



U.S. Department of Housing and Urban Development
Region 4, Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388
(404) 331-3369

**MEMORANDUM NO:
2010-AT-1803**

December 18, 2009

MEMORANDUM FOR: Gary A. Causey, Director, Jacksonville Community Planning and Development, 4HD

//signed//

FROM: James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: Hillsborough County, FL, has the Capacity To Administer its Neighborhood Stabilization Program and To Accurately Enter Commitments for its HOME Investment Partnerships Program

INTRODUCTION

We reviewed the County of Hillsborough's (County) Neighborhood Stabilization Program (NSP) and its HOME Investment Partnerships Program (HOME) as part of our fiscal year 2009 annual audit plan for community development and American Recovery and Reinvestment Act of 2009 (ARRA) programs. We selected the County for review because it received more than \$19 million in NSP funds and in 2008, HUD rated the County's HOME program as high risk. Our objectives were to determine whether the County had the capacity to effectively and efficiently administer its NSP and whether it accurately reported HOME commitments within HUD's Integrated Disbursement and Information System (IDIS).

We provided a draft memorandum to the County on November 25, 2009, and received written comments on December 10, 2009. We have included the comments in appendix B. The County agreed to correct the conditions raised by the review.

For each recommendation without a management decision, please respond and provide status reports in accordance with U.S. Department of Housing and Urban Development (HUD) Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

METHODOLOGY AND SCOPE

To accomplish our objectives for NSP, we

- Reviewed applicable statutes, regulations, and relevant HUD NSP requirements;
- Reviewed the County's policies and procedures relevant to NSP;
- Interviewed HUD and County officials regarding the County's NSP operations and staffing;
- Reviewed the County's NSP substantial amendment to its consolidated plan and its NSP grant agreement with HUD;
- Reviewed the County's organizational chart, job descriptions, and relevant documentation related to its administration of NSP; and
- Reviewed the County's procurement notices and scoring tabulations for each of six executed service contracts, one of seven subrecipient agreements, and the one property acquisition that had been completed at the time of our review.

To accomplish our objectives for HOME, we

- Reviewed and obtained an understanding of relevant HOME regulations, program guidance, and criteria;
- Obtained and reviewed reports from HUD's IDIS and Web site;
- Reviewed HUD's monitoring reports for the County's HOME program;
- Reviewed the County's internal audit and external review reports;
- Reviewed the County's consolidated annual performance and evaluation report for its HOME program;
- Reviewed the County's procedures and controls used to administer HOME program commitments;
- Interviewed HUD and County officials regarding the County's HOME operations; and
- Conducted tests to determine the accuracy of commitments the County entered into IDIS for the period October 1, 2006, through June 30, 2009. During this period, the County committed more than \$11.4 million in HOME funds, of which we examined more than \$9.4 million, or 83 percent. We examined all commitments that the County entered into IDIS that equaled or exceeded \$50,000 to cover the most significant commitment

amounts. The results of the review apply only to the tested activities and cannot be projected to the universe or total population.

We performed our on-site review work from July through September 2009, at the County's office located in Tampa, FL, and at HUD's office in Jacksonville, FL. The review covered the period October 2006 through June 2009 and was expanded as determined necessary.

For this report, our work was not conducted in accordance with generally accepted government auditing standards; however, this fact had no effect on the conditions identified in this report. We designed the review to be proactive and focus on prevention; thus, this report was significantly reduced in scope to the items and conditions discussed in this report.

BACKGROUND

NSP – Authorized under Division B, Title III, of the Housing and Economic Recovery Act of 2008 (HERA), as amended, NSP provides grants to every State and certain local communities to purchase foreclosed-upon or abandoned homes and to rehabilitate, resell, or redevelop these homes to stabilize neighborhoods and stem the decline in value of neighboring homes. HUD allocated more than \$3.9 billion in NSP funds to grantees.

