

FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Department of Community Development
HOME Program Monitoring Audit
1st and 2nd Quarter of 2019
April 4, 2020

Departmental Response

Finding 1 – Insufficient Staffing and Program Knowledge

OMB Circular A-87, states “Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.” According to this guideline, sufficient staffing, with the appropriate skill sets, are required to effectively administer the HOME program. During our review of the HOME program, we were informed by management, over the past year, several key staff responsible for carrying out the day to day tasks of three (3) areas within the HOME program (CHDO, TBRA and Rehabilitation projects) have resigned; which subsequently, resulted in the lack of experienced and knowledgeable personnel, needed to administer the HOME program. Additionally, we noted that critical positions were not filled. This could be a result of the department’s inability to replace experienced grant management personnel. Failure to ensure the department maintains knowledgeable staff and the capacity to operate the program at all levels, could lead to a decrease in the HOME Program’s operational effectiveness and reduces the efficiency of the HOME Program’s administration.

Recommendation

We recommend FCHCD’s management develop necessary steps to ensure staffing is maintained at the appropriate level, and experienced personnel is in place to effectively and efficiently administer the HOME Program. Management should also evaluate the current staff workloads to determine areas where additional resources may be needed.

Department Response:

In September 2019, the HOME program was fully staffed with a Community Development Manager (CD Manager), two (2) Community Development Specialists (CD Specialist) and a dedicated Administrative Coordinator. The Department was in the process of onboarding a Compliance Officer (Position #04142) when the BOC made a decision to rescind the County’s HUD entitlement status in January 2020. As a result, and in line with the department’s transition plan, two HOME staff resigned and hiring for full-time positions was restricted. As a result, the department received

BOC approval at the March 18, 2020 meeting to engage Corporate Temporary Services to assist with placing temporary staff to fill the vacant positions and support the CD Manager with day-to-day administrative functions and programmatic delivery. Likewise, the department is now exploring options to procure services from an outside Consultant to administer the monitoring and compliance related activities.

Finding 2 – Non-compliance of HUD Commitment Deadline

According to the HOME commitment guidelines, FCHCD has 24 months after the date HUD notifies the County of the execution of the HOME Investment Partnerships Agreement to reserve not less than fifteen percent (15%) of the HOME allocation and has five (5) years to expend those funds.

During our review of de-obligated funds, we noted FCHCD received a notification letter from HUD in June of 2019, stating FCHCD failed to commit \$180,861.70; consisting of \$87,352.05 from 2013 and \$93,509.40 from 2014 grant funds, by the deadline of May 31, 2018. As a result, these funds were de-obligated and HUD reduced the funding line of credit by the uncommitted amount. We were informed by management the respective funds were not committed in IDIS because there was not an executed contract with a CHDO. Failure to ensure CHDO funds are committed on or before 24 months after the funding period could result in additional de-obligation of funds.

Recommendation

We recommend the department strengthen its internal controls and implement procedures to ensure HOME program funds are committed before the deadline.

Department Response:

The department has reassessed all HOME funding allocations and is monitoring expenditures of the funds on a regular and consistent basis via monthly spend down meetings.

Finding 3 – Failure to Properly Support Staff Labor Distribution

OMB Circular A-87 "Cost Principles for State, Local and Indian Tribal Governments", requires certain principles be applied in determining if certain costs charged to federal grants are allowable. These principles state costs related to salaries/wages distributed for employees working on multiple activities, require a distribution of their salaries and wages be supported by personnel activity reports or equivalent supporting documentation. Supporting documentation or personnel activity reports must meet the following standards:

- Reflect an after-the-fact distribution of the actual activity of each employee;
- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and coincide with one or more pay periods; and
- Be signed by the employee.

The cost principles also indicate budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

During our review, we noted the salaries and wages for the HOME Program staff were split between the grant fund accounting line and the general fund. The salaries were allocated based on an estimated percentage of the employees' time spent on program administration tasks. FCHCD's management failed to require employees to submit the required documentation to support actual time spent managing and administering their assigned duties. We were informed by management; staff is only required to complete time sheets when working outside of their assigned grant. As a result, there were no timesheets completed in 2019. Therefore, we were unable to determine if the administrative costs charged to the grants were allowable. Failure to comply with the administrative cost principles increases the risk of fraudulent activities and could result in the costs being deemed unallowable; thereby, impacting the HOME Program's ability to obtain a reimbursement from HUD.

