



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Housing and Community Development
HOME Program Monitoring Audit
1st and 2nd Quarter of 2019
April 8, 2020**

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INTRODUCTION

In accordance with the 2019 approved Audit Plan, the Office of the County Auditor has conducted a monitoring audit of Fulton County's Home Investment Partnerships (HOME) Program. The HOME Program monitoring audit is required by the Department of Housing and Urban Development (HUD) to ensure the program is being administered properly.

BACKGROUND

The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA). Under the HOME Program, HUD allocates funding by formula to participating jurisdictions to fund a wide range of activities including building, buying and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

HOME funding allocations are awarded to participating jurisdictions based on the submission of a Consolidation Plan. As such, the Fulton County Housing and Community Development (FCHCD) Department receives funding from HUD to administer the HOME Program. HUD also provides funding to FCHCD for other federal housing grants including the Community Development Block Grant (CDBG), the Neighborhood Stabilization Program (NSP) and the Emergency Solutions Grant (ESG).

FCHCD uses HOME funds to deliver the following HOME funded activities:

- Community Housing and Development Organizations (CHDO) are non-profit, tax exempt, 501C3 organizations that retain housing for the community it serves. The CHDO communities must serve a defined geographical community. The target populations that benefits from CHDO housing are low to moderate income individuals. FCHCD is required to set-aside at least 15% of the annual HOME allocation to fund CHDO projects.
- Homeowner Rehabilitation provides deferred payment loans to improve the living conditions of low and moderate income Fulton County residents. Additionally, the rehabilitation eliminates distressed conditions in targeted neighborhoods and preserve the basic character of Fulton County's neighborhoods;
- Tenant Based Rental Assistance (TBRA) provides temporary rental assistance to those very low to moderate income individuals and families who are on the housing choice voucher waiting list and/or require immediate rental assistance in order to mitigate an emergency situation; and
- Home Ownership Program (HOP) assists low and moderate income individuals and families of Fulton County with down payment assistance or closing costs funds to purchase homes.

OBJECTIVE

The objective of this audit is to assess the effectiveness of procedures and controls implemented by the FCHCD, as it relates to the administration of the HOME Program.

SCOPE

The scope for this audit is the 1st and 2nd quarter of 2019 (January 1, 2019 through June 30, 2019).

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To achieve our audit objectives, we evaluated FCHCD's overall administration of the HOME Program, which included a review of staffing, financial management and the administration of the HOME-funded activities. During our evaluation, we performed audit procedures to ensure:

- HOME Program funds were matched by Fulton County in the amount of twenty five (25%) percent of the total HOME funds drawn for project costs;
- Sufficient staffing exists to effectively administer the HOME Program;
- Proper documentation was obtained, reviewed and approved prior to disbursing HOME Program funds;
- HOME Program funds were committed by the required deadline;
- HOME Program activities were accurately recorded in HUD's Integrated Disbursement and Information System (IDIS);
- Proper monitoring was conducted of the HOME Program and projects;
- Appropriate documentation was maintained to validate compliance with HOME Program requirements and support performance information; and
- HOME Program funding was provided to eligible recipients.

Our findings and recommendations are detailed below:

AUDIT FINDINGS AND RECOMMENDATIONS**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.

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 resulting in additional de-obligation of funds.

Recommendation

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

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 are 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.

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 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.

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.

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 subrecipient 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.

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 are imperative to ensure the collection and disbursement of HOME funds are 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.

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.

CONCLUSION

Based on the audit performed of the HOME Program, we identified (7) seven findings and (1) one concern:

- Insufficient Staffing and Program Knowledge
- Non-Compliance of HUD Commitment Deadline
- Failure to Properly Support Staff Labor Distribution
- Lack of Policies and Procedures for the Draw Down of Funds
- Incomplete and Missing Documentation for TBRA Program
- Failure to Provide Progress Reports
- Failure to Reconcile AMS and IDIS Systems
- TBRA Compliance with Housing Authority Agreement

We recommend the HOME management staff give immediate attention to the above findings and concern. Management should also implement the necessary corrective actions needed to ensure effective administration of the HOME program.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Joi Hargis, Audit Coordinator in the Office of the County Auditor at joi.hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.