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**Concern 1:** Neither Cascadia Behavioral HealthCare or Transition Projects’ participant files contained annual unit re-inspection documentation. Staff were not aware that files should contain the information. HUD reviewers had to rely on alternative means to verify completion of the inspections. While Cascadia Behavioral HealthCare was able to show the re-inspections had taken place, Transition Projects was not.

**Recommended Action:** The city of Portland should ensure that subrecipients are completing annual re-inspections and documenting the activity in participant files. Staff should use checklists that cover all the areas described in 24 CFR 583.300(b).

Although many of the deficiencies noted during the inspections were minor, if left unattended, could become a “threat to health and safety of the occupants,” as stated in 24 CFR 583.300(b)(1). See chart below for a description of weaknesses and recommended corrective actions. For additional information on acceptable housing quality standards, staff should refer to the Federal Housing Quality Standards at 24 CFR Part 5, Subpart G.

HUD Staff conducted five unit inspections at both Bridgeview Apartments and Musolf Manor. Transition Projects scattered site units were not inspected but housing information in client files was reviewed. In general, habitability standards were met; however, several concerns and one finding were noted.

**BHCD Response:**

Transition Projects staff are generally aware of the requirement for annual unit re-inspections. Unfortunately, both the case manager and the file reviewer overlooked the re-inspections in two instances. TPI has already re-inspected those units. During the last year, TPI has implemented a number of training tools and file review tools. For instance, TPI’s new file review checklist has an annual re-inspection requirement on it. TPI will review this requirement with all staff and review all current OTIS files for compliance by April 30, 2009.

Cascadia staff will coordinate with Innovative Housing to ensure that 100% of annual unit inspections are completed at St. John’s Bridgeview and the 6 units at Musolf Manor. A copy of the completed and dated annual inspection form will be maintained in the Cascadia OTIS client file.

Cascadia staff will also coordinate with Innovative Housing to secure copies of past unit inspections for all Cascadia OTIS participants, which will be maintained in the OTIS client file.

**Finding 1:** The bathroom of unit eight at Bridgeview Apartments did not meet the sanitary requirements of 24 CFR 583.300(b)(6) due to mold on the ceiling and deterioration of drywall above the shower. The mold and deterioration were due to moisture build-up connected to inadequate ventilation.

**Corrective Action:** Mold must be removed and the corner section above the shower repaired. Please correct the deficiencies within thirty days and notify this office when the repairs are completed.

**BHCD Response Finding 1:**

All repairs and maintenance items identified by the HUD inspection have been addressed. The most serious item was found in unit #8 at the Bridgeview Apartments - the sheetrock in the bathroom of that unit was pulled out and it was found that the moisture and mold problems were being caused by a leak from the unit above. The tub in the above unit, #13, was sealed and the leak corrected. The walls in #8 were repaired and painted. See attachments for documentation and photos of these and other repairs.

Bridgeview Apartments

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| --- | --- | --- | --- | --- |
| **Client ID** | **Unit** | **Concern** | **Habitability Standards**24 CFR 583.300(b) | **Recommended Action** |
| T.M. | 2 | * Faulty hallway smoke detector
 | * (11) Fire Safety
 | * Replace smoke detector - **done**
 |
| K.B. | 3 | * Light in hallway
* Potential fire hazard in closet w/ furnace
* Missing drawer face in kitchen
* Stove hood light/fan not working
* Damaged screens; front window and screen door
 | * (8) Illumination/Electricity
* (11) Fire Safety
* (1) Structure and Materials
* (8) Illumination/Electricity
* (1) Structure and Materials
 | * Replace bulb - **done**
* Clear closet of debris - **done**
* Replace drawer face - **done**
* Investigate and repair - **done**
* Replace/repair screens - **done**
 |
| T.J. | 5 | * Bathroom heater not working
 | * (7) Thermal Environment
 | * Ensure unit works/possible replacement - **repaired**
 |
| D.N. | 6 | * Missing several light bulbs
 | * (8) Illumination/Electricity
 | * Replace missing light bulbs - **done**
 |
| L.A. | 8 | * Mold/ceiling damage in bathroom (**see finding 1**)
 | * (6) Sanitary Facilities
 | * Repair ceiling and remove mold – **done**
 |

