



**FULTON COUNTY**

**FULTON COUNTY, GEORGIA**

**Department of Housing and  
Community Development**

**HOME Program Monitoring**

**Response**

**June 22, 2016**

## EXECUTIVE SUMMARY

This document is provided in response to the Fulton County Auditor's Office HOME Program Monitoring report dated June 9, 2016 for the audit period April 1, 2015 – September 30, 2015. This document provides detailed responses to each of the findings and concerns highlighted in the report to include corrective measures and accomplishments to date. We in no way question the good faith of the auditors in conducting this audit, and appreciate the issues identified as they have assisted us in identifying critical operational gaps and implementing sweeping improvements to specific practices that were customary during the audit period and thus, the genesis of the audit findings.

Since being hired in July 2015, the new Director has made organizational effectiveness a priority, performing regular and systematic examinations of the department's practices vis-à-vis the U.S. Department of Housing and Urban Development (HUD) program objectives, policies, regulations and standards. Likewise, we are taking a verticalized approach to meet the recommendations of the 2014 audit; first addressing one of the most critical areas of concern, fiscal and financial reporting. The Board of Directors approved on June 15, 2016 and the department is now actively recruiting a Financial Systems Manager to oversee the department's financial activities related to Federal and State grants.

The department is also working on a restructure plan moving toward a more functional organizational structure that facilitates timely decisions, more strategic use of resources, heightens accountability and more closely monitors the administration of all programs. The new structure will aid in the reduction of gaps in functional and organizational performance which will increase overall effectiveness and efficiency by the department. If approved by the Board and as allowed by the budget, our goal is to phase implementation of the restructure beginning October 2016.

<b>TABLE OF CONTENTS</b>
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	PAGE
Executive Summary.....	1
Finding 1 - Lack of Adequate Staffing .....	3
• Fulton County Housing and Community Development Response .....	3
Finding 2 – Ineffective Management of Staff .....	4
• Fulton County Housing and Community Development Response .....	4
Finding 3 –Failure to Adhere to Record Keeping Requirements .....	5
• Fulton County Housing and Community Development Response .....	5
Finding 4 – Lack of Segregation of Duties.....	5
• Fulton County Housing and Community Development Response .....	5
Finding 5 – Failure to Drawdown Funds Timely .....	5
• Fulton County Housing and Community Development Response .....	5
Finding 6 – Failure to Comply with Administrative Cost Principles.....	6
• Fulton County Housing and Community Development Response .....	6
Finding 7 – CHDO Noncompliance and Performance Issues .....	6
• Fulton County Housing and Community Development Response .....	6
Audit Concern 1.....	7
• Fulton County Housing and Community Development Response .....	7
Audit Concern 2.....	7
• Fulton County Housing and Community Development Response .....	7
Summary of Accomplishments .....	7
Attachment – Exhibit 1.....	9

**FINDINGS AND RECOMMENDATIONS****Finding 1 – Lack of Adequate Staffing****FCHCD Response****Fiscal and Financial Reporting:**

Under new leadership, in January 2016 the FCHCD began Phase I (analysis/assessment) of a departmental restructure with a focus on first adding positions, where allowed through the budgetary process, to fill critical operational gaps. The department never officially established a Fiscal Community Development Manager Position and plans to hire a third Community Development Manager for the department were halted after the initial gap analysis revealed that the department needed to put greater focus on our critical risk area – fiscal and financial reporting. Understanding that the department needed to immediately strengthen the controls around financial activities, it was decided to abolish the Community Development Manager position whose job description centers around basic program management and add a Financial Systems Manager position with an active background in Accounting or Finance and whose primary responsibility would not be intertwined with program management but would instead focus solely on maintaining financial controls and verifying accuracy and completeness of fiscal activities and reports. Based on historical challenges, as noted in the audit report, the decision to hire a person with active financial experience working with federal and state grants was critical to institutionalizing systems that will help the department long-term as well as to manage day-to-day operations.

