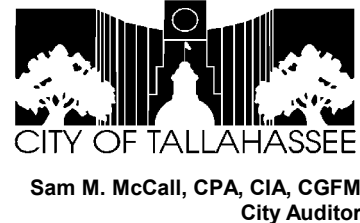


Final Audit Follow Up

As of March 31, 2000



“The Housing and Economic Development Division of the Neighborhood and Community Services Department”

(Report #9704, issued December 18, 1997)

Report #0003

May 12, 2000

Summary

This is the final follow up on the Audit of the Housing and Economic Development Division of the Neighborhood and Community Services Department (#9704). The Housing and Economic Development Division (Housing) has made significant progress in addressing the issues contained in the audit. In that audit, issued December 18, 1997, we found opportunities to improve Housing’s administrative systems to ensure programs are meeting their objectives. In that audit we noted that contracts with subgrantees were not being monitored to determine compliance with contract provisions, the Local Option Relocation Policy needed to be updated and clarified, and the water and sewer tap/system charge waiver program was not adequately monitored.

Over the past two years management has implemented steps to address our audit issues, and only four tasks remain to be completed by management. Housing management indicates that these last four tasks will be submitted to the City Commission for completion in May 2000.

The scope of Report #9704 was the affordable housing initiatives of the division. Our primary objectives were to determine whether:

- the relocation policy complies with federal standards and is being applied properly.
- subgrantee contracts are being monitored efficiently and effectively.
- the water and sewer tap/system charge waiver program complies with City policy and is being monitored effectively.

In general, the audit identified opportunities to improve Housing’s administrative systems to ensure programs are meeting their objectives.

Report #0003

The purpose of this final follow up is to report on the progress and/or status of efforts to implement recommended action plan steps due as of March 31, 2000. In addition, this final audit follow up report formally transfers certain unresolved issues to the appropriate Appointed Official for follow up, review, and disposition. To obtain information, we conducted interviews with key department staff and reviewed and examined supporting documentation.

Background

Housing’s primary responsibilities include the administration of the City’s affordable housing programs, small business economic development, and the Frenchtown revitalization initiatives. Housing administers grant funds received from the State of Florida and the U.S. Department of Housing and Urban Development (HUD).

Scope, Objectives, and Methodology

Report #9704

Another source of funding for affordable housing programs is the Affordable Housing Trust Fund. This fund was established in 1989 and receives moneys from the developer rebate program. The purpose of the fund was to provide resources to increase and improve the stock of affordable housing, both home ownership and rental. Housing targets very low, low, and moderate income families as defined by HUD.

Previous Conditions and Current Status

In Report #9704, we identified six areas in the administration of affordable housing initiatives: contract issues, water and sewer waiver issues, relocation program issues, rental rehabilitation program issues, financial issues, and management issues.

The current status of tasks due is as follows:

Tasks Due and Completed by Department			
Responsible Department	Total Tasks Due	Tasks Completed	Percent Completed
Accounting Services	2	2	100%
Budget & Policy	1	1	100%
City Attorney	2	2	100%
Neighborhood & Community Services	52	48	92%
Utility Business Services	1	1	100%
Water & Sewer	1	1	100%
Total	59	55	93%

**Table 1
Previous Conditions Identified in Report #9704 and Current Status**

Previous Conditions	Current Status
Contract Issues	
<ul style="list-style-type: none"> Contract provisions should be structured to ensure realistic performance requirements based on proven actual results. Evaluate contract terms for optimal start and end dates. Require adherence to federal, state and local requirements. 	<ul style="list-style-type: none"> ✓ New contracts were developed with performance goals. Contractual start and end dates were revised based on fund availability. Program guidelines were revised and referenced in the contracts.
<ul style="list-style-type: none"> A contract monitoring process should be developed and implemented. Contractual provisions for down payment assistance should be clarified. 	<ul style="list-style-type: none"> ✓ A monthly on-site monitoring schedule was established and contractual definitions were clarified in new contracts.
Water and Sewer Waiver Program	
<ul style="list-style-type: none"> Water and sewer fee waivers for housing units were granted before verifying the affordable housing eligibility. 	<ul style="list-style-type: none"> ✓ The application process for buyers was reinstated to ensure compliance with affordable housing policies.
<ul style="list-style-type: none"> The normal process used to certify projects as affordable housing was not followed for one project. 	<ul style="list-style-type: none"> ✓ All the necessary paperwork was completed for certification and approval of the water and sewer waivers for this project.
<ul style="list-style-type: none"> Reimbursement of water and sewer waivers to be paid over four years was offered to two developers without the proper authority. 	<ul style="list-style-type: none"> ✓ The City Commission authorized multiple-year reimbursements for water and sewer fee waivers.

