



Miami-Dade County, Miami, FL

HOME Investment Partnerships Program



Issue Date: September 11, 2014

Audit Report Number: 2014-AT-1010

TO: Ann D. Chavis, Director of Community Planning and Development, Miami Field Office, 4DD

//signed//

FROM: Nikita N. Irons, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: Miami-Dade County Did Not Always Properly Administer Its HOME Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Miami-Dade County's administration of the HOME Investment Partnerships Program authorized under the National Affordable Housing Act.

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 8M, 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 404-331-3369.



September 11, 2014

Miami-Dade County Did Not Always Properly Administer Its HOME Program

Highlights

Audit Report 2014-AT-1010

What We Audited and Why

We audited Miami-Dade County's HOME Investment Partnerships Program. The County was selected for review because (1) our audit plan included audits of HOME grantees; (2) the Miami U.S. Department of Housing and Urban Development (HUD), Office of Community Planning and Development, ranked the County as high risk in its 2012 and 2013 risk assessments; and (3) HUD's Office of Inspector General (OIG) had not performed an audit of the County's HOME program. Our objective was to determine whether the County (1) ensured that expenditures of HOME funds were supported and allowable and (2) properly supported commitments of HOME funds in HUD's Integrated Disbursement and Information System.

What We Recommend

We recommend that HUD (1) recalculate the commitment requirement as a result of the County's having more than \$1.4 million in invalid commitments, (2) require the County to implement policies and procedures to ensure compliance with HOME requirements, and (3) require the County to support homeowner rehabilitation activity 5134 or reimburse its program \$45,600 from non-Federal funds and put \$204,400 in HOME funds to better use.

What We Found

The County did not always comply with HOME requirements. Specifically, it did not properly (1) commit HOME funds for 25 activities, (2) support that a beneficiary was income eligible for one activity, and (3) manage its HOME agreements. These conditions occurred because the County did not have effective written policies and procedures to ensure the proper administration of HOME funds. As a result, more than \$1.4 million in HOME funds was not properly committed, and \$250,000 in committed HOME funds was not supported.

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BACKGROUND AND OBJECTIVES

The HOME Investment Partnerships Program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act. The U.S. Department of Housing and Urban Development (HUD) allocates funds by formula to eligible State and local governments for the purpose of increasing home ownership and affordable housing opportunities for low- and very low-income families. State and local governments that become participating jurisdictions may use HOME funds to carry out housing strategies through acquisition, rehabilitation, new housing construction, and tenant-based rental assistance.

Miami-Dade County receives annual allocations of HOME funds from HUD. In fiscal years 2011 through 2013, HUD allocated more than \$13 million in HOME funds to the County. The County is a chartered political subdivision of the State of Florida and is authorized with the power of self-government by the Constitution of the State of Florida and Florida statutes. The Board of County Commissioners is the legislative and governing body of the County.

On October 1, 2011, the operations of the Department of Housing and Community Development merged with the Miami-Dade Public Housing Agency to form the Miami-Dade Public Housing and Community Development Department. This department maintains responsibility for several programs, including the public housing, Section 8, Community Development Block Grant, State Housing Initiatives Program, Documentary Stamp Surtax, and several other programs. The department manages and operates more than 9,200 public housing units and approximately 16,000 Section 8 units.

The County's Public Housing and Community Development Department is committed to providing low- and moderate-income residents of the County with high-quality and affordable housing. It administers these programs primarily through subgrantee, community-based organizations, developers, and other entities.

The County commits and draws HOME funds through HUD's Integrated Disbursement and Information System (IDIS). This system allows grantees to request their grant funding from HUD and report on what is accomplished with these funds. According to IDIS, from October 1, 2011, through December 31, 2013, the County committed more than \$6.6 million in HOME funds and drew down more than \$19.4 million in HOME funds.

The audit objective was to determine whether the County administered its HOME program in accordance with applicable HUD requirements. Specifically, we wanted to determine whether the County (1) ensured that expenditures of HOME funds were supported and allowable and (2) properly supported commitments of HOME funds in IDIS.

