



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
THIRD QUARTER 2010**

January 27,2011

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Introduction

At the request of the Department of Housing and Urban Development (HUD), we monitored and reviewed the effectiveness of the policies and procedures implemented for the HOME Investment Partnership Program adopted by Housing and Community Development (The Housing Department). The purpose of our review was to determine if The Housing Department 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 HUD reports dated March 7, 2008 and August 27, 2010.

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 Community Housing Development Organization.
- Home Ownership 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 third quarter ending September 30, 2010.

Methodology:

During our review of the program files, we examined 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 HUD's requirements for the number of affordable housing units made available and whether the participants had satisfied the income eligibility requirements.

Findings, Audit Concerns, and Recommendations:

Finding 1 – Untimely Submission of Draw Requests

As stated in 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 fifteen of the following month. We noted draw requests for the HOME Program were not submitted timely to Fulton County’s Finance Department. The draw requests were not submitted by the required date due to the Housing Department’s delay in processing expenditures. Late submission of draw requests resulted in the delay in the recovery of funds from HUD.

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.

Finding 2 - Untimely Payment of Full Contract Amount to Contractors

The Housing Department’s policies and procedures for Single Family Housing Rehabilitation states, “the second payment due to the contractors shall be withheld until satisfactory completion of all work covered by the contract has occurred and a 10% retainage fee shall also be withheld for 30 days following completion of the contract date and final inspection”. Based on our test work, we noted instances in which more than 30 days passed and the retainage fee was not paid to the contractors that completed work on the Single Family Housing Rehabilitation activities. The lag time in the payment of the contractors’ retainage fee was due to the Housing Department being unable to process the contractors invoice request in a timely manner. The untimely payments to contractors are not considered a good business practice and subject the County to the risk of mechanic lien being filed by the contractor.

Recommendations

The Housing Department should ensure that all contractors receive payment in a prompt manner.

Finding 3 - Set Up of Funding Programs and Updating Payments in IDIS

Fulton County Housing Policy requires that the program activity be set up in the IDIS system when payment requests are submitted. We noted that two single family rehabilitation activities were not set up and payments made in the third quarter were not updated in the IDIS system. Due to the Housing Department’s lack of timely updates to the IDIS, the potential for discrepancies and a delay in the recovery of funds from HUD exists.

Recommendations

The Housing Department’s supervisor should ensure that the staff is properly trained and adheres to County’s policies.

Finding 4 – Lack of Procedures for Defaulted Loans and Loans Servicing Controls

The HUD Guidelines, 24 CFR 92.505(a) and 24 CFR 85.20(b), states that there should be a documented process for addressing projects that have loans in default. Based on our review of the Delowe Place Project, we noted that the procedures have been drawn up but not yet approved by the County Attorney's Office. As a result, a clear process for handling defaulted loans is not in place.

Recommendations

The Housing Department should ensure the necessary procedures are in place to address loans in default.

Audit Concern 1-Home Match Report

The current HUD Audit Report dated August 27, 2010, required that the Housing Department prepare its match log in the format of Appendix D for the period of January 1, 2000 through September 30, 2007. Based on our review of the HOME match report we noted that the match report was for the period of October 1, 2004 through September 30, 2008. The Housing Department has not documented the match log for the proper timeframe and therefore HUD may not approve current HOME Match Report. This could result in HUD placing a hold on future funds.

Recommendations

The Housing Department should ensure that it documents the HOME Match Report in the required format for the proper time period.

We would like to thank the management and staff from Fulton County Housing and Community Development for their cooperation and assistance during the monitoring process and procedures implementation.