In May 2016, FCHCD submitted a request, through the budget soundings process, to hire a Financial Systems Manager position who will serve as the department's liaison to Finance with primary oversight of the department's financial activities related to Federal and State grants. Specifically, this position will maintain internal accuracy and financial controls and accountability, verifying accuracy and completeness of fiscal activities and reports and ensuring compliance with standards and procedures. Due to the level of fiscal reporting, monitoring and reconciliation required, the minimum qualifications for this position is a Bachelor's degree in Accounting or Finance, 5+ years Accounting/Finance experience (preferably working with grants) and a License as a Certified Public Accountant (CPA) is preferred. The Board of Commissioners (BOC) approved the position on June 15, 2016 and recruitment for the Financial Systems Manager is underway.

In April 2016, an Operations Manager position was added and in the interim, has primary oversight of the department's financial administration and supervisory responsibility for the fiscal functions.

Our short-term operational planning encompasses adding, at least, one more Fiscal Specialist to the department to assist with day-to-day fiscal duties. However, the department's current operational budget cannot support this position and as such, a budget increase will be requested during the 2017 budget planning process. If approved, recruitment for the position will begin immediately.

**Home Program projects/activities:****Tenant Based Rental Assistance**

The department took over administration of the TBRA program in December 2015 after the audit period and after the Housing Authority of Fulton County (HAFC) failed to fulfill obligations to the County under a different Federal grant; subsequently, causing them to be sanctioned and ineligible to receive future federal dollars until the sanction was lifted. As a result, and in an effort to remain in regulatory compliance with HUD, the County was left in a position to administer the program.

An agreement between Fulton County and the Housing Authority of Fulton County (HAFC), was reached in late April 2016 and the FCHCD staff met with HAFC representatives in May 2016 to officially transfer administration of the program back to HAFC. As such, effective July 2016 the HAFC will resume full administration of the TBRA program; thereby relieving the County of the fiscal duties associated with processing of the rental payments.

**Home Ownership Program (HOP)**

As part of the Phase I departmental restructure, responsibility/duties for HOP and CDBG have been segregated. There is a CD Specialist now designated for each of the programs. Likewise, monitoring schedules for CDBG projects (public and private) have been established along with uniform forms to be used during each visit as a means for the department to ensure projects are in contractual compliance.

**Finding 2 – Ineffective Management of Staff****FCHCD Response**

The time frame under review was prior to and just after a new Director was hired to manage the Housing and Community Development Department in July of 2015. Shortly after, in December 2015, the Division Manager retired and staff reported directly to the Deputy Director. Under the leadership of the new Director, in January of 2016, a Quality Assurance Manager was hired with responsibility for carrying out a detailed assessment of the department's operations and the development/amendment of departmental and federal program policies; a Community Development Specialist was also hired during this time to assist with the daily administration of the HOME and Community Development Block Grant Programs.

In preparation for the audit, the Director designated an Audit Liaison (AL) who acted as the main point of contact for all departmental audit activities. The designation of a liaison is a general practice in preparation for an audit in an effort to ensure delegated responsibilities regarding audit activities are carried out, to keep the Director apprised and involved with significant issues/audit activities and to ensure timely responses to the auditors. Auditors were not deterred from engaging with staff; however, for the aforementioned reasons coupled with the department's history in delivering inconsistency/incomplete information and considering the workloads due to the staffing gap (as noted by the auditors in this report) the auditors were encouraged to work through the Audit Liaison who ensured a balance between staff's workload and efforts to adequately and timely respond to audit requests. Likewise, the AL coordinated meetings with individual staff and the audit team as requested.

Moving toward the strategy formulation stage of the restructure, the department is formulating a

plan for the County Managers approval. This plan will identify key positions and critical elements within the department that will address operational deficiencies and lead our efforts in effectively administering our housing programs funded by HUD.

### **Finding 3 – Failure to Adhere to Recordkeeping Requirements**

#### **FCHCD Response**

The departmental restructure and new staff assignments and additions should cure this issue. The Director and Operations Manager are currently conducting a program management review of all programs administered by the departments housing division. In addition, we are reviewing current staff skill sets and assignments to determine where our program management/policy weaknesses are. Staff is required to maintain separate files for each project with the appropriate documentation enclosed as required by Title 24 of the Code of Federal Regulations and Title 2 of the Code of Federal Regulations. The department currently has secure file cabinets where sensitive client files can be stored.

