

**FULTON COUNTY DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
MONITORING OF THE HOME PROGRAM POLICIES
AND PROCEDURES**

December 2, 2009



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December 2, 2009

Zachary L. Williams
County Manager
County Manager's Office
141 Pryor Street
Atlanta, GA 30303

Dear Mr. Williams:

We have completed our quarterly monitoring and reviewing of the Home Program policies and procedures implementation at the request of the Department and Urban Development (HUD). The Home funded programs that were subject to our review were the Housing Rehabilitation, Tenant Base Rental Assistance, Community Housing Development Organization, and the Home Ownership Assistance Programs. The purpose of our review was to determine if FCHCD implemented proper controls and procedures to ensure effective monitoring of its Home. To accomplish this objective, we reviewed, we reviewed program files, searched for activities which could not be completed in a timely manner, we examined various programs for commitment and expenditures dates of Home funds and we did tests to determine if controls were sufficient to satisfy HUD's requirements.

Our findings and recommendations are attached to this report.

Sincerely,

Anthony Nicks
Director of Internal Audit

AN:sd

cc: Gwendolyn Warren, Deputy County Manager
Troy White, Office of Housing, Director

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MONITORING OF THE HOME PROGRAM POLICIES AND PROCEDURES IMPLEMENTED

Introduction

At the request of the U. S. Department of Housing and Urban Development (HUD), we monitored and reviewed the effectiveness of the policies and procedures implemented for the HOME Investment Partnership Program adopted by Fulton County Housing and Community Development (FCHCD). The purpose of our review was to determine if FCHCD implemented proper controls and procedures to ensure effective monitoring of its HOME program and established adequate internal control procedures to address the audit findings issued in the HUD report dated March 7, 2008.

The HOME funded programs subject to our review were the Housing Rehabilitation, Tenant Based Rental Assistance, Community Housing Development Organization, and the Home Ownership Assistance Programs. The various programs are described as follows:

- Housing Rehabilitation Program provides deferred payment loans (DPL) to improve the living conditions of low and moderate income Fulton County residents, eliminate blighted conditions in targeted neighborhoods, and preserve the basic character of the County's neighborhoods.
- Tenant Based Rental Assistance (TBRA) program assists eligible participants with securing decent, safe and sanitary housing in the private rental market
- Community Housing Development Organization (CHDO) is a not-for-profit and tax exempt community-based service organization that retains or intends to retain housing for the community it serves. The purpose of the organization is to provide decent, affordable housing for low- and moderate- income people. At least 15 percent of HOME funds must be set aside for a CHDO.
- Home Ownership Assistance Payment (HOAP) program assists low and moderate income Fulton County residents with down payment assistance funds to purchase homes. The loans are forgivable once conditions involving tenure are met.

Objective:

The objective of our review and monitoring efforts is to assess the effectiveness of the procedures and controls implemented by Fulton County Housing and Community Development.

Scope:

The monitoring period covered by this review is the third quarter ending September 30, 2009.

Methodology:

During our review of the program files, we looked for evidence of compliance to the policies and procedures implemented. We searched for those activities, which could not be completed in a timely manner and determined if appropriate action was taken to recover HOME funds. For various programs we examined the commitment and expenditure dates of HOME funds.

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On a test basis we determined if controls were sufficient to satisfy HUD's requirements for the number of affordable housing units made available and whether the participants had satisfied the income eligibility requirements.

Observations, Findings and Recommendations:

Observation 1 - File Maintenance

We observed that the following program compliance checklists were included in the applicable program files to document compliance with HOME program requirements for file maintenance:

- CHDO project compliance review checklist
- Homeownership assistance program compliance checklist
- Tenant-based rental assistance program
- Rental project completion
- Homeowner rehabilitation project

The Director of the FCHCD recently requested that these HUD prepared check lists be included in the project files as a control monitoring device. Our examination of the project files included the review of supporting documentation required by HUD, subsequent to the implementation of this control procedure. FCHCD staff is currently updating the checklists to include both HUD and Fulton County's administrative requirements. The new checklists are expected to be completed by December 22, 2009.

Recommendation

The Community Development Program Staff should periodically review the HOME program check lists and ensure that the documentation contained in the files satisfy the requirements of the checklists. The Community Development Program Staff has begun to document and review as well as sign and date the project review form. Until a new CD Manager for Home is hired the Director will also sign the form.

Observation 2 – Commitments of Funds

HUD's audit report number 2008-AT-1006 stated that \$828,008 of HOME funds were in danger of not being committed by the March 31, 2008 deadline. FCHCD provided a commitment letter to make a loan for \$700,000 to be used to rehabilitate the Washington Arms Apartments, a single/multi-family renovation project. Additional HOME funds of \$180,000 were expended in relation to other activities as follows: \$105,175 for Tenant Based Rental Assistance Program and \$74,825 for Home Owners Assistance Payment Program.

