

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 040407

Directing and authorizing the City Manager to transfer control of the budgeting, contracting and accounting for CDBG and HOME funds from the Department of Housing and Community Development to the City Manager's Office of Management and Budget and to implement the recommendations of the KPMG audit.

WHEREAS, the City receives annually from the U.S. Department of Housing and Urban Development Community Development Block Grant (CDBG) funds and HOME Investment Partnership (HOME) funds; and

WHEREAS, these CDBG and HOME funds have been administered by the City's Department of Housing and Community Development (DHCD); and

WHEREAS, in December of 2003, DHCD staff made the Council aware of the possibility that "commitments" had been made for the use of CDBG and HOME funds which exceeded existing fund availability; and

WHEREAS, the Council directed the City Manager to engage an independent auditor to conduct a performance audit of DHCD's major operational and reporting processes and to assess the financial "commitments" of CDBG and HOME funds; and

WHEREAS, the City Manager retained KPMG to conduct this audit and assessment and KPMG completed its audit in March of 2003 and provided its observations and recommendations to the Council and the City Manager; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the City Manager is hereby directed and authorized to transfer control and oversight of the budgeting, contracting and accounting for CDBG and HOME funds from DHCD to the City Manager's Office of Management and Budget (OMB).

Section 2. That the City Manager is hereby directed and authorized to implement the following recommendations set forth in KPMG's audit:

- a. Eliminating the use of "continuing" funds in favor of the more generally accepted funding system that is in place for most other City departments.
- b. Directing the DHCD to provide monthly reports to OMB related to actual and projected receipts and disbursements.
- c. Having the OMB monitor and review DHCD estimates prior to the submission of the Action Plan.

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- d. Implementing stricter requirements on DHCD and Housing and Economic Development Finance Corporation to consistently supply detailed summaries of the streams of program income in existence on a project-by-project basis.
- e. Implementing stricter monitoring, performance and reporting requirements on HEDFC for each of the programs and activities it administers using, in whole or in part, funds received from the City or income derived from those programs and activities.
- f. Developing and enforcing policies and procedures for estimating program income to ensure that estimates are based on the most accurate information available.
- g. Implementing contract management procedures that limit the time period for which prior year's funds remain available to draw from.
- h. Giving OMB the authority to oversee the contract development process within DHCD to ensure that potential contracts or commitments are fiscally responsible and feasible for the department; and directing OMB to make sure that contracts are not developed and approved for contractors that have incomplete contracts from prior years.

Section 3. That the City Manager is hereby directed to report quarterly to the Council on the implementation of this audit's recommendations and the progress being made to bring the "commitments" of CDBG and HOME funds into balance with available CDBG and HOME funds.