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OFFICE OF INSPECTOR GENERAL

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# Follow-up to OIG's Audit of the Department of Planning and Development's Administration of the Neighborhood Opportunity Fund Small Grants Program

January 4, 2024

# I | Introduction

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its December 2022 audit of the Department of Planning and Development's (DPD) administration of the Neighborhood Opportunity Fund (NOF) Small Grants program. Based on the Department's responses, OIG concludes that DPD has fully implemented two of the corrective actions related to the audit findings, substantially implemented another, and partially implemented the fourth.

Established in 2016, NOF is an economic development tool that provides grants for development projects in "neighborhoods impacted by poverty, high unemployment, and other indicators of economic deprivation."<sup>1</sup> NOF is funded by contributions from property developers who are required to contribute in exchange for permission to undertake downtown construction projects that exceed the Chicago Zoning Ordinance's size limits. Through NOF, DPD awards small grants up to \$250,000 and large grants between \$250,000 and \$2.5 million. The Small and Large Grants programs are currently administrated in separate divisions of DPD and have different direct management. Considering this operational separation, OIG focused the December 2022 audit on the Small Grants program.

The purpose of the 2022 audit was to determine whether DPD selected grantees based on application requirements, monitored funded projects for compliance with program requirements, and formally measured the program's progress toward defined goals. OIG's audit determined that DPD adhered to selection and monitoring procedures, ensuring that the NOF Small Grants program awards grants to qualified applicants for approved project costs. OIG also determined, however, that DPD did not formally measure the program's progress toward defined goals, precluding it from determining whether the NOF Small Grants program had its intended effect of improving social and economic outcomes.

Based on the results of the audit, OIG recommended that DPD improve its procedures to ensure completion of all grantee selection steps and retention of related records. In addition, OIG recommended that DPD define measurable program goals and develop performance measurement procedures that would facilitate the assessment of progress toward those goals. Finally, OIG recommended that DPD ensure that it collects the contractually required quarterly performance reports from the third-party program administrator. In its response to the audit, DPD described corrective actions it would take.

In August 2023, OIG inquired about corrective actions taken by DPD in response to the audit. Based on DPD's follow-up response, OIG concludes that DPD fully implemented two corrective actions, substantially implemented one, and partially implemented the fourth. Specifically, DPD has documented a project application timeline and review process to ensure that all grantee selection steps are completed. DPD identified measurable goals and key performance indicators for the program, but could improve communication regarding the alignment between the goals and the key performance indicators. DPD also worked with its program administrator, SomerCor, to develop a standard quarterly reporting document, although this does not include some key metrics required by the SomerCor contract. Below, OIG summarizes its audit findings and recommendations, as well as DPD's response to the follow-up inquiry.

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<sup>1</sup> City of Chicago, MCC § 16-14-040.

OIG thanks the staff and leadership of DPD for their cooperation during the audit and their responsiveness to the follow-up inquiry.

## II | Follow-Up Results

In August 2023, OIG followed up on its December 2022 audit of the Department of Planning and Development's Administration of the Neighborhood Opportunity Fund (NOF) Small Grants Program.<sup>2</sup> DPD responded by describing the corrective actions it has taken and providing supporting documentation. Below, OIG summarizes the two original findings, the associated recommendations, and the status of DPD's corrective actions in response to those recommendations. OIG did not observe or test implementation of the new procedures in this follow-up; thus, it makes no determination as to their effectiveness, which would require a new audit with full testing.

### | Finding 1: DPD selects qualified applicants and monitors projects to ensure that they meet Small Grants program requirements.

#### OIG Recommendation 1 |

OIG recommended that DPD improve its current procedures to ensure that all grantee selection steps are completed and related records are retained. Such procedural improvements should include conducting the relevant due diligence reviews for grantees who join the program in later stages of the selection process.<sup>3</sup>

#### State of Corrective Action 1 | Fully Implemented

The Department has established an NOF Application Timeline and Review process that defines four project review and selection steps:

1. Eligibility screening
2. Readiness and feasibility scoring
3. Community engagement and impact assessment
4. Advisory committee review

The Timeline lists action items within each step with time projections for each. It also identifies parties responsible for those tasks including NOF staff, SomerCor, and other City departments. DPD provided documentation showing review and approval at each step for the first round of 2023 grant awards. DPD also stated that it uses a database called Proma to track applicants throughout the review process and maintain program records.