Conclusion

The commitment deadline was met by Fulton County for HOME funds and the expenditure deadline is not due until 2011, which provides ample time to complete the project.

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Observation 3 - Submissions of Draw Requests

According to FCHCD's policies and procedures, draw requests for monthly expenditures should be submitted to the County's Finance Department by the 15th of the following month. Inexperience and staff shortage contributed to the delay in the reconciliation of financial systems and the submission of draw requests to the Grants Management Section of the Fulton County Finance Department. A HOME Finance Specialist was hired in February of 2009. After reconciliation of expenditures from June 2008 to August 2009, draw request packages were submitted to the Grants Management Section of the Fulton County Finance Department in excess of \$1.4 million dollars. The draw request packages covered all outstanding HOME expenditures. Draw request packages for September and October 2009 were submitted timely.

Conclusion

FCHCD is currently adhering to Fulton County Housing and Community Development Policies and Procedures to ensure that draw requests are submitted to Finance in a timely manner.

Finding – 1 Staffing

The HUD's regulations require the County to hire a sufficient number of staff to effectively administer its HOME Program. During our review, the Director of Housing and Community Development provided a memorandum, which outlined the actions taken to satisfy this requirement.

Staffing: The organizational chart has been accepted by HUD, however, the County still needs to fill vacant positions. The County has recently hired a new Director for the Housing and Community Development Department, but the County has not hired a CD Manager for the NSP1 section, CD Specialist for NSP1 in the Financial Reporting section, and a CD Manager for the Financial Reporting section.

- All vacant positions for the Housing and Community Development Department were advertised by the County. We reviewed the county wide job announcements and found the vacant positions listed.
- CD Specialist for the NSPI program was hired in September 2009 and a second CD Specialist will start on December 9, 2009.
- The final screening phase is being conducted to hire the CD Manager for the HOME Program and a Deputy Director for the Housing and Community Development Department. Both positions are expected to be filled in December 2009.
- Additional interviews are planned for the CD Program Manager and Specialist for the NSPI Program and for the CD Manager for financial reporting. The anticipated hire dates are in January 2010.

Although the County appears to be on the correct path to staffing for the HOME program, as of the date of our report, the critical positions mentioned above have not been filled. However staff will provide Internal Audit with biweekly updates on staffing.

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Recommendations

FCHCD should continue to advertise and interview until all of the vacant positions are filled by qualified candidates.

Finding 2 - Program Income Not Properly Recorded

Program Income should be reported in the CAPER as a source of funds for the current fiscal year. Program income reported on the latest prepared CAPER could not be traced to supporting financial records or schedules. Program Income is considered HOME related funds and is governed by the same expenditure guidelines. Inadequate accounting for Program Income will result in improper reporting of HOME Program Income.

Conclusion

As a result of reorganization, knowledgeable staff has been assigned the responsibility of properly recording and reporting Program Income. FCHCD Financial Reporting Section's Policy and Procedures Manual has been updated to provide guidance for identifying and recording Program Income.

Finding 3 - Reconciliation of Financial Reporting System not Performed

According to FCHCD's policies and procedures, FCHCD should reconcile the financial reporting of HOME funds recorded in the County's Automated Management System (AMS) and internal reports to the reporting of HOME funds recorded in the Federal Integrated and Disbursement Information System (IDIS). Since this reconciliation had not been done, the HOME Finance Specialist reconciled the expenditures incurred from June 2008 to August 2009, and has adhered to the monthly reconciliation schedule for September and October 2009 expenditures. The HOME Finance Specialist is reconciling the pre-June 2008 expenditures and will forward the reconciliation schedule to Internal Audit by December 22, 2009. Internal Audit will monitor the progress of these reconciliations in future audits.

Recommendations

CD Specialist should continue to reconcile and balance HOME funds accounts for all programs on a monthly basis.

Finding 4 - Monitoring of Commitment Status

According to FCHCD policies and procedures, the HOME Program Manager must prepare a quarterly report regarding the status of commitment deadlines. Inadequate staffing appears to be the reason for not preparing the quarterly report, as the CD Program Manager left the County in September 2009. The quarterly report is an effective tool for monitoring commitment deadlines which must be met to satisfy HUD requirements.

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Conclusion

As stated in Finding 1, FCHCD has advertised the position of CD Program Manager, but in the interim, current HOME staff has been instructed to prepare and disseminate detailed quarterly commitment reports to the department. Implementation of this procedure is intended to increase the effectiveness over monitoring commitment deadline dates.