

Community Redevelopment Agency - Audit 99-22

Risk Analysis Work Sheet

June 8, 1999

<u>Risk</u>	<u>Control</u>	<u>Control In Place</u>	<u>Assessment</u>
Sales price of homes rehabilitated by participating Challenge Fund nonprofit organizations exceed the "true" market value of the home.	CRA Policy & Procedures - B48 i(3) states that sales price shall equal the post construction appraised value established by an independent professional appraiser.	Yes, but policy is new and exceptions noted in prior period audit.	Medium
Borrower's income exceeds program's income limits.	Income Calculation Work Sheet used to determine eligibility. Exceptions to income guidelines of Challenge Fund loans must be approved by loan committee.	Yes, but policy is new and exceptions noted in prior period audit.	Medium
CRA activity is not accurately captured by the financial system.	Quarterly reconciliations of federal grant drawdowns (IDIS) to the general ledger are performed.	Yes	Low
Loans are made to refinance existing mortgages.	CRA Policy & Procedures - B48 3c(4) requires 25% of total loan amount to be applied to the rehabilitation of the housing unit.	Yes, but policy is new and exceptions noted in prior period audit.	Medium
Drawdowns of federal/state funds were not made in a timely manner.	The drawdown process provides reimbursement within 30 days.	Yes; however, problems caused \$1.26M to be outstanding at 3/31/99.	Low
Rehabilitation work is not performed or substandard.	Inspections are performed. The property owner, contractor and CRA must sign the payment voucher. Refusals to sign are documented in the case file. Ten percent of draw retained until project completion and final draw.	Yes, but exceptions noted in prior period audit.	High
Homeowner's complaints are not addressed within a reasonable time.	CRA Policy & Procedures - C18 provides a process to acknowledge and resolve complaints in a timely manner.	No, complaint system was not functioning.	High

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Participating nonprofit organizations' development fees are excessive.	CRA Policy & Procedures - B48 i(2) caps the development fee at 9.5% of the sum of the cost of acquisition, construction and construction related fees.	Yes, but exceptions noted in prior period audit.	Medium
Rehabilitation/construction costs claimed at closing by nonprofit organizations are overstated.	Annual Single Audit and right to audit/review nonprofit's records in agreement to ensure costs are accurately stated at closing.	No reliance on Single Audit and audits/reviews not performed.	High
Participating nonprofit organizations do not comply with applicable federal laws.	At its expense, nonprofits must obtain an annual independent audit in compliance with OMB A-133.	Yes.	Low