

**PLANNING AND URBAN DEVELOPMENT
HOUSING DIVISION
HOUSING PROGRAMS
AUDIT 15-07
NOVEMBER 19, 2015**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

November 19, 2015

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Housing Programs, Audit 15-07

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on Housing Programs.

The Housing Division of Planning and Development (Housing) has already taken positive actions in response to our recommendations. We thank the management and staff of Housing for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Bob McDonough, Administrator for Economic Opportunity
Thom Snelling, Director of Planning and Development
Vanessa McCleary, Housing Manager

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/s/ Vivian N Walker

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

There are currently two main areas of the Housing and Community Development Division (HCD): Residential Services and Urban Planning. Residential Services encompasses assistance to homeowners by providing funding for down payment assistance, emergency relocation (currently suspended), foreclosure counseling (comprised of unemployment mortgage assistance, mortgage loan reinstatement payment assistance, and principal reduction), local housing assistance, and owner-occupied rehabilitation. Upon obtaining funding, the homeowner's loan is serviced by a third party; however, HCD receives reports on the loan's activities (including defaults for either insurance or payments). Residential Services also processes applications received for funding through the City of Tampa's Real Estate Division's Historic Preservation area.

Urban Planning is responsible for obtaining agreements with non-profits to accomplish those tasks the City has indicated will be accomplished with funding from various grants. The action plan stipulates the activities the City identified to be accomplished. For any activities that the City of Tampa does not provide, Urban Planning works with non-profit agencies that can accomplish the specific requirement.

The City of Tampa is the recipient of federal and state grants as resources to accomplish action plans approved by the Housing and Urban Development Agency of the federal government. Additionally, funding is provided through the Florida Housing Finance Corporation, an entity established by the Florida Legislature to "assist in providing a range of affordable housing opportunities for residents." With the exception of housing counseling agency agreements (funded through Community Development Block Grants (CDBG)), this audit only reviewed activities funded through HOME Investment Funds (HOME).

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY2015 Audit Agenda. The audit objectives were to ensure that:

1. Activities identified in the Consolidated Action Plan that are being provided under contract to external agencies, using federal HOME Investment funds during FY13-14, are not also being provided by the City of Tampa.
2. HOME Investment fund sub-recipients are adequately monitored during FY13-14.
3. Payments made from HOME Investment funds are for valid and authorized activities.
4. Housing Counseling agencies are complying with grant requirements and agreements.

STATEMENT OF SCOPE

This audit will review activities funded by HOME and those completed by the housing counseling agencies for the past two fiscal years: October 1, 2012, through September 30, 2014. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

Tests were performed to determine whether the Housing Division adequately monitored the activities and documentation maintained by agencies awarded funding through either HOME or CDBG. Site visits to all agencies receiving both HOME and CDBG Funding (for housing counseling only) were performed. The agencies were requested to provide records to support payment requests including applications or attendance rosters. The applications were screened for income levels to ensure recipients met the guidelines dictated by the funding source(s). Internal controls related to the proper disbursement of funds were also reviewed.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Activities identified in the Consolidated Action Plan (Plan) are not also being provided by the City of Tampa. However, the information being reported to HUD, documenting completion of the activities by contracted agencies, is not always accurate.
2. HOME Investment fund sub-recipients were being monitored during FY13-14. However, documentation maintained by the Monitors could be improved to support communication with agencies when they do not comply with the requirements of the agreements or when the City is required to approve actions to be taken by the agencies.
3. Overall, payments made from HOME Investment funds are for valid and authorized activities. However, disbursements were made for requests that did not have adequate documentation.
4. The Housing Counseling agencies complied with grant requirements and their agreements.

While the findings discussed below may not, individually or in the aggregate, significantly impair Housing Operations, they do present risks that can be more effectively controlled. Before we completed our audit, Housing Division personnel implemented some of the Internal Audit Department's recommendations.

INACCURATE CAPERS

STATEMENT OF CONDITION: We visited agencies awarded federal dollars, by the City of Tampa, for HOME and reviewed records of services provided for the audit period of October 1, 2012, through September 30, 2014. Based on these reviews and discussion with agency and the HCD staff we noted that there are no records to support the final activity numbers reported in the FY13 or FY14 Consolidated Annual Performance and Evaluation Report (CAPER).

CRITERIA: Quarterly and at the end of projects, a close-out report is required to be submitted to the HCD and should be the basis for developing the annual CAPER. The federal agency of Housing and Urban Development (HUD) requires recipients to annually report "accomplishments and progress toward" the goals specified in the Consolidated Plan by preparing the CAPER.