RESULTS OF AUDIT

Finding: The County Did Not Always Comply With HOME Requirements

The County did not always comply with HOME requirements. Specifically, it did not properly (1) commit HOME funds for 25 activities, (2) support that the beneficiary was income eligible for one activity, and (3) manage its HOME agreements. These conditions occurred because the County did not have effective written policies and procedures to ensure the proper administration of HOME funds. As a result, more than \$1.4 million in HOME funds was not properly committed, and \$250,000 in committed HOME funds was not supported.

The County Improperly Committed 24 Activities

The County did not sign or date the home buyer assistance loan agreements to purchase a home for its Miami-Dade Office of Community and Economic Development Scattered Sites Homebuyer Financing project (project 61). According to 24 CFR (Code of Federal Regulations) 92.2, a commitment occurs when the participating jurisdiction has executed a legally binding agreement with the recipient to use a specific amount of HOME funds. This project had 24 activities with commitments of \$978,250. We reviewed 11 of these activities with commitments of \$634,250. The home buyer financing agreements reviewed for these activities were not dated and signed by the County. See appendix C for a listing of the activities reviewed.

The Office of Community Planning and Development's (CPD) Notice CPD 07-06, Section VII-B, states that a written agreement between the grantee and the recipient must be signed by both parties. The signatures of all parties signing the agreement must be dated to show the execution date. The County explained that it was not a part of its process to sign the home buyer assistance agreements. The home buyer signed the agreement at closing, which the County did not attend. In addition, the County said that it did not require the signature of a County representative because the County and home buyer had previously signed a commitment letter. The commitment letter was the County's intent to assist the home buyer contingent upon certain conditions being met. The County explained that this letter triggered the County to open and commit funds in IDIS. However, according to CPD Notice 07-06, Section VII, the letter was not sufficient to support commitments.

Based on conversations with County staff and the review of its files, the County used the same documents to support the commitments for the entire project.

Therefore, for this project, the County improperly committed 24 activities totaling \$978,250 in HOME funds by not having legally binding written agreements that were signed and dated by the County.

The County Did Not Commit HOME Funds for One Activity in a Timely Manner

The County committed HOME funds in IDIS before it had a legally binding written agreement. On April 18, 2012, the County executed a written agreement totaling \$500,000 for activity 5109 to rehabilitate 12 rental units. However, the County committed funds in IDIS on March 19, 2012, before it had a legally binding written agreement. According to HOME FACTS¹, Volume 3, No.2, only after the grantee has executed a legally binding agreement can it enter the commitment into IDIS. Any activity funded in IDIS without an executed legally binding written agreement already in place is not a valid commitment. The County stated that this activity had not started because the developer was having financing problems. The County was underwriting this activity during our review. In addition, the agreement for this activity expired on September 30, 2013, and was not extended until June 2014 (as discussed below in The County Did Not Effectively Manage Its HOME Agreements section (amended agreements)).

The County explained that this condition may have occurred because funds were committed after the Board of County Commissioners approved the funding. However, CPD Notice 07-06 indicates that approved budgets, including governing body budget resolutions, are not acceptable commitment documentation.

These conditions occurred because the County did not have policies and procedures in place to ensure that funds were committed in IDIS in a timely manner. As a result, the County had invalid commitments of \$500,000 in HOME funds.

The County Did Not Support the Income Eligibility for One Activity

The County did not provide documentation to support the eligibility of a beneficiary for activity 5134. This activity involved the rehabilitation of the

¹ HOME FACTS is HUD's newsletter for the HOME Program that addresses topics such as HOME grants, deadline compliance, and repayments, and HOME computer systems processed in IDIS.

beneficiary's property. According to 24 CFR 92.508(a)(3)(v), the grantee must maintain records demonstrating that each family is income eligible in accordance with section 92.203.

