

To: BEP Recipients (All Divisions)
From: Asset Preservation Department
Date: October 30, 2018
Re: Amendment to BEP Notice 15-43: BEP Audit Procedures and Requirements

Pursuant to BEP Notice 15-43, released October 7, 2015, IHCD enacted the Blight Elimination Program (BEP) Procedural Audit Program. Notice 15-43 provided an overview of the BEP Audit Program as well as procedures for selecting the audit sample. BEP Notice 18-108 hereby amends the procedures and requirements related to the audit process and is meant to provide further guidance to Recipients scheduled for a BEP Procedural Closeout Audit, hereinafter referred to as "Closeout Audit."

Purposes of the Closeout Audit

BEP Closeout Audits are compliance audits to check for Recipients' compliance with BEP procedures and protocols. The BEP Closeout Audit is broken down into four (4) sections:

1. BEP Instrument Review
 - a. Sample Set Properties
 - b. Non-Sample Properties
2. Bidding Practices
3. Match & Claims Compliance
 - a. Verification of Match Contribution(s)
 - b. Review of Claims Pertaining to Sample Set Properties
4. Visual Site Inspections of Sample Set Properties

The Closeout Audit Recipient Checklist has been attached to this Notice as Exhibit A. The checklist provides detailed descriptions of each section and also provides specific instructions to organize documentation and prepare for your audit.

Scheduling of an Audit

Audit scheduling is generally conducted by the BEP Progress & Participation Analyst. Effective December 1, 2018, all Audits shall be scheduled by IHCD at least forty-five (45) days in advance of the anticipated start date. Closeout Audits will be scheduled if at least one (1) of three (3) conditions has been met:

1. The Recipient has indicated that it has completed its BEP Project and is requesting to undergo a Closeout Audit;
2. IHCD has determined through regular greening progress checks that the Recipient has completed its BEP Project and the Recipient has not expressed intent to pursue surplus properties; or,
3. The Recipient's BEP Project has been terminated.

Audits generally occur at the Recipient's office and may take up to two (2) business days to complete. Specific information regarding the Audit's location, space requirements, and time will be provided in the Audit Confirmation Letter, attached to this Notice as Exhibit B.



Sample Size & Selection

For Projects of five (5) properties or less, all completed properties shall be included in the sample set. For those Projects containing forty-nine (49) or less properties, the sample set shall be five (5) properties. For Projects containing fifty (50) or more properties, the sample shall consist of ten percent (10%) of all completed properties. If the calculation does not result in a whole number, Staff will round to the nearest whole number.

Recipient Obligations & Expectations

Recipients selected to undergo a Closeout Audit must review, complete, and sign the Audit Terms & Conditions Form, attached to this Notice as Exhibit C. The Audit Terms & Conditions Form contains a set of conditions that Recipient must stipulate or agree to prior to commencement of the Closeout Audit. Such conditions include, but are not limited to, the Recipient's ability to provide a sufficient workspace for BEP Staff, Recipient's ability to have a representative available for consultation, Recipient's ability to provide documentation demonstrating that they have met the match obligation as listed in the Audit Terms & Conditions Form, and verification that ALL outstanding claims have been submitted, approved **and** paid prior to commencement of the Audit.

Blight Elimination Program Closeout Audit Recipient Checklist

Section 1A: Sample Set BEP Instruments

BEP Staff will take custody of **ALL original** Mortgages, Promissory Notes, and Demand Notes, as well as **copies** of the deeds and assessor's cards at the time of the audit. Should you need additional copies of these instruments for your records, please ensure that copies are made prior to the commencement of the audit.

For each and every property in the sample set, please provide the following:

- _____ (a) A **copy** of the Deed vesting title in the Program Partner;
- _____ (b) A **copy** the Assessor's Card for each property; and,
- _____ (c) All **original** HHF BEP Mortgages, Promissory Notes, and Demand Notes.

Documents must be sorted and compiled by property address in the order specified above. Please separate properties included in the sample set from those not included in the sample set.

Section 1B: Non-Sample Set BEP Instruments

For each and every property demolished, but not included in the sample set, please provide the following:

- _____ (a) A **copy** of the Deed vesting title in the Program Partner;
- _____ (b) A **copy** the Assessor's Card for each property; and,
- _____ (c) All **original** HHF BEP Mortgages, Promissory Notes, and Demand Notes.