Musolf Manor

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client ID** | **Unit** | **Concern** | **Cited Regulation** | **Recommended Action** |
| M.F. | 229 | * Unsafe chair
 | * (1) Structure and Materials
 | * Replace or repair chair - **done**
 |
| T.D. | 308 | * None
 | * N/A
 | * N/A
 |
| G.H. | 310 | * Thermostat not working
* Extension cords and power strips could cause fire hazard
 | * (7) Thermal Environment
* (11) Fire Safety
 | * Replace thermostat - **done**
* Reorganize/Re-move power cords and strips – **notice sent to tenant**
 |
| B.M. | 329 | * Several cigarette burns on mattress and floor
* Heat lamp in bathroom not working
 | * (11) Fire Safety
* (7) Thermal Environment
 | * Conduct fire safety discussion with client – **letter sent to case manager**
* Replace light bulb or heating unit - **done**
 |
| D.C. | 330 | * None
 | * N/A
 | * N/A
 |

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**Concern No. 2:** The unit inspections at both facilities disclosed a number of minor issues that reduce the quality of life for program participants. Since units are being regularly inspected, it appears clients are either not informing their landlord when problems occur, or the maintenance staff are not making timely repairs.

Recommended Action: Provide training to tenants on their responsibility to report maintenance issues and the steps to take if repairs are not performed in a timely manner.

**BHCD Response Concern No. 2:**

Cascadia staff review the lease agreement with all new OTIS clients upon the move-in.

At this meeting, or in the first month after move-in, Cascadia staff will provide participants with the property management’s Repair Request Form and help them to complete a “mock” request. During home-based participant service meetings, Cascadia staff will provide individualized training and prompting to OTIS participants related to reporting maintenance requests. Cascadia staff will secure Repair Request forms from IHI, review with participants, and assist participants to complete repair requests to the property manager, and serve as liaison when appropriate.

Income Property Management keeps Maintenance Repair Request forms in the laundry room of the property for tenant use. Letters are sent to residents regularly reminding them of this. Inspections of all units are done quarterly.

NOTE: Cascadia OTIS participants are affected by severe mental health conditions, and often have cognitive impairments, which can limit their ability to retain detailed information or follow through with repair requests. In addition, participants may be hesitant to request repairs, or not notice repair needs, due to their personal housekeeping standards. Several tenants have hoarding behaviors which IHI and Cascadia staffs have been addressing, and another participant refuses access into her apartment to the services staff. Cascadia staff provides assertive outreach, yet, participation is voluntary in nature.

*Rent Calculations and Reasonableness* **–** *24 CFR 583.315 and 115(b)(2)*

Client rents must be reasonable, calculated in accordance with Section 3(a)(1) of the U.S. Housing Act of 1937 at 42 U.S.C. 1437a(a)(1), and be recalculated at least annually. Terminations must provide for due process.

Participant files were examined to ensure that rents were reasonable, accurately calculated, and included deductions and utility allowances where applicable. They were also reviewed to ensure that the “portion of rents paid with grant funds did not exceed HUD-determined fair market rents.”

Both Cascadia Behavioral Healthcare and Transition Projects utilize rent calculation forms that have the required allowances and adjustments as mentioned in CPD Notice 96-03, Tenant Rent Calculations for Certain HUD McKinney Act Programs.

**Finding No. 2:** Two Transition Projects files (MW and FA-R) did not contain evidence of at least annual income reexaminations, which are used to determine monthly adjusted income for rent calculations. These annual reexaminations are required by 24 CFR 583.315(1), which refers to 24 CFR 5.611(a) that says “adjusted income means annual income” and 24 CFR 5.603 (2)(b), which says “monthly adjusted income” [as referred to in 24 CFR 583.315(a)(1)] means “one twelfth of adjusted income.” This requirement is also mentioned at CPD Notice 96-03, paragraph 6. Staff attributed the weakness to an oversight since the reviews are part of their written procedures. HUD however, does not have assurance that participants in the program longer than a year are paying the correct amount of rent.

