| 1. Elderly Homecare (Programa de Amas de Llaves) | Assigned \$280,340. Available \$238,846.96 |
| 2. Single Family Housing Rehab. (Programa Reparación Mínima de Viviendas) | Assigned \$100,000. Available \$82,202.71 |
| 3. Water & Sewer Improvements (Construccion y Mejoras a Sistema Pluvials) | Assigned \$227,060. 34,028.00 Available \$227,060. Plus \$40,076.Program Income |
| 4. Street & Sidewalks (Drainage) (Construcción y Reparación a Carreteras) | Assigned \$500,000. 15,111.96 Available \$500,000. |
| 5. Parks and Recreation (Construcción y Mejoras a Facilidades Recreativas) | Assigned \$500,000. 191,309.13 ADJ. Available \$500,000. Plus \$300,000.Program Income |
| 6. Public Facilities (Construcción y Mejoras a Facilidades Publicas) | Assigned \$150,000. Available \$150,000. |

| | |
|---|---|
| 7. Crime Prevention (Adquisición Equipos Guardia Municipales) | Assigned \$30,000. Available \$30,000. |
| 8. Special Economic Development Small Business Interest Reimbursement Program (Reemplazo de Intereses para Pequeños Comerciantes) | Assigned \$15,000. Available \$15,000. |
| 9. Administration and Planning (Administración) | Assigned \$450,000. Available \$198,595.52 |

RECOMMENDATION:

The Municipality is responsible for managing the day to day operations of the grant and the activities supported by same. This means it must monitor the activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Projects/Activities need to be entered into IDIS before the end of this program year, which is June 30, 2002, or this may also result in non-compliance with the annual performance report as per 24 CFR 91.520 and 24 CFR 570.903(a) and (b). Staff needs to be given responsibility for the periodic inspection and the documentation on the activity's progress. Follow up communication between Program Director and staff needs to be improved in order to achieve program goals.

1. Financial Management

The Municipality of Humacao has established acceptable accounting procedures to account for the CDBG Funds and Program Income received and disbursed. Records are generally maintained accurate, complete and in order to determine compliance with applicable federal regulations and program requirements. The grantee follows the State's required accounting system and the applicable elements required by 24 CFR, Part 570.502 and Part 85, Subpart C. The Municipality was also in compliance within the 20% cap allowable for the CDBG Program administration and planning costs. With respect to Program Income, please be advised that the same must be accounted for in IDIS and used prior to requesting additional funds from the CDBG line-of-credit.

2. Procurement of Services

We reviewed the procurement procedures implemented for construction and professional services, together with contracts and related procurement documents for compliance with 24 CFR Part 85.36. Our limited review disclosed that the Municipality of Humacao was found in general compliance with the above mentioned requirements. Please see "Attachment A" for the listing of Construction Projects and Professional Services, such as Consultant and Architectural & Engineering, reviewed.

3. Cost Allowability

We examined a sample of costs, such as salaries, contracts, travel expenditures and other administrative costs to verify compliance with the regulations in 24 CFR Part 85.22 and the requirements set forth in OMB Circular A-87 - Cost Principals for State, Local and Indian Tribal Governments. Our review disclosed the following findings.

FINDING NO. 1: STAFF SALARIES

Based on payroll documents and interviews with the Director of Federal Programs and Staff, our review disclosed that the salaries of certain employees are being allocated to the CDBG grant even though only a portion of their work is related to CDBG-funded activities. Applying costs in this manner is inconsistent with OMB Circular A-87(c)(1)(a) and 3(a). Details are as follows:

Staff

Mr. Luis A. Camacho, Director of Federal Programs
Supervises both CDBG Program and PH Section 8 Program. Also supervises municipal employees and performs duties for the Mayor's Office.

Mrs. Carmen Morales, Administrative Secretary
Performs accounting functions for CDBG Program and PH Section 8 Program.

Mrs. Minedy Garcia, Secretary
Secretary for the CDBG Director of Federal Programs

Miss Marylis Reyes, Accountant (Temporary Employee)
Performs functions for Section 8 Program and assists with CDBG General Ledger and budget.