### **Finding 4 – Lack of Segregation of Duties**

#### **FCHCD Response**

FCHCD is continuing to move forward with restructuring efforts with plans to add critical staff positions were allowed through the budgetary process. FCHCD has recently submitted a request through the soundings process to hire a Financial Systems Manager to coordinate the department's fiscal responsibilities. In addition and as part of the restructuring process, program managers have now been assigned the task of entering project set-up information into the IDIS system. Once on board, the new Financial Systems Manager will provide for additional segregation of duties by developing procedures and systems for collecting and entering data into the County's required grant data collection system.

### **Finding 5 – Failure to Drawdown Funds Timely**

#### **FCHCD Response**

##### **Failure to Drawdown Funds Timely**

In January 2016 a Quality Assurance Manager was hired to assist the department with identifying operational gaps and deficiencies. In the initial assessment, it was determined that in order to adequately address the areas of concern, the fiscal department needed to expand beyond basic data entry. Staff needed to be well-versed in every aspect of Accounting/Finance with a comprehensive and in-depth knowledge of financial reporting, monitoring and tracking. Additionally, this position requires someone with a strong level of discernment including the ability to understand how fiscal activities are interconnected. Not having this level of financial acumen and expertise continues to have the greatest impact on the department's ability to adequately perform financial functions, including timely drawdown of funds and processing of invoices. In addition, drawdowns were also hindered because prior to 2015, there was no system of budget execution, project monitoring or cash planning which subsequently impacted project execution and the department's ability to timely spend the money.

Program staff is now charged with planning activities in order to meet expenditure and disbursement deadlines and report their progress to the Director and Operations Manager on a bi-weekly basis. Likewise, as previously stated, the department is now actively recruiting a Financial Systems Manager with financial training and active work experience fiscally managing federal and state grants and contracts.

#### **Finding 6 – Failure to Comply with Administrative Cost Principles**

##### **FCHCD Response**

Staff is currently developing a labor timesheet that will be used to distribute labor costs when salaries and wages must be charged to specific work activities that vary each month and/or when required for specific funding sources. Time sheets will be reviewed/approved by program managers prior to signing. In addition, there will be a quarterly review of times sheets, consistent with 2 CFR 200, to verify if certain costs charged to Federal grants are allowable.

It should be noted, however, that this is not an endeavor that the department can undertake on its own. This process will need to be developed in concert with the Personnel, Finance and IT Departments to ensure a sustainable solution is developed.

#### **Finding 7 – CHDO Noncompliance and Performance Issues**

##### **FCHCD Response**

The total award amount to ANDP was \$1,021,540. On September 11, 2013, Fulton County issued a check to ANDP in the amount of \$400,000 towards the acquisition of the Delowe Village property for the sole purpose of providing affordable housing units in Fulton County. On or about March 27, 2014, additional funds were issued to ANDP in the amount of \$116,000 (\$40,000 in developer fees and \$76,000 in reserves) for a total disbursement, to date, of \$516,000. These funds were disbursed as such:

<b>Acquisition</b>	\$400,000.00
<b>Developer fee (53% of \$75,000)</b>	\$40,000.00
<b>Reserves</b>	\$76,000.00
<b>Total</b>	<b>\$516,000.00</b>

On April 13, 2016, the Department of Housing and Community Development sent correspondence to ANDP outlining the two areas of non-compliance and offered a remedy to cure. Specifically, we addressed Davis Bacon requirements and procurement regulations. Since that notification, staff has had multiple follow-up calls with ANDP to ensure their complete understanding of both. In fact, ANDP was required to sign a Davis Bacon Acknowledgement form reiterating their complete understanding of the HUD regulations.