HUD allocated more than \$19 million in NSP funds to the County based upon the funding formula developed by HUD pursuant to HERA. On March 3, 2009, HUD entered into a grant agreement with the County for the full amount allocated. The County's primary focus of the NSP funding is the acquisition and rehabilitation or demolition and reconstruction of single-family properties for sale to eligible home buyers. The County's NSP budget consists of \$16.3 million for the purchase and rehabilitation of abandoned or foreclosed-upon residential properties, \$100,000 to establish land banks for foreclosed-upon properties, \$100,000 for the demolition of blighted structures, more than \$700,000 for the redevelopment of demolished or vacant properties, and more than \$1.9 million for planning and administrative costs. The County also revised its amendment to the action plan to include financing mechanisms for the purchase and redevelopment of foreclosed-upon residential properties and to commence activity in its secondary target areas.

On February 17, 2009, the President signed ARRA. ARRA provides an additional \$2 billion in NSP funding (referred to as NSP2) that will be made available on a competitive basis. On July 16, 2009, the County submitted an application to HUD for more than \$19 million in NSP2 funding, but HUD had not made a funding decision on the application.

HOME program – The HOME program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. The program provides funds for the purpose of increasing the supply of affordable standard rental housing; improving substandard housing for existing homeowners; assisting new home buyers through acquisition, construction, and rehabilitation of housing; and providing tenant-based rental assistance.

HUD awarded the County more than \$7.4 million in HOME funding for program fiscal years 2006 through 2008. During this period, HUD recaptured more than \$2 million in HOME funds from the County due to commitment shortfalls. In 2008, HUD rated the County's HOME program as high risk. Due to the recapture and other issues identified from its internal and external reviews, the County reevaluated its programs and restructured its staff to improve the operations of its Affordable Housing Department, which administers its NSP and HOME funds.

Hillsborough County is governed by a seven member Board of County Commissioners. The Board appoints the County Administrator who serves as the County's Chief Executive Officer and is responsible for carrying out all decisions, policies, ordinances and motions made by the Board.

RESULTS OF REVIEW

The County Demonstrated Adequate Capacity to Administer Its NSP Funding

Based on the review, the County had the capacity to administer its NSP. The County had made substantial and effective revisions to its organization and staffing to correct many of the past performance problems identified by HUD and its own internal assessments. It had established and implemented adequate NSP procedures, followed proper procedures in the procurement of contract services, hired or was in the process of hiring an adequate number of qualified staff, and arranged for other County departments to assist with NSP workload and was progressing in carrying out its NSP.

The County had obligated or was in the process of obligating more than \$1.6 million for property acquisitions, excluding program administration, that were located in areas of greatest need as designated in its substantial amendment. The obligated amounts included more than \$460,000 for completed property acquisitions. The pending obligations included more than \$1.2 million for acquisitions with scheduled closings (\$510,000) and pending offers (\$702,000).

Obligations and Expenditures Were Not Entered into HUD's Disaster Recovery Grant Reporting System on a Timely Basis

As of October 1, 2009, the County had not entered any obligations or expenditures into the Disaster Recovery Grant Reporting (DRGR) system, although it had obligated and expended more than \$192,000 of its NSP funds. We also noticed that its staff had not obtained training on the use of the system and that its policy did not address timeliness for entering and reporting obligations and expenditures in the system. In addition, the County's DRGR policy did not define what constituted an NSP obligation and the documentation required to properly support an obligation.

HOME Commitments

The County had a past problem with making inaccurate commitment entries into IDIS. We identified more than \$748,000 in incorrect commitment entries made to IDIS before the County improved its controls. The inaccurate entries subjected the County to more than \$61,000 that is

subject to recapture by HUD because it did not ensure that written agreements were executed before it committed activities in IDIS. Regulations at 24 CFR (Code of Federal Regulations) 92.2(1) require that a commitment be supported by a legally binding executed written agreement. Regulations at 24 CFR 92.500(d) state that any funds in the U.S. Treasury account that are not committed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement are subject to reduction or recapture by HUD.

We reviewed all HOME commitments that the County entered into IDIS that equaled or exceeded \$50,000 for the period October 1, 2006, to June 30, 2009. The period incorporated the County's 24-month commitment deadlines that ended on October 31, 2007, and October 31, 2008. During this period, the County committed more than \$11.4 million for 130 activities, of which we examined more than \$9.4 million for 60 activities. We identified more than \$748,000 in inaccurate commitment entries for 11 activities that were not supported by executed written agreements at the time County staff entered the commitments into IDIS. The inaccurate entries occurred before or shortly after the County reevaluated and restructured the operations of its Affordable Housing Department to address deficiencies that HUD had previously identified. The previous deficiencies caused HUD to recapture a portion of the County's HOME funds because the County did not meet the program's commitment deadline.