Documents must be sorted and compiled by property address in the order specified above. Please separate properties included in the sample set from those not included in the sample set.

Section 2: Bidding Practices – *Including bids for all services ancillary to demolition*

BEP Staff will take into custody **copies** of all certified bid tabs. Please ensure that copies are made prior to the commencement of the audit.

For each BEP property included in the audit sample, please provide the following:

- _____ (a) The Notice to Bidders;
- _____ (b) All bid packages containing any/all sample set properties;
- _____ (c) The certified bid tab(s) for all corresponding bid packages submitted;
- _____ (d) All executed contract(s) for the winning bidder(s)/contractor(s); and,
- _____ (e) A copy of the winning contractor(s) Certificate of Insurance listing IHCD as an additional insured OR proof of Recipients'/Program Partner's comprehensive liability insurance, listing IHCD as an additional insured as required by Section 18: Insurance & Indemnification of the BEP Program Partner Agreement

Pursuant to BEP Notice 17-82, for ancillary services (i.e. – asbestos testing, asbestos remediation, rodent/pest eradication, property maintenance) procured after February 13, 2017 that were not included in the general demolition contract were to be bid out separately. Recipients must also provide the above requested documentation for any ancillary services that were bid out separately.

Section 3A: Match Contribution Verification

Please provide documentation demonstrating that the Recipient has expended funds in the amount of 10% of the portion of the BEP allocation utilized by the Recipient. This may include evidence of volunteer hours spent in support of the BEP, in-kind contributions of goods or services, or actual funds expended in support of Recipient's BEP effort.

BEP Staff will take custody of **copies** of the following requested documentation. Please ensure that copies are made prior to the commencement of the audit. Recipient's required match obligation will be stated in the Audit Terms & Conditions Form.

Supporting documentation may include but is not limited to the following documentation:

- _____ (a) Log/timesheet of volunteer hours (unskilled rate @ \$11/hour OR skilled rate @ prevailing wage rate/hour)
- _____ (b) List of forgiven liens with recorded lien releases OR other written verification from lien holder that lien has been forgiven
- _____ (c) List of delinquent taxes and proof that the Recipient has paid the taxes OR the taxes were discharged through other statutory processes (taxes claimed in acquisition or maintenance are ineligible to be considered as part of match contribution)
- _____ (d) Receipts and/or invoices with proof of payment for eligible program expenses that were not claimed.

Section 3B: Claims Compliance

Pursuant to BEP Notice 17-94 & the Acceptance of Audit Terms & Conditions Letter, all claims must be **submitted, approved, and paid before the audit commences**. Therefore, IHCDCA will close the IHCDCA Online Claims Portal upon receipt of the Recipient's signed Acceptance of Audit Terms & Conditions. Recipients should review all incurred costs and determine if there are any outstanding expenses that may be claimed in the below listed line items, and ensure all outstanding claims have been filed, approved, and paid prior to the return of the Acceptance of Audit Terms & Conditions. **Under no circumstances may the Recipient file additional claims after the closeout audit for that award has commenced. Any and all eligible unclaimed expenses discovered during the closeout audit will automatically be applied to the Recipient's match obligation.**

For each and every property in the sample set, please provide the following:

- _____ (a) All invoices for claims against properties in the audit sample.

Please compile all requested invoices, and proof of payment if applicable, **by property address** in the following order:

- _____ (1) Acquisition
- _____ (2) Legal
- _____ (3) Title & Appraisal
- _____ (4) Demolition
- _____ (5) Greening
- _____ (6) Maintenance & Admin

Pursuant to BEP Notice 18-99, Recipients must provide the following documentation for greening activities that occurred between February 12, 2018 and September 16, 2018:

- _____ (b) Cleanfill certification letters

Pursuant to BEP Notice 18-107, Recipients must provide the following documentation for greening activities that occurred on or after September 17, 2018:

- _____ (c) Backfill certification letter(s) provided by the material supplier, verifying that the backfill conforms to ASTM-D2487, Group Symbol SP or another fill material approved by IHCDCA
- _____ (d) Topsoil certification letter(s) provided by the material supplier, verifying that the topsoil is screened, free of stones larger than 2" in diameter, and free of contaminants and other deleterious substances
- _____ (e) Testing results to supplement the certification letters
- _____ (f) All backfill AND topsoil tickets from the supplier(s) for all materials used in the greening process(es).

