



INTEROFFICE MEMORANDUM

TO: Fulton County Board of Commissioners
FROM: Anthony Nicks, County Auditor *Anthony Nicks*
SUBJECT: HOME Program Follow-Up Review
DATE: April 7, 2016

The Office of the County Auditor has conducted a follow-up review of the Home Investment Partnership (HOME) Program Grant Infrastructure Audit that was completed September 8, 2014. The audit was requested by the Board of Commissioners to address concerns pertaining to the administration of the HOME Program funds managed by the Department of Housing and Community Development (HCD). The concerns were related to funding that had been de-obligated and/or were at risk for recapture by the Department of Housing and Urban Development (HUD).

Our follow-up review was conducted to determine whether adequate measures were taken to resolve the findings and address the recommendations we provided. During the follow-up review, we evaluated the Department’s corrective action plan and any supporting documentation submitted to substantiate the Department’s progress. As a result, we were able to determine the status of implementation for the department’s corrective actions. Additionally, we were able classify the Department’s implementation status based on the following categories identified in Exhibit 1:

Exhibit 1

| Follow-Up Review HOME Program Grant Infrastructure Audit Categories of Implementation Status | |
|---|---|
| Implemented | The Department has fully implemented the necessary corrective actions that adequately addresses the recommendations and resolves the finding. |
| Partially Implemented | The Department has partially implemented the recommendation, however; the Department may be unable to fully implement the recommendation. |
| In Progress | The Department intends to fully implement the recommendation and has specific plans to begin or have taken the necessary actions to initiate implementation. |
| Not Implemented | The Department has not implemented the recommendation and currently does not have any plans to do so. |

Based on the evaluation of the 13 findings, we determined six (6) recommendations were implemented, one (1) recommendation has been partially implemented, and six (6)

recommendations are in process. Additionally, we determined the department is in the process of taking necessary measures related to the one (1) audit concern.

We have provided the implementation status for each of the 13 findings and the one (1) audit concern which are outlined in Exhibit 2. In addition, we have attached the Department's corrective action plan that details the measures taken to date, as well as the Department's action plan going forward.

Exhibit 2

| Follow-Up Review HOME Program Grant Infrastructure Audit Implementation Status of Corrective Action | | |
|---|--|-----------------------|
| 1 | Failure to Comply with Audit Recommendations | Implemented |
| 2 | Unreimbursed HUD Expenditures | Implemented |
| 3 | Community Development Specialists Lack of Access to Financial Systems | In Progress |
| 4 | Failure to Reconcile AMS and the Integrated Disbursement and Information System (IDIS) in Accordance with HUD Guidelines | In Progress |
| 5 | Failure to Review Performance Evaluations of Community Housing Development Organizations (CHDOs) | In Progress |
| 6 | Non-Compliance with Established HUD and HCD Contract Execution Process | Implemented |
| 7 | Non-Compliance with Established HUD Project Contract Structured Guidelines | Implemented |
| 8 | Inadequate Staffing | Partially Implemented |
| 9 | Loss of Viable Business Projects Due to Untimely Communication | Implemented |
| 10 | Inaccurate IDIS Commitment Entries | In Progress |
| 11 | Incompatible Job Functions and Titles | In Progress |
| 12 | Failure to Timely Secure Viable HOME Program Projects | Implemented |
| 13 | Failure to Timely Post Expenses to the IDIS | In Progress |
| | Audit Concern: Overall Staff Management | In Progress |

We will continue to monitor the implementation of the Department's corrective action plan to ensure all findings are adequately resolved. Furthermore, we are currently conducting the routine quarterly audit of the HOME Program as required by HUD. The routine quarterly audit will assess the effectiveness of procedures and controls implemented by the Department.

If you have any questions, please contact me at extension 21019. Thank you in advance for your attention to this matter.