The inaccurate entries identified by the audit (\$748,345) included \$329,045 made between November 17, 2006, and July 2, 2008, for four activities for which the written agreements were executed between 10 and 286 days after the County's commitment deadline. We reassessed the County's commitment compliance by adjusting the October 31, 2007, balance in the deadline compliance status report to exclude the four inaccurate entries. The adjustment resulted in a shortfall of more than \$61,000 that is subject to recapture by HUD.

Description	October 31, 2007, deadline
Commitment requirement	\$24,418,217 *
Total commitment reported	24,686,006 *
Excess in commitments	267,789
Less incorrect commitments identified by the audit	(329,045)
Adjusted balance (shortfall)	\$ (61,256)

* Figures obtained from HUD's HOME Deadline Compliance Status Report for 2005 Commitments, dated 11/30/07.

The remaining \$419,300 in inaccurate commitment entries (\$748,345-\$329,045) did not cause a shortfall as of the County's deadline compliance date and did not subject the County to further recaptures by HUD.

The results of our sample supported the County's claim that it had implemented improvements that corrected past problems with making inaccurate commitment entries to IDIS. For instance, the last inaccurate commitment entry identified in our sample was made on July 2, 2008. For the period July 3, 2008, through March 25, 2009, our sample included 31 commitment entries,

totaling more than \$3.2 million that were accurate and properly supported. The accurate entries during this later period supported the County's claim that it had corrected its past deficiencies concerning the accuracy of commitment entries made to IDIS.

RECOMMENDATIONS

We recommend that the Director of HUD's Jacksonville Office of Community Planning and Development

- 1A. Require the County to mandate that all staff with DRGR responsibilities complete in house and or HUD assisted training on use of the system to ensure timely and proper entry of NSP obligations, expenditures, and performance reporting.
- 1B. Require the County to amend its draft DRGR policy to include timeliness for entering and reporting NSP obligations and expenditures, defining what constitutes an NSP obligation, and describing the type of documentation to be kept to support NSP obligations.
- 1C. Recapture \$61,256 in HOME funds which the County did not commit by the 24-month statutory deadline.

APPENDIXES

Appendix A

SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use ^{1/}
1C	\$61,256

^{1/} Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if our recommendation is implemented, HUD will recapture \$61,256 in funds not committed by the 24-month statutory commitment deadline.

Appendix B

AUDITEE COMMENTS

BOARD OF COUNTY COMMISSIONERS
Kevin Beckner
Rose V. Ferlita
Ken Hagan
Al Higginbotham
Jim Norman
Mark Sharpe
Kevin White



**Hillsborough County
Florida**
Office of the County Administrator
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ADMINISTRATORS
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Eric R. Johnson
Michael S. Merrill
Manus J. O'Donnell
Edith M. Stewart

December 9, 2009

James McKay
Regional Inspector General for Audit
US Department of Housing and Urban
Development
Region 4, Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, Georgia 30303-3388

Subject: Hillsborough County, Florida, response to Recommendations of
HUD Inspector General's Audit Survey of the Neighborhood
Stabilization and HOME Investment Partnership Programs

Dear Mr. McKay:

Hillsborough County's Affordable Housing Department (AHD) is in receipt of the draft audit report on the County's capacity to administer the Neighborhood Stabilization and HOME Investment Partnership Programs.

Over the last year, effective, efficient and proactive organizational changes within the Department have been underway and/or completed in an effort to implement the recommendations addressed in this report, as well as to meet the operational and programmatic responsibilities of the Department. Several key improvements have been implemented within the last twelve (12) months providing us with a new vision and start, as well as a renewed commitment to our mission and Hillsborough County residents.

