



U. S. Department of Housing and Urban Development
Columbia Field Office
Strom Thurmond Federal Building
1835 Assembly Street
Columbia, South Carolina 29201-2480
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September 18, 2024

Marc Orlando
Town Manager
Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, South Carolina 29928

Mr. Orlando:

SUBJECT: Fiscal Year 2024 Remote Monitoring
Community Development Block Grant (CDBG) Program
Grant Numbers: B-21-MC-45-0014
B-22-MC-45-0014

From September 9-11, 2024, HUD conducted a remote monitoring of the Community Development Block Grant (CDBG) Program to assess the Town of Hilton Head Island's performance and compliance with applicable Federal program regulations and requirements. The Town's performance was assessed through a review of operations, file documentation, and interviews. The purpose of this letter is to transmit HUD's monitoring report, which provides the details of the review.

The enclosed report contains one (1) Concern. A Concern is a deficiency in program performance that is not based on a statutory, regulatory, or other program requirement but is brought to the grantee's attention. Recommended actions are identified for Concerns. While a response is not required for Concerns, HUD appreciates any information you would like to provide.

If you have any technical corrections to HUD's determinations or conclusions outlined in this monitoring letter, please address these issues in writing to this Department within 30 days of the date of this letter. Your written communication should explain the needed correction, along with supporting evidence. All communications should be sent to the attention of your HUD Reviewer.

I would like to thank you and your staff for your professionalism, advanced preparation and cooperation during the review. If you have any questions or concerns regarding the monitoring report, please contact Jacqueline Moses, Community Planning and Development Representative at jacqueline.l.moses@hud.gov.

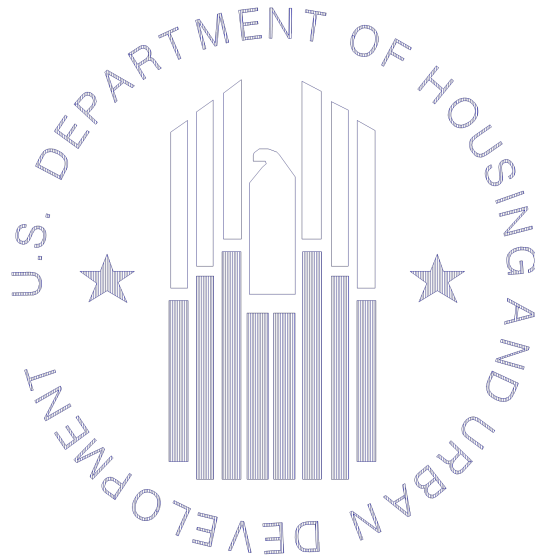
Sincerely,

A handwritten signature in blue ink that reads "BRADLEY S. EVATT".

Bradley S. Evatt, Director
Community Planning and Development

Enclosure

U.S. Department of Housing and Urban Development Columbia, South Carolina Office



REMOTE MONITORING REPORT

Town of Hilton Head Island
Dates Monitored: September 9-11, 2024
Community Development Block Grant (CDBG)

2021 CDBG Allocation: \$232,565
Grant Number: B-21-MC-45-0014

2022 CDBG Allocation: \$204,430
Grant Number: B-22-MC-45-0014

INTRODUCTION

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency, and that programs are carried out in compliance with applicable laws and regulations. It assists grantees in improving performance, developing or increasing capacity, and augmenting management and technical skills. Monitoring is conducted within a specific, identified scope of review, based on sampling of particular grants, activities, and beneficiaries, as applicable. In determining which grantees will be monitored, the Department uses a risk-based approach to rank grantees, programs and functions, including assessing the Department's exposure to fraud, waste and mismanagement. This process not only assists the Department in determining which grantees to monitor, but also identifies which programs and functions will be reviewed.

Specifics relating to this review are as follows:

HUD Reviewer(s):	Jacqueline Moses, CPD Representative Lucas Parker, Senior Financial Analyst
Grantee Staff/Participants:	Michele Bunce, Senior Grants Administrator John McGowan, Assistant Finance Director Adriana Burnett, Finance Director
Entrance Conference	
Date:	September 9, 2024
Representatives:	Jacqueline Moses, CPD Representative Lucas Parker, Senior Financial Analyst Michele Bunce, Senior Grants Administrator John McGowan, Assistant Finance Director Adriana Burnett, Finance Director
Exit Conference	
Date:	September 11, 2024
Representatives:	Jacqueline Moses, CPD Representative Lucas Parker, Senior Financial Analyst Michele Bunce, Senior Grants Administrator John McGowan, Assistant Finance Director Adriana Burnett, Finance Director

SCOPE OF REVIEW

The Community Services Division maintains responsibility for the administration of the Town of Hilton Head Island's Community Development Block Grant program. HUD's analysis of the Town's grant resulted in a review of the following areas:

- Exhibit 3-2: Guide for Review of National Objective of Low- and Moderate-Income Area Benefit*
- Exhibit 3-17: Guide for Review of Overall Management Systems*
- Exhibit 3-25: Guide for Review of CDBG Funded Public Facilities/Improvements*
- Exhibit 34-1a: Guide for Review of Financial Management and Audits*

AREAS REVIEWED AND RESULTS

Exhibit 3.2 - Guide for Review of National Objective of Low- and Moderate-Income Area Benefit

This exhibit is designed to evaluate a program participant's documentation of activities that are classified by the program participant as meeting the national objective of benefit to low- and moderate-income persons on an area basis.