Corrective Action: The city should ask Transition Projects to review current client files to ensure annual reexaminations and recalculations are taking place as required. Please have them complete the task within the next thirty days and notify our office when it is accomplished.

**BHCD Response Finding 2:**

Our response is largely the same as the response for Concern One. In general, staff are aware of the requirement and perform annual income re-certifications. TPI will review the requirement with staff and review all current OTIS files for compliance by April 30, 2009*.*

…the rents paid with grant funds may not exceed HUD-determined fair market rents.”

*Termination of Housing Assistance* **–** *24 CFR 583.300(i)*

Recipients must, “provide a formal process that recognizes the rights of individuals receiving assistance to due process of law.” The process must include a written notice containing the reasons for termination, a review of the decision where the participant can present written or oral objections, and a “prompt written notice of the final decision to the participant.”

The city of Portland is not required to maintain a termination policy for its HMIS grant since no housing assistance is being provided, but one is needed for the OTIS grant, which provides leasing assistance. The grantee contractually requires its subrecipients to, “adhere to all McKinney grant requirements,” which would include having a termination policy that is consistent with 24 CFR 583.300(i). Both subrecipients have previously been reviewed by HUD staff and found to have such policies in place. A limited review was performed by sampling the client file of “LT” at Transition Project who had been terminated due to incarceration.

Finding No. **3**: The file did not include a written notice to the participant as required at 24 CFR 583.300(i)(1). Transition Project staff didn’t think it was required because the individual was in jail and no longer participating in the program. As a result of not sending the notice, there is no evidence that Transition Projects complied with the formal process requirements of the CFR.

NOTE: This is a repeat finding. It was also an issue in HUD’s SHP review of Transition Projects on September 17, 2008.

Corrective Action: Issue a termination letter to the last known address of “LT” and if it is returned, place it in the file. In the future, ensure that files of terminated clients contain the required documentation. Please provide training (in-person or written) to staff on termination documentation within the next thirty days and inform this office when it is completed.

 **BHCD Response Finding 3:**

TPI will review this requirement with staff and staff has sent a letter of termination to the client*’*s last known address. Based upon TPI’s earlier conversation with HUD, TPI staff has already made a case note in the client*’*s file about the circumstances of the termination.

*Participation of Homeless Persons - 24 CFR 583.300(f)*

Grantees are required to involve homeless or formerly homeless persons in the decision making process. They are also to involve program participants in the operation of the project, and where possible in providing services.

Grantees are required to involve homeless or formerly homeless persons in the decision making process. They are also to involve program participants in the operation of the project, and where possible in providing services.

The city meets this requirement by involving homeless and formerly homeless persons in its Coordinating Committee to End Chronic Homelessness. Among other tasks, that body develops strategies for ending homelessness that are incorporated into the Continuum of Care plan. The city’s subrecipients also actively involve program participants through board and advisory committees, satisfaction and input surveys, and other venues.

*Residential Supervision - 24 CFR 583.300(e)*

Residential supervision must be provided as necessary to facilitate the adequate provision of supportive services to residents throughout the term of the grant agreement.

This requirement is being met for Bridgeview by the placement of staff on-site. Staff are present five days a week to supervise and provide case management and other services as appropriate to the residents. Clients in other housing receive periodic in-home visits by case and housing management staff.

*Records and Reports - 24 CFR 583.300(g)* **–** *24 CFR 84.53/24 CFR 85.42*

Recipients are required to maintain records and submit reports as required by HUD. Records generated as a result of grant activities need to be maintained for at least three years after grant closeout or longer if there is legal action. Annual Progress Reports (HUD-40118) must be submitted within ninety days after the end of each operating year.

The city of Portland has an Archives and Records Management program with procedures

and policies regarding retention, storage, access, preservation, and destruction with specific instructions for bureau directors and others. The Bureau of Housing and Community Development has a policy that is specific to HUD programs. There is a four-year retention requirement after project completion or termination for SHP projects. SHP subrecipient contract language is consistent with that policy: “Subrecipient shall maintain fiscal records on a current basis to support its billings to the City. Subrecipient shall retain fiscal as well as all records relating to program and client eligibility for inspection, audit, and copying for 4 years from the date of completion or termination of this Agreement.”