Recommendation

Management should strengthen its internal controls to incorporate a process that requires HOME program staff to adequately track the actual time spent managing and administering assigned grants. In addition, we recommend the process include a review by management to ensure the actual activity conducted by program staff is allowable and adheres to the salary and wage grant requirements.

Department Response:

Staff who work solely on one cost objective are required to complete a semi-annual Certification Form to certify that they worked on the respective grant 100% of the time. If an employee's time is split between two grants and/or another funding source, they maintain daily time distribution records supporting the allocation of charges among the sources.

Finding 4 – Lack of Policies and Procedures for the Draw- Down of Funds

Although, HUD draw down deadlines are stated in the regulatory guidelines, we noted FCHCD does not have written policies and procedures of the draw down process to clarify how the draws are to be accomplished.

During our review of the FCHCD draw down requests, we noted the January 2019 and March 2019 reimbursements, totaling \$18,400 for the Home Ownership Program were not requested and drawn until May 2019. The lack of written policies and procedures indicating a definitive deadline to request funds to be drawn after funds are expensed resulted in draw down requests being delayed. Furthermore, staff are unclear as to when the draws should be requested. The lack of documentation could lead to inconsistencies in the administration of the

program and increases the risk of non-compliance with HUD's regulatory guidelines. The delays in drawing down funds also increase the risk of the HOME Program not meeting its match obligation, which is only recognized when funds are drawn.

Recommendation

We recommend written policies and procedures should be implemented to help create an internal control framework of the draw down process and to ensure the draw down requests are completed in a timely manner. Additionally, management should review staff workloads to ensure adequate time is allotted to complete the draw down requests timely and accurately.

Department Response:

The department has updated its Internal Controls operating procedure for Cash Management/Draw-Downs to clearly indicate that draws will be processed on a monthly basis (see attached).

Finding 5 – Incomplete and Missing Documentation for TBRA Program

In accordance to the *TBRA Policies and Procedures Manual*, Records Management section: Program participants' files must contain current eligibility and payment documentation for access and review by County and HUD staff. Likewise, the program procedure section indicates each file should reflect documentation according to the file checklist established for TBRA and documentation received from the sub-recipient TBRA files. Both HOME program and sub-recipient files should contain eligibility verification information including but not limited to income calculations, income documentation, family status, household size and all other HUD required documentation.

The Office of the County Auditor obtained and reviewed five (5) TBRA participants' files, to determine if proper supporting documentation is provided, as required by HUD's regulatory guidelines. Our review of the TBRA participants' files revealed the Tenant Based Rental Assistance Agreement, Authorization for the Release of Information and Enterprise Income Verification applications were not signed for three (3) of the five (5) participants' files. We also noted one (1) participant's file did not include the participant's driver's license and income verification document. In addition, we noted the department does not have a tracking system in place to review files periodically in order to ensure accurate documentation has been reviewed, observed and is made part of a complete participant file.

The submission of incomplete and/or missing documentation may be due to increased workloads and lack of staffing needed to operate the HOME program; thereby, impacting the ability of staff to conduct thorough reviews of the participants' files. The lack of a systematic process to ensure that all files are maintained and readily available for review in order to comply with program guidelines could result in FCHCD being noncompliant with HUD guidelines and participants being deemed ineligible to participate in the HOME program.

Recommendation

In order to strengthen its internal controls and to comply with the HUD regulatory guidelines, we recommend the HOME program management establish a review process to ensure the required documents are complete and in the participant's files prior to the clients receiving funding from the HOME program.

Department Response:

HOME program staff has responsibility to monitor the sub-recipient, at least quarterly, to review files and ensure required documentation is collected and properly accounted for according to HUD program regulations. Likewise, the department is now exploring options to procure services from an outside Consultant to administer the monitoring and compliance related activities.