The County explained that it had qualified the beneficiary as income eligible; however, it was unable to locate the supporting documentation due to the change in administration. Given the period that had elapsed since it initially opened the activity in IDIS in June 2012, the County should have recertified the beneficiary. The County staff said it did not recertify the beneficiary. Regulations at 24 CFR 92.203(d) (2) require that the grantee reexamine the family's income if more than 6 months has elapsed since the grantee determined that the family qualified as income eligible. The County did not provide documentation supporting the eligibility of the beneficiary that was allocated \$250,000 in HOME funds. The County explained that construction had not started due to difficulties with the architect, but as of April 2014, it had found a new architect to resume this activity. Due to the delay of this project, the County is required to prepare an updated schedule of completions in accordance with 24 CFR 92.504(c)(2)(i). As of June 2014, the County drew down \$45,600 of the total funds committed for this activity without documentation supporting the eligibility of the beneficiary. Therefore, the \$45,600 expended is unsupported, and the remaining balance of \$204,400 should be reprogrammed and made available for other eligible HOME activities.

The County Did Not Effectively Manage Its HOME Agreements

The County did not effectively manage its HOME agreements with its awardees.

Agreement provisions – The HOME agreements did not clearly identify the role of the awardee. Specifically, they did not indicate whether the awardee was a subrecipient, developer, or other entity. Regulations at 24 CFR 92.504(c) establish the minimum provisions required in a written agreement depending on the role of the entity. The County explained that it used a standard template with HOME provisions applicable to all type of awardees. To ensure proper administration of the funds, the County must clearly define the applicable provisions depending on the type of awardee. The County agreed and was preparing an agreement template for each type of awardee.

The HOME agreements template also incorrectly referred to the Community Development Block Grant provisions. Therefore, the County should ensure that the applicable provisions required by 24 CFR 92.504 are incorporated into the grant agreements. The County agreed and indicated that it was updating its HOME agreement templates.

Undated signatures in agreements – The County did not require dated signatures on its HOME agreements as required by HUD’s CPD Notice 07-06, Section VII. Without the dates, we were unable to determine when the agreements were executed. The County explained that the body of the agreement indicated the effective date. However, to ensure transparency and accountability, the County should require the parties to date their signatures, rather than relying on the date stated in the agreements. The County agreed, and in June 2014, it included a date line for signatures in one of its HOME agreement templates. The County was updating its remaining HOME agreement templates to include a date line for signatures.

Amended agreements – The County did not renew or execute a new agreement in a timely manner. It amended agreements several months after the agreement had expired. For instance, there were agreements that were amended 137 to 248 days after the expiration date.

IDIS activity	Expiration date of initial agreement	Date of amendment	Days elapsed
5109	09/30/13	06/05/14	248
5103	09/30/13	04/04/14	186
5134	12/31/12	07/01/13	182
5057	12/31/11	05/16/12	137

The County had two expired agreements for construction activities 4909 and 4928 that needed an extension. For activity 4909, the County planned to extend the agreement, which expired on December 31, 2013. This activity experienced interruptions due to insufficient funding. Recently, the awardee requested additional HOME funding to complete construction. As a result, in July 2014, the County planned to submit the request for extension and funding to the Board of County Commissioners. The County must be vigilant of the progress of this activity and should prepare an updated schedule of completion as required at 24 CFR 92.504(c)(3)(i).

For activity 4928, the agreement expired on June 30, 2014. The County explained that it was extending this agreement to allow the awardee time to obtain the certificate of occupancy.

The County explained that it tried to amend agreements before the expiration date; however, due to heavy workloads, amendments were not processed in a timely manner. In addition, the County stated that it relied on the awardee to inform it when an extension was needed. Failure to inform the County in a timely manner delayed the amendment process. According to 24 CFR 92.504, the participating jurisdiction is responsible for managing the day-to-day operations of its HOME program and ensuring that HOME funds are used in accordance with all program requirements and written agreements.

Conclusion

The County did not always comply with HOME requirements. Specifically, it did not properly (1) commit HOME funds for 25 activities, (2) support that a beneficiary was income eligible for one activity, and (3) manage its HOME agreements. These conditions occurred because the County did not have effective written policies and procedures to ensure the proper administration of HOME funds. As a result, the County did not properly commit more than \$1.4 million in HOME funds in IDIS and support \$250,000 in HOME funds. The incorrect information reported in IDIS undermined the integrity of HUD's information system and HUD's efforts to monitor the County's compliance with HOME program requirements.