ATTACHMENT

**Department of Housing and Community Development
HOME Program Grant Infrastructure Audit
Corrective Action Plan**

| Finding | Recommendation | Corrective Action Plan | Current Status |
|---|--|---|---|
| <p>1 Failure to Comply with Audit Recommendations (Implemented)</p> | <p>Implement corrective measures to include, a detailed plan w/timeline for implementation of each audit finding. Employ monitoring to ensure corrective actions are effective.</p> | <p>Senior Management will improve the operations of the program to ensure compliance with Federal regulations. The department is under new leadership and is in the process of reorganizing. As such, all positions are being re-evaluated and responsibilities reallocated to ensure the most critical areas have designated oversight. In addition, staff will be provided with an opportunity to attend at a minimum one training per year. Increase oversight of programs and projects in order to readily identify areas of concern.</p> | <p>A detailed implementation plan has been developed to address audit findings provided by the County Auditor, external auditor, and HUD. Requests were made in the FY2015 budget to include four positions to cover critical areas in the program and funding for staff training. However, only three of the four (4) positions were approved as part of the budget process and adequate funding was not approved to allow for the in depth training that is needed. A Division Manager was added to provide more management and oversight. Currently, the tasks and responsibilities of managers are being monitored weekly, using a Weekly Deliverables Spreadsheet.</p> |
| <p>2 Unreimbursed HUD Expenditures (Implemented)</p> | <p>The Community Development (CD) Specialists should obtain and secure appropriate documentation prior to disbursement in order to ensure reimbursement by HUD. Ensure the roles of the sub-recipients are clearly defined in the contract.</p> | <p>Staff is recommending policy changes to ensure the developer has financial capacity to complete a development deal prior to the date of closing and that no funds be released to any recipient of funds prior to the date of closing for real estate transactions. Work with Legal to improve legal recourse action language to be included in all contracts.</p> | <p>HUD has amended HOME rules to clarify how participating jurisdictions (PJs) should treat CHDO's. The department now has a designated person who oversees the fiscal management of all program areas. Additionally, project leads now have responsibility for maintaining budget calculations for each project they manage. Managers and project leads will begin meeting monthly in March 2016 with the Fiscal staff designee to review budget items and needs. The department now has an assigned legal liaison who will review all contracts to ensure roles are clearly defined.</p> |
| <p>3 CD Specialists Lack of Access to Financial Systems (In Progress)</p> | <p>Ensure that all CD Specialists have inquiry access to AMS in order to effectively monitor the program's obligations and expenditures.</p> | <p>The Department will coordinate with the Finance Department to provide the required training on the AMS system that will allow inquiry access for the CD Specialists in 1st quarter of FY2015.</p> | <p>All CD Specialists attended AMS training on 2/25/16. Effective March 2016, all CD Specialists are required to have a standing monthly meeting with the CD Fiscal Manager to review and reconcile budgets for the programs in which they are the lead.</p> |

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| <p>4 Failure to Reconcile AMS & IDIS in Accordance with HUD Guidelines (In Progress)</p> | <p>Reconcile by individual year using source documents and the IDIS PR07 Report.</p> <p>The Finance Department should provide Housing and Community Development (HCD) with a detailed listing of all IDIS entries.</p> <p>Work with HUD officials to verify and identify grant funding sources and expenditures to track and reconcile their records.</p> <p>An adequate level of staffing should be authorized for HCD to ensure the IDIS and AMS systems are routinely reconciled in a timely manner.</p> | <p>Staff has started meeting with Grants, the Finance staff and Internal Audit to discuss a process to assist in responding to the findings until such time that the IDIS system meets Federal accounting standards.</p> <p>The Department is requesting to hire a CD Manager that will focus on reconciliations of these systems fiscally and programmatically as part of the FY 2015 Budget.</p> <p>Management is looking at how to best address; particularly in instances where grant award years and the County's fiscal years aren't aligned.</p> <p>The Department is requesting to hire a CD Manager-Fiscal that will focus on reconciliations of these systems fiscally and programmatically as part of the FY2015 budget requests.</p> | <p>Draw procedures have been established and implemented. Several meetings occurred to meet this requirement and will continue to improve efficiencies as HUD continues to refine IDIS. Staff has reconciled to \$17k and is now working with Finance to identify the remaining dollars by 3/31/2016. Effective March 2016, the Department now has scheduled monthly meetings with the Accounts Payable and Purchasing staff to review budgets, discuss pending draws and address any gaps in operational delivery.</p> <p>The CD Manager-Fiscal was hired in January 2016. Finance now emails copies of the draw reports to HCD finance staff and program manager. The Department Director is meeting regularly with Finance to determine gaps and strategies to best mitigate them. The Departmental staff is meeting monthly to go over budgets for each program area. Program Managers now have responsibility for IDIS data entry and the fiscal staff has the responsibility for bi-weekly reconciliations and reporting to upper management.</p> <p>Staff began working with HUD Financial staff to verify the amounts in IDIS Reports for reconciliations. Procedures are being drafted to ensure regular and consistent reconciliations internally and against HUD reports.</p> <p>A CD Manager-Fiscal was hired in January 2016. An additional CD Specialist-Fiscal is needed to perform other fiscal duties in the department. The Director has obtained approval to reorganize the department to best meet operational needs. The goal for completion is May/June of 2016.</p> |