Finding 6 – Failure to Provide Progress Reports

FCHCD's CHDO *Policies and Procedures Manual* states in section 1.11, to document progress, the CHDO must provide quarterly narrative progress report forms, provided by Fulton County. Additionally, 24 CFR 92.504(a) indicates performance and compliance of each contractor, State recipient, and sub recipient must be reviewed at least annually.

At present, CHDO funds are committed to an RFP with the Atlanta Neighborhood Development Partnership Inc. (ANDP) to build four (4) affordable, new construction homes for low to moderate income families. During our review, staff was unable to provide progress reports from the CHDO project. In addition, we noted that the ANDP project is in its final stages of completion; however, no progress reports were maintained. Failure to provide progress reports could result in the lack of production and accountability for CHDOs and result in the possibility of noncompliance with HUD regulations. Furthermore, the lack of compliance with HUD regulations could require funds awarded to CHDOs to be de-obligated or returned to HUD.

Recommendation

We recommend internal controls be incorporated to ensure staff assigned to oversee the CHDO projects verify satisfactory performance and progression reports are provided for all CHDOs, under contract with Fulton County. Progress reports should also include a supervisory review for efficiency and accuracy. In addition, we recommend management closely monitor ANDP to ensure no compliance or performance issues are present.

Department Response:

The department received BOC approval at the March 18, 2020 meeting to engage Corporate Temporary Services to assist with placing temporary staff to fill vacant positions that will support the HOME CD Manager with day-to-day administrative functions and programmatic

delivery. Likewise, the department is now exploring procuring services from an outside Consultant to administer the monitoring and compliance related activities.

Finding 7 – Failure to Reconcile AMS and IDIS Systems

According to FCHCD's policies and procedures, each month the Federal Integrated and Disbursement Information System (IDIS) will be reconciled with the County's Automated Management System (AMS). This duty will be performed by printing the monthly reports from the AMS system and reviewing expenditures. The draws or expenditures in IDIS must match the expenditures in the AMS system. During our review, we noted the reconciliation between AMS and IDIS was not completed monthly. The Finance Department, along with the Financial Systems Manager has begun the process of reconciling the systems through 2018; therefore, the 2019 reconciliation has not been completed. A reconciliation of the IDIS and AMS systems is imperative to ensure the collection and disbursement of HOME funds is accurate. Failure to reconcile these systems may result in an inaccurate reporting of funds.

Recommendation

We recommend the HOME staff and the Finance Department continue to collaborate to ensure a reconciliation is performed monthly in order to accurately track HOME funds.

Department Response:

The reconciliation of HOME funds is expected to be completed not later than June 2020.

Concern – TBRA Compliance with Housing Authority Agreement

Fulton County entered into an agreement with the Housing Authority of Fulton County (HAFC) for the administration of the Tenant Based Rental Assistance Program (TBRA) for interim tenant rental assistance on May 2019, and ending on May 31, 2020. According to the agreement, the County has approved up to \$180,000 of the County's HOME allocation for use in the 2019 and 2020 program years. HAFC shall provide the interim rental assistance for a maximum of eighteen (18) households, in accordance with the Housing Choice Voucher Guidelines and the HOME program. Furthermore, the agreement states HAFC is authorized to select recipients on behalf of the County. However, Fulton County may increase the maximum number based on needs and the availability of funds.

During our review, we noted only five (5) recipients participating in the TBRA program. We were informed several attempts were made to HAFC's staff to determine if additional recipients could be eligible to participate in the program; however, no response has been received, nor has a waiting list of eligible residents been determined by HAFC. The lack of compliance with the agreement has the potential to prevent eligible recipients from participating in the program; consequently, inhibiting the use of grant funds allocated for the TBRA program.

Recommendation

HOME Program staff and HAFC should work diligently to adhere to the established agreement of providing TBRA assistance to eligible residents by the agreed upon deadline of May 2020.

Department Response:

In January 2020, the Housing Authority of Fulton County advised they had 64 families on their waiting list and were in the process of implementing an outreach strategy to target hotels along Fulton Industrial Boulevard (FIB) for purposes of identifying and housing homeless individuals. HOME program staff is reviewing invoices on a monthly basis to ensure program guidelines and requirements are being met.