Recommendations

We recommend that the Director of the HUD Miami Office of Community Planning and Development require the County to

- 1A. Establish and implement policies and procedures to ensure that commitments are entered into IDIS after the County has a valid written agreement that has been signed and dated by all parties.
- 1B. Provide supporting documentation for activity 5134 or reimburse its program \$45,600 from non-Federal funds and put to better use \$204,400 in HOME funds.
- 1C. Prepare a schedule of completion for activities 5134 and 4909 as required by 24 CFR 92.504(c).
- 1D. Provide the revised HOME agreement templates for the various types of awardees, which must include the HOME provisions and date line for signatures. The home buyer assistance agreements template should also include a signature and date line for the County.
- 1E. Establish and implement policies and procedures to ensure that amendments are executed on a timely basis.
- 1F. Provide the amended or renewed agreements for activities 4909 and 4928.

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

- 1G. Recalculate the commitment requirement as a result of the County's improperly committing \$1,478,250² in HOME funds for project 61 and activity 5109 and determine the cumulative effect on the County's commitment requirement.

² The County improperly committed \$1,478, 250, composed of activity 5109 and project 61 with commitments of \$500,000 and \$978,250, respectively.

SCOPE AND METHODOLOGY

We performed our review from February through June 2014 at the County's Public Housing and Community Development Department located at 701 Northwest 1st Court, Floor 14, Miami, FL, and other sites as necessary. Our review covered the period October 1, 2011, through December 31, 2013, and was expanded as needed to achieve our objective.

To accomplish our objective, we

- Reviewed applicable laws and regulations;
- Reviewed applicable County policies and procedures;
- Reviewed monitoring, independent public accountant, and IDIS reports;
- Reviewed the County's financial records, program activity files, and other supporting documentation;
- Interviewed HUD and County staff; and
- Performed site visits to ensure the existence of activities.

During the period October 1, 2011, through December 31, 2013, the County committed more than \$6.6 million in HOME funds for 78 activities. We selected and reviewed 20 activities that had commitments of more than \$3.9 million based on high dollar amounts or lowest percentage of funds drawn. This selection represented 60 percent of the total commitments during our scope period. This review resulted in invalid commitments for activities 5109, 5061, and 5129.

Activities 5061 and 5129 had commitment of \$149,000. These activities were part of project 61, with total commitments of \$978,250. To confirm whether this issue applied to the remaining 22 activities, we examined nine additional activities from project 61 with commitments of \$485,250 for a total of \$634,250, or 65 percent of the total commitments. The County also did not adequately commit these funds resulting in invalid commitments of all 24 activities for this project.

The County had more than \$19.4 million in drawdowns for 603 completed transactions during our scope period. Based on high dollar amount, we selected six transactions with expenditures of more than \$5.3 million to review for cost allowability. These transactions represented 28 percent of funds drawn. The County demonstrated that more than \$5.3 million in HOME funds was allowable and supported.

As of January 27, 2014, the County had 13 activities that were not completed within 4 years of the initial funding date. We selected 6 of the 13 activities based on high dollar amount and as suggested by HUD. These activities were funded as early as 1993. Initially, we identified

potential questioned costs of more than \$2.6 million for five activities because the County did not have documentation to support the HOME-assisted units as reflected in IDIS. HUD's CPD headquarters office also reviewed these activities, and on May 29, 2014, it required repayment for these activities. Therefore, the deficiencies found for these activities were not included in this audit report.

We did not perform a 100 percent selection. The results of this audit apply only to the items reviewed and cannot be projected to the universe of activities.

We determined that computer-processed data generated by the County were not used to materially support our audit findings, conclusions, and recommendations. Thus, we did not assess the reliability of its computer-processed data.

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 findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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 program operations.
- Controls over relevance and reliable information.
- Controls over compliance with laws and regulations.
- Controls over the safeguarding of assets and resources.