<ul style="list-style-type: none"> • A monitoring process for the water and sewer fee waiver program should be established. 	<ul style="list-style-type: none"> ✓ A monitoring process was implemented to ensure recipients comply with the seven-year eligibility and that liens are recorded.
<ul style="list-style-type: none"> • The application/approval process for the water and sewer fee waiver program should be improved. 	<ul style="list-style-type: none"> ✓ Changes were made to the application/approval process to improve the water and sewer fee waiver program.
<ul style="list-style-type: none"> • The Ordinance and City Commission Policies governing the water and sewer fee waiver program should be revised. 	<ul style="list-style-type: none"> x Management plans, during the month of May 2000, to submit changes to the City Ordinance and City Policy to make them consistent with the objective of promoting affordable housing.
<ul style="list-style-type: none"> • An encumbrance process should be developed for the water and sewer fee waiver program. 	<ul style="list-style-type: none"> ✓ Housing established an encumbrance process, recorded current balances and verified the records with FMS.
<ul style="list-style-type: none"> • A monthly reconciliation should be performed to ensure Housing’s internal records agree to Financial Management System records. 	<ul style="list-style-type: none"> ✓ Established procedures for quarterly reconciliation of Housing records with FMS.
<p>Relocation Program Issues</p>	
<ul style="list-style-type: none"> • The Local Option Relocation Policy should be evaluated against requirements set forth in the Federal Uniform Relocation Act. <p>⇒ Housing staff’s application of the City Local Option Relocation Policy for permanent rental assistance exceeds the requirements of the program.</p> <p>⇒ The emergency assistance portion of the relocation policy needs improvement.</p> <p>⇒ An administrative and financial control system to monitor the relocation assistance program should be established.</p>	<ul style="list-style-type: none"> ✓ A revised Relocation Policy was developed and approved by the City Commission. The revisions clarify the policy and make it consistent with the Federal Uniform Relocation Act, provide guidelines for temporary relocation, and establish clear limits on assistance to eligible persons who need permanent relocation. An outside contractor was obtained to administer the revised relocation assistance program.
<p>Rental Rehabilitation Program Issues</p>	
<ul style="list-style-type: none"> • Guidelines for the rental rehabilitation program administration should be established, and liens are not being filed on property for which rental rehabilitation loan funds were disbursed. 	<ul style="list-style-type: none"> ✓ Procedures have been developed to ensure: <ul style="list-style-type: none"> ⇒ that liens for residential rehabilitation work are recorded, ⇒ monitoring of active residential rehabilitation loans, ⇒ files are properly maintained.
<p>Financial Issues</p>	
<ul style="list-style-type: none"> • Object codes relevant to Housing grants and programs should be established. 	<ul style="list-style-type: none"> ✓ A new object code structure has been implemented.
<ul style="list-style-type: none"> • Checks for the SHIP grant should be sent directly to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✓ Checks from the Florida Housing Finance Agency are remitted directly to the Revenue Office.
<ul style="list-style-type: none"> • A process to ensure that loans are recorded in FMS should be established. 	<ul style="list-style-type: none"> ✓ Housing staff has worked with Accounting Services to develop a process to record loans receivable when the transaction occurs.

<ul style="list-style-type: none"> The City Commission’s intent with respect to transfers to the Affordable Housing Trust Fund from the rebate program should be clarified. 	<ul style="list-style-type: none"> ✓ A new Ordinance was adopted and new procedures developed to calculate amounts due to developers and transfers to the Affordable Housing Trust Fund.
<ul style="list-style-type: none"> Restrictive covenants should be used to ensure the developer maintains the same affordability levels as submitted during the loan process. 	<ul style="list-style-type: none"> ✓ Housing has developed a process to evaluate loan proposals that includes a review by the Affordable Housing Target Issue Committee and approval by the City Commission.
<p>Management Issues</p>	
<ul style="list-style-type: none"> The management and accounting for grants and housing programs needs improvement. 	<ul style="list-style-type: none"> ✓ The Finance and Administration Division was created, consolidating all accounting functions throughout the Department. The Division reports to the Director of NCS.
<ul style="list-style-type: none"> Goals and performance measures and a reporting system to communicate progress for Housing Programs should be established. 	<ul style="list-style-type: none"> ✓ Housing has established specific objectives to monitor overall performance. Performance objectives have been established in subrecipient contracts.
<ul style="list-style-type: none"> Ordinances and City Commission policies should be evaluated against current Housing goals. 	<ul style="list-style-type: none"> x Housing Management indicates the changes to City Commission policies will be submitted for action during the month of May 2000.

Table Legend:

- Issue addressed in the original audit
- ⇒ Issue sub-component

- ✓ Issue addressed and resolved
- x Issue not resolved

As noted above, Housing will be presenting to the City Commission changes in City Commission Policies 710CP/1104CP and in City Ordinance 25-80 during the month of May 2000.

We appreciate the assistance from the Department of Neighborhood and Community Services in this follow up report.

Appointed Official Response

City Manager’s Response: Policy revisions regarding water and sewer fee waivers and housing goals evaluation were discussed and approved by the Target Issue Committee on April 15, 2000. The revisions will be presented to the City Commission during May, and, if adopted, this will complete the audit recommendations.

Copies of this Final Audit Follow Up or audit report #9704 may be obtained via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooley@mail.ci.tlh.fl.us).

Final Audit Follow Up conducted by:
 Jim Carpenter, Audit Manager
 Sam M. McCall, CPA, CIA, CGFM, City Auditor