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| <p>5 Failure to Review Performance Evaluations of Community Housing Development Organizations (CHDOs) (In Progress)</p> | <p>All future CHDO projects should have performance evaluations conducted in accordance with HUD guidelines. HCD should regularly review the progress of CHDO organizations to ensure satisfactory performance and compliance with program objectives.</p> <p>Performance evaluations should be reviewed and signed by HHSHD senior management and kept on file.</p> <p>If funds are committed to CHDO organizations that were unable to successfully complete previous projects, Program Managers should prepare a written explanation that addresses why projects were not successful and provide justification for future awards. This should be maintained within the CHDO files.</p> <p>Work to increase the number of CHDO certified non-profits thereby broadening the pool of available non-profits tied to HOME.</p> | <p>CHDO's performance evaluations are ongoing and at a minimum conducted quarterly using the agency's submitted quarterly reports.</p> <p>New processes and procedures are being developed that will include additional documentation requirements and senior management reviews and approval via signature.</p> <p>As per the 24 CFR 92.300 the Department will continue to document that the organization has the capacity to own, develop, or sponsor housing (as required by the revised definition of CHDO in §92.2) each time it commits CHDO funds to an organization for a specific project.</p> <p>The Department will continue to work with non-profits that have development activities that are CHDO eligible and organizations that meet the certification requirements on a project-by-project basis under the HOME Final Rule that was effective August 23, 2013.</p> | <p>CHDO's performance evaluations are on-going and at a minimum conducted quarterly using the agency's submitted quarterly reports.</p> <p>Interim protocols have been put in place to ensure Director level approval for contracts, fiscal activities and the like.</p> <p>HOME staff has revised the CHDO policy to include the following sections: Technical assistance, Non-compliance, Performance Plan and Reprogramming of Funds to address this finding. Each of these sections details the steps the department will take to assist CHDOs, improve performance and/or remedy poor performance.</p> <p>Requests for Funding, HUD training and/or other relevant news is published on the County's website. Additionally, Program staff maintains a distribution list of potential Non-Profits, For-Profits, Developers, CHDOs and other parties. Information is disseminated using, but not limited to; the distribution list, other PJs, media outlets and/or press releases,</p> |