ANDP accepted our offer to cure and as it relates to the payroll reimbursements, ANDP has submitted payroll documentation for five (5) contractors. Staff has scrutinized the payroll against the invoices submitted for these 5 contractors and has been able to substantiate and approve invoices for reimbursement totaling \$70,514.64. In addition, we requested and received invoices

for materials and supplies, which did not require labor by the vendor during rehabilitation, for reimbursement consideration. Staff has combed through the submission and we have determined an additional \$34,340.03 of eligible costs.

At this writing, ANDP has complied with all departmental requests and there is \$505,540 in obligated HOME funds remaining. As such, ANDP is gearing up the procurement process to complete the energy efficient repairs (\$271,540) as outlined in Amendment #1 to the original contract. Due to recent HUD amendments around procurement, staff worked with ANDP to update the originally approved procurement policy to ensure full compliance. We have assigned a staff member to serve as the project manager providing regular and consistent monitoring as we move through each phase of the project to ensure full compliance through completion.

#### **AUDIT CONCERN 1 – Inefficient Administration of Tenant Based Rental Assistance Program**

##### **FCHCD Response**

Effective July 2016, the Fulton County Housing Authority will resume full administration of the TBRA program. A program manager has been assigned to the project with responsibility for monitoring the Authority's implementation of the program and to ensure the Authority maintains compliance through completion of the agreement.

#### **AUDIT CONCERN 2 – Possible Failure to Meet Commitment Deadline**

##### **FCHCD Response**

In accordance with the plan provided by the HOME Program Manager, the department was successful in meeting its obligations per the HOME program regulations in terms of committing and drawing funds by the May 31, 2016 deadline. The latest report from HUD reflecting that the County has met the commitment and CHDO disbursement shortfalls is attached as exhibit A.

#### **Summary of Accomplishments**

Since arrival of the new Director, the department has accomplished the following as a result of an ongoing examination of the departments practices and accomplishments vis-à-vis the U.S. Department of Housing and Urban Development program objectives, policies, regulations and standards:

1. Resolution of findings concerning the Fulton County Housing Authority administration of Neighborhood Stabilization Program (NSP) funding. As a result of a resolution between the Housing Authority and Fulton County, the Housing Authority is now in a position to receive federal funding via Fulton County's Department of Housing and Community Development.
2. Hired an Operations Manager to oversee the day to day operations of the department and to ensure compliance with federal and county regulations and policies.
3. Restructured numerous HOME deals per the program regulations and in conjunction with the Federal Housing Administration guidelines.
4. Closed on outstanding HOME investments whereby the County was due funds because of inactivity or the recipient violated federal rule.

5. Strengthened our partnership with the U.S. Department of Housing and Urban Development.
6. Recaptured HOME funds from a sub-recipient.
7. Hired a Community Development Specialist.



Grantee	State	Deadline Date	Original Allocation	Adjustments	Requirement Amount	Total through Deadline	%	Shortfall
FULTON COUNTY	GA	Commitments	\$18,922,088	\$2,769,768	\$16,152,320	\$16,152,511	100.00%	\$0
		CHDO Commitments	\$18,515,657	\$0	\$2,777,349	\$2,974,560	16.07%	\$0
		CHDO Disbursements	\$16,727,181	\$0	\$2,509,077	\$2,613,719	15.63%	\$0
		Disbursements	\$17,133,612	\$2,769,768	\$14,363,844	\$14,609,048	100.00%	\$0

NOTE: Any ADDI allocations received through FY2008 are reflected in the Original Allocation and respective Requirements.

++ Adjustments could include CHDO reallocations, grant reductions, deobligations, recapture of expired funds, or waivers of deadline requirements due to Presidentially-declared disasters.

\* PJ did not receive an allocation until after 2014. Therefore, it has no amount subject to the 2016 commitment or CHDO reservation deadline.

\*\* PJ did not receive an allocation until after 2011. Therefore, it has no amount subject to the 2016 disbursement deadline or CHDO disbursement deadline.

# Due to CHDO deobligation or waiver, PJ could have met its cumulative CHDO reservation requirement with a percentage less than 15%.

Source: Data entered by HOME Participating Jurisdictions into HUD's Integrated Disbursement and Information System (IDIS)