CORRECTIVE ACTION:

Because it is unclear what percentage of time these employees were working on CDBG funded activities, we are requesting the Municipality identify what portion of their salaries should have been paid with non-CDBG funds and provide this office evidence that the corresponding funds have been returned to the CDBG line-of-credit. There must be time distribution records supporting the allocation of charges among the sources. Remember that in addition to pro-rating the salaries of the above mentioned, the Municipality also has the option of developing an indirect cost rate proposal as explained in OMB Circular A-87. The Municipality needs to establish a set of policies and procedures that define staff duties, lines of authority, and separation of functions.

The Municipality needs to submit evidence to HUD that it has complied with the above and that it has credited the CDBG line-of-credit for the amount determined.

FINDING NO. 2: TRAVEL COST

OMB Circular A-87(c)(1)(a) and 3(a) states that to be allowable, cost must be necessary and reasonable for proper and efficient performance and administration of the grant awards; and must be allocable to a particular cost objective to the extent of benefits received by such objectives. Our review of the files below indicated that travel costs incurred by Mr. Luis Camacho, were not in compliance with the above, therefore, we are disallowing the amount of \$2,571.17. Travel incurred was not necessary for proper and efficient administration of the CDBG Program.

We are questioning \$595.00 travel costs incurred by Mr. Héctor Sepúlveda since the supporting documentation was not located during our monitoring visit.

The following table is a listing of the travel files reviewed:

| Files Reviewed: | | | |
|--------------------------------|---------------------------------|--------------------------------|---|
| Victor Rivera Jose Quiñones | Engineer Assistant Draftsman | \$390.00 Oct. 11 & 19, 2000 | Seminario Hormigones y Aceros de Refuerzo, San Juan, PR |
| Héctor Sepúlveda | Draftsman | \$595.00 Oct. 11, 2000 | Liceo Arte Y Tecnología-Delineante |
| Luis Camacho | Director Federal Programs | \$2,571.17 Aug. 19-25, 2001 | Public Housing QHWRA Training Washington, DC |

CORRECTIVE ACTION:

The Municipality needs to submit evidence that the disallowed amount has been reimbursed to the CDBG line-of-credit.

Regarding the travel cost incurred by Mr. Héctor Sepúlveda, the Municipality needs to provide us the supporting documentation or we will proceed to disallow the cost.

1. **Equipment Management (Personal Property)**

FINDING NO. 3: EQUIPMENT INVENTORY AND PROPERTY DISPOSITION

A review of the Equipment Management standards was performed to verify compliance with the requirements in 24 CFR 85.32. Although we were provided with three (3) different inventory listings, none demonstrated to be accurate, updated or in compliance with regulations. On January 15, 2002 the office moved to a new location and according to Mr. Camacho, they left the old "equipment" at the other office except for a few items such as the photocopier, some computers, some typewriters, some files and other items. No equipment identification was available. A physical inspection at the old office location was intended but an actual equipment status could not be traced. This is a repeated finding brought to the attention of the Municipality during a previous monitoring conducted in July 1998.

CORRECTIVE ACTION REQUIRED:

The Municipality must adopt procedures for the management (including replacement of equipment) and disposition of equipment acquired with grant funds. The Municipality must develop a control system to ensure adequate safeguard to prevent loss, damage, and theft of property. A physical inventory of the property must be taken and the results must be reconciled with the property records. The grantee must have procedures and control systems in place to **keep adequate equipment records**. Property records must include the following:

- Property description,
- Identification number (a serial number)
- Funding source of property, (grant funding source)
- Title holder (who holds title)
- acquisition date
- Cost of the property
- Percentage of Federal participation in the cost of the property
- The location, use and condition of the property
- Any ultimate disposition data including the date of disposal and sale price of the property.

This inventory must be updated at least once every two (2) years. Please refer to 24 CFR Part 85.32 Equipment, (a) Title, (c) Use (d) Management Requirements and (e) Disposition. The Municipality must certify corrective actions completed thirty (30) days from the date of this letter.

FINDING NO. 4 USE OF EQUIPMENT

Interviews with staff revealed the two vehicles purchased with CDBG funds are not being used in compliance with 24 CFR 85.32(c). One is being used by the CDBG Program and the other by PH Section 8 Program. No prorate of the purchase, maintenance, and repair costs of the second vehicle was available. No type of tracking/log on the usage of the vehicles was available.

