



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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OFFICE OF  
COMMUNITY PLANNING & DEVELOPMENT

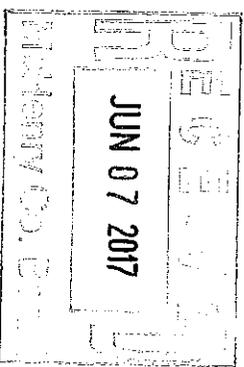
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JUN 0 3 2017

Honorable Jack D. Franks  
Chairman, McHenry County Board  
ATTN: Dennis A. Sandquist  
Director, Planning and Development Department  
2200 N. Seminary Avenue  
Woodstock, IL 60098

Dear Chairman Franks:

SUBJECT: Program Year-End Review Letter  
Program Year 2016  
McHenry County, IL



The provisions of the Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require the annual submission of performance reports by grant recipients receiving Federal assistance through programs covered under these Acts. Additionally, these Acts require that a determination be made by the Secretary, that the grant recipient is in compliance with the aforementioned statutes and has the continuing capacity to administer the programs for which assistance is received.

The Department is charged with making a comprehensive performance review of McHenry County's overall progress, at least annually, as required by the statutes and 24 CFR 91.525 of the regulations. The review consists of analyzing the County's consolidated planning process, reviewing management of funds, determining progress made in carrying out policies and programs, determining the compliance of funded activities with statutory and regulatory requirements, determining the accuracy of required performance reports, and evaluating accomplishments in meeting key Departmental objectives.

This letter incorporates the Chicago Regional Office of Community Planning and Development's (CPD) review of McHenry County's 2016 Consolidated Annual Performance and Evaluation Report (CAPER), which consists of the County's 2016 Community Development Block Grant (CDBG) Program, and HOME Investment Partnerships Program (HOME) funded activities. This letter is organized to address specific elements: the Consolidated/Action Plan, grantee performance and overall evaluation, and conclusions.

HUD has determined that Mc Henry County has the continuing capacity to administer Community Planning and Development programs. However, HUD has also determined that corrections and revisions are needed to complete the CAPER. A specific evaluation of the County's performance can be found in the enclosed Annual Community Assessment of the Performance. Additional reporting information that the County submits in response to our assessment may impact our determination of continuing capacity.

HUD requests that you share this letter with the residents of McHenry County, and that you provide us with the information outlined in the reporting Appendix no later than 30 days from the date of this letter.

Should you have any questions on this or other related issues, feel free to contact Lakesha Brown, Senior Community Planning and Development Representative, at (312) 913-8717.

Sincerely,



RAY E. WILLIS  
Director

Enclosure

**McHenry County  
Consolidated Annual Performance and Evaluation Report (CAPER)  
Addendum**

Consolidated Plan Narratives:

Please provide the following information:

- Please submit a corrected PR-26 for HUD review. The carry-over from the 2015 PY is reported as \$1,098,092.62. Line 1 of the 2016 report does not reflect this amount.
- Provide information on the number of owner and renter households assisted meet the Section 215 definition of affordable housing included.
- Provide an evaluation of progress in meeting its specific objective of providing affordable housing assistance during the reporting period. Each type of owner and renter household should be discussed (ELI, LI, Mod, MI, Homeless)
- Provide a summary of the efforts to address “worst case needs”, and progress in meeting the needs of persons with disabilities. Worst-case housing needs are defined as low-income renter households who pay more than half of their income for rent, live in seriously substandard housing, which includes homeless people, or have been involuntarily displaced. The needs of persons with disability do not include beds in nursing homes or other service-centered facilities.

McHenry County  
**ANNUAL COMMUNITY ASSESSMENT REPORT**  
**PROGRAM YEAR 2016**

PART I: SUMMARY OF PLANNING AND REPORTING DOCUMENTS

**3-5 Year Planning Documents:**

McHenry County's 2016 program year was the second year of its 5-year Consolidated Plan, which covers the period of 2015-2019. The County provided a detailed narrative summary of accomplishments in program year 2016.

The County acknowledged that all of its housing goals were not met, but described the strategy that it carried out to identify new projects in support of its strategic plan goals in this area. We commend the County for its quick response in identifying replacement projects when planned housing activities did not receive the anticipated funding to proceed.

The County also reported significant progress toward its non-housing community development goals in the areas of public services and public facility improvements.

HUD does, however, require clarification in relation to two of the community development goals that were reported upon in the CAPER. The County reports accomplishing goals not established in the Consolidated Plan.

Please note the following goals that reported outcomes and revise the Plan to accurately correlate annual goals achieved with 5-year Strategic Plan goals. Please inform HUD of whether an amendment will be necessary to adjust 5-year Plan goals and objectives to address and acknowledge accomplishments in relation to these goals.

Goal	Expected Con-Plan	Actual Con-Plan	Expected Program Year	Actual Program Year
Public Facilities: Homeless Prevention	0	0	0	213
Public Service: Public service activities other than Low/Moderate Income Housing Benefit	0	0	0	625

**2016 Annual Action Plan:**

The County's Annual Action Plan Submission was received on April 14, 2016. The Annual Action Plan set forth specific projects for funding that were consistent with the goals and priorities of McHenry County's 5-year Strategic Plan. A review of the 2016

The County provided a comprehensive summary of activities that were delayed during the program year, reasons for the delay, and its plan to implement them going forward in the current program year.