Section 4: Site Inspections

For each and every property in the sample set, IHCDCA will conduct a visual site inspection to verify that the property has been greened, maintained in an acceptable condition, and to ensure that the end use has been met. IHCDCA will only inspect properties with a valid mortgage. Properties for which the mortgage has been released or expired will not be inspected.

Recipients are generally not required to attend the site inspections unless requested by IHCDCA. Should IHCDCA require that a representative of the Recipient accompany BEP Staff during the site inspections, IHCDCA will give advanced notice to the Recipient.

October 18, 2018

Mayor Walter Gunderson
City of Pawnee
100 Main Street
Pawnee, Indiana 46000

Re: Close-out Audit for the City of Pawnee
Award #: 2014D0-BEP-000
Audit #: 2018-A000

Mayor Gunderson:

IHCDA's records indicate that the City of Pawnee has completed its BEP Project. Pursuant to BEP Notice 18-108, IHCDA will conduct a Closeout Audit to finalize the closure of the City's Blight Elimination Program (BEP) Project and Award. BEP closeout audits are compliance audits to check for Recipients' compliance with BEP procedures and protocols; they are not financial audits. BEP Staff do not review deposits or withdrawals from the Recipient's BEP bank account.

The audit will commence at [Insert date and time] and take place at the [Recipient's] office located at [Recipient's address].

If the Recipient is unable to meet the requirements listed below at the designated location, please notify IHCDA of an alternative meeting space (such as a public library) no later than [Insert Postmark Date]. The Recipient may also request to meet at IHCDA's offices in Indianapolis, IN.

BEP Staff have scheduled the audit over a period of two (2) days to ensure sufficient time to thoroughly review all audit areas and to allow the Recipient sufficient time to respond to any observations or findings. Should BEP Staff complete review of the audit sample on day one (1), there will be no need for a second day and the Staff's in-field review will conclude on day one (1).

To assist you in preparing for the audit, BEP Staff has included the following with this letter:

- 1) "Closeout Audit Recipient Checklist", describing the audit focus areas and listing document requirements for each area of review; and,
- 2) Recipient's "Acceptance of Audit Terms & Conditions" Form, which must be signed and returned by [Insert Postmark Date from Form].

The following members of the BEP Staff will be meeting with you at the designated date and time:

- 1) Rayanna A. Binder, Blight Elimination Program Director
- 2) Timothy J. Parthun, Program Oversight Coordinator
- 3) Kevin Reeves, Program Compliance Analyst
- 4) Amber Abrams-Shamsaie, Progress & Participation Analyst

As part of the audit process, IHCDA selects a sample set of properties to be reviewed. (For information regarding sample set size and selection, please refer to BEP Notice 18-108.)



The following properties have been selected as the [Recipient's] sample set:

<i>Property Address</i>	<i>Program Partner</i>	<i>End Use</i>
1234 Knope Drive, Pawnee, IN 46000	Friends of Pawnee	Greenspace
109 Swanson Boulevard, Pawnee, IN 46000	Friends of Pawnee	Habitat Build
930 Mulaley Way, Pawnee, IN 46000	Friends of Pawnee	Greenspace
1843 Harrison Parkway, Pawnee, IN 46000	Harrison Neighborhood Preservation Inc.	Pocket Park
1888 Harrison Drive, Pawnee, IN 46000	Harrison Neighborhood Preservation Inc.	Pocket Park

The Closeout Audit Recipient Checklist provides specific instructions to organize documentation and prepare for your audit. **Using this checklist to organize is essential to ensure a concise and efficient audit.**

Should you have any questions after reviewing the audit documents, please feel free to contact the undersigned at 317-233-4611 or aabrams@ihcda.in.gov.

