



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT  
San Francisco Regional Office – Region IX  
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July 31, 2024

Reagan Wilson  
City Manager  
City of Turlock  
156 S. Broadway, Ste. 230  
Turlock, CA 95380-5454

Dear Mr. Wilson:

**SUBJECT:** Federal Fiscal Year (FFY) 2024 Monitoring  
Prior Year Open Finding Final Closure Letter  
Community Development Block Grant (CDBG) Program  
HOME Investment Partnerships (HOME) Program  
City of Turlock, California

From Monday, May 20th through Friday, May 24th, 2024, the Department of Housing and Urban Development (HUD or Department) conducted a remote monitoring of city of Turlock's (City) CDBG-CV program in order to assess the City's performance and compliance with applicable Federal program requirements. HUD's review of the City's program performance resulted in the identification of 0 Findings and 0 Concerns, as communicated in the FY2024 Monitoring Report. Additionally, the FFY2024 Turlock monitoring review provided an opportunity to address open findings from previous HUD monitoring reviews. The city provided its most recent responses to HUD open findings from prior years.

**Status Summary:**

This table summarizes the status of the FFY 2010, 2014, 2019, and 2022 open monitoring findings, inclusive of prior responses and the most recent response provided:

<b>Finding #</b>	<b>Finding</b>	<b>Status</b>
2010-1	No written policies and procedures for the administration of the HOME program	Closed - 7/1/2024
2010-2	No monitoring has been conducted on Consortium HOME-funded activities since program inception	Closed - 7/1/2024
2010-3	Subrecipient written agreements do not include numerous federally required contract provisions	Closed - 7/1/2024
2014-1	Grantee lacks adequate controls to ensure CDBG subrecipients use funds in accordance with CDBG requirements	Closed - 7/1/2024
2014-2	Grantee did not complete reporting on its basic financial statements and federal single audit in a timely manner	Closed - 7/1/2024
2019-1 & 2019-4	Infrequent project drawdown of CDBG funds	Closed - 7/1/2024 (two findings)

2019-2	HOME PJ does not disburse funds within 15 days of a draw. [24 CFR 92.502(c)(2)]	Closed - 7/1/2024
2019-3	PJ 2003-TRIANGLE, IDIS Activity Number 169, was terminated before completion	Closed - 7/30/2024
2022-1	City had incorrectly classified IDIS Activity ID 799	Closed - 7/1/2024
2022-2	City lacks a current Residential Anti-displacement and Relocation Assistance Plan	Closed - 7/1/2024
2022-3	Absence of dated signatures on agreement	Closed - 7/1/2024
2022-4	Absence of federal provisions in agreement	Closed - 7/1/2024
2022-5	HOME funds exceed allowable amount	Closed - 7/30/2024
2022-6	City does not have comprehensive written policies and procedures as required under HOME regulation 24 CFR Section 92.504(a)	Closed - 7/1/2024

Enclosed please find the results of the Department's review of the city's most recent response. Based on this review, sufficient information has been provided as of the date of this letter to close 15 of the 15 Findings.

**Next Steps:**

All findings are now closed, and no further response is needed.

The Department would like to thank you and your staff for your professionalism and cooperation during the review. Turlock is carrying out valuable programs that are successfully supporting housing and community development activities. Your HUD Reviewers, Pam Moseley, CPD Representative, and Chris Anderson, Senior CPD Representative, are available to discuss the results of this letter or provide technical assistance, if requested, and can be reached at [pamela.m.moseley@hud.gov](mailto:pamela.m.moseley@hud.gov) and [christian.d.anderson@hud.gov](mailto:christian.d.anderson@hud.gov).

Sincerely,

ALICE  
WALKUP

Alice Walkup  
Director  
Community Planning and  
Development Division

Digitally signed by: ALICE WALKUP  
DN: CN = ALICE WALKUP C = US O  
= U.S. Government OU = Department  
of Housing and Urban Development,  
Office of Community Planning and  
Development  
Date: 2024.07.31 19:35:46 -0700

Enclosure

## HUD Open Findings Review

### **Finding 2010-1**

**Condition:** There are no written policies and procedures for the administration of the HOME program.

**Corrective Action:** The City needs to revise its draft HOME policies and procedures and have them adopted by the City Council. This issue will continue to be a finding until the City has completed them and submitted them to HUD for review. The City should also review findings applicable to HOME policies and procedures that are issued for the 2022 monitoring. On July 13, 2022, HUD CPD Representative, Ray Webster, sent Maria Ramos, of the City, the HOME Policies and Procedures Manual from Mesa, Arizona. The manual was developed by another HUD staff person experienced with the HOME program, Ra'Chel'Ni R Mar'na, when he administered the program locally. This sample may be helpful to the City in finalizing its draft policies and procedures. However, the City should ensure that, if they are used, they are checked to make sure they include any recent changes to the regulations that may have occurred since they were developed.

