

# U. S. Department of Housing and Urban Development



Community Planning and Development

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AUG 11 2006

Ms. Leslie J. Edcomb  
Consolidated Plan Coordinator  
State of Montana  
PO Box 200545  
Helena, MT 59620-0545

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DOC HOUSING

Dear Ms. Edcomb:

Community Planning and Development (CPD) is striving to strengthen its working relationship with our State and local government partners to help achieve greater results in meeting the housing and community development needs of our low- and moderate-income customers. One of our important responsibilities in this ongoing process is the periodic assessment of your accomplishments and performance in the administration of funds provided by CPD and in meeting key program and Departmental objectives as mandated by the statutes governing these programs.

This review examines information provided by the State of Montana. In conducting this assessment, we examine your activities for consistency with the priorities and objectives outlined in the Consolidated Plan and Annual Action Plan. We use the information contained in the Consolidated Annual Performance and Evaluation Report (CAPER), and the Integrated Disbursement Information System (IDIS) as well as any monitoring reviews conducted during the course of the program year.

Our assessment report that is attached covers the following areas:

- Meeting the statutory purposes of the programs
- Consistency with strategies and goals in the Consolidated Plan and Annual Action Plan
- Performance Measures
- Fair Housing and Equal Opportunity
- Timeliness
- Caps on Obligations – CDBG-Administration, Public Service; HOME-CHDO, Administration; ESG-Essential Services, Homeless prevention, Administration
- IDIS

Montana continues to be a high performer for the obligation and timely expenditure of CDBG, HOME, and ESG funds by meeting and exceeding regulatory caps. The obvious dedication by the State of Montana's Community Development, Housing, and ESG staff ensures that the federal funds are expeditiously reaching and assisting the most needy residents.

Our Office does have a concern about the most recent A-133 single audit on file with the Audit Clearinghouse for the State of Montana. The information available through the Clearinghouse indicates that the audit resulted in findings for the CDBG, HOME, and ESG programs in the areas of cash management, allowable costs/cost principle, procurement/suspension/debarment, and the Davis-Bacon Act. Please advise the status of the findings and what actions the State has taken to close the findings.

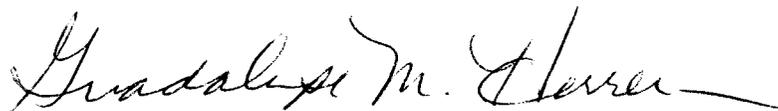
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You have the opportunity to provide us with your review and comment on the draft Annual Community Assessment. Please provide any review and comment within 30 days of the date of this letter. We may revise the Assessment after considering your views. If we do not receive any response by the end of the 30-day period, the draft Annual Community Assessment will become final without further notice.

The final Annual Community Assessment must be made readily available to the public. You can assist us in this regard by sharing the final Annual Community Assessment with the media, with a mailing list of interested persons, with members of your advisory committee, or with those who attended hearings or meetings. You must also provide a copy of the final Annual Community Assessment to your independent public auditor. HUD will make the final Annual Community Assessment available to the public upon request and may provide copies to interested citizens and groups.

If you have any questions, please do not hesitate to contact me or Renae Blair, Community Planning and Development Representative. We can be reached at (303) 672-5414.

Sincerely,



Guadalupe M. Herrera  
Director, Office of Community Planning  
and Development

Enclosure

# ANNUAL COMMUNITY ASSESSMENT

JURISDICTION – State of Montana

PROGRAM YEAR START – April 1

PERIOD COVERED BY ASSESSMENT – April 1, 2005 – March 31, 2006

HUD is required to conduct an annual review of performance by grant recipients according to the provisions of the Housing and Community Development Act and the National Affordable Housing Act. We must determine that each recipient is in compliance with the statutes and has the continuing capacity to implement and administer the programs for which assistance is received. This is to report the results of our review of the State of Montana's performance.

## **Part I. Summary of Consolidated Plan/Action Plan Review and Assessment**

The State of Montana is meeting the primary objective of the Community Development Block Grant (CDBG) Program, development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the State expended over 96 percent of the 2005 CDBG funding in the assistance of low- and moderate-income persons which is well over the regulatory requirement of a 70 percent overall benefit.