Best Regards,

Amber Abrams-Shamsaie,
BEP Progress & Participation Analyst

EXAMPLE - NOT FOR OFFICIAL USE

Blight Elimination Program
Acceptance of Audit Terms and Conditions

I, _____, being a representative for the _____, do hereby
Name of Signatory Recipient Name
acknowledge that I have thoroughly reviewed the Audit Confirmation Letter, the Closeout Audit Recipient Checklist, and the Audit Terms and Conditions. I understand and acknowledge that the Recipient must sign and return its Acceptance of Audit Terms & Conditions no later than [postmark date]. By initialing each statement and signing below, I further acknowledge and accept the terms and conditions of the Blight Elimination Program (BEP) Closeout Audit. Failure to return this signed Acknowledgement by [insert postmark date] will result in an observation of the Recipient's non-compliance in the final report.

1. I have thoroughly reviewed the Audit Confirmation Letter and understand the scope and requirements of the BEP Closeout Audit. _____
2. I confirm that a representative of the Recipient will be available for questions and consultation during the entirety of Sections 1 – 3 of the BEP Closeout Audit, and further understand that I will be given notice when review has been completed. _____
3. I understand that a representative may be asked to accompany BEP Staff during site inspections conducted under Section 4 of the BEP Closeout Audit, and further understand I will be given advanced notice if such a request is made. _____
4. I confirm that the Recipient will provide a workspace to accommodate up to four (4) BEP Staff members. I further confirm that access to electrical outlets AND internet will be provided to BEP Staff during the BEP Closeout Audit. If the Recipient is unable to provide internet access for any reason, advanced notice will be given to IHCDA so that other accommodations can be made. _____
5. I have thoroughly reviewed the Recipient's Audit Checklist and understand that the requested items must be made available to BEP Staff upon commencement of the BEP Closeout Audit. _____
6. I understand and acknowledge that BEP Staff will take custody of ALL ORIGINAL, Recorded Mortgages, Promissory Notes, and Demand Notes, regardless of whether the property was included in the audit sample set. _____
7. I confirm that the BEP Instruments will be compiled by property address in the following order to expedite the review process: Copy of Recorded Deed, copy of Assessor's Card, Recorded Mortgage, original Promissory Note, and original Demand Note. _____
8. I understand and acknowledge that the Recipient has an obligation under Paragraph 12: Match Funds of the BEP Recipient & Program Partner Agreement to demonstrate a match

contribution of ten percent (10%) with regard to the amount of the award utilized. IHCDA records indicate that the Recipient has utilized [\$100,000.00] Recipient further acknowledges and understands its match obligation is [10,000.00], and may provide documentation and/or cash to fulfill the match requirement. _____

9. I confirm that the Recipient will review all incurred program costs and determine if any outstanding expenses related to Acquisition, Legal, Title, Appraisal, Demolition, Greening, Maintenance, and/or Administration remain unclaimed. I further acknowledge that if outstanding expenses remain, the Recipient shall have until [insert postmark date] to submit claims for said expenses. _____
10. I understand and acknowledge that ALL claims including admin, maintenance, and repayments, must be filed, submitted, approved **and** paid before the audit commences, and that access to the IHCDA Online Claims Portal will be closed indefinitely on [insert postmark date], regardless of whether the Recipient returns its Acceptance of the Audit Terms & Conditions. _____
11. I understand and acknowledge that if the Recipient owes funds to IHCDA, a repayment claim is required to be submitted through IHCDA Online no later than [Insert Postmark Date]. I further acknowledge that if a check for the amount corresponding to the repayment claim has not already been tendered to IHCDA, the check is attached to this signed Acceptance. _____
12. I further acknowledge that if any eligible, unclaimed expenses are discovered during the audit the Recipient will forfeit the ability to submit claims for these expenses, pursuant to BEP Notice 17-94. Such expenses will then be applied to the Recipient's match contribution. _____
13. I understand and acknowledge that if any observations are made during the BEP Closeout Audit, the Recipient will have three (3) business days to respond. If the Recipient's response is sufficient, the observation will be withdrawn by IHCDA. If the Recipient's response is insufficient, or no response is provided within three (3) business days, the observation will be upheld and published as a finding in the final audit report, and the audit shall be closed. _____

Recipient (Award #)

Signature

Title

Printed Name

Date