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.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The County did not always comply with HOME requirements because it did not have effective written policies and procedures to ensure the proper administration of HOME funds.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

<u>Recommendation number</u>	<u>Unsupported 1/</u>	<u>Funds to be put to better use 2/</u>
1B	\$45,600	\$ 204,400
1G		<u>1,478,250</u>
Total	<u>\$45,600</u>	<u>\$1,682,650</u>


- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 2/ 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 recommendation 1B is implemented, funds will be available for other eligible activities consistent with HOME requirements. If recommendation 1G is implemented, HUD may reduce grant funds based on the cumulative effect of the deficiency.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



OFFICE OF THE MAYOR
MIAMI-DADE COUNTY, FLORIDA

CARLOS A. GIMENEZ
MAYOR

August 15, 2014

Ms. Nikita N. Irons
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General/Office of Audit
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30330-3388

Subject: Audit Report on Miami-Dade County's HOME Program

Dear Ms. Irons:

Please accept this correspondence as Miami-Dade County's response to the draft audit issued on July 29, 2014. Below you will find our comments regarding specific findings of the audit. Also, where appropriate, documentation is provided to support our claims. We have also included comments on the various recommendations.

HUD OIG: The County Improperly Committed 24 Activities

Miami-Dade County Response:
These activities are associated with the County's Homeownership Program. It should be noted that the County had fully executed commitment letters for all of the homes that were purchased. Furthermore, the files were closed with the appropriate restrictions recorded and funds expended prior to the commitment deadline. Copies of the commitment letters are included as Attachment A.

HUD OIG: The County Did Not Commit HOME Funds for One Activity in a Timely Manner

Miami-Dade County Response:
The County did execute the agreement prior to its expenditure deadline of April 30, 2012. Also, the County policy and procedure did not include attaching the fully executed contract to the set-up form. Enclosed is the amended Set-up form (Attachment B) that requires the attachment of the fully executed agreement before it is entered into IDIS.

HUD OIG: The County Did Not Support the Income Eligibility for One Activity

Miami-Dade County Response:
The County has documented that the homeowner is still eligible under HOME rules and was eligible at the time of the expenditure.

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Comment 1

Comment 2

Comment 3

HUD OIG: The County Did Not Effectively Manage Its HOME Agreements:

Comment 4

Miami-Dade County Response:

The County has created a specific agreement for the Developer and Sub-recipient. A copy of the agreements is enclosed as Attachment C and Attachment D, respectively. The County has also added the date line under the County's signature block for the contracts. The County has removed Community Development Block Grant references. And finally, the County is working to maximize the capability of its data system to assist in managing contracts, which will be accomplished by a series of status reports. The County currently uses HUD reports of open activities on a weekly basis to manage timeliness of expenditures, completion and close-outs.

HUD OIG Recommendations:

- 1A. Establish and implement policies and procedures to ensure that commitments are entered into IDIS after the County has a valid written agreement that has been signed and dated by all parties.

Comment 2

Miami-Dade County Response:

To prevent the County from committing funds in IDIS prior to a fully executed agreement, the County has revised all HOME funded Setup and Completion forms to include the following required statement: ***"Executed agreement with the grant recipient must be attached with this form."*** Enclosed is the amended Set-up form (Attachment B) that requires the attachment of the fully executed agreement before it is entered into IDIS.

- 1B. Provide supporting documentation for activity 5134 or reimburse its program \$45,600 from non-Federal funds and put to better use \$204,000 in HOME funds.

Comment 3

Miami-Dade County Response:

The County is providing supporting documentation for one homeowner, which is enclosed as Attachment E.

- 1C. Prepare a schedule of completion for activities 5134 and 4909 as required by 24 CFR 92.504(c).

Comment 5

Miami-Dade County Response:

The County is providing a schedule of completion for activity 4909 (JPM), which is enclosed as Attachment F. We are in the process of obtaining supporting documentation for activity 5134 (MacFarlene Historic) and will forward to HUD soon.

- 1D. Provide the revised HOME agreement templates for the various types of awardees, which must include the HOME provisions and date line for signatures. The home buyer assistance agreements template should also include a signature line for the County.

Comment 4

Miami-Dade County Response:

The County is providing the Developer and the Sub-recipient HOME agreement templates. A copy of the agreements is enclosed as Attachment C and Attachment D, respectively.

HUD OIG Report on HOME Program
August 15, 2014
Page 3

Comment 6

- 1E. Establish and implement policies and procedures to ensure that amendments are executed on a timely basis.

Miami-Dade County Response:

The County is having its Information Technology staff modify its internal Project Activity Tracking System (PATS) to include functions that would generate a Contract Expiration Report three months prior to the expiration date. A copy of the request is enclosed as Attachment G.