CORRECTIVE ACTION:

The Municipality needs to discontinue this practice. Equipment purchased with CDBG funds must be used by the grantee in the program or project for which it was acquired, and as long as needed, whether or not the program or project continues to be supported by federal funds, 24 CFR 85.32 (c). The Municipality needs to establish a control log on the use of the vehicles. Attachment B is a copy of the HUD vehicle control log. The Municipality may wish to adopt a similar control log to meet its needs. Municipality must certify corrective actions completed thirty (30) days from the date of this letter.

C. Citizen Participation Plan

FINDING NO. 5: CITIZEN COMPLAINTS

Our review disclosed that the "citizens complaints" procedure established in their "Citizen Participation Plan" is not being followed. The procedure is intended to handle complaints from citizens related to the Consolidated Plan. Since the CDBG Program is covered under the Municipality's Consolidated Plan, the complaint procedures described in the Citizen Participation Plan apply. It further states that in their complaint procedure, a jurisdiction must commit to providing a timely, substantive **written response** to every written citizen complaint within an established period of time (within 15 working days, were practicable if the jurisdiction is a CDBG recipient).

CORRECTIVE ACTION:

The Municipality must provide a written response immediately to the pending Citizen Complaints. Copy of the letters must be submitted to HUD. The Municipality must comply with "citizens complaints" in accordance to 24 CFR 91.105(j) and ensure that the all staff understand and follow this procedure.

FINDING NO. 6: AMENDMENTS TO THE CONSOLIDATED PLANS

The Municipality has not been following its Citizen Participation Plan concerning "Amendments" which basically are substantial changes in the use of CDBG funds from one eligible activity to another. Our review demonstrated that \$200,400 of the 1999 Asilo Simonet activity was transferred to Water & Sewer Improvements-\$150,000 and Street & Sidewalks Improvements-\$50,400. In addition, the CDBG regulations at 24 CFR 570.505(a) state that if a grant recipient used CDBG funds in excess of \$25,000 to either acquire or improve a building, the planned use of any such property cannot be changed unless the recipient provides affected citizens with reasonable notice of and the opportunity to comment on, any proposed change.

According to conversation with Mr. Luis Camacho, Director of Federal Programs, the original scope of the construction of the shelter for the homeless is going to be changed. We noted that activities in the 2000 Annual Action Plan, were not addressed in the CAPER nor budgeted in IDIS: (1) rehabilitation of single family housing \$50,200 (2) construction of a Head Start Center \$125,000 and the (3) Acquisition of Real Property \$100,000. Activities in the 2001 Action Plan have not been entered into IDIS as of today and may result into the same pattern as previous year.

The table is a listing of activities reviewed:

| Project/Activity | | 1998 | 1999 | 2000 | 2001 |
|---|--|---------|---------|---------|---------|
| Asilo Simonet | Expansion of facility Multi-service for elderly | 200,000 | 200,400 | | |
| Edad de Oro | Construction of an elderly Multi-service facility | 50,000 | 200,000 | | |
| Homeless Shelter | Construction of a homeless Shelter | | | 125,000 | |
| Head Start Center Vista Hermosa | Construction of a Head Start Center | | | 125,000 | |
| Acquisition of Real Property | To Construct a Day Care Center | | | 100,00 | |
| Minimal Housing Rehab | Housing Rehabilitation | | | | 100,000 |
| Equip Acquisition for Crime Prevention | Equip for Municipal Police | | | | 30,000 |

CORRECTIVE ACTION:

The Municipality must provide HUD written information on the status of the above activities and any other activities that are not in compliance with 24 CFR 91.505 (a) and with the criteria established in its Citizen Participation Plan. If so, then amendments are needed to comply with the requirements at 24 CFR 91.505(b) and (c).

D. Fair Housing and Equal Opportunity

The Municipality demonstrated to be in compliance with 24 CFR Section 570.601, 570.602 and 570.904 which requires the jurisdictions to affirmatively further fair housing by conducting an analysis of impediments to fair housing choice 24 CFR 570.601(g). The Municipality provided us a copy of their updated 2000 Analysis of Impediments report. Our limited review disclosed that the Municipality of Humacao is taking appropriate steps to ensure effective communication with program applicants, beneficiaries and members of the public regarding FHEO Civil Rights related requirements for the CDBG Entitlement Program.

