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TO: José R. Rivera, Director, Community Planning and Development, San Juan Field Office, 4ND

FROM: //signed//
James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: The Municipality of San Juan, PR, Did Not Properly Manage Its HOME Investment Partnerships Program

HIGHLIGHTS

What We Audited and Why

We audited the Municipality of San Juan's HOME Investment Partnerships Program (HOME). We selected the Municipality for review as part of our strategic plan based on the large amount of HOME funds approved. The objectives of the audit were to determine whether the Municipality met HOME program objectives and its financial management system complied with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Municipality disbursed more than \$3.48 million for four activities that showed signs of slow progress without assurance that the activities would generate the intended benefits. In addition, it failed to ensure that more than \$2.49 million of a community housing development organization's proceeds was used for housing efforts. The Municipality also disbursed more than \$766,000 for two activities that were not carried out and failed to reprogram more than \$1.14 million in unexpended HOME funds for these terminated activities. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME program objectives were met.

The Municipality's financial management system did not support the eligibility of more than \$2.3 million in disbursements and allowed the use of more than \$2.2 million for ineligible expenditures. In addition, it failed to disburse more than \$2.8 million in HOME funds in a timely manner and did not account for \$14,732 in HOME receipts. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

The Municipality did not monitor the accuracy of commitments and other information reported in HUD's Integrated Disbursement and Information System. It reported to HUD more than \$8.7 million in HOME commitments without executing written agreements and failed to reprogram and put to better use more than \$1.6 million in unexpended HOME funds associated with terminated activities or for which additional disbursements were no longer needed. In addition, it provided inaccurate information on the amount of program income generated, amount of funding awarded, and program accomplishments. As a result, HUD had no assurance that the Municipality met HOME objectives, commitments, and disbursement requirements.

What We Recommend

We recommend that the Director of the San Juan Office of Community Planning and Development determine the eligibility of more than \$4.8 million disbursed from HOME funds on activities that showed signs of slow progress and for unsupported program costs. The Director should require the Municipality to reimburse the HOME program more than \$3 million for ineligible project costs and activities that failed to meet program objectives. The Director should also require the Municipality to recapture or reprogram and put to better use more than \$11.3 million in unexpended obligated funds, overstated commitments, and unexpended HOME funds maintained in its local bank account.

We also recommend that the Director require the Municipality to develop and implement an internal control plan to ensure that (1) its HOME-funded activities meet the program objectives, (2) its HOME program has a financial management system that complies with HUD requirements, and (3) the program has controls and procedures which ensure that HOME requirements are followed and accurate information is reported to HUD. In addition, the Director should reassess the Municipality's annual commitment compliance and recapture any amounts that have not been committed within HUD-established timeframes.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the findings with HUD and the Municipality during the audit and at the exit conference on August 17, 2011. The Municipality provided its written comments to our draft report on August 19, 2011. In its response, the Municipality generally disagreed with the findings.

The complete text of the Municipality's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act as amended. The U.S. Department of Housing and Urban Development (HUD) allocates funds by formula to eligible State and local governments for the purpose of increasing the supply of decent, safe, sanitary, and affordable housing to low- and very low-income families. State and local governments that become participating jurisdictions may use HOME funds to carry out multiyear housing strategies through acquisition, rehabilitation, new housing construction, and tenant-based rental assistance.

Participating jurisdictions are required to commit HOME funds within 24 months and expend them within 5 years after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement. Participating jurisdictions draw down HOME funds through HUD's Integrated Disbursement and Information System. HUD's information system is also used to monitor and track HOME commitments, program income, repayments, and recaptured funds, among other things.

The Municipality of San Juan is the second largest participating jurisdiction in Puerto Rico, for which HUD has approved more than \$11 million in HOME funds during the past 2 fiscal years. HUD's information system reflected expenditures exceeding \$6 million during the fiscal year ending June 30, 2010, for the following activities:

Activity type	Amount expended
Construction and rehabilitation of housing	\$3,766,649
Community housing development organization (CHDO)	809,833
Home-buyer direct assistance	673,450
Planning and administration	614,736
First-time home buyer	154,400
Rehabilitation by owner	24,582
Total	<u>\$6,043,650</u>

The Municipality's Department of Housing and Community Development is responsible for administering HOME funds. Its books and records are maintained at 1205 Ponce de León Avenue, San Juan, PR. We audited the Municipality's HOME program as part of the HUD Office of Inspector General's (OIG) strategic plan. The Municipality was selected for review based on the amount of HOME funding provided.

The objectives of the audit were to determine whether the Municipality met HOME program objectives and its financial management system complied with HUD requirements.

RESULTS OF AUDIT

Finding 1: The Municipality Did Not Meet HOME Program Objectives

The Municipality disbursed more than \$3.48 million for four activities that showed signs of slow progress without assurance that the activities would generate the intended benefits. In addition, it failed to ensure that more than \$2.49 million of a community housing development organization's (CHDO) proceeds were used for housing efforts. The Municipality also disbursed more than \$766,000 for two activities that were not carried out and failed to reprogram more than \$1.14 million in unexpended HOME funds for these terminated activities. This condition occurred because the Municipality did not implement adequate procedures and controls to monitor HOME-funded activities. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME program objectives were met.

Slow Progress Activities

The Municipality disbursed more than \$3.48 million for four activities that reflected slow progress without assurance that the projects were feasible. HUD regulations at 24 CFR (Code of Federal Regulations) 92.504(a) provide that the Municipality is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise.

Gilberto Monroig housing project - The Municipality executed an agreement on March 13, 2006, for the acquisition and rehabilitation of an eight-unit housing project to be sold to low- and very low-income families. According to the agreement, the rehabilitation of the housing units should have ended on or before November 30, 2006. Although the rehabilitation work was completed in 2007, none of the units was occupied, and the developer had not been able to sell the completed units. The developer indicated that the housing project was located in a drug area that made it difficult to sell the units. Municipality officials informed us that the housing project had many housing quality standards violations and did not meet program requirements.

More than 3 years had elapsed since the project's acquisition and rehabilitation, and none of the units had been occupied by low- and very low-income families. Based on this condition, HUD had no assurance that the Gilberto Monroig housing project would fully meet HOME program objectives and provide the intended benefits. Therefore, more than \$534,000 in disbursements was unsupported.

Vistas del Horizonte II housing project - The Municipality executed an agreement on August 30, 2004, for land acquisition and construction of a 15-unit housing project to be sold to low- and very low-income families. According to the agreement, the construction of the housing units should have ended on or before August 30, 2006. Although the rehabilitation work was completed in 2006, only 10 of the 15 housing units were occupied, and the developer had not been able to sell the remaining completed units. In addition, the developer sold five of the housing units to non-HOME program participants.

More than 5 years had elapsed since the project's construction, and only five of the units had been occupied by low- and very low-income families. Based on this condition, HUD had no assurance that the Vistas de Horizonte II housing project would fully meet HOME program objectives and provide the intended benefits. Therefore, more than \$720,000 in disbursements was unsupported.

Padre Colón housing project - The Municipality executed an agreement on August 10, 2007, for land acquisition and construction of a 13-unit housing project to be sold to low- and very low-income families. According to the agreement, the construction of the housing units should have ended on or before July 31, 2009. Although the rehabilitation work was completed in 2009, only 3 of the 13 housing units were occupied, and the developer had not been able to sell the remaining completed units.

More than 2 years had elapsed since the project's construction, and only three of the units had been occupied by low- and very low-income families. Based on this condition, HUD had no assurance that the Padre Colón housing project would fully meet HOME program objectives and provide the intended benefits. Therefore, more than \$1.3 million in disbursements was unsupported.

Los Portales II housing project - The Municipality executed an agreement on August 15, 2002, for land acquisition and construction of an 18-unit housing project to be sold to low- and very low-income families. According to the agreement, the construction of the housing units should have ended on or before August 15, 2004. Although the construction work was completed in 2005, only 14 of the 18 housing units were occupied by low- and very low-income families. The developer sold three of the housing units to non-HOME program participants and had not been able to sell one of the remaining completed units.

More than 6 years had elapsed, and only 14 of the units had been occupied by low- and very low-income families. Based on this condition, HUD had no assurance that the Los Portales II housing project would fully meet HOME program objectives and provide the intended benefits. Therefore, more than \$840,000 in disbursements was unsupported.

The Municipality did not adequately manage these activities to ensure that they were carried out in a timely manner and that funds were used in accordance with all HOME requirements as provided at 24 CFR 92.504(a). As a result, HUD had no assurance that these activities provided the intended benefits and met HOME objectives.

The Municipality also failed to ensure that more than \$2.49 million of a CHDO's proceeds was used for housing efforts. The grant agreement permitted the CHDO to retain the proceeds generated from the sale of units of a HOME-funded activity and be used in conformance with 24 CFR 92.300(a)(2) to develop new housing projects. According to a Municipality official, the CHDO disbanded around May 2010 without developing new housing activities or transferring any of the unused funds back to the Municipality. The April 2011 bank statement reflected that more than \$2.49 million in proceeds remained unexpended. As a result, more than \$2.49 million in proceeds was not put to better use to generate the intended benefits.

Terminated Activities

HUD's regulations at 24 CFR 92.1 state that HOME funds are allocated to participating jurisdictions to strengthen public-private partnerships to expand the supply of decent, safe, sanitary, and affordable housing to very low-income and low-income families. Regulations at 24 CFR 92.205(e) also provide that a HOME-assisted activity that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible project and any HOME funds invested must be repaid to the participating jurisdiction's treasury account.

Contrary to HUD's regulations, the Municipality failed to ensure that two activities met HOME objectives, and it did not reimburse all of the funds to its treasury account. The Municipality disbursed more than \$766,000 in HOME funds on two activities that were terminated in December 2009. According to the Municipality's records, the two activities were for the acquisition of land and the construction of 96 dwelling units at two sites within San Juan. The following table shows the activity number, activity name, agreement date, funded and drawn amounts, and last draw date for the project developments that were terminated and for which the intended benefits were not provided.

Activity number	Activity name	Grant agreement date	Funded amount ¹	Drawn amount	Last draw date	Comment
1089	Rivieras de Cupey I	Dec. 5, 2007	\$1,286,757	\$474,980	June 27, 2008	Developer defaulted on loan and gave the project land in payment in November 2010.
1090	Rivieras de Cupey II	Dec. 5, 2007	<u>623,568</u>	<u>291,500</u>	June 19, 2008	Developer defaulted on loan and gave the project land in payment in November 2010.
Total			<u>\$1,910,325</u>	<u>\$766,480</u>		

The Municipality did not take the appropriate measures to cancel the activities in HUD's information system. The information system reflected both as open activities. In addition, both activities were shown as having unexpended obligations of more than \$1.14 million.

Inadequate Monitoring Efforts

The Municipality did not take appropriate monitoring measures to ensure the timely completion of activities and that funds were used in accordance with all program requirements as required by 24 CFR 92.504(a).

The controls and procedures implemented by the Municipality were not adequate. For example, the HOME program manager informed us that the activities were monitored through site visits performed by its program inspector. However, the inspector stated that the site visits were to verify the construction work and ensure that units met housing quality standards and that no monitoring procedures had been provided to him. Management must revise and implement its controls and procedures to ensure the proper monitoring of HOME-funded activities.

Conclusion

The Municipality failed to ensure that activities met HOME objectives. This condition occurred because the Municipality did not implement adequate procedures and controls to ensure compliance with HUD requirements. As a result, HUD had no assurance that funds were used solely for their authorized purposes and that HOME-funded activities provided the intended benefits. The

¹ Information obtained from HUD's information system as of May 31, 2011

Municipality paid more than \$4.2 million for projects that did not provide the intended benefits or reflected slow progress. In addition, it failed to reprogram and put to better use more than \$3.6 million in CHDO proceeds and unexpended HOME obligations.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 1A. Determine the eligibility of the \$2,399,428 disbursed for four projects with signs of slow progress and reevaluate the feasibility of the activities.² The Municipality must reimburse its HOME program from non-Federal funds for activities that HUD determines to have been terminated.
- 1B. Require the Municipality to recapture, reprogram, and put to better use \$2,499,717 associated with the unused proceeds retained by the disbanded CHDO.
- 1C. Require the Municipality to reimburse its HOME program from non-Federal funds \$766,480 for disbursements associated with terminated activities that did not meet HOME objectives.
- 1D. Require the Municipality to reprogram and put to better use \$1,143,845 associated with unexpended funds for the terminated activities.³
- 1E. Require the Municipality to establish and implement adequate controls and procedures for its HOME program to ensure that HUD requirements and objectives are met.

² Total disbursements of \$3,483,086 were adjusted to consider \$713,008 questioned in recommendation 2C and \$370,650 in recommendation 2A.

³ The two terminated activities had obligations of \$1,910,325, and disbursements totaling \$766,480 as of May 31, 2011. The unexpended balance of \$1,143,845 (\$1,910,325 - \$766,480) needs to be reprogrammed and put to better use.

Finding 2: The Municipality’s Financial Management System Did Not Comply With HUD Requirements

The Municipality’s financial management system did not support the eligibility of more than \$2.3 million in disbursements and allowed the use of more than \$2.2 million for ineligible expenditures. In addition, it failed to disburse more than \$2.8 million in HOME funds in a timely manner and did not account for \$14,732 in HOME receipts. These deficiencies occurred because the Municipality disregarded HOME requirements and did not develop and implement controls and procedures to ensure compliance with HUD financial requirements. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

Unsupported Program Disbursements

Project costs - Regulations at 24 CFR 92.206 and 92.508(a) allow disbursements for reasonable and allowable costs associated with HOME-funded projects that are supported with records that enable HUD to determine that HOME requirements were met.

The Municipality did not support the reasonableness and allowability of more than \$2.3 million in HOME funds disbursed. For example, it paid more than \$1.6 million for land acquisitions associated with six housing projects but did not provide documentation supporting the reasonableness of the land value and did not provide documentation supporting the allowability of more than \$700,000 in project costs charged to the HOME program. Therefore, HUD lacked assurance of the reasonableness and allowability of more than \$2.3 million in project costs charged to the HOME program. Appendix C contains a list of the unsupported project disbursements.

Administrative costs - Regulations at 24 CFR 92.207 allow disbursements for reasonable administrative and planning expenditures associated with the HOME program. In addition, 24 CFR 92.508(a)(3)(ii) requires participating jurisdictions to maintain records demonstrating the source and application of funds, including supporting documentation in accordance with 24 CFR 85.20.

The Municipality did not provide documentation supporting the reasonableness, allowability, and allocability of more than \$39,000 charged to the HOME program, associated with administrative salaries. It did not track its employees’ time by program activity or implement a cost allocation plan to distribute payroll costs among HUD and other programs. The Municipality charged the full salary of three employees to the HOME program, although they performed additional functions not related to the program. The Municipality did not allocate payroll

costs based on the time spent by these employees on each of its programs. Therefore, HUD lacked assurance of the reasonableness, allowability, and allocability of more than \$39,000 in administrative payroll costs disbursed between October 2009 and June 2010. The 2009 independent public accountant report included a similar deficiency; however, the deficiency continued to exist.

Ineligible Program Disbursements

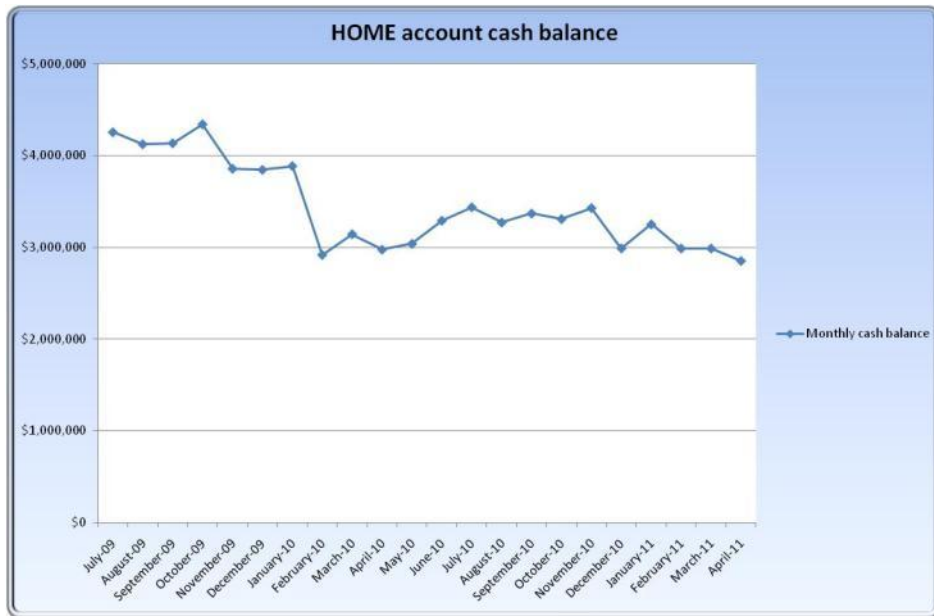
The Municipality's financial management system permitted the disbursement of more than \$1.19 million in HOME funds for ineligible project costs. For example, the Municipality disbursed \$854,930 in HOME funds for project costs incurred by developers before executing the grant agreements with the developers. This action was contrary to HOME regulations at 24 CFR 92.2 that require participating jurisdictions to execute a legally binding agreement with a contractor to use HOME funds to produce affordable housing. In addition, the Municipality disbursed \$335,663 in HOME funds for duplicated or unrelated project costs. Appendix D contains a list of the ineligible project disbursements.