- 1F. Provide the amended or renewed agreements for activities 4909 and 4928.

Miami-Dade County Response:

IDIS #4909 (JPM) – The contract amendment has been prepared. It will be fully executed by the end of the month and forwarded to HUD.

IDIS #4928 (Magnolia North Apt.) – The contract amendment has been prepared. It will be fully executed by the end of the month and forwarded to HUD.

Comment 7

Comment 8

The County is requesting a recalculate of the commitment requirement as a result of the County's improperly committing \$1,478,250 in HOME funds for project 61 and activity 5109 to determine the cumulative effect on the County's commitment requirement.

We believe the revised internal control measures outlined in the audit will assist management and staff with similar issues in the future. If you have any questions regarding these comments or any of the documentation presented, please contact Clarence Brown, Division Director Public Housing and Community Development, at 786-469-2221 or cdbrown@miamidade.gov.

Sincerely,



Russell Benford
Deputy Mayor

Enclosures

- c: Kilah White, Assistant Regional Inspector
Ann Chavis, CPD Director Miami Office
Julie Edwards, Assistant Director, PHCD
Clarence Brown, Division Director, PHCD
Selena Williams, Division Director, PHCD

Evaluation of Auditee Comments

Comment 1 The County said that the 24 activities are associated with its Homeownership program. According to the County, it had fully executed commitment letters for all of the homes that were purchased. Furthermore, the files were closed with the appropriate restrictions recorded and funds expended prior to the commitment deadline.

The report recognizes that the activity files had the commitment letters. However, these letters are letters of intent to assist the home buyer contingent upon certain conditions being met. CPD Notice 07-06, section VII Documentation, states that signed letters of intent are unacceptable for use as commitment documentation. Therefore, the County's commitment letters are not valid documents that would allow funds to be committed in HUD's IDIS system. Although, the County claims that the files were closed with the appropriate restrictions, this is not a basis to support that funds were properly committed. As a result, the County did not enter into valid written agreements to support its commitment of \$978,250 for project 61.

Comment 2 The County stated that it executed the agreement for activity 5109 prior to its expenditure deadline of April 30, 2012.

Our review for this activity did not include assessing whether the County complied with expenditures requirements. Our objective was to determine whether the County entered into a legally binding written agreement before any funds were committed and entered into IDIS. The County did have a written agreement executed on April 18, 2012. However, the County committed HOME funds in IDIS on March 19, 2012, before it had a legally binding written agreement. According to HOME FACTS, Volume 3, No.2, only after the grantee has executed a legally binding agreement can it enter the commitment into IDIS. Any activity funded in IDIS without an executed legally binding written agreement already in place is not a valid commitment. As a result, the County had invalid commitments of \$500,000 in HOME funds.

In addition, the County agreed that its policies and procedures did not require that it attach the fully executed contract to the activity set-up form before funds were committed in IDIS. It provided documentation to address recommendation 1A showing that the set-up forms had been revised to include the requirement. We acknowledge the County's requirement that the set-up forms are supported by a fully executed contract to ensure that activities are properly set-up and committed in IDIS. Recommendation 1A will be resolved with HUD when the County provides documentation showing that the staff has followed these procedures.

Comment 3 The County said that it has documented that the homeowner (1) is still income eligible and (2) was income eligible at the time of the expenditure.

The documentation provided by the County was incomplete and could not be used to determine whether the household was income eligible as required by 24 CFR 92.203. For example, the County did not include the methodology used and its calculation of the homeowner's annual income for previous and current periods.

(1) To support current eligibility, the County failed to explain how it projected annual income when the paystubs showed variations in hours worked. The County also did not identify the size of the household and whether there were other assets and sources of income.

(2) To support prior income eligibility at the time of expenditure, the County provided uncertified copies of tax returns. If the County used tax returns as the sole source documentation for a household income, IRS 1040 tax form should have been certified, as required by the Technical Guide for Determining Income and Allowances for the HOME Program. Otherwise, the County should have obtained other source documentation to confirm income. In addition, it failed to clarify the household size and whether other household members generated income that should be considered in the annual income projection.