**Concern No. 3**: The city’s guidance uses the terms “date of completion and termination” which are less definitive than “closeout” as stated in the CFRs. As a result HUD does not have adequate assurance records are being maintained as required.

Recommended Action: Upon being advised of the weakness, staff immediately revised the BHCD procedures to be consistent with the language of 24 CFR 85.42. Please ensure contractual language is also amended and advise our office when that is completed.

**BHCD Response Concern No. 3**:

The language has been updated in the Terms and Conditions for our Supportive Housing Program contracts. The language in the Bureau’s archiving policy also reflects these changes. Please see attached documents.

**Sponsor Management – 24 CFR 85.40(a)**

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities…to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

The city meets this requirement through the implementation of an oversight strategy described in the Bureau of Housing and Community Development Monitoring Procedures Manual. Risk assessments are performed within the first three months of a contract, which are followed by a desk monitoring review no later than 6-9 months into the contract. Annual reviews are performed for reasonable costs and documented in project files. Subrecipients are required to provide quarterly progress reports generated by ServicePoint to allow an ongoing assessment of performance. Requests for payment are reviewed for allowability and eligibility by the assigned contract manager before forwarding for processing and payment authorization by the business operations manager. In addition, the contract manager performs comprehensive analysis of Annual Progress Reports from SHP subrecipients. The city is carrying out the procedures as written based on a review of quarterly and annual reports, desk and cost allowability checklists, APR review comments, and other documents.

Financial Management – 24 CFR 523.330(c)

The city of Portland must have systems that conform to 24 CFR 85.20, Standards for Financial Management Systems: records that adequately identify source and application of funds for federally-sponsored activities; effective control over and accountability for all funds and assets; comparison of outlays with budget amounts for each award; written procedures for determining the reasonableness, allocability and allowability of costs; and accounting records that are supported by source documentation.

The city of Portland has begun using a new system for financial processing and management called “SAP” (Systems Applications and Products). SAP is made up of individual, integrated software modules that perform various organizational system tasks. The city of Portland is implementing a component of the Grants Module, which tracks incoming and outgoing grants.

Concern No. **4**: The city has experienced significant challenges in fully integrating the module resulting in billing and tracking problems, which have caused delays in drawing down SHP and other HUD grant funds from LOCCS and IDIS (city payments to subrecipients have not been impacted). There has only been one drawdown made from both HMIS and OTIS, since the grants started in the middle of 2008. The city has had to rely solely on non-HUD funds to pay grant expenses and HUD has been unable to use LOCCS and IDIS to gauge drawdown progress.

Recommended Action: The city anticipates that Grants Module billing problems will be resolved within six weeks. We would appreciate an update to this office in the next thirty days.

**BHCD Response Concern No. 4:**

The City of Portland is the first jurisdiction to implement a component of the Grants Module called the pass through functionality.  The pass through program tracks incoming and outgoing grants.  The grants the city receives from HUD are set up as incoming grants and every sub recipient that receives a portion of the funds is set up as an individual outgoing grant in SAP.  The incoming and outgoing grants are tied together.  This gives project managers and financial staff the ability to track the incoming funds as well as the outgoing.

The system was tested for billing but it was not possible to test with the volume we face in production.   With the pass through functionality you need the ability to block certain postings from billing and after go live we found flaws in the block billing program for pass through.  Since we could not block certain postings from billing we were totally incapable of billing HUD.  This did not stop the City of paying the sub recipients.  The flaws were reported to SAP and 2 of the 3 have been fixed.  We now have a work around for the block billing but it is very time intensive.   We are in the process of testing the final fix which will allow us to exclude certain grants when billing which is the least time intensive solution.  Until this fix is tested and working we have to use the work around.  We hope to have this tested and working in the next month.  In the past month we have been working on catching up 1 grant at a time and the focus has been CDBG.  We have billed over $1 million in the past 5 weeks.  In the next 6 weeks we hope to catch up on all billings.  We do not have a staff person assigned to BHCD grants 100% of the time and we only have 1 staff person trained on the pass through functionality.