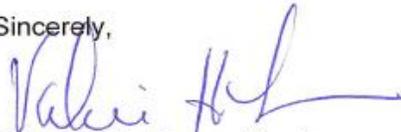
Attached for your consideration and review, please find the County's comments/response to the audit recommendations. Thank you for recognizing our hard work and for the opportunity to provide comments and/or clarification of the recommendations. Special thanks to Kim Tran and Melissa Ramile, HUD IG Auditors, for their thorough and helpful insights.

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If you have any questions and/or concerns, please feel free to contact me at 813-274-6673.

Sincerely,



Valmarie H. Turner, Director
Affordable Housing Department
1208 Tech Blvd., Suite 300
Tampa, FL 33619

Hillsborough County Affordable Housing Department

Response to HUD IG Audit Survey

- 1A. Require the County to mandate that all staff with DRGR responsibilities complete in house and/or HUD assisted training on the use of the system to ensure timely and proper entry of NSP obligations, expenditures, and performance reporting.

County's Response:

The County concurs with this recommendation. The Disaster Recovery Grant Reporting (DRGR) System was developed by HUD's Office of Community Planning and Development for the Disaster Recovery CDBG program and other special appropriations, such as the Neighborhood Stabilization Program (NSP). Data from the system is used by HUD staff to review activities funded under these programs and for required quarterly reports to Congress.

Although no formal training from HUD exists for the DRGR System, each staff person with DRGR responsibilities will be required to complete the online tutorial within the next thirty (30) days. Additionally, the County has contacted our HUD Regional Office for Technical Assistance.

- 1B. Require the County to amend its draft DRGR policy to include timeliness for entering and reporting NSP obligations and expenditures, defining what constitutes an NSP obligation, and describing the type of documentation to be kept to support NSP obligations.

County's Response:

The County concurs with this recommendation. The DRGR policy has been amended to include the following updates as noted:

Timeliness for entering and reporting NSP Obligations with supporting documentation:

NSP Activity Setup: Within two business days after closing on the NSP property, the executed HUD1 and Case Summary Form will be provided to the Community Services Program Coordinator II to be set up in the DRGR.

Within two business days after execution of the NSP demolition/rehabilitation/ redevelopment work contract, the updated Case Summary Form will be provided to the Community Services Program Coordinator II to update the activity in the DRGR.

Within two business days after any modification or deviation to the work contract has been approved by Departmental staff, the Case Summary Form will be provided to the Community Services Program Coordinator II to update the activity in the DRGR.

Progress Reports:

Within five (5) days from the end of the reporting quarter, the accomplishments of NSP activities will be reported in DRGR by the NSP Manager. All quarterly reports will be posted on the Department's webpage within seven (7) business days from the end of the reporting quarter.

NSP Obligation:

An NSP obligation constitutes the purchase contract and related HUD 1 closing statement (buyer and seller executed) showing the NSP subsidy for each NSP property acquired. An update to each property obligating additional funds for the demolition/ rehabilitation/ redevelopment will be supported by the work contract for the demolition/rehabilitation/ redevelopment activity. All funds to be obligated will be submitted as support documentation with a Case Summary Form detailing the NSP target area, site address, Housing Partner/Owner, program delivery costs and NSP funds for the purchase amount. The Case Summary Form is signed off by the NSP Manager and Contract Manger before submittal for DRGR Setup.

- 1C. Recapture \$61,256 in HOME funds which the County did not commit by the 24 month statutory deadline.

County's Response:

The County concurs with this recommendation. To meet the statutory HOME Commitment Deadline of **October 31, 2007**, the County had inaccurate entries (described below) which were entered into HUD's Integrated Disbursement and Information System (IDIS) prior to the execution of an eligible HOME agreement.

As noted in the audit, four First Time Homebuyer and Housing Rehabilitation Files, identified as noncompliant with the commitment

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deadline of October 31, 2007, were inaccurately reported in IDIS. The files have since been closed with the executed HOME agreements. Process improvements implemented by the Department, over the past 12 months ensure that project activities will be accurately reported.

AHD will coordinate with the HUD Regional Office, Jacksonville, Florida, to identify the HOME Program funding year to deduct the aforementioned recaptured funds.

The Department continues to build a functional organizational structure that offers the flexibility needed to improve program delivery and administration. Key management positions have been filled with knowledgeable and experienced staff to ensure that we have the skills and leadership necessary to fulfill our mission.