



CARE Housing, Inc., Fort Collins, CO

**Community Housing and Development
Organization HOME and CDBG Grant Funds**



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

Issue Date: August 13, 2013

Audit Report Number: 2013-DE-1002

TO: LeRoy Brown, Director, Denver Office of Community Planning and Development, 8AD

FROM: *//signed//*
Ronald J. Hosking, Regional Inspector General for Audit, Denver Region, 8AGA

SUBJECT: A Hotline Complaint About CARE Housing, Inc., Fort Collins, CO, Was Not Substantiated

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the hotline complaint about CARE Housing, Inc.'s use of its grant funds for the Provincetowne project and whether it accurately represented itself as an eligible community housing development organization.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8L, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5872.



August 13, 2013

A Hotline Complaint About CARE Housing, Inc., Fort Collins, CO, Was Not Substantiated

Highlights

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What We Audited and Why

We reviewed the allegations contained in a hotline complaint against CARE Housing, Inc., Fort Collins, CO, to determine whether CARE accurately represented itself as an eligible community housing development organization (CHDO) and whether it used its grant funds for the Provincetowne project in accordance with applicable rules and regulations.

What We Recommend

This report contains no formal recommendations, and no further action is necessary. The auditee did not provide comments.

What We Found

We found no evidence to substantiate the allegations. CARE was an eligible CHDO at the time it received its HOME Investment Partnerships Program grant funds. Also, CARE properly used grant funds for the Provincetowne housing project.

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BACKGROUND AND OBJECTIVE

Established in 1992, CARE Housing, Inc., develops and manages affordable housing communities that provide supportive services to strengthen and empower families and build community. Since that time, CARE has grown in the Fort Collins community with a mission to advocate for and provide affordable housing to low-income working families.

CARE is a unique partnership of public, private, and religious sponsorship with expertise in housing finance, development, property management, and social service. Through these collaborative partnerships, CARE has successfully developed five affordable housing communities in Fort Collins, CO, and one in Windsor, CO.

The Office of Inspector General (OIG) received a confidential hotline complaint and conducted an audit to determine whether there was sufficient information to substantiate the complaint. The complainant alleged that Care was not an eligible community housing development organization (CHDO) and did not follow proper procedures when it procured the services of a general contractor.

Our objective was to determine whether CARE accurately represented itself as an eligible CHDO and whether it used its grant funds for the Provincetowne project in accordance with applicable rules and regulations.

RESULTS OF AUDIT

CARE Housing, Inc., Fort Collins, CO, Met the Requirements of an Eligible CHDO and Properly Developed Its Provincetowne Project

We reviewed the allegations contained in a hotline complaint that CARE was not an eligible CHDO at the time it received its HOME Investment Partnerships Program funds and did not follow proper procedures when it procured the services of a general contractor. Additionally, we reviewed CARE's use of HOME and Community Development Block Grant (CDBG) funds. We found no evidence to substantiate the allegations. The significant allegations made in the complaint and the results of our review of those allegations are detailed as follows:

- The complainant alleged that CARE was not an eligible CHDO at the time it received its HOME funds. CARE met all of the legal requirements of a CHDO at the time it received its HOME funds. The City of Fort Collins certified CARE to operate and receive grant funds, as needed, as a CHDO. CARE accurately represented itself as an eligible CHDO when it received its City of Fort Collins, State of Colorado, and U.S. Department of Housing and Urban Development (HUD) grant funds. CARE had an approved CHDO certification as of 2008. Additionally, CARE met the capacity and experience requirements of a CHDO as outlined in the requirements. CARE ensured that it had the appropriate amount of personnel to fulfill the needs of the nonprofit low- to moderate-income housing. CARE maintained at least one-third of its board of directors for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. Finally, CARE conformed to the financial accountability standards as shown in an independent auditor's report.
- The complainant alleged that CARE did not follow proper procurement procedures. CARE acted as a developer and was not required to competitively bid the project. In addition, CARE spent the CDBG and HOME funds on costs that could only be provided by a single source; therefore, a competitive process was not needed.
 - CARE received two regular HOME grants (\$631,715), two HOME CHDO grants (\$253,046), and four CDBG grants (\$550,000) to assist in the construction of the Provincetowne development. We analyzed the HOME and CDBG grants and determined that CARE used the funds on eligible expenses. Specifically, CARE used the funds for water tap fees, city electric tap fees, and site development costs.

Recommendations

This report contains no recommendations, and no further action is necessary.

SCOPE AND METHODOLOGY

We performed our onsite audit work at the CARE office at 1303 West Swallow Road, Building 11, Fort Collins, CO, from February 13 through 22, 2013. The audit covered the period January 1, 2009, through December 31, 2012.

To accomplish our objective, we interviewed pertinent CARE, City of Fort Collins, State of Colorado, and HUD staff and reviewed

- Applicable Federal regulations and HUD requirements;
- CARE's and the City of Fort Collins' CHDO certification documentation;
- CARE's contractor selection documentation;
- CARE's, the City of Fort Collins', the State of Colorado's, and HUD's grant documentation; and
- CARE's board of directors minutes, board roster, and other associated documentation.

We reviewed all of CARE's grant funds associated with the Provincetowne development project. We reviewed all documentation pertaining to the contractor selection for the Provincetowne development. Lastly, we reviewed all of CARE's CHDO documentation and any other documentation associated with its certification.

We did not rely on computer-processed data for our audit. We traced or verified the supporting documentation to draw our conclusions about the allegations.

We conducted the 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

The auditee agreed with the report and chose not to provide comments to this final report.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls over expenditure of grant funds.
- Controls over maintaining CHDO eligibility requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure. Accordingly, we do not express an opinion on the effectiveness of CARE's related internal controls.