The Municipality also allowed the use of program income to repay the HOME program \$772,860 associated with ineligible program costs, including repayments for a CHDO's terminated project that did not generate the intended benefits. In addition, it improperly disbursed \$300,346 in HOME funds to pay for ineligible costs identified in a 2004 HUD monitoring report.

HOME Funds Not Disbursed in a Timely Manner

Regulations at 24 CFR 92.502(c)(3) require that HOME funds in the participating jurisdiction's local bank account, including program income and recaptured funds, be disbursed before additional grant funds are requested.

The Municipality consistently maintained a high cash balance in its local bank account. The Municipality's April 2011 bank statement reflected a cash balance of more than \$2.8 million, and the Municipality maintained a monthly average balance of more than \$3.4 million during the 22-month period ending April 2011.



This condition occurred because the Municipality did not use program income and recaptured funds and withdrew additional funds from HUD without disbursing the funds in its local bank account. For example, the Municipality received more than \$705,000⁴ associated with program income and recaptured funds that were not used before making additional drawdowns from HUD. A Municipality official informed us that the program income and recaptured funds received during prior years were not used and remained unexpended in the local bank account to avoid missing HUD commitment and expenditure deadlines. Therefore, the Municipality disregarded HOME requirements.

The Municipality withdrew from its treasury account more than \$6 million in HOME funds between July 1, 2009, and October 31, 2010. HUD regulations at 24 CFR 92.502(c)(2) state that HOME funds drawn down from a participating jurisdiction’s treasury account must be expended for eligible costs within 15 days. Any unexpended drawdowns must be returned to the treasury account.

Contrary to HUD’s regulations, the Municipality failed to disburse drawdowns totaling more than \$1 million in HOME funds within 15 days. Further, it did not return \$66,000 in unexpended drawdowns to HUD. The following table shows the voucher and activity number, date of drawdown, and the HOME funds for the drawdowns that were not disbursed within 15 days.

⁴ The Municipality received these proceeds between February 2010 and March 2011.

Voucher number	Activity number	Amount	Date of drawdown deposit	Date of disbursement	Days elapsed between deposit and disbursement dates
5129751/2	1331	\$293,902	July 01, 2010	July 22, 2010	21
5129751/3	1348	85,000	July 01, 2010	July 22, 2010	21
5129751/6	1350	84,000	July 01, 2010	July 22, 2010	21
5129751/5	1351	78,000	July 01, 2010	July 22, 2010	21
5129751/1	1257	70,470	July 01, 2010	July 22, 2010	21
5129751/4	1349	50,000	July 01, 2010	July 22, 2010	21
5129751/7	1280	1,177	July 01, 2010	July 22, 2010	21
5124312/3	1331	197,841	June 22, 2010	Feb. 10, 2011	233
5124312/2	1257	48,600	June 22, 2010	Feb. 10, 2011	233
5124315/1	1091	32,280	June 22, 2010	Feb. 10, 2011	233
5124312/5	1342	26,000	June 22, 2010	Feb. 10, 2011	233
5124312/4	1170	13,964	June 22, 2010	Feb. 10, 2011	233
5124312/6	1280	1,470	June 22, 2010	Feb. 10, 2011	233
5124312/1	843	150	June 22, 2010	Feb. 10, 2011	233
5129741/5	1343	<u>66,000</u>	July 01, 2010	Not disbursed*	298*
Total		<u>\$1,048,854</u>			

* As of April 25, 2011, funds remained unexpended and were not returned to HUD.

The Municipality lacked procedures and controls regarding its financial management system to ensure compliance with HUD requirements. As a result, it failed to disburse funds in a timely manner and put to better use for eligible efforts more than \$2.8 million in HOME funds that remained unexpended in the local bank account.

Inadequate Accounting Records

Regulations at 24 CFR 85.20(b) require participating jurisdictions to maintain financial records that are accurate, current, and complete and that adequately identify the source and application of funds provided for assisted activities.

The Municipality's accounting records were not accurate, current, and complete. They did not reflect complete financial information on HOME program activities and did not permit the adequate tracing of program expenditures and receipts. For example, the accounting records did not include more than \$1 million in accounts receivable and \$76,964 in program income. They also contained instances of transactions recorded with the incorrect amount or account.

The expenditures shown in the Municipality's accounting records for the fiscal year ending June 30, 2010, did not agree with amounts reflected in HUD's information system.

Activity type	Trial balance	HUD's information system	Difference
Rehabilitation by owner	\$9,850	\$24,582	\$(14,732)
Planning and administration	\$675,427	\$614,736	\$60,691
Construction and rehabilitation of housing	\$3,996,504	\$3,766,649	\$229,855
CHDO			
Home-buyer direct assistance	\$2,135,646	\$1,637,683	\$497,963
First-time home buyer			

The Municipality could not explain the discrepancies and could not account for \$14,732 drawn from HUD for one of the HOME activity types. A Municipality official informed us that information in HUD's information system was not reconciled with the accounting records. A similar deficiency was identified in the 2009 independent public accountant report; however, the deficiency continued to exist.

Lack of Controls and Procedures

The lack of program controls and procedures also contributed to the deficiencies in the Municipality's financial management system. For example, the Municipality did not maintain written procedures for accounting for HOME funds and establishing responsibilities among its personnel. In addition, it did not maintain a proper system that permitted the tracking of HOME-assisted activities that could result in the payment of program income or recaptured funds. Further, the Municipality did not provide adequate segregation of duties by permitting officials that authorized or recorded transactions to collect HOME funds associated with program income, repayments, and recaptured funds. Therefore, the Municipality's internal controls were not sufficient and adequate to provide HUD assurance that HOME funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements. Management must establish and implement adequate controls and procedures to permit the proper accountability for all HOME funds to ensure that they are used solely for authorized purposes.

Conclusion

The Municipality maintained a financial management system that permitted program charges for ineligible and unsupported costs, allowed its HOME local bank account to maintain a high cash balance, did not reflect the full history of all financial transactions, and did not properly identify the source and application of HOME funds. This condition occurred because the Municipality disregarded HOME requirements and did not develop and implement effective controls and

procedures to ensure compliance with the financial requirements of HUD programs. As a result, HUD lacked assurance that funds were only used for eligible purposes. The Municipality must improve its internal controls to safeguard, use, and properly account for HOME program funds.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 2A. Require the Municipality to submit supporting documentation showing the reasonableness and allowability of \$2,355,889 charged to the HOME program for project costs or reimburse the program from non-Federal funds.
- 2B. Require the Municipality to submit supporting documentation showing the allocability of \$39,338 and any additional payroll costs charged to the HOME program between July 1, 2009, and June 30, 2011, associated with the three employees performing other functions not related to the program, or reimburse the program from non-Federal funds.
- 2C. Require the Municipality to reimburse the HOME program from non-Federal funds \$2,263,799 paid for ineligible costs.
- 2D. Require the Municipality to put to better use \$2,854,395 associated with unexpended funds maintained in its local bank account.
- 2E. Require the Municipality to submit all supporting documentation showing the eligibility and propriety of \$14,732 drawn from its treasury account or reimburse the HOME program from non-Federal funds.
- 2F. Require the Municipality to update its accounting records and ensure that receipts and expenditures are properly accounted for, are reconciled with HUD's information system, and comply with HUD requirements.
- 2G. Require the Municipality to develop and implement a financial management system in accordance with HUD requirements, including that HOME funds can be traced to a level which ensures that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes and that funds are disbursed in a timely manner.
- 2H. Increase monitoring of the Municipality's performance in the administration of its HOME program.

Finding 3: The Municipality Did Not Have Procedures and Controls Regarding Information Entered Into HUD’s Information System

The Municipality did not monitor the accuracy of commitments and other information reported in HUD’s information system. It reported to HUD more than \$8.7 million in HOME commitments without executing written agreements and failed to reprogram and put to better use more than \$1.6 million in unexpended HOME funds associated with terminated activities or for which additional disbursements were no longer needed. In addition, it provided inaccurate information on the amount of program income generated, the amount of funding awarded, and program accomplishments. These deficiencies occurred because the Municipality lacked procedures and internal controls regarding the reporting of information in HUD’s information system. As a result, HUD had no assurance that the Municipality met HOME program objectives, commitments, and disbursement requirements.

Commitments Without Agreements

Participant jurisdictions are required by 24 CFR 92.500(d) and 92.502 to commit HOME funds within 24 months of their allocation and report commitment information in HUD’s information system. HUD’s regulations at 24 CFR 92.2 define “commitment” as an executed, legally binding agreement with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds to produce affordable housing or provide tenant-based rental assistance or an executed written agreement reserving a specific amount of funds to a CHDO or having met the requirements to commit to a specific local project, which also requires that a written, legally binding agreement be executed with the project or property owner. HUD also requires that the signatures of all parties be dated to show the execution date.

HUD’s information system reflected that the Municipality committed more than \$10.7 million in HOME funds between July 1, 2009, and October 31, 2010. We examined commitments totaling more than \$9.3 million that the Municipality entered into HUD’s information system.

The Municipality reported in HUD’s information system that it had committed more than \$8.7 million in HOME funds, although it did not have executed agreements with the recipients. The actual commitments occurred between 10 and 97 days after the funding date, and in one of the activities, no agreement had been executed as of December 15, 2010. Therefore, the funds were improperly reported as committed and not in accordance with HUD requirements.

Activity number	Reported commitment amount in HUD's information system	Initial funding date in HUD's information system	Actual agreement date	Days elapsed between reporting and agreement dates
1364	\$2,696,072	June 30, 2010	No agreement	*
1332	1,673,070	Sept. 04, 2009	Dec. 10, 2009	97
1331	3,212,070	Sept. 01, 2009	Nov. 12, 2009	72
1352	<u>1,160,000</u>	June 21, 2010	July 01, 2010	10
Total	<u>\$8,741,212</u>			

* No grant agreement had been executed as of December 15, 2010.

We also found nine instances in which the Municipality reported in HUD's information system the commitment of more than \$1.2 million in HOME funds between 7 and 121 days after the grant agreement was executed. The Municipality also did not implement adequate controls by not requiring that the signatures of all parties be dated to show the execution date as required by HUD. As a result, HUD had no assurance that the Municipality met HOME commitment requirements.

Unexpended Commitments Not Reprogrammed

The Municipality did not reprogram and put to better use more than \$1.6 million in unexpended obligations associated with nine activities that were terminated or for which the construction work was completed or additional disbursements were no longer needed or expected. For example, HUD's information system reflected unexpended obligations of more than \$1.02 million for the projects Barriada Figueroa and Plaza Garden, activities that were terminated after HUD disallowed them in a 2004 monitoring review. As a result, obligations in HUD's information system were overstated, and more than \$1.6 million in HOME funds was not available for other eligible efforts. The Municipality should reprogram these funds and put them to better use. Appendix E contains a list of the activities with unreprogrammed commitments.

Program Income and Other Receipts Not Properly Reported

HUD regulations at 24 CFR 92.503 provide that program income, recaptured funds, and repayments received be deposited into the participant jurisdictions' HOME account to carry out eligible activities. These receipts must be reported in HUD's information system and used before additional HOME withdrawals are made.

Contrary to HUD requirements, the Municipality did not report the proceeds of \$705,287 in program income and recaptured funds in HUD's information system.⁵ In addition, it had not reassigned or transferred \$467,723 in HOME repayments in HUD's information system.⁶ Consequently, HUD had no assurance of the accuracy of the amount that the Municipality received from such receipts and its compliance with HUD requirements.

Program income and recaptured funds - The Municipality failed to report in HUD's information system program income and recaptured funds totaling \$705,287 that were received between February 2010 and March 2011. The Municipality records also showed that receipts totaling \$726,471 were not reported in a timely manner in HUD's information system. These HOME proceeds were reported to HUD between 54 and 282 days after they were received. Appendix F contains a list of the program income and recaptured funds reviewed.

Repayments - The Municipality failed to reassign or transfer \$467,723 in HOME repayments associated with three terminated activities in HUD's information system. Although the Municipality returned the repayments to its treasury account, it had not reassigned the funds in HUD's information system. For example, the Municipality received on May 12, 2009, \$167,377 in repayments associated with activity number 360 and returned the funds to HUD on August 12, 2009. As of April 25, 2011, the appropriate entries in HUD's information system had not been made to reassign the funds and use them for other eligible efforts.

The Municipality did not take the appropriate measures to ensure that repayments were properly recorded in HUD's information system. As a result, \$467,723 was not available to be put to better use for HOME-eligible efforts.

Other Inaccurate Reporting

HUD's information system contained additional inaccurate information concerning the Municipality's HOME activities. This information included incorrect funding amounts and other inaccurate information on HOME program accomplishments.

Incorrect funding amount - In three activities, the awarded amount of HOME funds shown in HUD's information system was incorrect. These activities included two in which the funding amount was overstated (activities 1352 and

⁵ Program income and recaptured funds may result from the resale and recapture requirements imposed by HUD and the Municipality to the participants to ensure affordability during predetermined periods, depending on the assistance amount provided.

⁶ Repayments may result from termination of activities before their completion, either voluntarily or otherwise.

1332) and one in which the funding amount was understated (activity number 1257).

Activity number	Funded amount according to HUD's information system	Agreement amount	Difference
1352	\$1,160,000	\$1,098,100	\$61,900
1332	\$1,673,070	\$1,673,000	\$70
1257	\$1,322,772	\$1,403,976	\$(81,204)

Inaccurate reporting of accomplishments - The Municipality improperly reported to HUD in its 2010 consolidated annual performance and evaluation report inaccurate information associated with its HOME program accomplishments. For example, the Municipality reported that its HOME-funded activities did not generate program income during the reporting period, although it received more than \$700,000. It also reported that all of the 15 units of the Vistas del Horizonte II housing project were occupied by eligible participants, although 5 were vacant and an additional 5 were sold to ineligible participants. As a result, HUD had no assurance of the accuracy of the reported HOME program accomplishments.

Conclusion

Because the Municipality lacked adequate controls, it did not ensure the accuracy of commitments and other information entered into HUD's information system. There was no assurance that the Municipality met HUD commitment and disbursement requirements and that program objectives were met. The inaccurate data compromised the integrity of HUD's information system and the degree of reliability HUD could place on the data for monitoring commitments and compiling national statistics on the HOME program. Management must develop and implement internal controls to ensure the accuracy of its reported accomplishments and that it complies with HUD requirements.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 3A. Require the Municipality to deobligate in HUD's information system the \$2,696,072 associated with an activity reported as committed but for which no agreement was executed.

- 3B. Require the Municipality to deobligate, reprogram, and put to better use \$1,608,619 in commitments for activities that were terminated or for which assistance was no longer needed.
- 3C. Require the Municipality to reprogram and put to better use \$467,723 in repayments.
- 3D. Require the Municipality to deobligate, reprogram, and put to better use \$61,970 associated with two activities in which the funding amount was overstated.
- 3E. Require the Municipality to review all grant agreements for each activity entered into HUD's information system and correct any inaccurate information, including funding date and amount and activity status.
- 3F. Reassess the Municipality's annual commitment compliance and recapture any amounts that have not been committed within HUD-established timeframes.
- 3G. Require the Municipality to establish and implement adequate controls and procedures to ensure the timely and accurate reporting in HUD's information system of commitment and activity information and receipts associated with program income, recaptured funds, and repayments.

SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether the Municipality met HOME program objectives and its financial management system complied with HUD requirements. The financial requirements included (1) reporting accurate and supported information in HUD's information system, (2) disbursing HOME funds within established timeframes, and (3) disbursing HOME funds for eligible and supported costs.

To accomplish our objectives, we

- Reviewed applicable HUD laws, regulations, and other HUD program requirements;
- Reviewed the Municipality's controls and procedures as they related to our objectives;
- Interviewed HUD and Municipality officials;
- Reviewed monitoring and independent public accountant reports;
- Reviewed the Municipality's files and records, including activity files and accounting records;
- Traced information reported in HUD's information system to the Municipality's records, including accounting records and executed agreements; and
- Performed site inspections of the activities.

HUD's information system reflected that the Municipality had 69 open HOME-funded activities as of October 31, 2010. We selected and reviewed 11 activities for which the last draw was more than a year earlier and had unexpended commitments with withdrawals totaling more than \$5.21 million. We reviewed the 11 activities to determine the status of activities for which HOME funds were disbursed but which reflected slow progress. We reviewed the status of one additional activity with withdrawals totaling more than \$3.8 million because the amount was significant.

The Municipality withdrew more than \$7.9 million in HOME funds between July 1, 2009, and October 31, 2010. We selected and reviewed 14 withdrawals greater than \$100,000. We reviewed 10 additional withdrawals based on the activity or purpose of the payment. A total of 24 withdrawals totaling more than \$3.5 million (44 percent) were reviewed to determine whether the Municipality expended grant funds in accordance with HUD eligibility requirements.

We also reviewed 11 payments the Municipality made totaling \$1.9 million, based on the nature of the payment or the vendor name. We reviewed the expenditures to determine whether the payments were supported and made for eligible efforts.

The Municipality's records reflected that it expended more than \$675,000 for planning and administrative costs between July 1, 2009, and June 30, 2010. We reviewed disbursements totaling more than \$246,000, based on the purpose and amount of the payment. We reviewed the expenditures and the related supporting documents to determine whether the payments met HOME requirements, including allowability and allocability of the costs.