CDBG Funding Review

The Town of Hilton Head Island administers CDBG funds primarily for infrastructure and public facilities improvements in census tracts 105 or 110. Both tracts are designated as having an LMI population of greater than 51% and considered as fulfilling the national objective of Low- and Moderate-Income Area Benefit. The reviewed activity types are eligible under LMI Area Benefit.

In 2021, the Town's CDBG allocation was dedicated to Patterson Park, with funds used for the acquisition of adjacent property to improve access to existing park land, and the clearing of land in preparation to build Patterson Park. Activities #111 and #121 were completed in census tract 110, which is defined as having 88.46% LMI residents as per the 2020 Consolidated Plan and per the 2021 Annual Action Plan. As part of this monitoring, the Town submitted census tract maps and American Community Survey Data published on HUD Exchange to verify LMI calculations. The park facilities and parking are complete. Receipts for payment are consistent with activity data in IDIS.

In 2022, the Town's CDBG allocation was dedicated to Taylor Park. A review of activity 116 was conducted in census tract 105, which is defined as having 54.33% LMI residents as per the 2020 Consolidated Plan and the 2022 Annual Action Plan. As part of this monitoring, the Town submitted census tract maps and American Community Survey Data published on HUD Exchange to verify LMI calculations. The park facilities and parking are complete. Receipts for payment are consistent with activity data in IDIS.

Exhibit 3.17 - Guide for review of Overall Management Systems

The purpose of this review was to determine whether the Town's management system is adequate to ensure compliance with regulatory and performance standards. As stated at 24 CFR 570.501(b), the recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements.

CDBG Funding Review

During the monitoring review, it was observed that components of the Town's overall management systems were adequately included in a written CDBG policies and procedures manual.

Exhibit 3.25 - Guide for review of CDBG Funded Public Facilities/Improvements

HUD reviewed the following activity files: IDIS #111, #121 Patterson Park; and IDIS #116 Taylor Park. Contracts were awarded using the Town's rating scale, (Lowest Cost/Cost being evaluated maximum points available = Awarded Points). The Town awards contracts to vendors who are both responsive and responsible. A review of the files determined the Town maintained detailed bid specifications, contractor's bid, a list of all bidders, the bid award letter, and the agreement between the Town and the contractor.

Exhibit 34-1A: Guide for Review of Financial Management and Audits

HUD reviewed the Town's Policies and Procedures related to Financial Management as well as the vouchers listed in Table 1 below to determine if the Town complies with Subparts D and F of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards. As a result, HUD determined the Town complies with the requirements set forth in the monitoring exhibit and the vouchers reviewed included no ineligible expenditures under the CDBG Program. However, while reviewing the documentation submitted for 4 of the vouchers HUD noted that the Town was not following its own policies and procedures for procuring goods and services. Although this appears to be an isolated incident involving a single vendor, it warrants the following concern:

CONCERN #1

Condition: Four of the reviewed vouchers were for a vendor which provides publication services for the Town's Public Notices. The Town did not follow its own Policies and Procedures for the procurement of these services.

Criteria: 2 CFR 200.303 (a) & 2 CFR 200.318 (a)

Cause: The Town's previous Grants Administrator utilized an informal practice of emailing the vendor to procure and authorize services without obtaining a Contract or Purchase Order, which according to the Town's policies and procedures is required for all purchases from \$0.00 to \$7,500.00. The invoices from this vendor were paid through the Town's payment process without a contract or purchase order as well. The Town has policies and procedures for this process as well as a policy for internal controls but did not follow the policies and procedures for this specific vendor.

Effect: Although this appears to be an isolated incident with a single vendor, the weakness in the Town's internal controls could lead to much larger issues and potentially result in instances of fraud, waste or mismanagement of Federal Funds.

Corrective Action: The Town should take steps to strengthen its internal Financial Management policies and procedures and educate its staff to not allow this practice to reoccur.

Table 1

IDIS Voucher Number	Voucher Status Date	Grant Number	Amount
6598273	02/17/2022	B21MC450014	\$ 315.00
6711441	12/14/2022	B21MC450014	\$16,603.53
6719544	01/07/2023	B22MC450014	\$ 515.00
6732944	02/14/2023	B22MC450014	\$ 200.00
6746275	03/23/2023	B22MC450014	\$ 315.00

As part of the Financial Monitoring Review, HUD reviewed the Town’s compliance with the submission of a Single Audit. HUD determined that the Town meets the annual expenditure requirement of \$750,000.00 to warrant the submission of a Single Audit to the Federal Audit Clearinghouse and has submitted all Single Audit timely with no findings.

SUMMARY OF RESULTS and CONCLUSIONS

Based on this monitoring review, HUD determined that the Town is following HUD regulations for the reviewed activities, but HUD has issued one (1) concern related to the Town’s Internal Controls as noted in Exhibit 34-1A.

During the monitoring review, technical assistance was provided for the below areas:

- CDBG Written Policies and Procedures Manual – Suggested Peer Mentoring/Consultation with other high performing grantees (Town of Summerville)
- Standard Operating Procedures for Procurement and Contracting