**Grantee Response:** The City provided HUD with finalized HOME policies and procedures, Turlock HOME Policy Procedure Manual. It was adopted by the Turlock City Council on 4-9-2024.

**HUD Response:** HUD received Turlock's HOME policies and procedures, adopted by Turlock City Council on 4-9-2024, via GDX during the monitoring review. In review of Turlock's HOME policies and procedures, the Department considers the corrective action to be addressed and this Finding to be closed.

### **Finding 2010-2**

**Condition:** No monitoring has been conducted on Consortium HOME-funded activities since program inception.

**Corrective Action:** According to the City, it has still not monitored its subrecipients or private developers. To address this finding, the City shall submit evidence that it has monitored its HOME-funded activities within 60 days of this letter.

**Grantee Response:** The City provided its adopted monitoring plan, including schedule, and has provided documents from its monitored HOME funded activities. The materials included monitoring summary letters for Newman, Haven Sage House, and CVCAH.

**HUD Response:** The City provided the requested documents per the corrective action, including monitoring summary letters for three HOME-funded activities. In review of the monitoring documents submitted by the City, the Department considers the corrective action to be addressed and this Finding to be closed.

### **Finding 2010-3**

**Condition:** Subrecipient written agreements do not include numerous federally required contract provisions.

**Corrective Action:** There is also a finding below relative to the City's loan agreement with Avena Bella II, LCC that also does not include numerous contract provisions in the agreement. Please review the finding under Exhibit 7-29. This issue will continue to be a finding until the City addresses the corrective action.

**Grantee Response:** The City has amended the Avena Bella II, LCC, loan agreement to include VAWA, project schedule and budget, floating units, and regulatory citations of 24 CFR Section 92 and 2 CFR Section 200. The City will utilize this template for future agreements.

**HUD Response:** HUD found that the requested contract provisions were included in the City's loan agreement amendment. In review of the City's loan agreement amendment, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2014-1**

**Condition:** Grantee lacks adequate controls to ensure CDBG subrecipients use funds in accordance with CDBG requirements

**Revised Corrective Action:** The City shall update the plan to meet current regulations to clear this finding. Within 60 days of this letter, please provide HUD with the revised monitoring plan and evidence it has conducted monitoring in accordance with the plan.

**Grantee Response:** The City provided HUD finalized CDBG Policies and Procedures, Turlock Community Development Policies & Procedures, approved by City Council April 9, 2024. Turlock provided the Turlock CDBG Monitoring Plan, approved by City Council April 9, 2024. Turlock provided evidence of monitoring through its CHSS monitoring letter.

**HUD Response:** The City provided the requested documents from the corrective action noted above. In review of the City's CDBG policies and procedures, monitoring plan, and monitoring letter, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2014-2**

**Condition:** The City of Turlock did not meet the reporting deadline for its basic financial statements and federal single audit. The June 30, 2012, basic financial statements and federal single audit were issued on July 19, 2013, which was over thirteen months after year-end closing.

**Corrective Action:** The delay appears to be isolated to the fiscal year in question and does not appear to be a systemic problem; therefore, no corrective action is required.

**Grantee Response:** No corrective action is needed by City. Turlock also provided its most recent single audit during the monitoring review.

**HUD Response:** In review of the finding that no corrective action was required, the Department considers the corrective action to be addressed and this Finding to be closed.

**Findings 2019-1 & 2019-4** Infrequent project drawdown of CDBG funds negatively affects the city's overall performance and HUD's program oversight and evaluation.

**Condition:** The city infrequently drew down CDBG funds for incurred and invoiced costs during the PY2017 and PY2018 program years. It did make regular Administrative drawdowns.

**Revised Corrective Action:** To clear these findings, the City has 90 days from date of monitoring letter to provide the revised financial policies and procedures addressing infrequent CDBG and HOME draws.