HUD's information system reflected that the Municipality drew down more than \$7.9 million in HOME funds between July 1, 2009, and October 31, 2010. We selected and reviewed withdrawals greater than \$100,000, which resulted in 10 withdrawals totaling more than \$1.7 million.⁷ We reviewed 13 additional withdrawals totaling more than \$557,000, based on deficiencies noted over the timeliness of the funds disbursed. A total of 23 withdrawals were reviewed to determine whether HOME funds were disbursed within HUD-established timeframes.

The Municipality deposited into its local bank account more than \$1.43 million associated with program income and recaptured funds between July 1, 2009, and April 30, 2011. We reviewed all 37 receipts associated with these proceeds. We reviewed 24 additional receipts totaling more than \$772,000, pertaining to repayments the Municipality received before July 1, 2009. A total of 61 receipts were reviewed to determine whether the Municipality administered these proceeds in accordance with HOME requirements.

HUD's information system reflected that the Municipality committed more than \$10.7 million in HOME funds between July 1, 2009, and October 31, 2010. We selected for review the top 15 activities with the largest commitment amounts totaling more than \$9.3 million (87 percent). We reviewed these activities to determine whether the commitments reported to HUD were accurate and supported.

To achieve our audit objectives, we relied in part on computer-processed data contained in the Municipality's database and HUD's information system. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data adequate for our purposes. The results of the audit apply only to the items selected and cannot be projected to the universe or population.

The audit generally covered the period July 1, 2009, through October 31, 2010, and we extended the period as needed to accomplish our objectives. We conducted our fieldwork from December 2010 through June 2011 at the Municipality's offices in San Juan, PR.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷ We excluded from the review four withdrawals related to program income.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Program operations - Policies and procedures that the audited entity has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Compliance with applicable laws and regulations and provisions of contracts or grant agreements - Policies and procedures that the audited entity has implemented to provide reasonable assurance that program implementation is in accordance with laws, regulations, and provisions of contracts or grant agreements.
- Safeguarding of assets and resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Relevance and reliability of information - Policies, procedures, and practices that officials of the audited entity have implemented to provide themselves with reasonable assurance that operational and financial information they use for decision making and reporting externally is relevant and reliable and fairly disclosed in reports.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Municipality failed to ensure that HOME activities met program objectives (see finding 1).
- The Municipality did not develop and implement a financial management system that complied with HUD requirements (see finding 2).
- The Municipality did not develop and implement controls and procedures to ensure that accurate information on HOME activities was reported to HUD (see finding 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$2,399,428	
1B			\$2,499,717
1C	\$766,480		
1D			1,143,845
2A		2,355,889	
2B		39,338	
2C	2,263,799		
2D			2,854,395
2E		14,732	
3A			2,696,072
3B			1,608,619
3C			467,723
3D			61,970
Total	<u>\$3,030,279</u>	<u>\$4,809,387</u>	<u>\$11,332,341</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Municipality implements recommendations 1B, 1D, 2D, 3A, 3B, 3C, and 3D, funds will be available for other eligible activities consistent with HOME requirements.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Government of Puerto Rico
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Lourdes M. Rovira

August 19, 2011

Mr. James D. McKay
Regional Inspector General for Audit
U.S. Department of Housing
and Urban Development
Region 4 - Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 350
Atlanta, GA, 30303-3388

Subject: Draft Audit Report of the City of San Juan HOME Investment Partnerships Program

Dear Mr. McKay:

We hereby acknowledge receipt of the referenced draft report received at our offices on August 9, 2011. We reviewed the draft and have prepared the following comments addressing the issues in which the Municipality understands it is in compliance with the applicable regulations or issues that require clarification.

Upon a careful examination of this draft, it is important to clarify that some of the conditions identified by the auditors in the report do not comply with the definition of a finding as established by HUD's handbooks. According to the following:

1. The CPD's Monitoring Manual defines a **finding** as: "A deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized." (Chapter 1, CPD Monitoring Handbook)
2. The HUD Handbook 2000.06, REV-3 establishes a **finding** as: "A written explanation of: errors, weaknesses in internal controls, deficiencies, adverse conditions, noncompliance with contractual, statutory, regulatory, or other legal requirements..."

Comment 1

Comment 1

The Municipality understands that Finding 1A must be identified separately as a “concern”. When a deficiency is identified that results in a finding, it must include the condition, criteria, cause, effect, and required corrective action. For the above item, the report fails to identify the criteria and does not cite the regulatory or statutory requirements that were not met because they are non-existent.

We request that Finding 1A be revised and classified as a “concern”.

Comment 2

In addition, the Draft Audit Report makes mention of comments made by employees of the Municipality and the same are stated as facts. Please be advised that these comments were not supported or validated throughout the report with any sort of documental evidence. Due to the confidential nature of the Draft Report it was not distributed to all the employees. This implies that some of the employees that did not have access to the document were not provided with an opportunity to refute the comments included in the report. In the event the alleged comments were made they do not reflect the official opinion or policy of the Municipality of San Juan.

To this effect, we are requesting that all employee comments included throughout the report be eliminated if they were not validated by the auditors by reviewing additional documentation.

As confirmed during our previous meeting and further discussed herein, it is evident that the Municipality has taken any and all of the required actions and/or has presented sufficient evidence that demonstrates full compliance with HUD regulations as it pertains to “findings” 1B, 1D, 2D, 3A, and 3D of the Draft Report. Therefore, the conclusions discussed in the Draft Report must be revised accordingly.

FINDING 1A

OIG Contention

The Municipality disbursed more than \$3.48 million for four activities that reflected slow progress without assurance that the projects were feasible. HUD regulations at 24 CFR (Code of Federal Regulations) 92.504(a) provide that the Municipality is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise.

Municipality's Comment:

Comment 3

The condition identified by the OIG does not constitute a violation of the Cranston Gonzalez Affordable Housing Act nor the HOME program regulations at 24 CFR, Part 92. The four projects identified by the OIG were eligible, evaluated for feasibility and determined viable for development. Their construction was completed and the units are available for occupancy.

The \$3.48 million used for the four projects were used for eligible activities defined in 24 CFR 92.205. As the draft report acknowledges, funds were used for the construction and/or rehabilitation of the subject

units. The report does not address that a total of 54 units were developed at the four projects. Of those 54 units, 30 are occupied representing 56% of the developed units, with an additional two in the process of qualification.

We request that the report be modified to acknowledge that 30 (or 56%) of the units are occupied.

The Draft Report neither recognizes that Puerto Rico is going through the worst housing crisis in history. Market conditions such as unavailability of financing, rising unemployment, loss of purchasing power and an over-supply of housing units in our market are some of the reasons that have impeded developers from selling the completed units. When one compares HOME projects' overall sales performance to the delays throughout the private sector, it is clear that HOME stands out for completions, not delays. Available units for sale in private projects within San Juan's housing market exceeds 75%, with 34,599 empty housing units. These statistics are nearly triple the historic norm, following the biggest construction debacle since home building began in earnest in the 1940s. New construction and foreclosures inflate that number every month.

With more than 200,000 people having lost their jobs in the island's five-year recession-turned-depression—with the economy offering few signs of recovering those jobs and incomes anytime soon—plus a population that nosedived this past decade by 39,000 and continues to age at a record pace, there are scant few people buying.

On average, developers take five to seven years to build a project from the conception phase down to its final permitting and delivery to the buyer. Therefore, much of the current inventory was conceived from 2004 to 2007.

The data available at the time did not disclose any extraordinary difficulties in selling the units. Both, the Municipality and the developers had no way of anticipating the recession would turn into a depression, and neither could have predicted that the U.S. Census and the Puerto Rico Planning Board would miss the mark so badly regarding the Island's population estimates for the decade, which is precisely one of the principal indicators developers use to determine the future market for buyers.

Multiple marketing efforts have been undertaken to sell the subject units and attract potential homebuyers. The following are just some of the examples of the advertising efforts undertaken to market the projects to potential homebuyers:

Proyectos

Listo para entrega

PADRE COLÓN APARTMENTS, ACOGEDOR PROYECTO EN RÍO PIEDRAS

Una propiedad, en excelente localización, siempre está siempre controlada para mayor seguridad.



Padre Colón Apartments en Río Piedras es una gran opción para las familias de ingresos medios-altos. Este condominio proyecta, listo para la entrega, está localizado en la Calle Padre Colón #220 en Río Piedras.

El proyecto consiste de 14 apartamentos, que consisten de 8 apartamentos en cada una de las habilitaciones y cuatro de cada habilitación. Se pondrá a disposición con sus más de 1000 pies cuadrados de espacio, el cual fue diseñado considerando la comodidad y la seguridad de sus futuros residentes, cuenta con ascensores, estacionamiento de ciclo, lavandería, lavaplatos, aire acondicionado y calefacción centralizada.

Los precios por unidades comienzan desde \$150,000. Los apartamentos que califican pueden obtener subsidio del programa HOME del Municipio de San Juan. El mismo ofrece ayuda a familias que compran en primera residencia, oportuno al presente de la unidad. Lee 3 minutos por página y comienza tu búsqueda.

Para información sobre el Programa Home Municipal, llame al 787-733-8888 ext. 2223. Las oficinas están localizadas en la Avenida Ponce Dr. Lario #1202 en San Juan.

Para más información sobre el Programa Home Municipal, llame al 787-733-8888 ext. 2223. Las oficinas están localizadas en la Avenida Ponce Dr. Lario #1202 en San Juan.

ÚLTIMOS APARTAMENTOS DISPONIBLES EN Vistas de Horizonte I y II

Vistas de Horizonte II ofrece un apartamento diseñado especialmente para personas con limitaciones físicas.

Vistas de Horizonte I y II, ubicado en el barrio de Santitas, en la Calle Padre Ponce, ofrece un excelente ambiente de seguridad para un proyecto de apartamentos de 100 unidades y 1000 metros cuadrados de área construida. Este proyecto está listo para la entrega y se encuentra en un excelente punto de acceso a la autopista PR-98 que puede servir a los propietarios que deseen acceder a los servicios de transporte público.

Este proyecto cuenta con la totalidad de los servicios de transporte público, el transporte de personas con discapacidades y el transporte de personas con discapacidades. El proyecto cuenta con un edificio tipo apartamento de 100 unidades y 1000 metros cuadrados de área construida. El proyecto de Vistas de Horizonte I y II, ofrece un excelente ambiente de seguridad para un proyecto de apartamentos de 100 unidades y 1000 metros cuadrados de área construida. El proyecto de Vistas de Horizonte I y II, ofrece un excelente ambiente de seguridad para un proyecto de apartamentos de 100 unidades y 1000 metros cuadrados de área construida.



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RENOVA FIBRE - PR aprobada - 170, 470, 870, 1270, 1670, 2070, 2470, 2870, 3270, 3670, 4070, 4470, 4870, 5270, 5670, 6070, 6470, 6870, 7270, 7670, 8070, 8470, 8870, 9270, 9670, 10070, 10470, 10870, 11270, 11670, 12070, 12470, 12870, 13270, 13670, 14070, 14470, 14870, 15270, 15670, 16070, 16470, 16870, 17270, 17670, 18070, 18470, 18870, 19270, 19670, 20070, 20470, 20870, 21270, 21670, 22070, 22470, 22870, 23270, 23670, 24070, 24470, 24870, 25270, 25670, 26070, 26470, 26870, 27270, 27670, 28070, 28470, 28870, 29270, 29670, 30070, 30470, 30870, 31270, 31670, 32070, 32470, 32870, 33270, 33670, 34070, 34470, 34870, 35270, 35670, 36070, 36470, 36870, 37270, 37670, 38070, 38470, 38870, 39270, 39670, 40070, 40470, 40870, 41270, 41670, 42070, 42470, 42870, 43270, 43670, 44070, 44470, 44870, 45270, 45670, 46070, 46470, 46870, 47270, 47670, 48070, 48470, 48870, 49270, 49670, 50070, 50470, 50870, 51270, 51670, 52070, 52470, 52870, 53270, 53670, 54070, 54470, 54870, 55270, 55670, 56070, 56470, 56870, 57270, 57670, 58070, 58470, 58870, 59270, 59670, 60070, 60470, 60870, 61270, 61670, 62070, 62470, 62870, 63270, 63670, 64070, 64470, 64870, 65270, 65670, 66070, 66470, 66870, 67270, 67670, 68070, 68470, 68870, 69270, 69670, 70070, 70470, 70870, 71270, 71670, 72070, 72470, 72870, 73270, 73670, 74070, 74470, 74870, 75270, 75670, 76070, 76470, 76870, 77270, 77670, 78070, 78470, 78870, 79270, 79670, 80070, 80470, 80870, 81270, 81670, 82070, 82470, 82870, 83270, 83670, 84070, 84470, 84870, 85270, 85670, 86070, 86470, 86870, 87270, 87670, 88070, 88470, 88870, 89270, 89670, 90070, 90470, 90870, 91270, 91670, 92070, 92470, 92870, 93270, 93670, 94070, 94470, 94870, 95270, 95670, 96070, 96470, 96870, 97270, 97670, 98070, 98470, 98870, 99270, 99670, 100070.

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In addition the following table summarizes additional efforts made to market the units:

Activity	Date	Projects
La Feria de tu Nuevo Hogar	May 13-15, 2011	Victoria Apartments Padre Colón Apartments Vistas del Horizonte II Gilberto Monroig Portales II
Venta Propiedades bajo la Carpa	November 19-20, 2010	Victoria Apartments Padre Colón Apartments Vistas del Horizonte II Gilberto Monroig Portales II
Expo Vida Verde y Sustentable	March 8-14, 2010	Victoria Apartments Padre Colón Apartments Vistas del Horizonte II

Comment 3

Activity	Date	Projects
		Gilberto Monroig Portales II
Feria de Vivienda Río 2012	November 13-14, 2010	Victoria Apartments Padre Colón Apartments Vistas del Horizonte II Gilberto Monroig Portales II
Venta de Propiedades bajo la Carpa	October 2-3, 2009	Victoria Apartments Padre Colón Apartments Vistas del Horizonte II Gilberto Monroig Portales II
Venta de Propiedades bajo la Carpa	August 2, 2008	Victoria Apartments Vistas del Horizonte II Portales II
Feria de Vivienda	November 16-18, 2007	Vistas del Horizonte II Portales II Chalet's de la Riviera
Orientación Líderes Comunitarios de San Juan	November 3, 2007	Vistas del Horizonte II Portales II Chalet's de la Riviera
Feria de Vivienda	November 17-19, 2005	Vistas del Horizonte II Portales II

The regulation section (criteria) cited by the auditors does not address the occupancy of units in a timely manner. This situation is not included in the Act nor in the HOME program regulation or the agreement signed with the developers. In fact, the latter only mentions the time allocated to the development of the project as a compliance criteria. Given these facts, the criteria and the conclusion used to determine this circumstance as a finding is incorrect and unsupported and fails to comply with the definition established by HUD.

Based on the above statements, we request that HUD reclassify the conditions identified above as a concern, recognizing that the developers used the HOME funds for eligible activities, in projects that were feasible, and that the affordable units were constructed.

We officially request that the report be changed to reclassify finding 1A as a concern.

Although the regulation does not establish a timeframe for project occupancy, we acknowledge that the HOME units in the projects must be occupied. The Municipality will take additional actions to market the unit offering additional subsidies and other available incentives to promote and assist low income

Comment 3

homebuyers to acquire the referenced properties. The subsidies to be provided will be within the established by Section 221(d)(3) of FHA. With this additional amount of subsidy we expect to occupy the units before year's end. Nevertheless, this is not an acceptance of the condition as a finding.

FINDING 1B

OIG Contention

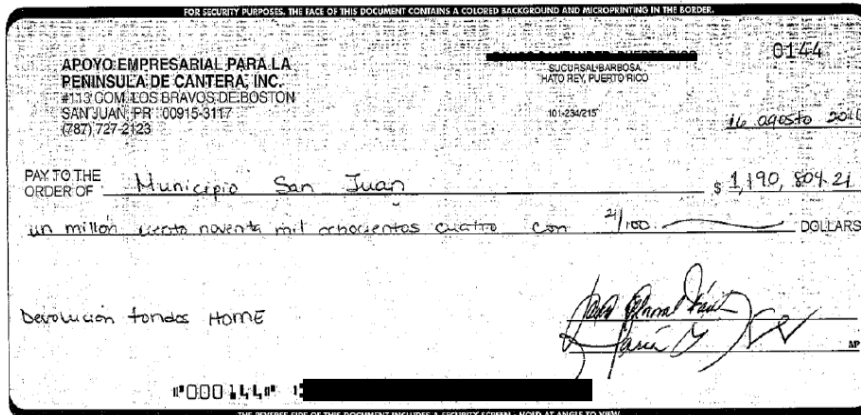
The Municipality also failed to ensure that more than \$2.49 million of a CHDO's proceeds was used for housing efforts. The grant agreement permitted the CHDO to retain the proceeds generated from the sale of units of a HOME-funded activity and be used in conformance with 24 CFR 92.300(a)(2) to develop new housing projects. According to a Municipality official, the CHDO disbanded around May 2010 without developing new housing activities or transferring any of the unused funds back to the Municipality. The April 2011 bank statement reflected that more than \$2.49 million in proceeds remained unexpended. As a result, more than \$2.49 million in proceeds was not put to better use to generate the intended benefits.