Emergency Shelter Grant (ESG) are funds to serve homeless persons by: *rehabilitation or conversion of buildings into homeless shelters, provide certain related social services, operating expenses of shelters or soup kitchens, homeless prevention activities and, administrative cost.*

FINDING NO. 7: NON-COMPLIANCE WITH TIMELY OBLIGATION/EXPENDITURE OF EMERGENCY SHELTER GRANT FUNDS

A total of \$238,592.71 of the ESG funds have not been committed to activities for Program Years 1998, 1999, 2000 and 2001. A total of \$338,212.08 have not been expended for Program Years 1997, 1998, 1999, 2000 and 2001. All Entitlement ESG grants must be obligated within 180 days and spent within 24 months of the grant award, 24 CFR 576.35. Any ESG amounts that are not made available or obligated within the applicable time periods may be reallocated by HUD under 24 CFR 576.45.

CORRECTIVE ACTION

The Municipality must provide HUD with a written work plan to properly use the available funds as indicated in its Consolidated Plans to ensure serving the homeless persons, 24 CFR 570.910(b)(2)(i).

HUD may impose "Sanctions", pursuant to 24 CFR 576.67 if it determines the Municipality is not complying with the Federal regulations and program requirements applicable to the ESG funds.

Disaster Recovery Initiative Grant (DRI) are funds provided to *aid in the recovery from a Presidentially declared disaster. These funds are to rebuild affected communities that otherwise might not recover due to limited resources.*

FINDING NO. 8: DRI PERFORMANCE AND FINANCIAL PROGRESS REPORTS

The Disaster Recovery Initiative Plan (DRI) is at a standstill since January 2001. The DRI Plan's strategy was to build "retaining walls" to assure the safety and well-being of approximately sixty-five (65) low/moderate income families suffering of imminent danger from landslides. Only 9 appear to have been completed.

The DRI Grant Agreement with the Municipality of Humacao was effective on September 1, 1999 in the amount of \$324,035. Along with the DRI grant, the Municipality received \$352,474 FEMA funds and \$260,000 local funds to mitigate the effects of Hurricane Hortense. Under the 1997 Emergency Supplemental Appropriations for Recovery from Natural Disaster under Public Law 105-18: All amounts under the DRI Grant Agreement must be expended within thirty-six (36) months of the effective date of the signed agreements. The 36 months period for the Municipality of Humacao would end in September 2002.

CORRECTIVE ACTION:

The Municipality must provide HUD with a work plan to ensure the completion of projects in the DRI Plan approved by HUD.

The Municipality must enter the required quarterly and annual performance reports which includes a financial reconciliation of funds pursuant 24 CFR Chapter V, HUD Disaster Recovery Initiative, Final Rule, September 8, 1997. These must be entered by the Municipality via the web-based Disaster Recovery Grant Reporting (DRGR) System and approved by HUD.

Under the 1997 Emergency Supplemental Appropriations for Recovery from Natural Disaster under Public Law 105-18, HUD may reduce the grantee's line-of-credit by any amount not meeting these conditions and reallocate such amounts to other grantees for disaster recovery activities.

Construction Projects Reviewed:

| Contractor | Date of Contract/ Type of Bid | Contract Amount |
|--|--|---|
| Better Roads Asphalt, Inc. Street and draining improvements in urban core | November 3, 1999 Formal Bid | \$434,192.50 Beginning \$537,978.90 Final Completed |
| Alco Corp. Street and draining improvements in Bo. Catano | December 11, 2000 Formal Bid | \$99,142.88 Beginning \$92,327.00 Final Completed |
| Soto Construction Street and draining improvements Bo. Mariana | November 15, 2000 Formal Bid | \$149,501.33 Beginning \$51.94 Credit Completed |
| Alco Corp. Street and draining improvements in Bo. Mariana | April 18, 2001 Formal Bid | \$30,000.00 Beginning \$34,602.25 Final Completed |
| Constructora El Alba Inc. Construction of Community Center Urb. Vista Hermosa | June 21, 2000 Formal Bid | \$155,492.00 Beginning \$162,177.00 Final Completed |
| Constructora El Alba Inc. Water & Sewer Rio Abajo, Pasto Viejo Bajadas I & II, Mucaros, Batey I & II | March 28, 2000 Formal Bid | \$699,900.00 Beginning \$795,804.84 Final Completed |
| M & V Steel Contractor Water & Sewer Bo. Pasto Viejo | March 19, 2001 Formal Bid | \$17,989.13 \$1,800.00 Credit |
| Roig Development Water & Sewer | December 1, 2000 Formal Bid | \$200,000.00 \$50,166.12 Balance Completed |

| | | |
|--|--|--|
| T&C Construction, Inc. Construction of a Head Start Center Urb. Vista Hermosa | Contract not signed Selected as best bid December 28, 2000 Formal Bid | \$125,000.00 Not Started |
| Consultec Construction Corp. Homeless Shelter | January 3, 2001 Construction Stopped Formal Bid | \$494,180.00 (\$125,000=CDBG Portion) |