The other problem we are facing with SAP is the grants are tracked individually so every entitlement is a new grant in SAP.  With the first in first out design in IDIS this is causing the city problems in knowing when a certain entitlement will be fully drawn down.  This is not an issue for billing it is an issue for the city having the ability to track expenses in the financial system by entitlement.  Until the city comes up with a design for this problem we will have to continue to track expenses in an offline spreadsheet by entitlement year.

In IBIS bureaus set up multiple centercodes to track grant expenses.   At the time of billing the grants office would mirror that expense in the grants fund.  When the grants office received reimbursement from the sponsor the bureaus operating fund was reimbursed by the grants fund.  The design in SAP is to track all grant expenses in the grants fund by grant.  When the city switched from IBIS to SAP we were not able to crosswalk the grant expenses from the operating fund to the grants fund.  Unique cost objects were set up to capture this information but the City is still in the process of cleaning up conversion data and moving grant valid expenses from the operating funds to the grants fund.  In the past month the bureau has completed probably 80% of grant expenses.  We are working on completing the remaining 20% and hope to have all conversion data cleaned up and billed in the next 4 weeks.

Our focus was to clean up the entitlement grants first due to the majority of the sub-recipient payments coming for those funding sources.

Cascadia and TPI submit requests for payments using an invoice form provided by the city. The form reflects approved budget categories, contracted budget amounts, amount of the bill, amount billed to date, balances by budget category, and total. This method allows for comparison of budget amounts to outlays as required and helps to assure funds are used for allowable costs. Processed payment forms were reviewed and each was stamped and annotated by the city reflecting appropriate levels of review, control and accountability.

Subrecipients are not required to provide source documentation with requests for payment, but by contract must “maintain documentation of all expenses and make sure records are available for inspection by the city upon request.” HUD staff sampled source documentation of invoices from both OTIS subrecipients.

**Finding No. 4**: Transition Projects did not have adequate source documentation to support staff charges to the OTIS grant. Staff made estimates every six months instead of maintaining personnel activity reports reflecting an after-the-fact determination of their actual activity as required at A-122, Attachment B, paragraph 8.m. HUD does not have assurance that Transition Project staff charges to OTIS were accurate.

Corrective Action: Transition Projects became aware of the deficiency shortly before the HUD review and developed a personnel activity report that is now being used by staff. The document meets the requirements of A-122. No other action is required at this time.

**BHCD Response Finding No. 4**:

As HUD noted, TPI noted this difficienciency ahead of the audit and took corrective action.

*OMB Circular A-133 Compliance*

“Non-Federal entities that expend $500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.” (A-133, Subpart B, Section 200(a))

The city of Portland had their last A-133 audit for the fiscal year ending 2008. There were no reportable conditions or questioned costs. They were identified as a “low-risk auditee” (no findings for the past three fiscal years). The report was submitted to the Central Audit Clearinghouse as required in A-133, Subpart C, Section 320, and entered into that system on March 6, 2009.

The city, as a “pass-through entity” under A-133, Subpart D, Section 400(d) is required to inform subrecipients of requirements imposed on them by Federal laws and regulations, etc. They meet the auditing part of this requirement by placing a statement in contracts, “An audit of this project, in accordance with OMB Circular A-133 is required.”

**Concern No. 5**: The contract file checklist used by staff erroneously states that an A-133 audit is required, “if the contractor receives more than a total of $500,000.” The correct A-133 requirement is if an agency “expends” more than $500,000. Staff using the checklist aren’t considering the correct criteria for A-133 audits.

Recommended Action: Please correct the error and ensure staff are advised of the correct A-133 threshold requirement. We would appreciate a copy of the revised document.

**BHCD Response Concern No. 5**:

The changes have been made to the contact file checklist template. Please see attachment.

*Internal Controls* **–** *24 CFR 85.20(b)(3)*

Recipients of Federal funds must have, “Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

The review of internal control policies and procedures, sampling of financial records, and physical inspection of records holding and service areas, showed that adequate controls are in place. Policies and financial documents reflect separation of duties. Electronic financial information is password protected and backed up each night. Offices are in a locked restricted access area monitored by a receptionist.