Municipality's Comment:

This finding relates to the unused proceeds generated by a local Community Housing Development Organization (CHDO) Apoyo Empresarial para la Peninsula de Cantera, as the result of the HOME subsidized sale of Paseo del Conde. In this project the CHDO and its developer partner, Compañia para el Desarrollo Integral de la Peninsula de Cantera, invested \$12.7 million. Additionally, the City of San Juan provided \$4 million in HOME funds. The total development cost for the project was \$16.7 million. The HOME funds investment in this project is equivalent to 23.95% of the total development cost.

As a result of the sale of the units, the project generated a total of \$4,947,042.65 (Gross Proceeds). Of this amount, \$1,190,804.21 are considered HOME CHDO Proceeds and \$3,781,238.44 are considered non-HOME proceeds. This amount was reported by the Municipality to HUD Headquarters as part of the Closeout Report of the Homeownership Zone Grant HZ97-20. Enclosed you will find a copy of the check issued by Compañia para el Desarrollo Integral de la Peninsula de Cantera, in the sum of \$1,190,804.21 as reimbursement of the HOME Program of the proportional unused proceeds generated by the former Apoyo Empresarial para la Peninsula de Cantera.

Comment 4



Check from CHDO Reimbursing the \$1,190,804.21

As required by the regulations the \$1,190,804 were recognized as program income in the IDIS system.

The reimbursement of the CHDO proceeds and subsequent register in IDIS demonstrate that the corrective action has been taken. We request the elimination of finding 1B.

User ID: C03741
User Role:
 Grantee
Organization:
 SAN JUAN
 - Logout

[Projects/Activities](#) | [Funding/Drawdown](#) | [Grant](#) | [Grantee/PJ](#) | [Admin](#) | [Reports](#)

Receipt

View Receipt

- PROGRAM INCOME Receipt posted. Please note Receipt # 5051746 and Grant # M-11-MC-72-0208.

Activity Funding
 - Search

[Return to Add Receipt](#) | [View Activities](#)

Receipt
 - Add
 - Search
 - Search Accounts

Receipt Created For:
 SAN JUAN

Receipt Status:
 Original

Utilities
 - Home
 - Data Downloads
 - Print Page
 - Help

Receipt Number:
 5051746

Associated Grant #:
 M-11-MC-72-0208

Links
 - Rules of Behavior
 - RAMPS
 - Support
 - CPD Home
 - HUD Home

Receipt
Program: HOME
Receipt Type:

Program Year: 2011
IDIS Activity ID: 1091
Source Type: MC
Matrix Code:
Fund Type: PI
Grantee Receipt #:
Amount: \$1,190,804.21

Comments:
 RETURN OF 23.95 % NET VALUE (CHDO PROCEEDS) FOR THE SALE OR THE PROPERTYS.

[Return to Add Receipt](#)

Session Timeout

<https://www21.hud.gov/idis/receipt.do>

8/18/2011

Evidence of receipt of CHDO Proceeds in the IDIS System

Ref to OIG Evaluation

Auditee Comments

Comment 5

FINDING 1C

OIG Contention

Contrary to HUD's regulations, the Municipality failed to ensure that two activities met HOME objectives, and it did not reimburse all of the funds to its treasury account.

Municipality's Comment:

This finding relates to the proposed development of two projects with a total aggregate sum of 96 units. The projects, to be known as Rivas de Cupey I and Rivas de Cupey II, were proposed and contracted by the HOME Program to the development firm [REDACTED], which subsequently and illegally defaulted the HOME Program. On March 17, 2010, the Municipality of San Juan sued [REDACTED] for breach of contract and collection of money (please refer to the attached "Legal Letter to the OIG"). It subsequently requested from HUD's San Juan Field Office, to carry out a debarment and exclusion process against the developers in question.

It is our understanding that the legal action initiated by the Municipality will trigger a status of "suspended due to litigation" as stated in page 5-9 of HUD Handbook 2000.06, REV-3. According to the Handbook an audit recommendation can be considered suspended when:

"The auditee is being sued or is suing a third-party, making action on the recommendation beyond the control of the auditee".

Based on the actions taken by the City, we request that any corrective action related to finding 1C be put on hold until the legal action is completed.

Aldarondo & Lopez Bras, P.S.C.
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August 16, 2011

**CONFIDENTIAL AND SUBJECT
TO ATTORNEY-CLIENT PRIVILEGE**

U.S. Department of Housing and Urban Development
San Juan Field Office
Parque Las Américas
235 Federico Costa Street
San Juan, P.R. 00918

**Attention: Mr. José R. Rivera
Director Community Planning and Development**

As requested by our client the Municipality of San Juan, the following is a status report on the legal claim presented by the Municipality of San Juan against [REDACTED] in his personal capacity and as [REDACTED], a subsequent lienholder over the property in question.

Nature of the Suit:

Breach of contract and collection of money (Violation of Federal Statutes—Home Program)

Mr. José R. Rivera
Director Community Planning and Development
Page 2 of 2

Case Summary:

On March 17, 2010, the Municipality of San Juan (the "Municipality") filed a lawsuit in state court against [REDACTED] for breach of contract and collection of money. In sum, [REDACTED] and the Municipality entered into an agreement on December 5th, 2007, where [REDACTED] was to acquire two plots of land to develop two affordable housing projects. The land acquisition was financed by the Municipality through a contribution of \$776,480.00 from federal funds assigned to the Municipality under the Home Program. It was also agreed that [REDACTED] as a developer, would record a secondary lien over the acquired lands in the Municipality's favor. However, no lien was ever recorded on the Municipality's behalf. The Municipality took several measures to enforce the agreement and ensure [REDACTED] development of the housing projects, without success. Thus, on March 17, 2010, a lawsuit was filed against [REDACTED] for breach of contract and the recovery of federal funds already disbursed.

Status:

With the exception of [REDACTED], all of the defendants have answered the complaint filed by the Municipality in state court. The Municipality anticipates that the discovery process in said case will begin in approximately 45 days.

Meanwhile, the Municipality requested an order from the court prohibiting the sale of the two plots of land acquired by [REDACTED] using federal funds. The court granted the Municipality's request, and, pursuant to the requirements of Puerto Rico's Property Law, the Municipality presented the order to the San Juan Property Registry ("Registro de la Propiedad").

Cordially,
St. Carolina Guzmán Tejada
Carolina Guzmán Tejada

FINDING 1D

OIG Contention

Require the Municipality to reprogram and put to better use \$1,143,845 associated with unexpended funds for the terminated activities.

Comment 6

Municipality's Comment:

During the course of the audit, the Municipality completed the corrective action of reducing the unexpended obligations of IDIS activities 1089 and 1090. The copy of IDIS PR02 report reflects that the corrective action has been taken.

IDIS - PR02

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Integrated Disbursement and Information System
List of Activities By Program Year And Project
SAN JUAN, PR

DATE: 08-13-11
TIME: 15:00
PAGE: 1

REPORT FOR ALL PGM YR : ALL
Funding Agency: SAN JUAN

Plan Year	IDIS Project	IDE	Activity Name	Activity	Program	Funded Amount	Draw Amount	Balance
2005	01	046	HOME PROGRAM ADMINISTRATION - 2005	Open	HOME	\$210,902.40	\$54,330.67	\$24,371.75
			Project Total			\$210,902.40	\$54,330.67	\$24,371.75
	03	1014	VICTORIA APARTMENTS	Open	HOME	\$3,800,000.00	\$3,800,000.00	\$0.00
		1016	PROYECTO OLBERTO MONROIG	Open	HOME	\$534,378.49	\$534,378.49	\$0.00
		1055	PACIFIC OCEAN APARTMENTS	Open	HOME	\$1,367,564.01	\$1,367,564.21	\$0.00
		1089	RIVERAS DE CUPEY I	Open	HOME	\$474,840.00	\$474,840.00	\$0.00
		1090	RIVERAS DE CUPEY II	Open	HOME	\$291,908.00	\$291,908.00	\$0.00
			Project Total			\$6,448,792.76	\$6,448,792.70	\$0.06

Having taken the required corrective action to address finding 1D, we request its elimination.

FINDING 1E

OIG Contention

The controls and procedures implemented by the Municipality were not adequate. For example, the HOME program manager informed us that the activities were monitored through site visits performed by its program inspector. However, the inspector stated that the site visits were to verify the construction work and ensure that units met housing quality standards and that no monitoring procedures had been provided to him. In addition, the Municipality did not have an annual monitoring plan. Management must revise and implement its controls and procedures to ensure the proper monitoring of HOME-funded activities.

Comment 7

Municipality's Comment:

We totally disagree with the statements 1) that the monitoring controls and procedures were not adequate and the statement of the report 2) that "*the Municipality did not have an annual monitoring plan*". As demonstrated during the Exit Conference and confirmed by the HUD's Field Office officials, the Municipality does have an Annual Monitoring Plan. We request that the statement "*the Municipality did not have an annual monitoring plan*" included in page 9 of the report be eliminated. An annual monitoring plan is included by the Municipality with each Consolidated and Annual Action Plan. Since its inception in 1995 the Municipality has complied with this requirement and our Action Plans, including the annual monitoring plans, have been approved by HUD. As clarified during the exit conference the Municipality does have a monitoring plan and monitoring procedures. The monitoring procedures used by the Municipality are the same used by HUD.

FINDING 1E

OIG Contention

Require the Municipality to establish and implement adequate controls and procedures for its HOME program to ensure that HUD requirements and objectives are met.

Comment 7

Municipality's Comment:

It is our understanding that the conditions identified in concern 1A, findings 1C & 1D require the revision of the internal control of the procedures. As a corrective action to finding 1E, The Municipality will revise the internal control related to the implementation of monitoring procedures.

FINDING 2A

OIG Contention

The Municipality did not support the reasonableness and allowability of more than \$2.3 million in HOME funds disbursed. For example, it paid more than \$1.6 million for land acquisitions associated with six housing projects but did not provide documentation supporting the reasonableness of the land value and did not provide documentation supporting the allowability of more than \$700,000 in project costs charged to the HOME program. Therefore, HUD lacked assurance of the reasonableness and allowability of more than \$2.3 million in project costs charged to the HOME program.

Municipality's Comment:

In order to determine the reasonability of cost, the Municipality undertakes a layering and underwriting analysis that evaluates individual and total project costs, affordability and project feasibility. The layering and underwriting analysis is completed prior to the project commitment and during this process developers are required to provide the Municipality with the following critical information:

- Land Costs: the total costs associated with acquisition of the land;
- Hard Costs: direct developer costs for labor, material, equipment, and services; contractors overhead and profit; and other direct construction costs;
- Soft Costs: generally include architectural and engineering, legal, permits and fees, financing fees, construction interests and operating expenses, leasing and real estate commissions, advertising and promotion, and supervision;
- Contingency Reserves are always built into the budget to ensure the project will be completed if there are cost overruns. This contingency is normally calculated at 5% of the total cost of construction.

Comment 8

In the case of land acquisitions, the Municipality requires developers to present a current appraisal. The appraisal provides the Municipality an estimate of the property's fair market value. Furthermore, the appraisal must be prepared by a certified appraiser.

During the underwriting analysis, the cost of the land determines if the unit cost is affordable. If the cost of the land is too high, the project may not be feasible and the development must be reevaluated as a whole. For each of the individual cases identified by the OIG we are presenting a copy of the appraisal report that demonstrates that the acquisition price of the land was either at or below market price. The following table summarizes the acquisition cost versus the appraisal cost of each of the projects questioned by the OIG:

Project	Land Cost	Appraisal Cost	Cost Reasonability Conclusion
Tapia's Court	\$550,000	\$590,000	Reasonable, the acquisition cost was below the appraisal amount.
Cataluña Court	\$400,000	\$370,000	Although this property was acquired above the appraisal cost we reevaluated the transaction and determined that it was reasonable if the Fair Market Value was used. The Fair Market Value is the agreed upon price between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances.
Padre Colón Apts.	\$366,000	\$450,000	Reasonable, the acquisition cost was below the appraisal amount.
San Miguel Apts. II	\$115,000*	\$140,000	Reasonable, the acquisition cost was below the appraisal amount.
Chalets D'Landrau	\$135,000	\$155,000	Reasonable, the acquisition cost was below the appraisal amount.

* The report establishes that the amount paid was \$175,000. This amount includes the following items: Land Cost \$115,000, Design \$35,000, Permits \$5,000, State Endorsements \$15,000, and other studies \$5,000.

Comment 9

As the table shows, the amount paid for the acquisition of the properties was reasonable. Based on this information, we request that this section of the finding be eliminated from the final report.

The Draft Report also discusses that the Municipality failed to present supporting documentation for the following projects:

Project Name	Amount of not Supported cost
Tapia's Court	\$80,207
Los Portales II	\$491,022
Cataluña Court	\$70,743
D'Rio Project	\$73,905
Margarita Mojica Martínez	\$14,822

We are compelled to clarify that the information included in the above table has always been available for review; however, it was never verified by the auditors. The original supporting documentation is available for review.

LAND APPRAISAL REPORT

Main File No. Tapia & Conde St., Page #2

File No. Tapia & Conde St.

IDENTIFICATION

Borrower JSP Development Census Tract 26.00 Map Reference 41980
 Property Address Corner of Tapia & Eduardo Conde St.
 City San Juan County Santurce State PR Zip Code 00912
 Legal Description N-Lots belonging to Pedro Velez & Isaias Rivera, S-Seboruco Rd., E-Tapia Ave., W-Lot belonging to Natividad Dalmau
 Sale Price \$ 560,000 Date of Sale 12/09 Loan Term Unk yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ N/A (yr) Loan charges to be paid by seller \$ Unk Other sales concessions None
 Lender/Client JSP Development Address _____
 Occupant Vacant at time of sale Appraiser Julio A. Rossy Instructions to Appraiser _____

NEIGHBORHOOD

Location	<input checked="" type="checkbox"/> Urban	Suburban	Rural	Employment Stability	Good	Avg.	Fair	Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	25% to 75%	Under 25%	Convenience to Employment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Growth Rate	Fully Dev.	Rapid	<input checked="" type="checkbox"/> Steady	Convenience to Shopping	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property Values		Increasing	<input checked="" type="checkbox"/> Stable	Convenience to Schools	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Demand/Supply		Shortage	<input checked="" type="checkbox"/> In Balance	Adequacy of Public Transportation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Marketing Time		Under 3 Mos.	4-6 Mos.	Recreational Facilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Present Land Use	70% 1 Family	2% 2-4 Family	5% Apts.	Adequacy of Utilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	5% Industrial	4% Vacant	4% Condo	Property Compatibility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
			10% Commercial	Protection from Detrimental Conditions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Change in Present Land Use		Not Likely	<input checked="" type="checkbox"/> Likely (*)	Police and Fire Protection	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
			Taking Place (*)	General Appearance of Properties	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		(*) From Commercial	To Res. Intensive	Appeal to Market	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	Tenant	% Vacant					
Single Family Price Range	\$ 90,000	to \$ 300,000	Predominant Value \$ 125,000					
Single Family Age	0 yrs. to	40 yrs.	Predominant Age 25 yrs.					

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Subject property is located in an urban sector. Schools, commerce, recreational activities, etc., are at reasonable distance. See attached map.

SITE

Dimensions 2200.00 sm = 23,672 Sq. Ft. or Acres Corner Lot
 Zoning classification Commercial & Residential Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) High Density (R-5)
 Public Other (Describe) OFF SITE IMPROVEMENTS Topo Level
 Elec. Postal Serv Street Access Public Private Size Typical
 Gas Garb. Collec Surface Asphalt Shape Regular
 Water Available Maintenance Public Private View Other houses and ocean views
 San. Sewer Available Storm Sewer Curb/Gutter Drainage Good
 Underground Elect. & Tel. Sidewalk Street Lights Is the property located in a HUD Identified Special Flood Hazard Area? No Yes

Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Normal utilities easement for electrical, telephone, etc.

*As per request appraisal was done for a vacant lot ready to be used.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	Corner of Tapia & Eduardo Conde San Juan, PR 00926	Padre Colon & Parque St., Rio Piedras, San Juan	Marginal 65th Infantry & PR-181 Rio Piedras, San Juan	1514 Ave Fernandez Juncos Santurce, PR 00909
Proximity to Subject		3.06 miles S	3.65 miles SE	0.95 miles W
Sales Price	\$ 560,000	\$ 400,000	\$ 1,050,000	\$ 740,000
Price	\$	\$ 155.00	\$ 175.00	\$ 202.00
Data Source	Inspection	Owner Deeds	Appraisal File	Appraisal File
Date of Sale and Time Adjustment	DESCRIPTION 12/09	DESCRIPTION 10/2007	DESCRIPTION 03/2007	DESCRIPTION 02/2006
Location	Seboruco Wd.	Inferior +30,000	Inferior +15,000	Inferior +20,000
Site/View	2200 Sm	630 Sm +180,000	1050 Sm +102,000	540 Sm +206,000
Topo	Level	Similar	Similar	Similar
Improvements	None	None	Improvements -580,000	Improvements -381,000
Sales or Financing Concessions	None			
Net Adj. (Total)		+ - \$ 190,000	+ X - \$ -463,000	+ X - \$ -155,000
Indicated Value of Subject		\$ 590,000	\$ 587,000	\$ 585,000

Tapia's Court- Appraisal

LAND APPRAISAL REPORT

File No. P Colon & Parque

Borrower PPP Development Census Tract 89.00 Map Reference 41980
 Property Address 204 Parque St. & 205 Padre Colon St.
 City San Juan County Rio Piedras State PR Zip Code 00925
 Legal Description See Deeds - Subject Property has two (2) fronts
 Sale Price \$ 400,000 Date of Sale 10/07 Loan Term Unk yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ N/A (yr) Loan charges to be paid by seller \$ Unk Other sales concessions None
 Lender/Client PPP Development Address P.O. Box 123, San Juan, PR 00929
 Occupant Vacant at time of sale Appraiser Julio A. Rossy Instructions to Appraiser _____

NEIGHBORHOOD	Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Employment Stability Convenience to Employment Convenience to Shopping Convenience to Schools Adequacy of Public Transportation Recreational Facilities Adequacy of Utilities Property Compatibility Protection from Detrimental Conditions Police and Fire Protection General Appearance of Properties Appeal to Market		
	Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%			
	Growth Rate	<input type="checkbox"/> Fully Dev.	<input checked="" type="checkbox"/> Rapid	<input type="checkbox"/> Steady			
	Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining			
	Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply			
	Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input type="checkbox"/> 4-6 Mos.	<input checked="" type="checkbox"/> Over 6 Mos.			
	Present Land Use	<input type="checkbox"/> 70% 1 Family	<input type="checkbox"/> 2% 2-4 Family	<input type="checkbox"/> 5% Apts.		<input type="checkbox"/> 4% Condo	<input type="checkbox"/> 10% Commercial
		<input type="checkbox"/> 5% Industrial	<input type="checkbox"/> 4% Vacant	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	Change in Present Land Use	<input type="checkbox"/> Not Likely	<input checked="" type="checkbox"/> Likely (*)	<input type="checkbox"/> Taking Place (*)			
		(*) From <u>Commercial</u> To <u>Res. Intensive</u>					
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<input type="checkbox"/> Vacant				
Single Family Price Range	\$ <u>125,000</u> to \$ <u>900,000</u>		Predominant Value \$ <u>175,000</u>				
Single Family Age	<u>0</u> yrs. to <u>40</u> yrs.		Predominant Age <u>25</u> yrs.				