#### **Accuracy of Performance Reports**

According to 24 CFR 91.520(a), the McHenry County is required to annually report on its performance within 90 days after the program year. McHenry County's 2016 Consolidated Annual Performance and Evaluation Report (CAPEP) was submitted timely on March 30, 2017. The report was found basically complete, however some revisions are required. Enclosed with this report is a summary of CAPEP reporting issues which require response from each the County.

#### **PART II: SUMMARY OF GRANTEE PERFORMANCE & MANAGEMENT OF FUNDS**

##### **Management of Funds**

In Program Year 2016, the following grant funding was available to the County:

##### *Community Development Block Grant (CDBG)*

Grant: \$1,270,901

Program Income: The County reported that it did not receive program income in the 2015 and 2016 program years.

##### *HOME Investment Partnerships Program (HOME)*

\$437,098

##### Community Development Block Grant Program

##### *A.) Timeliness*

The timeliness test, as prescribed by 24 CFR 570.902(a)(1), states that HUD will consider an Entitlement recipient to be failing to carry out its CDBG activities in a timely manner if: "(1) Sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undistributed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year; and (2) The grantee fails to demonstrate to HUD's satisfaction that the lack of timeliness has resulted from factors beyond the grantee's reasonable control."

As of the timeliness test, conducted on November 1, 2016, McHenry County had 1.01 years of undistributed CDBG funds in its Line of Credit. The County is in compliance

with the timeliness standard.

B.) *Compliance with the primary objective (70% low-moderate income benefit)*

Pursuant to 24 CFR 570.200(a)(3), “*Entitlement recipients, recipients of the HUD administered Small Cities program in Hawaii, and recipients of insular area funds under section 106 of the Act must ensure that over a period of time specified in their certification not to exceed three years, not less than 70 percent of the aggregate of CDBG fund expenditures shall be for activities meeting the criteria under § 570.208(a) or under § 570.208(d)(5) or (6) for benefiting low and moderate-income persons.*”

The 2016 IDIS PR 26 Financial Summary Form for the CDBG program, as submitted by the County, was found to contain errors. Enclosed with this assessment is a summary of adjustments that must be made to the PR 26 Report. Until a correct report is submitted, HUD cannot evaluate compliance with this requirement.

C.) *Limitation on Planning and Administrative (PA) Costs*

Pursuant to 24 CFR Part 570.200(g), “*No more than 20 percent of the sum of any grant, plus program income, shall be expended for planning and program administrative costs, as defined in § 570.205 and 507.206, respectively. Recipients of entitlement grants under subpart D of this part shall conform with this requirement by limiting the amount of CDBG funds obligated for planning plus administration during each program year to an amount no greater than 20 percent of the sum of its entitlement grant made for that program year (if any) plus the program income received by the recipient and its sub-recipients (if any) during that program year.*”

Until a correct PR 26 Financial Summary report is submitted for Program Year 2016, HUD cannot evaluate compliance with this requirement.

D.) *Public Services*

Pursuant to 24 CFR 570.201(e)(1), “*The amount of CDBG funds used for public services shall not exceed 15 percent of each grant, except that for entitlement grants made under subpart D of this part, the amount shall not exceed 15 percent of the grant plus 15 percent of program income, as defined in § 570.500(a). For entitlement grants under subpart D of this part, compliance is based on limiting the amount of CDBG funds obligated for public service activities in each program year to an amount no greater than 15 percent of the entitlement grant made for that program year plus 15 percent of the program income received during the grantee’s immediately preceding program year.*”

Until a correct PR 26 Financial Summary report is submitted for Program Year 2016, HUD cannot evaluate compliance with this requirement.

*E.) Performance Reports*

Pursuant to 24 CFR 91.520(a), “Each jurisdiction that has an approved consolidate plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan.”

The IDIS PR 59 CDBG Activities At-Risk Dashboard Report identifies CDBG activities that have not yet been completed by Grantees in the Integrated Disbursement and Information System (IDIS). The IDIS System flags and requires justifications by Grantees, and HUD approval for activities that are deemed in the dashboard as at risk based upon the following criteria:

- Activities have had no draws for a year
- Activities have no reported accomplishments for three years
- Activities have 80 percent of their funding amount disbursed and no accomplishments reported
- Activities with draws have been identified by grantees for cancellation

The PR 59 CDBG Activities At-Risk Dashboard Report for the most recent period identified no at-risk activities.

HOME Investment Partnerships Program

*A.) Program Disbursements and Commitments*

During the 2016 program year, HUD performed an analysis of McHenry County’s compliance with the 24-month CHDO reservation deadline for 2014 funds and the five-year expenditure deadline for 2011 funds.

Our analysis determined that the County complied with both requirements. Further, in 2016 the 24-month commitment deadline was still applicable and the County was found compliant with the deadline to commit 2014 funds.

