



June 14, 2019

Jennifer Brinkman, Chairperson  
Lancaster County  
555 South 10<sup>th</sup> Street, RM 110.  
Lincoln, NE 68508

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LANCASTER COUNTY  
BOARD

RE: Lancaster County - CDBG Economic Development Revolving Loan Fund Program Income – Performance Monitoring Report – Action Required

Dear Chairperson Brinkman:

This is a summary of the monitoring review conducted by Tom Stephens, Financial Packager for the Department of Economic Development ("Department" or "DED"), on June 13, 2019, for the above referenced Community Development Block Grant ("CDBG") Economic Development Revolving Loan Fund Program Income ("RLF"). The monitoring covered activity during the fiscal years of 2011 through 2018, (a time period, which covers July 1, 2011, through December 31, 2018). Dennis Meyer, Budget and Fiscal Officer, Lancaster County, and Tom Bliss, Certified Administrator, Southeast Nebraska Development District (SEND), assisted in the review by providing documents and information. All statements pertain to events through and including December 31, 2018, and subsequent events are not evaluated in this report.

#### Continued RLF

Units of General Local Government ("UGLG"s) can decide to discontinue their RLF, and remit the Program Income to DED. Lancaster County has decided to continue operating their RLF.

**Observation:** Local governments are encouraged to consider discontinuance of the RFL due to inactivity and holding relatively low fund balances. Your RLF has been inactive since 2012. Funds can be remitted to DED (at any time to discontinue), and the County can always apply for future CDBG grants, or consider utilizing the NDO process to "de-federalize" the existing (federal) funds. Discontinuance would also alleviate the burdensome reporting requirements the fund entails. DED suggests a review of fund inactivity status with its Certified Administrator. No immediate action is required otherwise.

#### Program Income Reporting – Satisfactory Performance

Program Income reports are submitted semi-annually and show details of RLF Program Income (that is, loan activity and fund balances). All reports are up-to-date, timely, complete, and signed by the Chief Elected Official.

#### National Objective Compliance – Not Applicable

No loans were selected for review.

**Financial Management – Concerns – Action Required**

1. **Cash Management:** RLF funds were kept in a financial institution. Compliance with cash management requirements was noted in all cases. Funds are required to be kept in a separate interest-bearing bank account, and this is a *Concern*.  
**Concern:** Local governments are required to keep RLF funds in a separate interest-bearing bank account. The County is required to show its funds in such an account, under County control and ownership. **Action is required, and the County must submit evidence of a separate bank account for these RLF funds to demonstrate compliance no later than September 30, 2019.**
2. **Accounting Records:** Administrative costs were reviewed for reasonableness. Administrative costs were found to exceed 5% of program income received, and that is a *Concern*.  
**Concern:** Administrative expenses cannot exceed 5% of program income received during a time period, and the County has exceeded this limit. Administrative costs associated with managing RLF may require other funding sources to cover costs. While no further action is required at this time, the County must be aware of the 5% limit on program income received for administrative expenses and not exceed the limit in future RLF reports.

**Environmental Review – Not Applicable**

No new loans were reviewed.

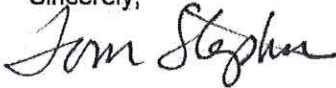
**Legal Files/Loan Documents**

One new loan was created during time period covered by the monitoring review. No loans were selected for review. The RLF fund did use a Certified Administrator.

**Summary**

This report identified one *Concern* for high administrative costs, and another *Concern* for a lack of a separate bank account, which requires action. **Please submit evidence of a separate bank account, to address this Concern by September 30, 2019.** All other areas of the review were satisfactory. If you have questions, please contact me (as the Program Representative) at (402) 471-6587 or [tom.stephens@nebraska.gov](mailto:tom.stephens@nebraska.gov).

Sincerely,



Tom Stephens  
Economic Development Financial Packager  
Housing and Community Development Division

Cc (email): Dennis Meyer, Budget and Fiscal Officer, Lancaster County  
Tom Bliss, Certified Administration, SENDD  
CDBG ED RLF file