


INTER-OFFICE MEMORANDUM



TO: Troy White, Director of Housing and Human Services

FROM:  Anthony Nicks, Director of Internal Audit

SUBJECT: Fourth Quarter 2010 & First Quarter 2011
HOME Program Audit

DATE: January 5, 2012

The Office of Internal Audit has completed the audit of the HOME Program for the period of fourth quarter of 2010 through the first quarter of 2011. Attached is a copy of our findings and recommendations.

If you have additional questions please contact me.

Cc: Zachary Williams, County Manager



FULTON COUNTY, GEORGIA

OFFICE OF INTERNAL AUDIT

**FULTON COUNTY DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT**

**MONITORING OF THE HOME PROGRAM POLICIES
AND PROCEDURES IMPLEMENTED**

**FOURTH QUARTER 2010 THROUGH FIRST QUARTER
2011**

January 5, 2012

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Monitoring of the Home Program Policies and Procedures Implemented Audit Fourth Quarter 2010 Through First Quarter 2011

Introduction

At the request of the Department of Housing and Urban Development (HUD), we are required to monitor and assess the effectiveness of the policies and procedures implemented for the HOME Investment Partnership Program (HOME Program). The policies and procedures have been adopted by the Fulton County Housing and Community Development Department (Housing Department). The programs include the Tenant Based Rental Assistance (TBRA), the American Dream Down Payment Initiative (ADDI), and the Housing Rehabilitation Program (HRP). The programs are described as follows:

- Housing Rehabilitation Program provides emergency assistance grants and deferred payment loans to improve living conditions of low and moderate income Fulton County residents. The program also eliminates blighted conditions in targeted neighborhoods and preserves the basic character of the County's neighborhoods.
- Tenant Based Rental Assistance program assists eligible participants with securing non-luxury, safe, and sanitary housing within the private rental market.
- American Dream Down payment Initiative (ADDI) was created to assist low-income first-time homebuyers with purchasing single-family homes by providing funds for down payment, closing costs, and rehabilitation.

Objective

The objective of our review was to assess the effectiveness of the procedures and controls implemented by the Housing Department. In addition, we determined if adequate internal controls have been implemented to address the audit findings issued in previous audit reports.

Scope

The periods covered by this review include a six-month period from October 2010 through March 2011.

Methodology

The HOME programs reviewed include those which incurred expenditures within the scope period. Participant files and financial records were reviewed for compliance with HUD's requirements. Checklists provided on HUD's website were used extensively as a source of guidance for the review of the participant files. The financial records were reviewed for their consistency, accuracy, and timeliness. We also reviewed records for conformity with the Housing Department's policies and procedures as well as compliance for expenditures that pertain to the Georgia Urban County Consortium (GUCC) contract.

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Findings and Recommendations

Finding 1 – Requests for Reimbursement Not Submitted Timely

According to the Housing Department's policies and procedures, the department should submit draw requests for current month's expenditures to the County's Finance Department by the 15th of the following month. We noted expenditures for October, November and December 2010 as well as February 2011 were not requested for draw down in a timely manner. The Housing Department's delay in processing expenditures caused the draw requests to be submitted late. Late submission of draw requests may result in the delay of the recovery of funds from HUD.

Recommendation

The Housing Department should adhere to its policies and procedures to ensure that draw requests are submitted to the Finance Department in a timely manner. All expenditures should be submitted by the 15th day of the following month as required.

Finding 2- Salary Expenditures Not Drawn Down

The Housing Department should prepare a salary allocation for administrative costs based on time to be charged to a program. The schedule should be submitted with a draw request to the Finance Department to be properly drawn down. Based on our review of October 2010 through March 2011, the salary expenditures were not drawn down. The Housing Department failed to prepare the support and allocate salary expenditures for the HOME program. Therefore, the Finance Department will not draw funds until a proper allocation is presented and approved.

Recommendation

The Housing Department should submit all schedules of salary allocation to the Finance Department in a timely manner so that funds can be drawn down.

Finding 3 – Failure to Adhere to Contract Terms

The GUCC contract requires the Housing Department to submit performance reports to Cobb County CDBG Office on a monthly and annual basis. During the course of our audit, we requested the monthly and annual performance reports. However, the Housing Department did not prepare the detailed reports as required by the contract. The result of not complying with the reporting requirements of the contract could lead to the termination of the contract and repayment of funds expended on incomplete projects.

Recommendation

All reports required by the contract should be completed on a timely basis and forwarded to the Cobb County CDGB Office. This could have been accomplished by preparing the reports provided in Attachment E of the contract. Additionally, supporting documentation for the TBRA I and TBRA II contract activity should be maintained and submitted with the invoices.

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Finding 4 – Administrative Fees Paid With Incorrect Funds

Based on the TBRA I and TBRA II contracts with the Housing Authority of Fulton County (HAFC), administrative fees should be paid consistent with the terms of the contract. During our test work, we noted several instances when the administrative fees were paid from sources that were inconsistent with the HAFC contract terms. The November and December 2010 HAFC invoices were under paid as a result of paying TBRA I administrative fees from GUCC funds. The fees should have been computed using the GUCC rate. In addition, the October 2010 invoice for TBRA II administrative fees was paid with Fulton County entitlement grant funds, instead of GUCC funds, as stipulated by contract terms. TBRA II administrative fees for the period, January 2011 through March 2011, were paid with Fulton County entitlement grant funds and not fund with GUCC, as stipulated by the contract terms. These inconsistencies occurred because the invoicing instructions specified in the contracts were not strictly followed. The objective of the TBRA II contract was to spend down in a timely manner the recaptured funds dedicated to the Housing Department. This objective was not met, as the majority of the TBRA II invoices tested were not reimbursed by the GUCC at the higher rate.

Recommendation

The Housing Department should ensure that they are properly charging the expenditures to the appropriate grants in order to recapture funds in a timely manner. The invoices prepared by the HAFC should list TBRA I and TBRA II expenditures separately with references to their respective contract rates and number of participants. Additionally, the HAFC payments requests should be supported by a listing of participants for the TBRA I and TBRA II designations.

Finding 5– Internal Controls over Financial Procedures

The TBRA Program Manager's ledgers should match the AMS and IDIS ledger balance and activity. The TBRA Program Manager is responsible for communicating with the GUCC and Fulton County Home Program Managers for the oversight of the TBRA funds. The TBRA Program Manager was not aware of what funds had been used to pay the TBRA invoices. Therefore, his control ledgers had balances different from the balances in the AMS system and IDIS ledgers. This lack of internal control has resulted in the TBRA Manager having inaccurate information for the review of TBRA activity and future HAFC contract requirements.

Recommendation

The Home Program Financial Managers should communicate with the TBRA Program Manager weekly on the disposition of the TBRA invoices and payments. The TBRA Program Manager's ledgers should be reconciled to the IDIS and AMS ledger systems. The TBRA Program Manager should have access to both systems in order to complete this reconciliation. The Home Program internal ledgers and spreadsheets should be consistent with the AMS and IDIS ledgers and reviewed on a monthly basis.

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Audit Concern

Our concern is the length of the payment processing cycle for administrative fees reimbursement. It took an average of 77 days from invoice date to payment date to process the TBRA program payments due the HAFC.

Recommendation

We recommend stamping the date received on the TBRA invoices, when they are received by the Fulton County Housing & Community Development Specialist. This procedure will be useful in determining whether the invoices were prepared timely or processed late.

We would like to thank the management and staff from the Housing Department for their cooperation and assistance during this monitoring process.