This information is updated monthly on the HOME website at:  
[www.hudexchange.info/manage-a-program/home-deadline-compliance-status-reports/](http://www.hudexchange.info/manage-a-program/home-deadline-compliance-status-reports/)  
and  
[www.hudexchange.info/programs/home/home-deadline-compliance-status-reports-grant-specific/](http://www.hudexchange.info/programs/home/home-deadline-compliance-status-reports-grant-specific/).

For the current period, the new, 2017 appropriations law eliminates the 24-month overall commitment deadline. The CHDO reservation deadline is still applicable.

Our analysis determined that the County is in compliance with the CHDO reservation deadline for 2015 grant funds. We will continue to monitor reservations through the June

30, 2017 deadline.

**B.) HOME Expiring Funds**

*As required by the National Defense Authorization Act, after the sixth Fiscal Year of being appropriated, unexpended funds will cease to be available to HOME Participating Jurisdictions.*

During the 2016 Fiscal Year, funding from the 2009 Fiscal Year appropriation was subject to recapture at the end of the Federal Fiscal Year. No funds were recaptured from McHenry County as a result of this policy.

For more information concerning this policy, please see HOME FACTS - vol.2. no.2 (dated February, 2009). It can be found at the following web address:  
<https://www.hudexchange.info/programs/home/home-expiring-funds-reports/>

Currently we are reviewing unexpended balances from Fiscal Year 2010.

The HOME Expiring Funds Report can be found at:

<https://www.hudexchange.info/manage-a-program/home-expiring-funds-reports/>

**Program Compliance**

*Community Development Block Grant Program*

The McHenry County CDBG program was not monitored during the 2016 program year. In the current program year, HUD completed on-site monitoring of the County's CDBG program in April of 2017. A letter conveying the results of that review is forthcoming. No other performance issues have been identified in the review of the 2016 CAPER. However, various items of concern have been identified and further clarification is requested in the reporting Appendix of this report.

*HOME Investment Partnerships Program*

*A.) Monitoring*

The McHenry County HOME program was not monitored during the 2016 program year. There are no unresolved Findings of Noncompliance from past Program Years.

*B.) On-Line Performance Reports*

*Performance Snapshot Report*

HUD produces a Snapshot report that reviews the overall status of the program in comparison to other Participating Jurisdictions, locally and nationally. The County ranks 16th of 18 Participating Jurisdictions (Pj's) in Illinois, and has no red flags.

The 2016 PY Snapshot Report of the McHenry County's HOME program performance reflects that the County has an excellent ratio of completed disbursements to rental commitments for HOME-assisted affordable housing programs. It's leveraging ratio, rate of progress in CHDO activities and targeting of rental units to very-low income households appear to be causing the lower ranking, overall. The Snapshot report can be reviewed at the following web address:

<https://www.hudexchange.info/programs/home/home-performance-snapshot-and-pj-rankings-reports/>

#### Open Activities Report

The HOME Open Activities Report identifies HOME-assisted activities that have been funded, and fully expended, but not completed in the IDIS System. The report also identifies activities that have been in "open" status in the IDIS System for an extended period of time without advancing to completion.

The report identifies eight (8) homebuyer projects and three (3) homeowner rehabilitation projects, and one (1) rental project that have been open for periods of approximately 12-24 months. Please review the report and inform HUD of the status of each activity currently identified.

The most current report can be found at:

<https://www.hudexchange.info/programs/home/home-pjs-open-activities-reports/>

#### Vacant Units Report

The HOME Vacant Units Report identifies projects that have been undertaken with HOME funds but have been vacant for an extended period of time, which could reflect a troubled project, or a reporting discrepancy in the IDIS System. The Vacant Units report identifies no projects lacking occupancy data.

#### Neighborhood Stabilization Program (NSP)

The NSP Program was not monitored during the Program Year 2016. There are no unresolved Findings of noncompliance from past Program Years.

Closeout Technical Assistance was provided in Program Year 2016. The County should be able to start closeout procedures soon.

#### **A-133 Audit**

McHenry County has submitted its most recent Single Audits to the Federal Audit Clearinghouse for the period ending November 30, 2015. The audit did not identify any Findings of Noncompliance with the CDBG and HOME programs.

PART III: CONCLUSION OF ANNUAL COMMUNITY ASSESSMENT REPORT

HUD has determined that McHenry County has the continuing capacity to administer Consolidated Plan-covered programs.

The County should place emphasis on reviewing and closing older activities in IDIS. Also, it is extremely important to ensure that beneficiary data is complete and accurate in IDIS. IDIS data quality is a significant priority for the Department.

HUD will continue to provide technical assistance in relation to the HOME program to the County. Technical assistance was recently requested in relation to potentially troubled older rental projects. HUD is working with the County at this time to identify needed assistance.

**Audit Requirement**

The Office of Management and Budget (OMB) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards was issued as of December 29, 2013. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. Non-Federal entities that expend \$750,000 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 Subpart F.

It is necessary that you provide a copy of this letter to your IPA/Auditor.