**Grantee Response:** Turlock provided the revised financial policies and procedures, CDBG Policy and Procedures Manual Adopted 4-9-24-updated 06.07.2024.PDF. The document includes a Financial Section with Timely Expenditure of Funds listed on page 18.

**HUD Response:** Turlock provided the required documentation based on the revised corrective action. In review of the City's CDBG Policy and Procedures Manual that was provided, the Department considers the corrective action to be addressed and these Findings to be closed.

#### **Finding 2019-2**

**Condition:** HOME PJ does not disburse funds within 15 days of a draw. [24 CFR 92.502(c)(2)]

**Corrective Action:** Within 90 days of this letter (1/17/2020), the grantee is requested to submit to HUD revised financial management policies and procedures that address the HOME program timely draws requirements.

**Grantee Response:** The City provided the revised HOME program policies and procedures, adopted by City Council on 4-9-2024, to address the Corrective Action. The language, addressing financial management and HOME program timely draw requirements, is included.

**HUD Response:** HUD found that the City's revised HOME program policies and procedures included updated financial management policies and procedures addressed the HOME program timely draws requirements. In review of the City's HOME program policies and procedures, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2019-3**

**Condition:** PJ 2003-TRIANGLE, IDIS Activity Number 169, was terminated before completion. HUD requested that the City repay all funds invested in this project to the local HOME Program account.

**Corrective Action:** To address this deficiency, the grantee is requested to take the following action(s): repay \$290,951.49 expended on this project to its HOME Investment Trust Fund local account and provide documentation of the repayment from non-federal funds to this office within 30 days of this letter (1/27/2019). Specifically, the PJ must submit to HUD a canceled check, a copy of deposit slip, or a copy of a blank ledger documenting the repayment and create a repayment to the local account (IU) receipt in IDIS. The repaid IU funds may be committed to other eligible HOME projects consistent with Turlock's annual action plan.

**Grantee Response:** On June 24, 2020, the City Council approved a partial repayment of the funds owed to the HOME account to remedy the 2019-3 finding. A copy of the General Ledger report showing a transfer from the General Fund into the local HOME Account in the amount of \$152,000. The City submitted a formal letter to authorize the remaining \$138,951.49 through the VGR process and agreed to have funds recaptured from 2022 HOME funding.

**HUD Response:** HUD accepted the repayment in the amount of \$152,000 and processed the requested VGR in the amount of \$138,951.49. Total repayment amount of \$290,951.89 matches the corrective action amount. In review of the City's partial repayment for \$152,000 and VGR for \$138,951.49 which were both processed by HUD, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2022-1**

**Condition:** Ray Webster, CPD Representative, initiated the process by conducting a cursory review of the case file, IDIS Activity ID 799 – Temporary Relocation (CDBG) 2019 – 2020. The review indicated that the City used CDBG funds to provide a \$1,000 grant to allow a homeowner to rent a portable storage unit to store their furniture and other personal items while their home was being rehabilitated. City staff indicated that the homeowner remained in the house while the work was being performed. Since the homeowner was not considered displaced, the activity is not eligible under the URA (24 CFR Section

570.201(i)). However, the cost for the activity should have been charged as part of the delivery of the rehabilitation assistance, provided that its necessity was documented.

**Corrective Action:** Within 60 days of this letter, the City must take these two corrective actions: (1) return the funds charged under IDIS Activity ID 799 and then apply them to the CDBG activity it provided the homeowner housing rehabilitation assistance along with its justification as a necessary delivery costs, and (2) develop and submit to HUD a housing rehabilitation program policy for providing similar services, such as renting storage, so that the City delineates the level of service available to all prospective clients.

**Grantee Response:** The City canceled IDIS Activity ID 799 in IDIS and funds were assigned to the homeowner housing rehabilitation assistance activity with its justification. CDBG Policy and Procedures Manual Adopted 4-9-24-updated 06.07.2024.PDF includes housing rehabilitation program policy and procedures.

**HUD Response:** The City provided HUD with the requested documents per the corrective action. In review of the City's CDBG program policies and procedures manual and Residential Anti-Displacement and Relocation Assistance Policy, we consider the corrective action to be addressed and this Finding to be closed.

### **Finding 2022-2**

**Condition:** The City adopted a plan entitled, "Displacement Plan Community Development Block Grant Program City of Turlock 1995."

**Corrective Action:** The City must update its current "Displacement Plan" to reflect the RARAP requirements. The City must provide the updated Displacement Plan to HUD within 60 days of this letter to clear this finding.