DPD stated that the Small Grants program no longer accepts replacement applicants to join in later stages of the selection process in the event that earlier applicants leave. It has not developed a due diligence process for such a situation because it does not intend for this to be a feature of the program going forward.

<sup>2</sup> City of Chicago Office of Inspector General, "Department of Planning and Development's Administration of the Neighborhood Opportunity Fund Small Grants Program," December 28, 2022, <https://igchicago.org/publications/the-department-of-planning-and-developments-administration-of-the-neighborhood-opportunity-fund-small-grants-program/>.

<sup>3</sup> During the original audit, OIG found that DPD consistently performed the majority of the steps within the selection process but did not perform all steps for grantees that joined later in the process. Therefore, OIG recommended that procedural improvements address that specific situation.

## | Finding 2: DPD does not formally measure the NOF Small Grants program’s performance to evaluate its outcomes.

### OIG Recommendation 2 |

OIG recommended that DPD convert its guiding principles into measurable goals.

### State of Corrective Action 2 | Substantially Implemented

DPD stated it “has completed a process of aligning the NOF program’s Guiding Principles into clear measurable goals.” The department set four measurable, program-wide performance goals for fiscal year 2024:

- 20 new grant contracts awarded
- \$4.5 million disbursed
- 4 projects per million dollars disbursed
- 24 projects completed

DPD has also created measurable indicators for each of the guiding principles established at the program’s launch, shown in Figure 1.

Figure 1: **NOF’s** key performance indicators align with **the program’s** guiding principles.

Guiding Principle	Key Performance Indicator
Invest in the communities with the most need.	Dollar amount of city investment and total project cost by corridor, ward, region, and community area.
Make targeted communities more livable, walkable, and vibrant places.	Number of projects by end use type by corridor, ward, region, and community area.
Prioritize resident requested uses and projects that are catalyst for change.	Number of projects that clearly demonstrate community support via local letters of support and references to recent community plans.
Ensure investments are complementary to the community or corridors to better support long-term sustainability.	Number of projects by end use, total project cost, and City investment by corridor, ward, region, and community area. Recent private or public investment by end use and total project cost.
Build community-based-wealth by supporting local entrepreneurs who look to hire locally.	Number of locally selected applicants and number of local hires by corridor, ward, and community area.

Source: OIG visualization of DPD information.

Identifying specific goals and converting the program’s largely qualitative principles into measurable performance indicators marks important growth. There is still an opportunity for DPD to

communicate how its goals relate to its key performance indicators. For example, DPD identifies project type as a key performance indicator, but that component is not expressly addressed in the four measurable goals.

### OIG Recommendation 3 |

OIG recommended that DPD develop performance measurement procedures that allow it to assess the program's progress toward the defined goals and to adjust operations as needed.

### State of Corrective Action 3 | Fully Implemented

DPD has developed a list of performance measurement procedures that establish the indicators it tracks, set a weekly data collection schedule, identified the people responsible for collecting and updating the data, and implemented quarterly and annual reporting periods. These will reasonably allow it to track the program's progress toward its goals. DPD intends to use the performance indicators to "study program trends, better identify challenges, and recognize emerging opportunities."

The Department also stated that it is developing a Program Technical Assistance Fund to help finalists with design and construction management, and a Guaranteed Loan Fund to assist finalists with obtaining loans. DPD believes these adjustments will further align the program's performance with its guiding principles. The Department anticipates both funds will be operational in early 2024.

### OIG Recommendation 4 |

OIG recommended that DPD ensure that its program administrator meets its contractual obligation to develop and submit quarterly program performance reports, thereby potentially informing the Department's effort to set goals and implement performance measures.

### State of Corrective Action 4 | Partially Implemented

DPD now ensures that program administrator SomerCor produces quarterly reports of program performance, and has developed a standard quarterly reporting document. This report contains several performance indicators, such as number of program applications, contracts awarded, active, completed, and removed projects, and total dollars disbursed. However, it does not include other metrics required by the SomerCor contract for each project closed over the previous quarter. For example, the report does not provide information about the total number of jobs created and retained, the number of vacant commercial units occupied, the number of businesses expanded, or the number of start-up businesses launched. Additionally, the contract requires SomerCor to report on "other measurable economic benefits of the program as agreed upon between SomerCor and DPD." DPD could request that SomerCor include metrics related to the key performance indicators it identified, such as summarizing investments by geographic area, the number of cultural or business projects, and the number of projects that demonstrate community support.



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