The Annual Performance Report, Part I, of the CAPER provides good information on state programs funded through federal and state money to help local municipalities and counties with a wide variety of needs including multiple affordable housing activities, rental assistance, job training and creation, and public facility improvements, particularly in areas of primarily low to moderate income residents.

The Assessment of Annual Performance, Part II, clearly addresses how each of the state's Consolidated Plan objectives are being met through a variety of activities throughout the state. It is also important to note that in Montana's efforts to answer the demands for affordable housing throughout the state, thirty-one (31) Community Housing Development Corporations (CHDO) have been certified through the HOME program.

## **Part II. Summary of Grantee Performance**

Regulations at §570.201(e)(1) limit the amount of CDBG funds that can be expended for public service activities to 15 percent of the grant amount. The Financial Summary report (PR26) shows Montana spent 9 percent of the 2005 funds for public service activities. Likewise, regulations at §570.200(g) limit the amount of funds that can be used for the administration of the grant to 20 percent. The Financial Summary report indicates that Montana expended about 11 percent, well below the cap.

Montana is congratulated for the timely expenditure of CDBG funds. The procedures that the state implemented to accelerate the funding cycle for CDBG housing and public

facility projects has obviously helped to improve the State's timeliness. Based on the May 2006 monthly expenditure report from the Washington, DC, State and Small Cities Division, the State of Montana currently has a ratio of 1.24 times the current CDBG grant in unexpended funds. This meets and greatly exceeds the requirement of no more than 2.5 times the current grant amount in unexpended funds.

Montana continues to be a high performer with the obligation and disbursement of HOME funds. According to the IDIS PR01 report, 100 percent of HOME funds are committed through 2005 and expended through 2004, far exceeding the requirements of HOME funds committed within 2 years of the date of the grant and expended within 5 years.

The Emergency Shelter Grant (ESG) regulations require a cap for essential services and homeless prevention activities of 30 percent each and an administrative cap of 5 percent of the grant amount. The PR20 (IDIS) indicates Montana is within regulatory guidelines with 24 percent committed for essential services, 22 percent for homeless prevention and 5 percent committed for administration. ESG regulations also require that the state must have funds available to local governments or non-profits within 65 days of the grant award and the recipients have 180 days to obligate and 24 months to expend the ESG funds. According to IDIS reports all ESG funds have been expended for 2005 well within the regulatory requirement. The report does not show when the funds were made available to the local governments or non-profits or when the funds were actually obligated. In future CAPERs it would be beneficial to have a report showing the dates of availability and obligation for the ESG funds.

The CAPER included Fair Housing and Equal Opportunity information, which appears to be information that is either distributed to recipients of state HOME funds or guides that are used for review of recipients. The information indicates the state is aware and promotes adequately fair housing information as well as Section 504, Section 3, and minority/women business opportunity requirements. In future CAPERs it would be more informative to relate the Fair Housing and Equal Opportunity information to how and when the information is used and/or dispersed to state HOME recipients.

The latest A-133 single audit on file with the Audit Clearinghouse for the State of Montana is for the 2005 program year. The information available through the Clearinghouse indicates that the audit resulted in findings for the CDBG, HOME, and ESG programs in the areas of cash management, allowable costs/cost principle, procurement/suspension/debarment, and the Davis-Bacon Act. Please advise the status of the findings and what actions the State has taken to close the findings.

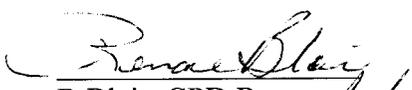
Montana is commended on the actions it is taking to move forward with the required Performance Measurement system that will become mandatory the fall of 2006 for program year 2007 Consolidated and Action Plans. Please also keep in mind, that any open project in IDIS as of October 2006 will also require performance information prior to close-out. Thank you for pursuing staff training and working with local entities on this important HUD issue.

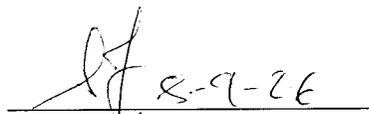


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chron file  
Montana 2005 Assessment file

  
R Blair, CPD Rep.  
8/8/06

  
S. Jewell, Prog. Mgr.  
8-9-06