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Subject property is located in an urban sector. Schools, commerce, recreational activities, etc. are at reasonable distance. See attached map.

Dimensions Lot A - 312.50 sm. Lot B - 317.61 sm = 6,780.23 Sq. Ft. or Acres Corner Lot
 Zoning classification Commercial & Residential Present Improvements do not conform to zoning regulations
 Highest and best use Present use Other (specify) Residential & Commercial
 Public Other (Describe) _____ OFF SITE IMPROVEMENTS Topo Level _____
 Elec. Postal Serv _____ Street Access Public Private Size Typical
 Gas Garb. Collec. _____ Surface Asphalt Shape Regular
 Water Available _____ Maintenance _____ Public Private View Other houses
 San. Sewer Available _____ Storm Sewer _____ Curb/Gutter _____ Drainage Good
 Underground Elect. & Tel. _____ Sidewalk Street Lights _____
 Is the property located in a HUD Identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Normal utilities easement for electrical telephone, etc.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	<u>204 Parque St., & 205 Padre Col San Juan, PR 00925</u>	<u>1514 Ave Fernandez Juncos San Juan, PR 00909</u>	<u>Marginal 65th Infantry & PR-181 Rio Piedras, San Juan</u>	<u>556 Calle Juan J Jimenez San Juan, PR 00918</u>
Proximity to Subject		<u>3.47 miles NW</u>	<u>0.97 miles E</u>	<u>1.83 miles NW</u>
Sales Price	\$ <u>400,000</u>	\$ <u>740,000</u>	\$ <u>1,050,000</u>	\$ <u>460,000</u>
Price	\$ _____	\$ <u>155.00</u>	\$ <u>175.00</u>	\$ <u>202.00</u>
Date Source	<u>Inspection</u>	<u>Appraisal File</u>	<u>Appraisal File</u>	<u>Appraisal File</u>
Date of Sale and Time Adjustment	DESCRIPTION <u>10/07</u>	DESCRIPTION <u>02/2006</u>	DESCRIPTION <u>03/2007</u>	DESCRIPTION <u>05/2006</u>
Location	<u>2 Fronts to Street</u>	<u>Inferior</u>	<u>+25,000</u>	<u>Inferior</u>
Size/View	<u>630 Sm</u>	<u>540 Sm</u>	<u>+46,300</u>	<u>1050 Sm</u>
Topo	<u>Level</u>	<u>Similar</u>	<u>-57,800</u>	<u>464 Sm</u>
Improvements	<u>None</u>	<u>Similar</u>	<u>+135,000</u>	<u>Similar</u>
		<u>Improvements</u>	<u>-340,000</u>	<u>Similar</u>
			<u>-592,200</u>	<u>None</u>
Sales or Financing Concessions	<u>None</u>			
Net Adj. (Total)		<u>+ X - \$ -268,700</u>	<u>+ X - \$ -600,000</u>	<u>+ X - \$ -10,000</u>
Indicated Value of Subject		\$ <u>471,300</u>	\$ <u>450,000</u>	\$ <u>450,000</u>

Padre Colón- Appraisal

LAND APPRAISAL REPORT

File No. 0001027 / Page #2 of 1
 0001027
 File No. 0001027

Borrower Andres Perez Arroyo Census Tract 72127-005 Map Reference _____
 Property Address Calle15 #36 Esq. Street 20
 City San Juan County 127 State PR Zip Code 00924
 Legal Description Hills Brothers
 Sale Price \$ 115,000.00 Date of Sale N/A Loan Term N/A yrs. Property Rights Appraised Fee Leasehold De Minimis PUO
 Actual Real Estate Taxes \$ N/A (yr) Loan charges to be paid by seller \$ N/A Other sales concessions None
 Lender/Client Popular Mortgage Address 1901 Ave. Jesus T. Pinero, San Juan, PR 00920
 Occupant Vacant Appraiser Arturo Fossas Marouach Instructions to Appraiser Form an opinion of the market value of the fee simple rights of said property.

Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Employment Stability	Good	Avg.	Fair	Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input checked="" type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Steady	Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input type="checkbox"/> 4-6 Mos.	<input checked="" type="checkbox"/> Over 6 Mos.	Recreational Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Present Land Use	<input type="checkbox"/> 90% 1 Family	<input type="checkbox"/> 0% 2-4 Family	<input type="checkbox"/> 5% Apts.	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> 0% Industrial	<input type="checkbox"/> 5% Vacant	<input type="checkbox"/> 0% N/A	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in Present Land Use	<input checked="" type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input type="checkbox"/> Taking Place (*)	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(*) From <u>N/A</u> To <u>N/A</u>			Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<input type="checkbox"/> 5% Vacant	General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Price Range	\$ <u>50,000</u> to \$ <u>138,000</u>		Predominant Value \$ <u>90,000</u>	Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Age	<u>5</u> yrs. to <u>45</u> yrs.		Predominant Age <u>30</u> yrs.		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Hills Brothers is a medium to low income housing area. Proximity to large public housing developments limits the desirability of the neighborhood due to high crime. Proposed developments of large parcels surrounding the neighborhood should benefit the property's immediate neighborhood.

Dimensions 806 Square Meters = 8,672.56 Sq. Ft. or Acres Corner Lot
 Zoning classification R-3 Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) Low Income Housing Development
 Elec. Public Other (Describe) _____ OFF SITE IMPROVEMENTS Topo Level
 Gas _____ Street Access Public Private Size 806 sm/Typical
 Water _____ Surface Asphalt Shape Rectangular
 San. Sewer _____ Maintenance Public Private View Street
 Underground Elect. & Tel. Sidewalk Storm Sewer Curb/Gutter Drainage Adequate
 Street Lights Is the property located in a HUD identified Special Flood Hazard Area? No Yes

Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): The site has a concrete house. At the request of the client, the property is appraised as if vacant. Demolition costs are not considered.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	<u>Calle15 #36 Esq. Street 20 San Juan</u>	<u>Parcel #303-B, 36 St Hill Brother, Santurce, PR</u>	<u>237,239,241 Ruiz Belvis Villa Palmeras, Santurce, PR</u>	<u>Ave. G.Monroig corner Betances Villa Palmeras, Santurce, PR</u>
Proximity to Subject		<u>0.39 miles E</u>	<u>3.56 miles NW</u>	<u>3.56 miles NW</u>
Sales Price	<u>\$ 115,000.00</u>	<u>\$ 125,000</u>	<u>\$ 275,000</u>	<u>\$ 389,500</u>
Price Square Meter	<u>\$ 142.00</u>	<u>\$ 175.00</u>	<u>\$ 300.00</u>	<u>\$ 238.00</u>
Data Source	<u>Sales Data Service</u>	<u>Sales Data Service</u>	<u>Sales Data Service</u>	<u>Sales Data Service</u>
Date of Sale and Time Adjustment	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Location	<u>Adequate</u>	<u>Similar</u>	<u>Similar</u>	<u>Similar</u>
Site/View	<u>806 sm</u>	<u>714 sm</u>	<u>+16,100</u>	<u>1196 sm</u>
Improvements	<u>None</u>	<u>Similar</u>	<u>Similar</u>	<u>Similar</u>
Sales or Financing Concessions	<u>None</u>			
Net Adj. (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - <u>\$ 16,100</u>	<input type="checkbox"/> + <input checked="" type="checkbox"/> - <u>\$ -116,972</u>	<input type="checkbox"/> + <input checked="" type="checkbox"/> - <u>\$ -196,588</u>
Indicated Value of Subject		<u>\$ 141,100</u>	<u>\$ 158,028</u>	<u>\$ 192,912</u>

San Miguel II- Appraisal

Comment 10

FINDING 2B

OIG Contention

The Municipality did not provide documentation supporting the reasonableness, allowability, and allocability of more than \$39,000 charged to the HOME program, associated with administrative salaries. It did not track its employees' time by program activity or implement a cost allocation plan to distribute payroll costs among HUD and other programs.

Municipality's Comment:

The Municipality will make a time analysis for the work of the accounting office staff to determine the cost that is allocable to HOME and to other federal programs administered by the Department of Housing (Section 8, CDBG, HOPWA, NSP and HPRP). Following this analysis, the Municipality will make the corresponding accounting adjustments to its books and records, and transfer the funds to correct the allocation.

In order to avoid the recurrence of this situation, the Municipality will implement a cost allocation plan.

FINDING 2C

OIG Contention

The Municipality's financial management system permitted the disbursement of more than \$1.19 million in HOME funds for ineligible project costs. For example, the Municipality disbursed \$854,930 in HOME funds for project costs incurred by developers before executing the grant agreements with the developers. This action was contrary to HOME regulations at 24 CFR 92.2 that require participating jurisdictions to execute a legally binding agreement with a contractor to use HOME funds to produce affordable housing. In addition, the Municipality disbursed \$335,663 in HOME funds for duplicated or unrelated project costs.

Municipality's Comment:

Since the enactment of the Cranston González National Affordable Housing Act, the HOME Investment Partnership Program has served as an essential tool for the development of affordable housing by creating a flexible financial mechanism by which investors, developers and non-profit organizations have found an investment alternative that is otherwise not available in the private market. The end result of our nearly twenty years of managing approximately \$100 million of HOME funds, which has yielded the production of over 6,700 affordable homeownership units that otherwise would have been non-existent.

As you may be aware, at present and given the prevailing housing and banking crisis, more and more private market developers have turned to the development of affordable housing units to find that, even though over fifty percent of all local sales fall within the affordable to moderately priced category, ever tighter and more stringent underwriting rules have narrowed the possibilities of our low income population access to mortgages. Likewise, interim construction financing has been non-existence; no less than five of the seven construction departments of major local banks have been completely shut down by these private institutions given the precarious situation left in the wake of the nationwide housing crisis. Given this scenario, the utilization of HOME resources as a primary lending source is more than ever critical for the continued development of affordable housing. In this aspect, San Juan's HOME Program has always operated as a provider of non-interest bearing construction loans. This value-added mechanism not only reduces the actual cost of construction, thus yielding a more affordable sale price, it also promotes participation of more private developers.

For as long as the City of San Juan's HOME Program has been available from 1992 to the present, it has been managed and operated following the same general principles and guidelines practiced nowadays. In this regard, in-depth periodic on-site monitoring reviews performed by HUD's Field Office have brought to our attention deficiencies in most if not all of the projects subjected to your review, yet none of these investigations have yielded neither concerns and much less findings with regards to the use and disbursement of HOME funds as expressed in the subject draft report, a fact which we deem may have grievous consequences and permanently transform and inhibit the production of affordable housing.

Our long established policy with regards to the use of HOME, is totally consistent with the Act's dispositions found in Section 212 (b) of the Act as amended, which states and we quote:“(b) INVESTMENTS.-Participating jurisdictions shall have discretion to invest funds made available under this subtitle as equity investments, interest-bearing loans or advances, non-interest bearing loans or advances, interest subsidies other forms of assistance that the Secretary has determined to be consistent with the purposes of this title. Each participating jurisdiction shall have the right to establish the terms of assistance.” (end of quote).

According to the auditors the Municipality allowed the developers the use of HOME funds for costs incurred before executing a grant agreement. We understand that the criteria used for this finding is too vague and general and fails to identify which area the Municipality is not in compliance with. After evaluating Section 92.2 no prohibition for the actions taken by the Municipality were found. On the other hand, various Notices and HUD sponsored training seminars stress the allowability of this structure.

For instance, page 2 of CPD Notice 01-11 establishes the following:

*HOME funds may not be used to reimburse a non-governmental entity for project-related costs incurred after the entity has submitted an application for HOME funds and before approval by HUD (or the state in the case of state recipients) of the Request for Release of Funds and Certification, **except for activities that are exempt or are excluded and not subject to the laws in §58.5 and for certain relocation costs.***

Comment 11

The notice clearly allows the reimbursement with HOME of certain costs incurred before an agreement is executed, if they are exempt or excluded by the corresponding environmental dispositions. In that line, the following activities are exempted from compliance with 24 CFR 58.5:

Environmental and other studies, resource identification and the development of plans and strategies;

- Information and financial services;
- Administrative and management activities;
- Inspections and testing of properties for hazards or defects;
- Purchase of insurance;
- Purchase of tools;
- Engineering or design costs;
- Technical assistance and training;

The document clearly establishes that the developer must incur the cost after the presentation of the proposal but before the approval of the Release of Funds by HUD. According to our initial analysis \$237,602 incurred by the developers were soft costs and were paid in compliance with CPD Notice 01-11. We request that this amount be categorized as unsupported.

Comment 12

We agree with the report that a total of \$335,000 were used for duplicated or unrelated project costs.

Comment 13

Regarding the remaining amount of \$617,327.70, the funds were used for the acquisition of properties. The costs were reimbursed to the developers because the HOME funds were provided as interim construction loans, and they will be paid back to the Municipality when the units are sold to eligible homebuyers.

We request that this amount be recognized as unsupported.

FINDING 2C

OIG Contention

The Municipality also allowed the use of program income to repay the HOME program \$772,860 associated with ineligible program costs, including repayments for a CHDO's terminated project that did not generate the intended benefits. In addition, it improperly disbursed \$300,346 in HOME funds to pay for ineligible costs identified in a 2004 HUD monitoring report.

Comment 14

Municipality's Comment:

The OIG is requiring the Municipality reimburses a total of \$772,860 for two different situations encountered during the audit. Regarding the first situation, the OIG interpreted that \$472,514 reimbursed by the Municipality for a terminated project not completed by a CHDO was paid with HOME funds. The auditor's interpretation is incorrect. The \$472,514 reimbursed to HUD was paid to the Municipality by the Local CHDO "Apoyo Empresarial para la Peninsula de Cantera, Inc". The source of these funds arise from the local NON-HOME proceeds of the sale of Paseo del Conde Project, as explained in our response to finding 1B. From the non-HOME proceeds the CHDO reimbursed the Municipality a total of \$472,514. As required by HUD regulations, these funds were deposited in the HOME Program account and were used for other eligible activities.

The preceding explanation and our response to finding 1B should undoubtedly clarify that the funds reimbursed to HUD are not HOME funds and thus should be eliminated from this finding.

We concur with the auditors by stating that the remaining sum of \$300,346 was paid incorrectly by the Municipality using HOME Trust Funds. To correct the situation the Municipality reimbursed the HOME program account in the same amount using local funds. Proof of the reimbursement is included. Based on this information we request that HUD eliminate these amounts from the report and recognize that corrective action has been taken.