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| <p>6 Non-compliance with established HUD & HHS Contract Execution Process (Implemented)</p> | <p>Follow all internal documented procedures for contract execution.</p> | <p>There is no HOME contract template that HUD has authorized for HOME assisted activities; however, HUD does have required provisions that should be included in all HOME Agreements.</p> | <p>Program staff follows the HOME provisions; a checklist is used to ensure all vital elements, as required to meet the HOME standards, are included in all written agreements.</p> |
| <p>7 Non-compliance with established HUD project contract structured guidelines (Implemented)</p> | <p>Employ a compliance specialist to review written agreements for HOME program projects.</p> | <p>Senior Management in the department will continue to restructure and improve the operations of the program to comply with federal programs. This includes utilizing and having staff attend trainings provided by HUD, accepting consulting assistance that HUD designates through a technical assistance provider and hiring a Quality Assurance Manager.</p> | <p>HCD has hired a compliance specialist and currently has an assigned legal liaison to review all of the department's contacts.</p> |
| <p>8 Inadequate Staffing (Partially Implemented)</p> | <p>Take the necessary steps to comply with HUD's staffing requirements.</p> | <p>The Department will take all corrective actions allowed within approved staffing levels and budgetary limitations approved by the BOC.</p> | <p>A reorganization of the department is currently underway. A request to hire for the following positions: Quality Assurance, CD Manager-Fiscal, CD Specialist- Fair Housing and Equal Opportunity (FHEO) and a CD Specialist-HOME were submitted in the FY2015 Budget. However, the CD Specialist-HOME was not approved as part of the budget process. Additionally, 100% of the positions funded by the Neighborhood Stabilization Program are now split-funded with HOME to take over part of these duties.</p> |
| <p>9 Loss of Viable Business Projects Due to Untimely Communication (Implemented)</p> | <p>Engage in frequent written and verbal communication, conduct regular meetings with internal and external entities to ensure tasks and critical dates are met.</p> | <p>The CD Specialists are responsible for the day-to-day communications related to the activities and contracts for which they are assigned. The CD Managers are responsible for communicating with the CD Specialists and ensuring these employees are managing contracts properly and in a timely fashion to meet deadlines.</p> | <p>The Department has engaged and promoted discussion with vendors and possible partners for projects throughout the year (Example RFP meetings.) These meetings have happened internally and externally and are looking to be included in different grant polices on a County-wide basis, which should allow for more timely use of funds for their dedicated purposes. The County is also partnering with an outside consultant on a customer service initiative.</p> |

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| <p>10</p> <p>Inaccurate IDIS Commitment Entries <i>(In Progress)</i></p> | <p>HSHSD should comply with HUD Guideline 24 CFR 92.2(1) to ensure that a legally binding executed written agreement is in place prior to committing funds in IDIS.</p> | <p>The Department has started to update policies and procedures to include contract tracking; additional positions to cover critical areas have been identified to help strengthen the needs of the Department to address compliance requirements.</p> | <p>All staff is aware that only legally binding executed written agreements must be in place prior to committing funds in IDIS. Staff is adhering to the following process: A copy of the signed agreement is forwarded to the CD Manger to provide to the assigned Project Manager for filing and scanning, the Project Manager then completes a setup form and forwards a copy to fiscal staff. The CD Manager sends notice to the assigned fiscal staff to begin IDIS setup. Bi-weekly budget meetings with the Director and Quality Assurance and Compliance Manager now occur with the Fiscal Manager and are aimed to review budgets and ensure departmental compliance with all internal and federal regulations.</p> |
| <p>11</p> <p>Incompatible Job Functions and Titles <i>(In Progress)</i></p> | <p>Implement a policy and procedure that requires the written approval from its executive level management of IDIS entries to ensure documentation is in compliance with HUD regulations.</p> <p>Management should ensure that employees are placed in appropriate positions in accordance with their area of expertise. Additionally, employee job titles should be compatible with job duties.</p> | <p>The Department has started to update policies and procedures to include contract tracking; additional positions to cover critical areas have been identified to help strengthen the needs of the Department to address compliance requirements. This includes positions to cover critical areas that have been identified to address compliance requirements that include one for fiscal management and IDIS management.</p> <p>The Department will take all corrective actions allowed within approved staffing levels and budgetary limitations.</p> | <p>Policies have been updated; however the executive level signatures were not included. This process can slow down the timetable for entering information into the IDIS system and should be at the Program Manager level for approval and review of what information is placed in IDIS according to rules and regulations. Unless a unique circumstance, Director level approval is sufficient for IDIS entries. Internal protocols have been strengthened and streamlined to ensure documentation is in compliance with HUD regulations.</p> <p>The Archer study found the duties and titles to be correct for the positions within the department.</p> |