Professional Services:

| Contractor | Type of Bid/ Date of Contract | Contract Amount |
|--|----------------------------------|-----------------|
| <i>Consultant</i> | | |
| Paul G. Van Buskirk Associates, Inc. | RFP November 1, 2001 | \$39,600 |
| <i>Architectural and Engineering</i> | | |
| Miguel Arroyo Edad De Oro – Design | RFP January 26, 2000 | \$96,000 |
| Orval E. Sifontes Architects Homeless Shelter - Design | RFP December 18, 2000 | \$43,257.68 |
| Roberto Rexach Cintron Water & Sewer – Engineering Constructora El Alba Inc. | RFP November 9, 1999 | \$83,934 |

6 de Junio del 2002

Carmen López Dipini
Presidenta
Legislatura Municipal
Humacao, P.R. 00791

Honorable Presidenta:

A su pedido de asesoría en torno al proyecto de resolución número 87 para autorizar al alcalde a reembolsar \$24,822.90 al Departamento de Vivienda Federal, se hizo un análisis en cuanto a las alegaciones, hechos y consecuencias, basado en ello expreso lo siguiente

I- Hechos: Se trata de una monitoría realizada por Vivienda Federal (H.U.D.), en cuanto a la administración de unos programas federales conocidos como;

- 1- C.D.B.G.- Community Development Block Grant
- 2- E.S.G.- Emergency Shelter Grant
- 3- D.R.I.- Disaster Recovery Initiative

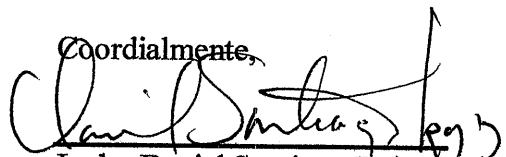
Dicha monitoría se realiza con el propósito de determinar si se ha cumplido con las leyes federales y regulaciones aplicables en la administración de estos programas. Pretende además estas monitorías identificar problemas y recomendar acciones al respecto, proveer además la ayuda técnica necesaria para la administración de estos programas. Para cada programa existen unas leyes o cartas circulares como guías a seguirse estrictamente en la contabilidad del uso de dichos fondos. En este caso en particular aplica la Carta Circular OMB A-87 y basado en su contenido se estableció que en varios proyectos realizados en algunos barrios y sectores del municipio no se contabilizó adecuadamente los gastos o uso de fondos a programas específicos y como resultado se hicieron unos cargos a programas que no se relacionaban en específico con esos programas, por lo que la monitoría reflejó que la cantidad de \$24,822.90, fueran indebidamente contabilizados en el programa de C.D.B.G. , estas se desglosan de la siguiente manera:

- 1- Prorrato de Salarios: \$22,641.73
- 2- Gastos de Viaje inelegible: \$ 2,571.17
- 3- Gastos de Asistencia a Seminario: \$ 595.00

II- Recomendaciones

La Carta Circular OMB A-87, provee unas reglas uniformes para determinar los costos de contratos, concesiones (grants) y otros acuerdos con los gobiernos municipales, para preparar la distribución de costo y contabilizarlos contra dichos programas o contratos. Si se están llevando a cabo varios programas a la misma vez como sucedió en este caso se recomienda lo siguiente:

1. Tener un cuidado especial en que se contabilicen los salarios, materiales y equipo a ese programa en específico para evitar sobrecargar un programa.
2. Cualquier cargo a un programa debe ser contabilizado en ese programa, y así evitar cargos a otros programas que podría causar sobregiro y deficiencias en otros programas.
3. De seguir estrictamente esta distribución de costos, se evita que se impongan restricciones por ley e incumplimiento de los controles impuestos.

Coordialmente,

Lcdo. Daniel Santiago Rojas
Asesor Legislatura Municipal