Since the County did not provide complete information to determine the household's income eligibility, the \$250,000 committed for activity 5134 remains unsupported. During the audit resolution process, the County can provide HUD with the additional documentation.

Comment 4 The County provided a copy of the agreement templates for the developer and sub-recipient. These templates now include the date line under the County's signature block for the contracts and it does not make references to the Community Development Block Grant program. The County indicated that it uses HUD reports to manage timeliness of expenditures, completion and close-outs. To further assist in managing its contracts, the County is working to maximize the capability of its data system, which will provide a series of status reports.

We acknowledge the County's proactive approach to establish a system to effectively manage its HOME agreements. The County incorporated a date line under the County's signature block and removed references to the Community Development Block Grant program from its developer and subrecipient agreement templates. However, it did not provide an updated template of its home buyer assistance agreement that includes a signature and date line for the County. As stated in recommendation 1D, the County should review its templates to ensure that the applicable provisions required by 24 CFR 92.504 are incorporated into the grant agreements. For example, the sub-recipient template included provisions applicable to community housing development organizations

(CHDO)³. However, according to 24 CFR 92.2, a public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a sub recipient. During the audit resolution process, the County can work with HUD to complete its revised agreement templates.

Comment 5 In its response, the County included a schedule of completion for activity 4909 (JPM). It is in the process of obtaining supporting documentation for activity 5134, (MacFarlane Historic).

The County provided a schedule of completion for activity 4909. Based on this schedule, it will be completed in October 2014. During the audit resolution process, the County will provide HUD with a schedule of completion for activity 5134. Due to the delays of these activities, the County should keep HUD aware of the progress to ensure that it meets required deadlines.

Comment 6 The County explained that its information technology staff will modify its internal Project Activity Tracking System to include functions that would generate a Contract Expiration report 3 months prior to the expiration date.

We acknowledge the County's effort to establish a system that ensures amendments are executed on a timely basis. During the audit resolution process, the County can provide HUD with its applicable policies and procedures.

Comment 7 The County stated that the contract amendments for IDIS activities #4909(JPM) and #4928, (Magnolia North Apt) will be executed by the August 31, 2014 and forwarded to HUD.

Comment 8 The County asked HUD to recalculate the commitment requirement as a result of the County improperly committing \$1,478,250 in HOME funds for project 61 and activity 5109 to determine the cumulative effect on the County's commitment requirement.

We agree with recommendation 1G that the Director of the HUD's Miami Office of Community Planning and Development recalculate the commitment requirement to determine the cumulative effect on the County improperly committing more than \$1.4 million in HOME funds.

³ According to 24 CFR 92.2, a CHDO is a nonprofit organization that has the capacity to carry out affordable housing for the community it serves. The HOME funds may be used for projects that are owned, developed, or sponsored by a CHDO.

Appendix C

PROJECT 61 – INVALID HOME BUYER ASSISTANCE COMMITMENTS

#	IDIS activity	Initial funding date	Committed amount
1	5129	05/09/12	\$72,000
2	5061	02/02/12	\$77,000
3	5127	05/09/12	\$66,000
4	5112	03/28/12	\$63,500
5	4704	10/08/08	\$63,000
6	4661	07/28/08	\$60,000
7	4682	09/25/08	\$50,000
8	5128	05/09/12	\$49,750
9	4710	11/17/08	\$48,000
10	5130	05/09/12	\$43,000
11	4705	10/08/08	<u>\$42,000</u>
<i>Subtotal - activities reviewed</i>			\$634,250
12	4748	06/26/09	\$37,000
13	4709	11/17/08	\$37,000
14	4658	07/24/08	\$35,000
15	4655	07/18/08	\$33,000
16	4684	09/25/08	\$28,000
17	4660	07/24/08	\$28,000
18	4659	07/24/08	\$28,000
19	4745	04/27/09	\$27,000
20	4665	09/29/08	\$25,000
21	4749	06/26/09	\$20,000
22	4848	03/03/10	\$16,000
23	4683	09/25/08	\$16,000
24	4681	09/25/08	<u>\$14,000</u>
<i>Remaining activities</i>			\$344,000
Total			<u>\$978,250</u>