**Grantee Response:** The City received consultation from HUD relocation content expert and adopted a comprehensive housing rehabilitation program policy, City of Turlock Residential Anti-Displacement & Relocation Assistance Policy, adopted January 2024.

**HUD Response:** The City provided HUD with the requested documents. In review of the City's CDBG program policies and procedures manual and Residential Anti-Displacement and Relocation Assistance Policy, the Department considers the corrective action to be addressed and this Finding to be closed.

### **Finding 2022-3**

**Condition:** The City lacks policies and procedures that require dated signatures of all parties on HOME written agreements.

**Corrective Action:** To resolve this finding, the City shall revise its HOME policies and procedures to include a provision on HOME Agreements and committing HOME funds that specifically requires that written agreements include dated signatures of all parties. Please provide the requested documentation within 60 days of the date of this letter.

**Grantee Response:** The City revised its HOME policies and procedures to include HOME regulatory requirements, and page 33 requires dated signature of all parties on written agreement as required under 24 CFR Section 92.504.

**HUD Response:** The City provided HUD with the requested documents. In review of the City's HOME policies and procedures, Execution of Agreement on page 33, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2022-4**

**Condition:** The City lacks many HOME compliant policies and procedures and does not follow those that do meet the requirements.

**Corrective Action:** To resolve this finding, the City must take the following corrective actions:

1. amend the loan agreement with Avena Bella II, LP., to include the requirements listed in the monitoring report;
2. the owner must amend the current leases with tenants to include the correct VAWA addendum and begin using the updated VAWA addendum for all future leases;
3. revise policies and procedures that conforms with all current HOME written agreement requirements; and
4. develop a project compliance checklist to be used by City staff to ensure that all HOME requirements are met including applicable record keeping requirements pursuant to 24 CFR Section 92.508(a)(3)(i).

Within 60 days of the related letter, please provide documentation demonstrating that the corrective actions listed above have been addressed including the amended loan agreement, assurance that the owner is using the correct VAWA addendum, revised policies and procedures, and a project compliance checklist.

**Grantee Response:** The City has amended the amended loan agreement, ensuring that the owner is using the correct VAWA addendum, revised HOME policies and procedures, and a HOME project compliance checklist.

**HUD Response:** The City provided the requested documents. HUD found that the requested contract provisions were included in the City's loan agreement amendment. In review of the City's loan agreement amendment and documents provided, the Department considers the corrective action to be addressed and this Finding to be closed.

#### **Finding 2022-5**

**Condition:** The files reviewed with the City did not produce a subsidy layering and underwriting review to ensure HOME funds invested in the project were at or below the applicable maximum per-unit HOME subsidy limit.

**Revised Corrective Action:** To address this finding, the grantee is requested to take the following action(s): repay the \$133,625, which is the amount that the City exceeded the maximum subsidy limit for this project, to its HOME Investment Trust Fund local account and provide documentation of the repayment from non-federal funds to this office within 60 days from the date of this letter. Specifically, the City must submit to HUD a canceled check, a copy of deposit slip, or a copy of a bank ledger documenting the repayment and create a repayment to the local account (IU) receipt in IDIS. The repaid IU funds may be committed to other eligible HOME projects consistent with the City of Turlock's annual action plan.

**Grantee Response:** The City submitted a formal letter to authorize the remaining \$133,625.00 through the VGR process and agreed to have funds recaptured from 2022 HOME funding.

**HUD Response:** HUD accepted and processed the requested VGR in the amount of \$133,625.00. In review of the City's VGR for \$133,625.00, the Department considers the corrective action to be addressed and this Finding to be closed.

**Finding 2022-6**

**Condition:** The City lacks HOME policies and procedures that meet the HOME regulation at 24 CFR Section 92.504(a), specifically related to rental as indicated above.

**Corrective Action:** To resolve this finding, the City shall revise its HOME policies and procedures to meet all the requirements at 24 CFR Section 92.504(a) including those applicable to rental and provide them to HUD within 60 days of the date of this letter.

**Grantee Response:** The City revised its HOME policies and procedures to meet all HOME requirements, including 24 CFR Section 92.504(1).

**HUD Response:** HUD received Turlock's HOME policies and procedures, adopted by Turlock City Council on 4-9-2024, via GDX during the monitoring review. In review of Turlock's HOME policies and procedures, the Department considers the corrective action to be addressed and this Finding to be closed.