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| <p>12 Failure to Timely Secure Viable HOME Program Projects (Implemented)</p> | <p>Management should ensure that employees who do not currently occupy positions that match their expertise receive adequate training and technical assistance to ensure grants are being administered in accordance to HUD regulations.</p> <p>HSHD should develop an effective process that includes accurate contract preparation and execution that can be fully completed and in place prior to or within 24 months of award to ensure viable projects are timely secured.</p> | <p>Management is currently reviewing training options for staff, both locally and nationally. Departmental direction is to broaden the knowledge base of current staff by exposing them to other agencies and organizations in which they can garner new methodologies and best practices in an effort to heighten the efficiency of our program administration.</p> <p>The Department notes that adequate training of staff that understands how to structure Multi-Family Developments that meet all the Federal guidelines is a key staff weakness at this time. The Department needs the ability to fully implement the staff and training plan established in FY2010.</p> | <p>Request was made in the FY2015 and FY2016 Budgets for additional funding for staff training. There is not adequate funding approved in the budget to allow for the in-depth training that is needed to increase the effectiveness of staff and the programs. Staff is encouraged to attend locally provided free training that is offered by HUD.</p> <p>Staff created HOME deadline compliance procedures that include a process to advertise and contract with CHDOs and agencies to conduct Housing Development projects.</p> |
| <p>13 Failure to Timely Post Expenses to the IDIS; IDIS without Documented Approval (In Progress)</p> | <p>HSHD management should work with the County Manager to determine an effective disposition of IDIS draw-downs.</p> <p>Develop a more efficient process for tracking and reviewing IDIS expenses and un-posted fund entries.</p> | <p>The Department has instituted additional procedures under the new HUD regulations and will continue to adhere to the IDIS process for IDIS setup and completions and submitting draw requests.</p> <p>The CD Manager reviews and either rejects the package for further documentation or additional revisions or approves and signs the IDIS package for the Director or appointee approval. Once the Director approves, the package is signed and forwarded for processing.</p> | <p>The County has restructured the Grants Administration team in the Finance Department; Shared Services, along with providing detailed duties and assignments within that area, have been implemented. Effective March 2016, the Department now has scheduled monthly meetings with the A/P & Purchasing staff to review budgets, discuss pending draws and address any gaps in operational delivery.</p> <p>The Department began bi-weekly budget meetings with the departmental fiscal manager in March 2016 to discuss budgets, IDIS and AMS activities.</p> |

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| <p>Audit Concern: Overall Staff Management <i>(In Progress)</i></p> | <p>Duties and responsibilities of staff should be clearly defined and understood by both management and staff.</p> | <p>Restructure the department to include a Division Manager to whom the Program Managers report to for assignments and duties.</p> | <p>Restructured the department to include a Division Manager to whom the Program Managers report to for assignments and duties.</p> |
| | <p>Lines of Authority should be clearly defined and understood by both management and staff.</p> | <p>Restructure the department to include a Division Manager to whom the Program Managers report to for assignments and duties.</p> | <p>Restructured the department to include a Division Manager to whom the Program Managers reported to for assignments and duties.</p> |
| | <p>Systems should be in place that tracks employee performance of specific tasks.</p> | <p>Weekly deliverables tracking form has been introduced to all program staff.</p> | <p>Weekly deliverables tracking form has been introduced to all program staff.</p> |
| | <p>Systems should be in place to ensure that staff receives the appropriate information to enable them to complete tasks timely.</p> | <p>Weekly touch base meetings were implemented by the Division Manager.</p> | <p>Weekly touch base meetings were implemented by the Division Manager.</p> |
| <p>Program staff should maintain a library of HUD written guidance (final rule and policy notices) or have access to these documents as needed.</p> | | <p>Resource documents are all online through the HUD Exchange Website which is available to all staff members through the internet.</p> | <p>Resource documents are all online through the HUD Exchange Website which is available to all staff members through the internet.</p> |