*Salaries and Wages* **–** *OMB Circular A-87, Attachment B, Paragraph 8 and A-122, Attachment B, Paragraph 8.m.*

Charges of salaries to federal awards must be “based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports...except when a substitute system has been approved in writing by the cognizant agency (for indirect costs).”

The city and its subrecipeints track time on personnel activity reports, which account for total activity over a two-week period. The reports are signed by the employee and supervisor. After supervisory approval they are submitted for payroll processing.

Concern No. **6**: Due to an oversight, the interim city program coordinator for OTIS is not tracking administrative activities. As a result the city does not have a personnel activity report to support time spent on this activity.

Recommended Action: After being advised of the issue, the city added the activity. Staff will need to use alternative source documentation for the period not covered by a personnel activity report. Such documentation can include e-mails, records of on-site and remote technical assistance, and other oversight functions carried out by staff.

**BHCD Response Concern No. 6:**

Attached is the journal entry describing personnel activity.

*Allowable Costs* **–** *24 CFR 85.20(5)*

Grantees must follow appropriate cost principles, program regulations, and the terms of agreements in determining reasonableness, allowability and allocability of costs.

Payment request source documentation from OTIS subrecipients were sampled to determine adequacy and consistency with the program budget. OTIS administrative costs billed to the grant by the city of Portland were also reviewed.

The files contained no instances where grant funds were expended on unallowable costs such as entertainment, donations, penalties, or lobbying. Expenditures were limited to those approved in the grant application.

**Other Federal Requirements – 24 CFR 583.330**

The use of assistance provided under the Supportive Housing Program must comply with a number of Federal requirements described in Section 583.330(a) through (g) and other sources. Those requirements include several Acts: Flood Disaster Protection, Coastal Barrier Resources, Lead-Based Paint Poisoning Prevention, and Drug-Free Workplace

Recipients that provide family violence prevention or treatment services must develop and implement procedures to ensure confidentiality of records. In addition, the location of the project “will not be made public except with written authorization of the person or persons responsible for the operation of the project.”

Act. Other sections of Section 583.330 mention OMB Circulars and CFRs, conflicts of interest, audits, and Davis Bacon (which does not apply to this program).

Compliance with the Flood, Coastal, and Lead-Based Paint Acts were not part of this review.

*Drug-Free Workplace* **–** *24 CFR 21*

The city of Portland’s policy conforms to the requirements of the Act. It states, “No employee shall: Unlawfully manufacture, distribute, dispense, possess or use a controlled substance in the workplace,” which conforms to Section 21.205(a). The policy also specifies actions the agency will take for violations as required in Section 21.205(b). The plan complies with Section 21.205(c), which requires employees to abide by the policy and notify the agency “within 5 days” if charged or convicted of a drug offense. The city requires notification by the “next regularly scheduled work day.”

Recipients of an award from the Department of Housing and Urban Development must comply with four items under the Act: publish a drug-free workplace statement, establish a drug-free awareness program, take actions concerning employees who are convicted of violating drug statutes in the workplace, and identify all known workplaces under your Federal awards (24 CFR 21.200).

*Conflict of Interest* **–** *24 CFR 583.330(e)* **–** *24 CFR 84.42*

Recipients “must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved…”

The city’s conflict of interest policy is consistent with the requirements. The policy states that it is important to “avoid any action that creates or is perceived to create a conflict of interest or an inappropriate use of their administrative authority while managing and/or maintaining customer accounts, including accounts that belong to the employee, their family, their friends, acquaintances, or a co-worker.” It states that all city employees are expected to be familiar with these ethical standards described in the city’s Administration Rules; Outside Employment, Use of City Resources, Statement of Ethical Conduct, Prohibited Conduct, and Duty to Report Unlawful or Improper Actions.

Costs must be reasonable and allocable under the award, conform to limitations, be accorded consistent treatment, be determined in accordance with generally accepted accounting principles, and be adequately documented.

Recipients of an award from the Department of Housing and Urban Development must comply with four items under the Act: publish a drug-free workplace statement, establish a drug-free awareness program, take actions concerning employees who are convicted of violating drug statutes in the workplace, and identify all known workplaces under your Federal awards (24 CFR 21.200).