Municipio de San Juan

Detail Report
 Previous Day
 As of 16-Aug-2011 - 16-Aug-2011
 Printed On 17-Aug-2011 08:34:36 AT

HOME INVESTMENT
 PARTNERSHIP PROG

USD

As of 16-Aug-2011

CREDIT(S)

300,345.78 ACH Credit REF1:0028005304544 REF2:111111111111
 MUN. DE SAN JUA ACCT
 TRANS /
 =====
 300,345.78 Credits

DEBITS

NO DEBIT DETAIL DATA REPORTED

CUENTA CORRIENTE

USD

As of 16-Aug-2011

CREDIT(S)

6,872.95	Deposits	REF1:0018500041522 REF2:000000000000
40,763.07	Deposits	REF1:0018500041897 REF2:000000000000
61.49	Deposits	REF1:0018500056697 REF2:000000000000
274.60	Deposits	REF1:0018500055703 REF2:000000000000
153.80	Deposits	REF1:0018500056708 REF2:000000000000
20,730.00	Deposits	REF1:0018500056715 REF2:000000000000
667.61	Deposits	REF1:0018500056721 REF2:000000000000
25.00	Deposits	REF1:0018500056727 REF2:000000000000
11,582.25	Deposits	REF1:0018500056733 REF2:000000000000
261.85	Deposits	REF1:0018500056738 REF2:000000000000
28,609.43	Deposits	REF1:0018500059175 REF2:000000000000
1,489.15	Deposits	REF1:0018500059297 REF2:000000000000
6,189.62	Deposits	REF1:0018500069302 REF2:000000000000
16,243.35	Deposits	REF1:0018500069310 REF2:000000000000
22,076.10	Deposits	REF1:0018500069318 REF2:000000000000
230,336.50	Deposits	REF1:0018500069354 REF2:000000000000
70,326.20	ACH Credit	REF1:0028005304550 REF2:111111111111
	MUNICIPIO DE SAN ACCT	
	TRANS /	
982.00	ACH Credit	REF1:0028005304556 REF2:111111111111
	MUNICIPIO DE SAN ACCT	
	TRANS /	
840.00	ACH Credit	REF1:0028005304562 REF2:111111111111
	MUN. DE SAN JUA ACCT	
	TRANS /	

8/17/2011

Evidence of Reimbursement from Local Funds of \$300,346

3,625.00	ACH Credit MUNICIPIO DE SAN ACCT TRANS /	REF1:0028005304568 REF2:111111111111
6.00	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005461313 REF2:111111111111
4,150.51	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005472450 REF2:111111111111
355.23	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005472458 REF2:111111111111
371.70	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005472467 REF2:111111111111
114.65	ACH Credit MCS LIFE HEALTH PAY /	REF3:0028005472476 REF2:111111111111
270.00	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005472484 REF2:111111111111
275.00	ACH Credit MCS LIFE HEALTH PAY /	REF1:0028005472492 REF2:111111111111
126.45	ACH Credit MUN DE SAN JUAN DEBITOS CPS -SETT- CHECKOUT /	REF1:0028005480860 REF2:000000000000
759.02	EFT Dep Expr Paid	REF1:0002010001944 REF2:100102954252
300.00	EFT Dep Expr Paid	REF1:0002010001945 REF2:100102994761
1,652.60	EFT Dep Expr Paid	REF1:0002010001946 REF2:100106050040
509.00	EFT Dep Expr Paid	REF1:0002010001947 REF2:100106195680
34.00	EFT Dep Expr Paid	REF1:0002010001948 REF2:100106196629
390.75	EFT Dep Expr Paid	REF1:0002010001949 REF2:100106196637
700.00	EFT Dep Expr Paid	REF1:0002010001950 REF2:100106196660
1,850.00	EFT Dep Expr Paid	REF1:0002010001951 REF2:100106435696
2.85	EFT Dep Expr Paid	REF1:0002010014955 REF2:100444100022

474,301.73	37 Credits	
	DEBIT(S)	
106,373.08	ACH Debit MUN. DE SAN JUA CASH CONC 1660427034 /	REF1:0027005037159 REF2:000000000000
1,948.36	ACH Debit MUN. DE SAN JUA TAXPAYMENT 1660427034 /	REF1:0027005114607 REF2:000000000000
300,345.78	ACH Debit MUN. DE SAN JUA ACCT TRANS 111111111111 /	REF1:0028005204945 REF2:000000000000

Evidence of Reimbursement from Local Funds of \$300,346

FINDING 2D

OIG Contention

Require the Municipality to put to better use \$2,854,395 associated with unexpended funds maintained in its local bank account.

Municipality's Comment:

The Municipality has paid all obligations using local funds before requesting funds from the line of credit.

HUD'S regulation provides and requires that "HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days" (emphasis provided). There is an enormous difference between the meaning of "drawdown expended" and "drawdown disbursed". As seen in the following table, all the HOME program obligations were incurred and disbursed before federal funds were drawdown from the United States Treasury accounts.

Voucher Number	Amount	Actual date of disbursement (paid with local funds)	Check Number	Date of drawdown deposit	Days elapsed between deposit and disbursement dates	Comment
5129751/2	\$ 293,902	24-Jun-10	449412	1-Jul-10	-6 days	All the eligible HOME fund obligations were paid with local funds before the drawdown from IDIS
5129751/3	\$ 85,000	24-Jun-10	449399	1-Jul-10	-6 days	
5129751/6	\$84,000	24-Jun-10	449415	1-Jul-10	-6 days	
5129751/5	\$78,000	24-Jun-10	449413	1-Jul-10	-6 days	
5129751/1	\$70,470	24-Jun-10	449428	1-Jul-10	-6 days	
5129751/4	\$50,000	24-Jun-10	449404	1-Jul-10	-6 days	
5129751/7	\$1,177	24-Jun-10	449427	1-Jul-10	-6 days	
5124312/3	\$197,841	11-Jun-10	448073	22-Jun-10	-11 days	
5124312/2	\$48,600	June 11 & June 15, 2010	448094-448684	22-Jun-10	-11 and -6 days	
5124315/1	\$32,280	11-Jun-10	448052,53,54 448671	22-Jun-10	-11 days	
5124312/5	\$26,000	11-Jun-10	448064	22-Jun-10	-11 days	
5124312/4	\$13,964	11-Jun-10	448085	22-Jun-10	-11 days	
5124312/6	\$1,470	11-Jun-10	448129	22-Jun-10	-11 days	

26

Comment 15

Comment 15

Voucher Number	Amount	Actual date of disbursement (paid with local funds)	Check Number	Date of drawdown deposit	Days elapsed between deposit and disbursement dates	Comment
5124312/1	\$ 150	11-Jun-10	448151	22-Jun-10	-11 days	
5129741/5	\$66,000	18-Jun-10	448947	1-Jul-10	-13 days	

As an internal control procedure, all disbursements are made from a general fund bank account and reimbursements are subsequently drawn-down from the HOME fund bank accounting. The days computed in the table from the draft report represent the days elapsed between the drawdown from the US Treasury account and the reimbursement to the general fund bank account. Accordingly, the Municipality complied in all instances with the requirements of the regulations.

As required by the OIG, all funds in the Municipality's HOME program account were accounted for in the IDIS system. IDIS report PR01 demonstrates that the Municipality has taken the corrective action to address this issue:

PR01 - HUD Grants and Program Income							8/13/2011	
Program	Fund Type	Grant Number	Authorized Amount	Suballocated Amount	Amount Committed to Activities	Net Drawn Amount	Available to Commit	Available to Draw
HOME	PI	M94MC720208	\$42,260.00	\$0.00	\$42,260.00	\$42,260.00	\$0.00	\$0.00
HOME	PI	M96MC720208	\$160,900.00	\$0.00	\$160,900.00	\$160,900.00	\$0.00	\$0.00
HOME	PI	M97MC720208	\$85,949.00	\$0.00	\$85,949.00	\$85,949.00	\$0.00	\$0.00
HOME	PI	M01MC720208	\$11,055.12	\$0.00	\$11,055.12	\$11,055.12	\$0.00	\$0.00
HOME	PI	M02MC720208	\$7,943.04	\$0.00	\$7,943.04	\$7,943.04	\$0.00	\$0.00
HOME	PI	M03MC720208	\$66,168.71	\$0.00	\$66,168.71	\$66,168.71	\$0.00	\$0.00
HOME	PI	M04MC720208	\$128,437.91	\$0.00	\$128,437.91	\$128,437.91	\$0.00	\$0.00
HOME	PI	M05MC720208	\$337,207.00	\$0.00	\$337,207.00	\$337,207.00	\$0.00	\$0.00
HOME	PI	M06MC720208	\$687,114.66	\$0.00	\$687,114.66	\$687,114.66	\$0.00	\$0.00
HOME	PI	M07MC720208	\$472,550.87	\$0.00	\$472,550.87	\$472,550.87	\$0.00	\$0.00
HOME	PI	M08MC720208	\$685,747.98	\$0.00	\$685,747.98	\$685,747.98	\$0.00	\$0.00
HOME	PI	M09MC720208	\$2,627,024.30	\$0.00	\$2,627,024.30	\$2,627,024.30	\$0.00	\$0.00
HOME	PI	M10MC720208	\$685,287.92	\$0.00	\$998,798.53	\$567,840.33	\$86,489.39	\$117,447.59
HOME	PI	M11MC720208	\$19,998.13	\$0.00	\$0.00	\$0.00	\$19,998.13	\$19,998.13
HOME	PI		\$6,017,644.64	\$0.00	\$5,911,157.12	\$5,880,198.92	\$106,487.52	\$137,445.72

Based on the above action we request the elimination of this finding.

FINDING 2E

OIG Contention

The Municipality could not explain the discrepancies and could not account for \$14,732 drawn from HUD for one of the HOME activity types. A Municipality official informed us that information in HUD's information system was not reconciled with the accounting records. A similar deficiency was identified in the 2009 independent public accountant report; however, the deficiency continued to exist.

Municipality's Comment:

The Municipality's accounting records are accurate, current, complete and the financial reporting is free of material misstatements as expressed in the independent public account report. Differences between amounts reflected in the Municipality's accounting record and HUD's information system resulted from the differences on the basis of accounting between both systems.

HUD's information system use the cash basis of accounting, which is a non-USGAAP for financial reporting purposes, while the Municipality's accounting records use the modified accrual basis of accounting, an USGAAP required for financial reporting purposes. There are potential timing differences in recognizing revenues and expenditures between both bases.

In the cash basis of accounting, revenues are recorded when they are received and expenditures are recorded when they are paid. In the modified accrual basis of accounting, revenues are generally recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. In addition, expenditures are measurable and are recorded when the related liability is incurred.

Comment 16

Such timing differences shall be identified as a good management practice, but it is not a requirement that both accounting systems reflect the same amounts if both use different accounting basis.

It is our understanding that the differences identified by the OIG are caused by differences between a cash basis system (IDIS) versus the Municipality's accrual financial system. This situation causes potential timing differences in recognizing revenues and expenses but does not mean that the systems are not reconciled.

FINDING 2F

OIG Contention

Require the Municipality to update its accounting records and ensure that receipts and expenditures are properly accounted for, are reconciled with HUD's information system, and comply with HUD requirements.

Municipality's Comment:

During the course of the audit the Municipality completed the update of its accounting records ensuring that receipts and expenditures were accounted for. The actions taken included the recognition of the program income in the IDIS system and the reimbursement of funds to the local account (see response to finding 2D).

Based on the action taken we request the elimination of this finding.

FINDING 2G

OIG Contention

Require the Municipality to develop and implement a financial management system in accordance with HUD requirements, including that HOME funds can be traced to a level which ensures that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes and that funds are disbursed in a timely manner.

Municipality's Comment:

We disagree with the statement that the Municipality's Financial Management System is not in compliance with HUD's requirements. The financial management system of the Municipality complies with all the requirements of the regulation. The conditions identified by the auditors require a revision of our internal controls and specific procedures to the management of program income and recaptured funds.

Comment 17

Comment 18

Comment 18

The internal controls of the Municipality serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement. Internal controls provide reasonable assurance that our objectives are achieved through (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with laws and regulations. The term “reasonable assurance” is important because no matter how well-designed and operated, internal control cannot provide absolute assurance that the Municipality's objectives will be met.

We believe that is not necessary to develop and implement a complete financial system. It is our opinion that specific procedures and internal controls related to the receipt and processing of program income and recaptured funds is the solution for the conditions indentified by the Draft Report. Consequently, we request that the corrective action be changed to require the establishment of specific procedures and internal controls for the management of the Program Income.

Finding 3A

OIG Contention

The Municipality reported in HUD's information system that it had committed more than \$8.7 million in HOME funds, although it did not have executed agreements with the recipients. The actual commitments occurred between 10 and 97 days after the funding date, and in one of the activities, no agreement had been executed as of December 15, 2010. Therefore, the funds were improperly reported as committed and not in accordance with HUD requirements.

Municipality's Comment:

Comment 19

This statement is inaccurate and incorrect and must be eliminated from the report due to the fact that the Municipality **complied with all the commitment requirements established by HUD**. As explained to the auditors during the course of the audit and further discussed in detail with the OIG Auditor, Mr. William Dávila during a meeting held on July 22, 2011, the funds were allocated to the project using the “conditional commitment” method. The conditional commitment is regulated by CPD Notices "01-11-Environmental Review and the HOME Investment Partnerships Program" and CPD Notice "01-13-Commitment, CHDO Reservation, and Expenditure Deadline Requirements for the HOME Program",

The preceding documents, along with copies of the subject conditional commitments, were provided to Mr. Dávila during said meeting. Mr. Dávila was additionally provided with a letter from HUD's Field Office dated November 2, 2005 in which HUD officially approved the document used by the Municipality to evidence its commitments.

The HOME program regulation requires that HOME funds must be committed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the

HOME Investment Partnership Agreement. If funds are not committed, they are subject to be recaptured by HUD. Commitments can be evidenced by various types of documents. In addition, CPD notice 07-06 establishes that there may be other acceptable documents that are unique to a PJ that can be accepted.

One of the documents that can be accepted is what is called a "Conditional HOME Commitment" (CPD Notice 07-06 - page 10). A Conditional HOME Commitment is defined as follows:

"Any contractual agreement signed prior to the completion of the environmental review process between the participating jurisdiction, insular area or state recipient, and a state recipient, subrecipient, contractor, owner or developer, to use a specific amount of HOME funds to produce affordable housing or provide tenant-based rental assistance; or an executed written agreement reserving a specific amount of funds to a community housing development organization or nonprofit entity. Any such agreement must be conditional in nature so as not to provide the state recipient, subrecipient, contractor, owner or developer, legal claim to any amount of HOME funds to be used for the specific project or site until the environmental review process is satisfactorily completed. Such an agreement must explicitly provide that the agreement to provide funds to the project is conditioned on the responsible entity's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review."

CPD Notice 01-11

The Municipality is allowed to enter into an agreement for the conditional commitment of HOME funds for a specific project prior to the completion of the environmental review process. Indeed for the project evaluated by HUD, the Municipality entered into a Conditional Agreement with the developers of these projects. The following table summarizes each of the projects questioned by HUD, the conditional commitment date, the amount and the date the project was committed in IDIS.

Activity Number	Amount	Conditional Commitment Date	Initial Funding Date in IDIS
1364	\$2,696,072	05/27/2010	06/30/2010
1332	\$1,673,070	08/31/2009	09/04/2009
1331	\$3,212,070	08/31/2009	09/01/2009
1352	\$1,160,000	06/21/2010*	07/01/2010
	\$8,741,212	<i>* In this project a construction agreement was executed before the funding date</i>	

MUNICIPALITY OF SAN JUAN
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HOME PROGRAM GRANT AGREEMENT

In San Juan, Puerto Rico, on 21 June, 2010.

APPEARS

As First Party: The MUNICIPALITY OF SAN JUAN, PUERTO RICO, a government entity existing under Law Number 81 of August 30, 1991, as amended, known as the "Autonomous Municipalities Act of the Commonwealth of Puerto Rico", employer ID Number [REDACTED], represented herein by the Hon. Jorge A. Santini Padilla, Mayor, of legal age, married, and resident of San Juan, Puerto Rico, and/or his authorized representative, hereinafter referred to as "The PJ" ("Participating Jurisdiction");

As Second Party: TECHNOLOGY MANAGEMENT CORP, Employer ID Number [REDACTED], a for-profit corporation duly organized and registered under the laws of the Commonwealth of Puerto Rico, Registry Number 1753030, represented herein by Mr. [REDACTED] Social Security Number [REDACTED], of legal age, married, and resident of San Juan, Puerto Rico, duly authorized to sign this agreement by the Board of Directors through a Corporate Resolution approved on June 1st, 2010. This Party will be hereinafter referred to as "The Developer";



WITNESSETH THAT

Whereas, "The PJ" has applied for and received funds from the United States Government under Title II of The National Affordable Housing Act of 1990;

Whereas, "The PJ" is authorized under Law Number 81 of August 30, 1991, as amended, Autonomous Municipalities Act, to enter into this agreement;

Whereas, "The PJ" is eligible for annual appropriations of funds under the HOME Program as set forth in the National Affordable Housing Act (NAHA), and has therefore, entered into contract with the United States Department of Housing and Urban Development (HUD) for the use of such funds as presented in "The PJ's" Consolidated Strategic Plan of Housing and Community Development;

Whereas, the acquisition, rehabilitation and new construction of federal low income affordable housing is an eligible activity of the HOME Program and the project

IDIS Activity 1352-Agreement Dated June 21, 2010
Initial Funding Date IDIS = July 1, 2010



LETTER OF CONDITIONAL COMMITMENT
BY AND BETWEEN

As party for the First Party, THE MUNICIPALITY OF SAN JUAN, PUERTO RICO, employer ID Number [REDACTED], represented herein by the Executive Director of the Housing Department, [REDACTED], of legal age, married and resident of San Juan, Puerto Rico; and

As party of the Second Party PDP Development Corp., Employer ID Number [REDACTED], a for-profit corporation duly organized and registered under the laws of the Commonwealth of Puerto Rico, Registry Number 169086 represented here in by its president Mr. [REDACTED], social security [REDACTED], of legal age, married, and resident of Caguas, Puerto Rico.

In accordance with the provisions of 24 CFR Part 92 and CPD Notice 07-06, and on the basis of the proposal submitted by the second party, the Municipality of San Juan's Department of Housing hereby conditionally awards to PDP Development Corp., a grant in the amount of \$1,473,070.00 for the development of D'Hele project located in Calle C, Parcela 65-B, Hillis Brothers Sur Ward in San Juan, Puerto Rico. The acceptance of this award creates a contract between the Municipality of San Juan and PDP Development Corp., to carry out the activities set forth in the approved grant application in accordance with the terms and conditions of the HOME Grant Agreement attached hereto and with special conditions listed below.

Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an Environmental Review and receipt by the Municipality of San Juan of a Release of

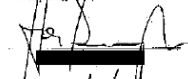
Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The parties further agree that the provision of any funds to the project is conditioned on the Municipality of San Juan's determination to proceed with, modify or cancel the project based on the results of a subsequent Environmental Review.

The contractor cannot undertake or commit any funds to perform physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance, and that the violation of this provision may result in the denial of any funds under the agreement.


This document does not constitute an order to proceed and the contractor is not authorized to perform any work at the site or other action related to the project without the previous authorization of the Municipality of San Juan.

This conditional commitment shall become effective as of the date of this award once signed in the space provided below. One original must be returned by August 28, 2009.

Municipality of San Juan
Participating Jurisdiction


[REDACTED]
Date: 8/31/09

The Developer


[REDACTED]
Date: 31 agosto / 2009

Edificio San Juan Integra
#1205 Ave. Ponce de León, Parcela 17 / 2, Santurce
P.O. Box 362138, San Juan, PR 00986
Tel. 787-722-8088 • Fax: 787-725-7715

San Juan, Puerto Rico

IDIS Activity 1332-Agreement Dated August 31, 2009
Initial Funding Date IDIS = September 04, 2009



LETTER OF CONDITIONAL COMMITMENT
BY AND BETWEEN

As party for the First Party, The MUNICIPALITY OF SAN JUAN, PUERTO RICO, employer ID Number [REDACTED], represented herein by the Executive Director of the Housing Department, [REDACTED], of legal age, married and resident of San Juan, Puerto Rico; and

As party of the Second Party JSP Development Corp., Employer ID Number [REDACTED], a for-profit corporation duly organized and registered under the laws of the Commonwealth of Puerto Rico, Registry Number 185785 represented here in by its president Mr. [REDACTED], social security [REDACTED], of legal age, married, and resident of Culebo, Puerto Rico.

In accordance with the provisions of 24 CFR Part 92 and CPD Notice 07-06, and on the basis of the proposal submitted by the second party, the Municipality of San Juan's Department of Housing hereby conditionally awards to JSP Development Corp., a grant in the amount of \$3,212,070.00 for the development of Tapia's Court, project located in Calle Tapia, Esquina Eduardo Conde, Santurce Ward in San Juan, Puerto Rico. The acceptance of this award creates a contract between the Municipality of San Juan and JSP Development Corp., to carry out the activities set forth in the approved grant application in accordance with the terms and conditions of the EIO/IE Grant Agreement attached hereto and with special conditions listed below.

Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an Environmental Review and receipt by the Municipality of San Juan of a Release of

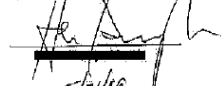
Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The parties further agree that the provision of any funds to the project is conditioned on the Municipality of San Juan's determination to proceed with, modify or cancel the project based on the results of a subsequent Environmental Review.

The contractor cannot undertake or commit any funds to perform physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance, and that the violation of this provision may result in the denial of any funds under the agreement.

This document does not constitute an order to proceed and the contractor is not authorized to perform any work at the site or other action related to the project without the previous authorization of the Municipality of San Juan.

This conditional commitment shall become effective as of the date of this award once signed in the space provided below. One original must be returned by August 28, 2009.

Municipality of San Juan
Participating Jurisdiction



Date
Aug 31/09

The Developer:



Date
31/ agosto 10 009

Edificio San Juan Integra
#1205 Avda. Ponce de León, Parada 17 1/2, Santurce
P.O. Box 362138, San Juan, PR 00936
Tel. 787-722-8088 • Fax: 787-725-7715

Edificio San Juan Integra

IDIS Activity 1331-Agreement Dated August 31, 2009
Initial Funding Date IDIS = September 01, 2009



**LETTER OF CONDITIONAL COMMITMENT
BY AND BETWEEN**

As party for the First Party, The MUNICIPALITY OF SAN JUAN, PUERTO RICO, employer ID Number [REDACTED] represented herein by the Executive Director of the Housing Department, [REDACTED], of legal age, married and resident of Santitue, Puerto Rico; and

As party of the Second Party Villas de las Flores, Inc., Employer ID Number [REDACTED], a for-profit corporation duly organized and registered under the laws of the Commonwealth of Puerto Rico, Registry Number 187123 represented here in by its president [REDACTED], social security [REDACTED], of legal age, married, and resident of Trujillo Alto, Puerto Rico.

In accordance with the provisions of 24 CFR Part 92 and CFD Notice 07-06, and on the basis of the proposal submitted by the second party, the Municipality of San Juan's Department of Housing hereby conditionally awards to Villas de las Flores, Inc., a grant in the amount of \$2,696,612.00 for the development of Villas de las Flores, project located in Calle Campanillas, Urb. Rivas de Gupey, Po. Copey, San Juan Ward II, San Juan, Puerto Rico. The acceptance of this award creates a contract between the Municipality of San Juan and Villas de las Flores, to carry out the activities set forth in the approved grant application in accordance with the terms and conditions of the HOME Grant Agreement attached hereto and with special conditions listed below.

Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an Environmental Review and receipt by the Municipality of San Juan of a Release of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The parties further agree that the provision of any funds to the project is conditioned on the Municipality of San Juan's determination to proceed with, modify or cancel the project based on the results of a subsequent Environmental Review.

The contractor cannot undertake or commit any funds to perform physical or choice-creating actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance, and that the violation of this provision may result in the denial of any funds under the agreement.

This document does not constitute an order to proceed and the contractor is not authorized to perform any work at the site or other action related to the project without the previous authorization of the Municipality of San Juan.

This conditional commitment shall become effective as of the date of this award once signed in the space provided below. One original must be returned by May 27, 2010.

Municipality of San Juan
Participating Institution

The Developer

[Signature]

Date 27/12/10

[Signature]

Date 27/12/10

Edificio San Juan Integra
41205 Avda. Ponce de León, Paredón 1772, San Juan
P.O. Box 362138, San Juan, PR 00936
Tel. 787-722-8098 • Fax. 787-725-7715

**IDIS Activity 1364-Agreement Dated May 27, 2010
Initial Funding Date IDIS = June 30, 2010**



U. S. Department of Housing and Urban Development
Caribbean Office
Land Administration Building
171 Carlos Chardón Avenue - Suite 301
San Juan, Puerto Rico - 00918-0903

NOV 02 2005

Honorable Jorge Santini-Padilla
Mayor
ATTENTION: [REDACTED], Director
Department of Housing
Municipality of San Juan
PO Box 9024100
San Juan, PR 00902-4100

Dear Mayor Santini-Padilla:

SUBJECT: HOME Funds

This is in response to the October 1, 2005 letter we received from [REDACTED] providing additional evidence that the Municipality of San Juan met the HOME Program commitment deadline of July 31, 2005.

We are accepting the documents submitted as evidence that the Municipality did meet the deadline and thus we no longer intend to deobligate \$1,563,255 in HOME funds as we stated in our August 30, 2005 letter to you.

In the future, however, should the Municipality not execute a legally binding agreement(s) committing the required amount of its HOME funds prior to the statutory deadline, we will automatically deobligate the corresponding amount of funds. Be reminded that the funds must also be committed in the Integrated Disbursement and Information System (IDIS) prior to the deadline.

We strongly suggest that the Municipality review CPD Notice 01-13, "Commitment, CHDO Reservation, and Expenditure Deadline Requirements for the HOME Program." In particular, please note page 16 of the Notice that provides the definition of a *conditional* HOME commitment. Such a commitment, which HUD accepts in determining compliance with the statutory deadline, is a contractual agreement signed prior to the completion of the environmental review process, but which contains a provision stating that the agreement does not constitute a commitment of funds until the environmental review process is completed.

Letter From HUD Authorizing Conditional Commitments Used by the Municipality

As the above documents evidence, the Municipality has complied with the conditional commitments requirements established by HUD thus we request that this finding be eliminated from the Draft Report.

Finding 3B

OIG Contention

The Municipality did not reprogram and put to better use more than \$1.6 million in unexpended obligations associated with nine activities that were terminated or for which the construction work was completed or additional disbursements were no longer needed or expected. For example, HUD's information system reflected unexpended obligations of more than \$1.02 million for the projects Barriada Figueroa and Plaza Garden, activities that were terminated after HUD disallowed them in a 2004 monitoring review. As a result, obligations in HUD's information system were overstated, and more than \$1.6 million in HOME funds was not available for other eligible efforts. The Municipality should reprogram these funds and put them to better use.

Municipality's Comment:

First, we need to clarify that all of the activities identified by HUD in this finding were initiated in the 1990s by three different Community Housing Development Organizations (CHDOs). During monitoring efforts initiated by the Municipality in 2002, the projects were terminated; and, thereafter, corrective action was undertaken by the Municipality, that included legal action against two of the CHDOs concerned (Plaza Garden, Inc. and San Juan NHS). It must be noted that both actions have resulted in positive outcomes to the Municipality. In a 2004 Monitoring Review, HUD raised a finding on these organizations and requested the Municipality the reimbursement of the HOME funds invested.

In compliance with HUD's requirements, the Municipality reimbursed from local funds the amount owed to the HOME Line of Credit (LoC). As yet, there is no function in IDIS OnLine to assist PJs in returning funds to their LoC. When a PJ's check or wire transfer of returned funds is received by HUD's Fort Worth Accounting division, a transaction is initiated that eventually becomes a "collection" voucher in IDIS OnLine. The voucher shows the amount returned as a negative draw for IDIS Activity ID 1, the HOME Funds Adjustment activity. All funds are returned to the Letter of Credit as the EN fund type. The funds returned by the Municipality were CHDO funds that are fund type CR. In these cases Chapter 20 of the "HOME IDIS Training Manual for PJs manual" establishes that the following action must be taken:

" If the collection is not to be applied as EN funds, the funds must be applied to activities manually. To have the manual change made, contact the TAU and provide the collection voucher number, the activities the collection is to be applied to, and the amount to be applied to each activity."

Comment 20

On February 2011, we contacted HUD and requested assistance to take the corrective actions necessary to reprogram the funds in the IDIS system. Unfortunately, our request was denied by HUD in an e-mail dated June 1, 2011. In the e-mail, the San Juan Field Office indicated that the corrective actions necessary to reallocate the HOME funds in the IDIS system "was postponed until the OIG completes the audit of the HOME program" (see below).

From: Espada-Goitia, Iliá [mailto:Iliá.Espada-Goitia@hud.gov]
Sent: Wednesday, June 01, 2011 9:31 AM
To: Vilma Martínez Natal; Hector Tamayo Maseda; Heriberto Flores Orta
Cc: Rivera, Jose R; Guzman, Marlin; Delgado, Andres G
Subject: HOME program adjustments
Importance: High

Good morning:

This is to inform that your request to adjust the HOME reimbursements from CR to EN has been postponed until the OIG completes the audit of the HOME program.

Iliá Espada Goitía
CPD Representative

Office of Community Planning and Development (CPD)
U.S. Department of Housing and Urban Development
San Juan Field Office
Parque Las Américas 1
235 Federico Costa St. Suite 200
San Juan, Puerto Rico 00918
Telephone (787)274-5805
Fax (787)766-5107

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Email from HUD Dated June 1, 2011
Postponing Corrective Action

As the evidence shows, the Municipality requested Technical Assistance and took action to resolve this finding, but unfortunately HUD is preventing that the required action be carried out. We request that these findings must be re-stated ordering HUD to take the necessary actions in the IDIS system, that will allow the reprogramming of the HOME funds.

Finding 3C

OIG Contention

Repayments - The Municipality failed to reassign or transfer \$467,723 in HOME repayments associated with three terminated activities in HUD's information system. Although the Municipality returned the repayments to its treasury account, it had not reassigned the funds in HUD's information system. For example, the Municipality received on May 12, 2009, \$167,377 in repayments associated with activity number 360 and returned the funds to HUD on August 12, 2009. As of April 25, 2011, the appropriate entries in HUD's information system had not been made to reassign the funds and use them for other eligible efforts.

Municipality's Comment:

The situation related to this finding is the same as the one explained in Finding 3B. Therefore, we request that this finding must be re-stated ordering HUD to take the necessary actions in the IDIS system that will allow the reprogramming of the HOME funds.

Comment 21

Finding 3D

OIG Contention

Incorrect funding amount - In three activities, the awarded amount of HOME funds shown in HUD's information system was incorrect. These activities included two in which the funding amount was overstated (activities 1352 and 1332) and one in which the funding amount was understated (activity number 1257).

Municipality's Comment:

During the course of the audit, the Municipality completed the corrective action of reducing the funded amount of IDIS activities 1352, 1332, and 1257. IDIS PR02 report demonstrates that the corrective action has been taken (see below).

Comment 22

<i>Activity Number</i>	<i>Funded amount according to HUD's information system</i>	<i>Agreement Amount</i>	<i>Difference</i>
1352	\$1,160,000	\$1,098,100	\$61,900
1332	\$1,673,070	\$1,673,000	\$70
1257	\$1,322,772	\$1,403,976	\$(81,204)

IDIS - PRO2

U.S. Department of Housing and Urban Development
 Office of Community Planning and Development
 Integrated Disbursement and Information System
 List of Activities By Program Year And Project
 SAN JUAN, PR

DATE: 08-13-11
 TIME: 15:00
 PAGE: 1

REPORT FOR : ALL
 FPM YR : ALL

Funding Agency: SAN JUAN

Plan Year	IDIS Project	Project	IDIS	Activity Name	Activity	Program	Funded Amount	Draw Amount	Balance
2007	22	HOME PROGRAM	1116	HOME PROGRAM ADMINISTRATION - 2007	Open	HOME	\$530,421.50	\$517,779.16	\$16,242.34
		Project Total					\$530,421.50	\$517,779.16	\$16,242.34
	24	CONSTRUCCION AND REHABILITATION OF HOUSINGS	1170	SAN MIGUEL APARTMENTS I	Open	HOME	\$342,500.00	\$337,903.75	\$4,896.25
			1256	VILLAMIL 170	Canceled	HOME	\$0.00	\$0.00	\$0.00
			1257	CHALETES DE LÁNDORA I	Open	HOME	\$1,409,178.00	\$1,056,298.72	\$347,747.27
			1258	JARDIN DE LAS FLORES	Open	HOME	\$625,000.00	\$390,173.61	\$244,426.39
		Project Total					\$2,971,478.50	\$2,294,366.99	\$677,099.91
	25	REHABILITATION BY OWNER	1482	FRANCISCA RESTO RESTO	Open	HOME	\$127,500.00	\$91,183.66	\$46,316.32
		Project Total					\$127,500.00	\$91,183.66	\$46,316.32
		Program Total				HOME	\$3,632,397.50	\$2,992,748.91	\$739,648.57
		2007 Total					\$3,632,397.50	\$2,992,748.91	\$739,648.57
2008	23	HOME PROGRAM	1195	HOME PROGRAM ADMINISTRATION - 2008	Completed	HOME	\$518,068.70	\$518,068.70	\$0.00
		Project Total					\$518,068.70	\$518,068.70	\$0.00
	24	CONSTRUCCION AND REHABILITATION OF HOUSINGS	1259	CATALINA COURT	Open	HOME	\$2,128,440.00	\$540,900.25	\$1,619,539.75
			1259	DRHO PROJECT	Open	HOME	\$1,679,669.00	\$1,416,628.19	\$269,971.80
			1252	SAN MIGUEL APARTMENTS II	Open	HOME	\$1,096,160.00	\$940,291.79	\$251,898.30
		Project Total					\$4,904,269.00	\$2,897,799.95	\$2,117,829.95

Based on the evidence presented, we understand that we have taken the required action to clear finding 3D and we request its elimination from the report.

Summary:

The comments included in this letter represent our initial reactions to the Draft Report.

Please take note that HUD-OIG provided us with only 10 days to address the Draft Report. Due to the time constraint, our comments are limited. This being the case, the information presented with this document is not all inclusive and may have to be modified when the Municipality is presented with the final Report.

Cordially,



Lourdes M. Rovira
 Acting Mayor
 City of San Juan, Puerto Rico

OIG Evaluation of Auditee Comments

Comment 1 The Municipality stated that some of the conditions identified in the audit report do not comply with the definition of a finding as established by HUD monitoring handbook. It requested that finding 1A be reclassified as a “concern” and not as a finding.

We conducted the audit in accordance with generally accepted government auditing standards, not HUD’s monitoring handbook. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We do not agree with the Municipality’s comments and did not modify the report finding and recommendations.

Comment 2 The Municipality believes that comments made by its employees were not supported or validated and did not reflect the official opinion of the Municipality. It requested that all employee comments included in the report be eliminated if they were not validated by the auditors.

We interviewed various Municipality officials that were responsible for the administration of the HOME program including the program manager, project inspector, accounting manager, and the Federal funds manager. The statements made by the employees corroborated the conditions cited in the report. The Municipality did not provide additional information to indicate the information provided by the employees was incorrect.

Comment 3 The Municipality believed that it complied with all program requirements. It stated that the Cranston Gonzalez Act and HUD regulations did not establish timeframes for occupying HOME funded housing units. The Municipality contends that the report failed to mention that 56 percent of the developed units were occupied, and that the slow progress was attributed to the current housing market conditions. The Municipality also stated that it will take additional efforts to promote the occupancy of the units and offer additional subsidies and incentives to assist low income homebuyers to acquire the units.