CAUSE: HCD did not necessitate provision of the quarterly and annual reports, by agencies, as required by agency agreements. There is no verification process in place to ensure the accuracy of the CAPER prior to submission to HUD.

EFFECT OF CONDITION: The data provided in the CAPER is justification of federal funding received. Inaccuracy of this information could reduce future entitlements from HUD or require reimbursement, by the City, for failing to accomplish goals.

RECOMMENDATION 1: Management should ensure timely receipt of periodic progress reports as required by agency agreements. These reports should be used in preparation of the CAPER and an employee independent of the report preparation should verify its accuracy prior to submission to HUD.

MANAGEMENT'S RESPONSE: The records reviewed were for the HOME program. The ESG (*Emergency Shelter Grant*) and HOPWA (*Housing Opportunities for People With AIDS*) program information for the CAPER did not have the same discrepancies. The reports were collected regularly and the information reconciled.

The problem was identified by the HCD Manager last year. The staff spent several months preparing policies and procedures to standardize contract management to include the reporting to HUD. The Urban Planner Policy and Procedure (P&P) were implemented October 2014. In addition a new supervisor for the Urban Planning section was hired January and has primary responsibility of the Annual Action Plan and the CAPER, she monitors the staff as they manage the contracts and signs off on payment request. She maintains notes on staff errors and provides coaching regularly to insure that accurate information is provided to HUD.

TARGET IMPLEMENTATION DATE: Complete.

DISBURSEMENT DOCUMENTATION

STATEMENT OF CONDITION: The documentation files maintained by the agencies contracted to provide services using HOME funds needs improvement. A review of 18 files, representing disbursements to four agencies disclosed missing or inadequate documentation to support the following:

- Formal approval by the City for any purchase or rehabilitation work to be performed. In all 18 files reviewed with an “approval”, the observed method was by email (owner-occupied rehabilitations) or stated as a condition on the sales contract (acquisitions).
- Bids from at least three entities (7 of 18 files). Two agencies were only required to obtain bids if they obtained work from an outside agency; however, their agreement does not stipulate this exception (8 of 18 files).
- Start and completion of rehabilitation projects for Community Housing Development Organizations (CHDO) within 90 and 120 days, respectively (five of six applicable files).
- Properties acquired by CHDOs to be leased if not sold within six months (three of six applicable files).
- Reimbursement to be based on paid bills or cancelled checks by agency prior to reimbursement from the City. One agency submitted proof of payment with checks written by a different affiliated agency.
- Lien waivers or releases for work performed by contractors for sub-recipients.

Note: for the reimbursement bullet related to paid bills, there was a note in the City’s property file questioning the use of checks written on the account of a different agency; however, there was no other documentation to indicate any corrective measures taken.

CRITERIA: The owner-occupied and CHDO agreements required the above conditions of reimbursement for either acquisition or rehabilitation of properties.

CAUSE: Lack of enforcement of contract requirements by Housing staff; also, inadequate monitoring of payroll expenses for propriety.

EFFECT OF CONDITION: The potential for a loss of revenue for those expenses reimbursed to the agencies that did not adhere to contract requirements.

RECOMMENDATION 2: Management should ensure that the current contract requirements for either owner-occupied rehabilitation or acquisition projects are being met before an agency is reimbursed.

MANAGEMENT RESPONSE: The time period reviewed represents the former practice. Per the policies and procedures, additional controls have been implemented to insure that contract requirements are met.

TARGET IMPLEMENTATION DATE: New policies and procedures were implemented Nov 2014.

AGREEMENT WITH FLORIDA HOUSING

STATEMENT OF CONDITION: HCD has an agreement with the State of Florida's Florida Housing Finance Corporation to provide advisor services. However, the agreement was not approved by City Council or signed by the Mayor. There has been a subsequent amendment effected, which also was not properly processed in accordance with City Code.

CRITERIA: Article IV of the City Charter Section 4.01 indicates that "the administration and enforcement of all . . . contracts . . ." is the responsibility of the Mayor. Additionally, Article VIII Section 8.01 requires every contract to be "approved by the council upon recommendation of the mayor, and signed by the mayor." However, Section 4.01 also states that the Mayor may promulgate "by executive order of such administrative directives."

CAUSE: Management did not obtain an executive order as allowed by City Charter.

EFFECT OF CONDITION: An agreement without the Mayor's signature violates City Charter, bypasses oversight processes, and puts the City at risk.

RECOMMENDATION 3: Management should request an executive order that specifies the Housing Manager has signature authority for the Hardest Hit Funds.

MANAGEMENT RESPONSE: Agree with this determination. It was mistakenly assumed that the Mayor's designation as the contact person for the HHF program allowed signing the amendment.

TARGET IMPLEMENTATION DATE: August 1, 2015.