



FULTON COUNTY

FULTON COUNTY, GEORGIA

OFFICE OF INTERNAL AUDIT

**FULTON COUNTY DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT
MONITORING OF THE HOME PROGRAM POLICES AND PROCEDURES
IMPLEMENTED
FOURTH QUARTER 2009/FIRST QUARTER 2010**

August 16, 2010

Table of Contents

	Page
Introduction -----	1
Objective -----	1
Scope -----	2
Methodology -----	2
Findings and Recommendations -----	3-4

Monitoring of the Home Program Policies and Procedures Implemented
Fourth Quarter 2009/First Quarter 2010

Introduction

At the request of the Department of Housing and Urban Development, we monitored and reviewed the effectiveness of the policies and procedures implemented for the HOME Investment Partnership Program adopted by Fulton County Housing and Community Development. The purpose of our review was to determine if Fulton County Housing and Community Development implemented proper controls and procedures to ensure effective monitoring of its HOME program and established adequate internal control procedures to address the audit findings issued in the Department of Housing and Urban Development report dated March 7, 2008.

The HOME funded programs subject to our review were the Housing Rehabilitation, Tenant Base Rental Assistance, Community Housing Development Organization, and the Home Ownership Assistance Programs. The various programs are described as follows:

- Housing Rehabilitation Program provides emergency assistance grants and deferred payment loans to improve the living conditions of low and moderate income Fulton County residents, eliminate blighted conditions in targeted neighborhoods, and preserve the basic character of the County's neighborhoods.
- Tenant Base Rental Assistance program assists eligible participants with securing non-luxury, decent, safe and sanitary housing in the private rental market
- Community Housing Development Organization is a not-for-profit and tax exempt community-based service organization that retains or intends to retain housing for the community it serves. The purpose of the organization is to provide decent, affordable housing for low- and moderate- income people. At least 15 percent of HOME funds must be set aside for a Community Housing Development Organization.
- Home Ownership Assistance Payment program assists low and moderate income Fulton County residents with down payment assistance funds to purchase homes. The loans are forgivable once conditions involving tenure are met.

Objective:

The objective of our review and monitoring efforts is to assess the effectiveness of the procedures and controls implemented by Fulton County Housing and Community Development.

Scope:

The monitoring period covered by this review is for the fourth quarter ending December 31, 2009 and the first quarter ending March 31, 2010.

Monitoring of the Home Program Policies and Procedures Implemented
Fourth Quarter 2009/First Quarter 2010

Methodology:

During our review of the program files, we looked for evidence of compliance to the policies and procedures implemented. We searched for those activities, which could not be completed in a timely manner and determined if appropriate action was taken to recover HOME funds. For various programs, we examined the commitment and expenditure dates of HOME funds. On a test basis we determined if controls were sufficient to satisfy Department of Housing and Urban Development's requirements for the number of affordable housing units made available and whether the participants had satisfied the income eligibility requirements.

Finding 1 – Missing Certification Statement in File

Pursuant to 24CFR 92.203, the applicant must provide a certification statement, stating that qualifying income and eligibility requirements have been met and that additional source documents, if requested, will be provided. We found the certification statement missing from one participant's file in each quarter examined. This finding indicates that a supervisory review of the file was not thoroughly performed. The certification statement is a critical part of the HOME Program application process. In these instances Fulton County was not in compliance with Department of Housing and Urban Development's requirements.

Recommendations

The participant's program files should be reviewed for completeness by the community development specialist and a secondary review should be performed by the supervisor.

Finding 2 – Suspended or Debarred Contractors

According to 24 CFR Part 24, the County should verify that the contractors used are not suspended or debarred. The purpose of this verification is to protect the public's interest from persons who are not responsible. The County did not confirm whether the contractors awarded contracts were suspended or debarred. Instead, the County used the current approved registration status with the State, as a substitute for verification. The effect of using State's contractors registration status is that verification of suspended or debarred contractors at the Federal level is not a part of the registration process.

Recommendations

Fulton County HOME Program specialist should use the General Services Administration Excluded Parties List System as a reference. This system maintains a listing of suspended and debarred contractors who are prohibited from doing business with the Federal government. The search should be documented in the applicants' file by printing the screen page on the computer and noting the date that the search was performed.

Monitoring of the Home Program: Policies and Procedures Implemented
Fourth Quarter 2009/First Quarter 2010

Finding 3 – Incomplete and Missing Documentation

Department of Housing and Urban Development provides useful checklist for monitoring compliance of HOME Program rules and regulations as well as with other Federal requirements to ensure necessary documentation is maintained. During our review of the HOME Program files for the Rehabilitation Program, we found:

- One file contained a tax return not signed by the applicant.
- One file was missing the W-2 income support.
- One file was missing property rehab and cost estimate write-up documentation.
- One file was missing internal bid documentation used to select the lowest and most responsive bidder.

The above project file deficiencies were not cited by the community development specialist and supervisor during their review of the files.

Recommendations

The supervisor should periodically document the review of the files and ensure that the files conform to the HOME Program's quality controls checklists.

Finding 4 – Reconciliation of Financial Reporting System not Performed

Based on The Housing Department's policies and procedures, HOME funds recorded in the County's Automated Management System and internal reports should be reconciled to HOME funds recorded in the federal Integrated and Disbursement Information System. Based on our review of the reports, we noted that Program Income Expenses, Disallowed Grant Charges, and other expenditures were not properly recorded on the Fund Balance Report nor was a reconciliation performed. Per Art Christian, HUD knows that there was no Program Income received for 2009 and 2010. The total amount of Program Income receipted into the Integrated and Disbursement Information System is actually overstated because it had already been receipted and spent as Program Income from what was later deemed by the Department of Housing and Urban development to be ineligible HOME projects. Program Income in the Integrated and Disbursement Information System is estimated to be overstated by a few hundred thousand dollars.

Recommendations

The Integrated and Disbursement Information System needs to be corrected to reflect the accurate amount of Program Income. The Office of Housing should reconcile Program Income in the Integrated and Disbursement Information System and determine the total amount overstated.

Finding 5 – Untimely Submission of Draw Requests

As stated in The Housing Department's policies and procedures, it should submit draw requests for current month's expenditures to the County's Finance Department by the 15th of the following

Monitoring of the Home Program Policies and Procedures Implemented
Fourth Quarter 2009/First Quarter 2010

month. We noted draw requests for the HOME Program were not submitted timely to Fulton County's Finance Department. The draw requests were untimely due to the Finance Specialist researching that prior outstanding HOME expenditures were properly drawn down. Late submission of draw requests resulted in the untimely recovery of funds from the Department of Housing and Urban Development.

Recommendations

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.

Audit Concern 1 – Income Certification Questioned

Pursuant to 24CFR 92.203, the applicant must provide a certification statement, stating that qualifying income and eligibility requirements have been met and that additional source documents, if requested, will be provided. We found that the participant's income was \$48,489 and the respective program income limit was \$51,600. The applicant had other bi-weekly bank deposits of \$325.00. The \$325.00 receipts were not verified as income or otherwise. If the \$325.00 receipts were found to be income, the applicant would not have qualified for the Rehabilitation HOME Program funds.

Recommendations

When recurring receipts are discovered during the application process, the community development specialist should determine if the receipts are additional income; identify the sources; and document this information in the income section.