While the Cranston Gonzalez Act does not specifically set time limits for the occupancy of HOME funded projects, HUD regulations at 24 CFR 92.504(a) provides that the Municipality is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The vacant units of HOME funded projects did not meet program objectives of providing decent, safe, sanitary, and affordable housing to low- and very low-income families. The Municipality also failed to mention that 27 percent of the occupied units were not sold to HOME program participants in violation of grant agreements signed with the developers. The Municipality will need to work with HUD during the audit

resolution process to demonstrate the eligibility and feasibility of the activities with signs of slow progress.

Comment 4 The Municipality stated that the total development cost for the CHDO activity was \$16.7 million and partially funded with \$4 million in HOME funds, about 23.95 percent of the total development costs. It also stated that the sale of the units for this activity generated gross proceeds totaling more than \$4.9 million. The Municipality contends that \$1.19 million (23.95 percent) are HOME proceeds and that the funds were reimbursed by the former CHDO and reported in HUD's system as program income. It claimed that it took proper corrective action and requested the elimination of the finding.

The Municipality's position is not consistent with the grant agreement signed with the CHDO. The grant agreement permitted the CHDO to retain 90 percent of the proceeds generated from the sales of the units to develop new housing projects. However, the Municipality only required the CHDO to reimburse about 23.95 percent of the gross proceeds for new housing projects and not the 90 percent stated in the agreement.

The \$4.9 million in gross sales proceeds the Municipality claims the project generated is not consistent with information provided. The grant agreement established a maximum selling price of \$90,000 for the three bedroom units and \$65,000 for the one bedroom units. Based on this information, the gross proceeds from the sale of the units should have been \$9,080,000. It should be noted, that the independent accountant report dated July 8, 2011, stated that the mortgage deed of 98 units reflected a sales price that exceeded what was established in the grant agreement. Therefore, the gross proceed amount could be higher.

The Municipality did not explain why the terms of the grant agreement were not followed and required the former CHDO to reimburse a much smaller amount. In addition, it did not provide any documentation that could explain the basis for the gross proceeds it claimed the activity generated. The Municipality will need to provide adequate documentation to HUD during the audit resolution process that could clarify and support the claims, and demonstrate that funds recuperated were properly reprogrammed for eligible efforts. We therefore did not modify the finding and recommendations.

Comment 5 The Municipality informed us that it initiated legal proceeding to recuperate the HOME funds in March 2010, and requested HUD to debar the developer.

The Municipality initiated legal action against the developer in March 2010. However, in November 2010, the Municipality ceased collection efforts and released the developer of any responsibility. It was not until we asked about the status of these activities that the Municipality re-opened its lawsuit against the developer in January 2011.

Comment 6 The Municipality stated it deobligated \$1,143,845 for the terminated activities. However, the Municipality did not provide us additional documentation that could demonstrate it reprogrammed the funds to other eligible efforts. It will need to provide HUD documentation to show that the funds were properly reprogrammed.

Comment 7 The Municipality stated that it will revise its internal controls and procedures to address the issues associated with the finding. It also stated that it has an annual monitoring plan that is included in the Consolidated and Annual Action Plan. The Municipality requested that the report be corrected since it has a monitoring plan.

We acknowledge the Municipality's efforts to improve its controls and procedures associated with the HOME program. The statement related to the lack of a monitoring plan was eliminated from the report.

Comment 8 The Municipality stated that the amount paid for the acquisition of the properties were reasonable, and that it provided a copy of the appraisals to demonstrate that the acquisition price was either at or below the market price. Therefore, it requested the elimination of this part of the finding.

The appraisals submitted were incomplete and the information provided did not demonstrate the reasonableness of the costs. In addition, in one of the properties the sales price was \$30,000 higher than the appraised value. The Municipality did not provide us adequate support that could show the reasonableness of the charges. We therefore did not modify the report finding and recommendation.

Comment 9 The Municipality stated that the original supporting documents were available for review. However, the Municipality did not provide us with the documentation for our review. It will need to provide documentation showing the reasonableness and allowability of the expenditures for HUD's evaluation.

Comment 10 The Municipality stated that it will make an analysis to determine the cost that is allocable to HOME and other programs.

Comment 11 The Municipality believes that CPD Notice-01-11 allows the reimbursement of costs incurred before the execution of a grant agreement with the developer. It stated that the disbursements were related to soft costs and requested that the questioned costs be reclassified as unsupported.

Notice 01-11 provides guidance on the environmental review process required under the HOME program. Contrary to the Municipality's statement, the notice does not make reference of the reimbursement of costs incurred by a developer prior to the execution of the grant agreement. The Municipality did not provide us adequate support that could show the allowability and allocability of the disbursements. We therefore did not modify the report finding and recommendation.

Comment 12 The Municipality stated that it agreed that \$335,000 were used for duplicate or unrelated project costs. It will need to provide HUD documentation to show that the funds were properly reimbursed.

Comment 13 The Municipality stated that the developers were reimbursed \$617,327 for ineligible acquisition costs because the HOME funds were provided as interim construction loans, and that these will be returned when the units are sold.

The HOME funds cannot be used to defray ineligible expenditures, or provide financing for ineligible efforts. The Municipality should not wait for the sale of the properties and must immediately reimburse the ineligible costs to the HOME program.

Comment 14 The Municipality informed us that the \$472,514 was non-HOME proceeds reimbursed by a CHDO associated with the sale of the Paseo del Conde housing project. It also stated that \$300,346 in HOME funds was incorrectly used and that its HOME program bank account was reimbursed with local funds.

The report stated that \$772,860 in program income was used to repay the HOME program. However, the Municipality claims that \$472,514 of these were non-HOME proceeds. The Municipality did not comment on the remaining balance and did not provide us additional documentation that could demonstrate that the funds were not used for the ineligible efforts. As mentioned in comment four, the Municipality's claim is not consistent with the agreement signed with the CHDO. In addition, it will need to provide proper documentation to show that the funds were properly reimbursed from non-Federal funds.

Comment 15 The Municipality believes that it complied with program requirements and that all HOME obligations were incurred and disbursed before Federal funds were drawdown from HUD. It stated that all disbursements are made from its general fund account and then seeks reimbursement from HOME bank account. The Municipality claimed that all corrective actions were taken and requested the elimination of the finding.

Despite the Municipality's claim, HOME funds were not disbursed in a timely manner in violation of HUD requirements. It failed to disburse HOME funds in its local bank account before requesting additional grant funds. As a result, it consistently maintained a high cash balance in its local bank account, maintaining a monthly average balance of \$3.4 million during the 22-month period ending April 2011. The Municipality did not provide adequate support that could substantiate their position. Accordingly, we did not modify the report finding and recommendations.

Comment 16 The Municipality believes that the differences were the result of accounting methods used. It stated that its accounting records are accurate, current, and complete. However, it did not provide us additional documentation that could

explain the discrepancy or the disposition of the \$14,732 drawn from HUD. Accordingly, we did not modify the report finding and recommendations.

Comment 17 The Municipality stated that during the audit it updated its accounting records to ensure that receipts and expenditures were properly recorded and requested the elimination of the finding. However, the municipality did not provide us additional documentation that could substantiate their claim. Therefore, we did not modify the finding and recommendations.

Comment 18 The Municipality believes that its financial system complies with requirements and the deficiencies disclosed are associated to program income and only require a revision to the internal controls and procedures. The Municipality requested to revise the corrective action to indicate the need for establishing controls and procedures.

The Municipality's financial management system did not comply with HUD requirements since it did not support the eligibility of disbursements, allowed the use of funds for ineligible purposes, did not use funds in a timely manner, and did not account for program receipts. Contrary to the Municipalities belief, the deficiencies found are not limited to program income and do affect all aspects associated with the administration of the HOME program. The Municipality did not provide us additional documentations that could substantiate its claim. We therefore did not modify the report finding and recommendation.

Comment 19 The Municipality believes that it complied with all commitment requirements established by HUD. It stated that it had signed conditional commitment agreements with the developers and requested that the finding be eliminated from the report.

Contrary to the Municipality's claim, the conditional commitment letters submitted by the Municipality do not comply with HUD requirements. In a 2005 HUD monitoring review, the Municipality was advised that such type of agreements were not acceptable for the obligation of HOME funds. In addition, the Municipality did not address the issue of inaccurate dates entered into HUD's system. The Municipality did not provide us additional documentations that could substantiate its claim. Therefore, we did not modify the report finding and recommendation.

Comment 20 The Municipality sated that in a 2004 monitoring review HUD requested the reimbursement of HOME funds invested in the terminated projects, and that the funds were returned with local funds. It stated that in February 2011 it requested HUD assistance to reprogram the reimbursed funds, but HUD denied their request until the OIG audit was completed.

The Municipality's request to HUD was associated with the reprogramming of funds reimbursed to the HOME program. It was not related to the reprogramming

of the unexpended obligations for activities that were terminated or for assistance that was no longer needed. Contrary to the Municipality's claim, the restriction imposed by HUD did not affect its ability to deobligate and reprogram the unexpended obligations. The Municipality did not provide us additional documentations that could substantiate its claim. Therefore, we did not modify the report finding and recommendation.

Comment 21 The Municipality stated that in February 2011 it requested HUD assistance to reprogram the \$467,723 repayments, but HUD denied their request until the OIG audit was completed.

Although HUD restricted the reprogramming of the repayments, the Municipality was not diligent in the administration of the repayments. The Municipality initiated the reprogramming process about three years after HUD instructed the reimbursement of HOME funds and after we asked about the status of these activities. The Municipality must work with HUD to deobligate and reprogram the \$467,723 in repayments.

Comment 22 The Municipality stated it deobligated \$61,970 for the activities in which the funding amount was overstated. However, the Municipality did not provide us additional documentation that could demonstrate it reprogrammed the funds to other eligible efforts. It will need to provide documentation to HUD to show that the funds were reprogrammed to other eligible efforts.

Appendix C

LIST OF UNSUPPORTED PROJECT DISBURSEMENTS

Activity number	Project name	Amount	Comments
1331	Tapia's Court	\$630,207	Land acquisition costs of \$550,000 were not supported. Supporting documentation for an additional disbursement of \$80,207 was not provided by the Municipality.
546	Los Portales II	491,022	Supporting documentation for the disbursement of \$491,022 was not provided by the Municipality.
1259	Cataluña Court	470,743	Land acquisition costs of \$400,000 were not supported. Supporting documentation for an additional disbursement of \$70,743 was not provided by the Municipality.
1088	Padre Colón Apartments	366,000	Land acquisition costs of \$366,000 were not supported.
1352	San Miguel Apartments II	175,000	Land acquisition costs of \$175,000 were not properly supported.
1257	Chalets de Landrau	135,000	Land acquisition costs of \$135,000 were not supported.
1332	D'Río Project	73,095	Supporting documentation for the disbursement of \$73,095 was not provided by the Municipality.
1255	Participant A	<u>14,822</u>	Supporting documentation for the disbursement of \$14,822 was not provided by the Municipality.
Total		<u>\$2,355,889</u>	

Appendix D

LIST OF INELIGIBLE PROJECT DISBURSEMENTS

Activity number	Project name	Amount	Comments
546	Los Portales II	\$302,900	Project costs of \$302,900 were incurred before the grant agreement with the Municipality was executed.
1003	William's Court	300,000	The Municipality used \$300,000 in HOME funds for the acquisition of a foreclosed-upon property that was previously acquired with HOME funds, resulting in a duplication of costs.
1016	Gilberto Monroig	241,477	Project costs of \$241,477 were incurred before the grant agreement with the Municipality was executed. This amount included \$25,663 for land acquisition that did not relate to the program.
877	Vistas del Horizonte II	168,631	Project costs of \$168,631 were incurred before the grant agreement with the Municipality was executed.
1332	D'Río Project	80,000	Project costs of \$80,000 were incurred before the grant agreement with the Municipality was executed.
1257	Chalets de Landrau	38,505	Project costs of \$38,505 were incurred before the grant agreement with the Municipality was executed.
1259	Cataluña Court	34,080	Project costs of \$34,080 were incurred before the grant agreement with the Municipality was executed.
1352	San Miguel Apartments II	15,000	Project costs of \$15,000 were incurred before the grant agreement with the Municipality was executed.
1331	Tapia's Court	<u>10,000</u>	A penalty was paid for not executing a sales option contract within the prescribed timeframe.
Total		<u>\$1,190,593</u>	

Appendix E

LIST OF COMMITMENTS TO REPROGRAM AND PUT TO BETTER USE

Activity number	Activity name	IDIS* funding date	IDIS committed amount	Last drawdown date**	IDIS amount unexpended	Days elapsed from last drawdown date as of May 31, 2011	Comments
Terminated activities with unexpended balances in HUD's information system							
20	Barriada Figueroa	July 1, 2006	\$622,300	Dec. 2, 1998	\$529,591	4563	HUD questioned the activity in a 2004 monitoring. However, the Municipality did not reprogram the unexpended commitments.
242	Plaza Garden Apartments	Apr. 15, 1999	874,000	June 11, 1999	494,359	4372	HUD questioned the activity in a 2004 monitoring. However, the Municipality did not reprogram the unexpended commitments.
360	Pepe Santana	Oct. 9, 2000	614,740	May 7, 2009	39,080	754	The Municipality terminated this activity because it was not feasible. However, it did not reprogram the unexpended commitments.
Other activities with unexpended balances in HUD's information system							
546	Los Portales II	Sept. 17, 2002	1,080,000	Aug. 27, 2004	239,245	2468	The construction work was completed in 2005. However, unexpended commitments were not reprogrammed.
1091	Península de Cantera - Paseo del Conde	July 16, 2007	4,000,000	Mar. 24, 2011	157,085	68	HUD's deadline for completing the activity was March 31, 2011. However, the Municipality did not reprogram the unexpended commitments.
877	Vistas del Horizonte II	Nov. 24, 2004	800,000	Oct. 30, 2009	79,972	578	The construction work was completed in 2006. However, the Municipality did not reprogram the unexpended commitments.
1016	Gilberto Monroig	Mar. 31, 2006	587,473	Apr. 16, 2009	53,135	775	The construction work was completed in 2007. However, the Municipality did not reprogram the unexpended commitments.
248	Sector Figueroa	May 19, 1999	207,600	Mar. 4, 2002	9,033	3375	The construction work was completed in 2000. However, the Municipality did not reprogram the unexpended commitments.
1088	Padre Colón Apartments	July 13, 2007	<u>1,395,083</u>	Oct. 22, 2009	<u>7,119</u>	586	The construction work was completed in 2009. However, the Municipality did not reprogram the unexpended commitments.
Total			<u>\$10,181,196</u>		<u>\$1,608,619</u>		

* IDIS = HUD's Integrated Disbursement and Information System

** As of May 31, 2011, activities were reported in IDIS as open.

Appendix F

LIST OF PROGRAM INCOME AND RECAPTURED FUNDS REVIEWED

Receipt number	Amount	Receipt date	Reported date in HUD's information system	Days elapsed from receipt date
Unreported receipts				
923060	\$19,998	Feb. 18, 2010	*	431
923063	53,220	Oct. 4, 2010	*	203
923064	31,830	Oct. 4, 2010	*	203
923065	65,611	Oct. 4, 2010	*	203
923070	15,000	Nov. 9, 2010	*	167
923071	50,000	Nov. 9, 2010	*	167
923072	33,500	Nov. 9, 2010	*	167
923073	39,200	Nov. 12, 2010	*	164
923074	44,000	Nov. 12, 2010	*	164
923075	57,200	Jan. 12, 2011	*	103
923076	41,600	Jan. 12, 2011	*	103
923077	61,776	Jan. 12, 2011	*	103
923079	61,776	Jan. 12, 2011	*	103
923080	69,276	Jan. 12, 2011	*	103
923082	30,000	Mar. 30, 2011	*	26
923083	<u>31,300</u>	Mar. 31, 2011	*	25
Total	<u>\$705,287</u>			
Reported receipts				
923041	\$8,250	Sept. 3, 2009	June 12, 2010	282
923042	10,154	Sept. 3, 2009	June 12, 2010	282
923043	40,337	Oct. 6, 2009	June 12, 2010	249
923044	51,000	Oct. 6, 2009	June 12, 2010	249
923045	36,397	Oct. 6, 2009	June 12, 2010	249
923046	31,050	Oct. 6, 2009	June 12, 2010	249
923047	49,000	Oct. 6, 2009	June 12, 2010	249
923048	47,317	Oct. 6, 2009	June 12, 2010	249
923049	34,300	Oct. 6, 2009	June 12, 2010	249
923050	22,862	Oct. 6, 2009	June 12, 2010	249
923051	45,965	Oct. 6, 2009	June 12, 2010	249
923052	42,312	Oct. 6, 2009	June 12, 2010	249
923053	48,102	Oct. 6, 2009	June 12, 2010	249
923054	37,225	Oct. 6, 2009	June 12, 2010	249
923055	11,460	Nov. 4, 2009	June 12, 2010	220
923056	13,865	Nov. 4, 2009	June 12, 2010	220
923057	45,211	Nov. 4, 2009	June 12, 2010	220
923058	31,753	Nov. 4, 2009	June 12, 2010	220
923059	60,607	Jan. 27, 2010	June 12, 2010	136
923061	46,000	Mar. 1, 2010	June 16, 2010	107
923062	<u>13,304</u>	Apr. 23, 2010	June 16, 2010	54
Total	<u>\$726,471</u>			

* Program income and recaptured funds had not been reported in HUD's information system as of April 25, 2011.