



Issue Date June 9, 2008
Audit Report Number 2008-AT-1009

TO: Mary D. Presley, Director, HUD Atlanta Office of Community Planning and Development, 4AD

*James D. McKay*

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

SUBJECT: The City of Augusta, Georgia, Controls Over Its HOME Program Were Inadequate

**HIGHLIGHTS**

**What We Audited and Why**

We audited the City of Augusta’s (City) HOME Investment Partnerships (HOME) program as part of the U.S. Department of Housing and Urban Development’s (HUD) annual audit plan. We selected the City for review based on a HOME risk assessment we conducted. Our audit objectives were to determine whether the City complied with HOME program requirements for commitments, production and completion of project activities, and eligibility and support of project costs.

**What We Found**

The City’s controls over its HOME program were inadequate. We identified more than \$1 million in HOME funds that involved questioned costs and funds that were subject to recapture. Specifically, the City did not (a) properly commit \$755,284, (b) have proper documentation and analysis to support approvals and effectively address project performance delays, (c) ensure proper support of more than \$196,657, (d) ensure the eligibility of \$92,129 for affordable housing compliance, and (e) properly maintain and manage program staff. The violations occurred because City management and staff did not follow and enforce program requirements.

## **What We Recommend**

We recommend that the Director of HUD's Atlanta Office of Community Planning and Development require the City to properly support or repay more than \$566,697 in questioned costs and recapture more than \$477,373 because of program violations. We also recommend that the Director require the City to establish and implement proper controls and procedures to ensure compliance with program requirements.

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

## **Auditee's Response**

We provided our discussion draft audit report to the City on April 21, 2008 and held an exit conference on April 30, 2008. The City provided written comments on May 14, 2008.

The City generally agreed with our finding and stated it has begun implementing the recommendations. The complete text of the City's written response, along with our evaluation of that response, can be found in appendix B of this report. The City also provided attachments with its response that are available for review upon request.

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## BACKGROUND AND OBJECTIVES

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The City of Augusta's (City) government was created by legislative act in the state of Georgia from the unification of two governments, the City of Augusta, Georgia, and Richmond County, Georgia. On June 20, 1995, the citizens of the City of Augusta and Richmond County voted to consolidate into one government named Augusta, Georgia. The officials for the new government were elected and took office on January 1, 1996. The unified government combined all functions and began financial operations on January 1, 1996.

The City is governed by a full-time mayor, with a term of four years, and a 10-member commission, serving on a part-time basis and elected to staggered terms of four years. The mayor and commission appoint an administrator who serves as a full-time administrative officer and is responsible for the daily operations of the government. The City's Housing and Community Development department is responsible for administering several programs including the Community Development Block Grant, HOME Investment Partnerships (HOME), Emergency Shelter Grant, and the Economic Development Initiative. The mission of the Augusta Housing and Community Development department is to create positive change by promoting self-sufficiency through partnership in economic development, quality housing, and neighborhood reinvestment.

Since 2003, the City has received more than \$6.9 million in HOME and American Dream Downpayment Initiative funding. HOME funding is allocated to eligible state and local governments to strengthen public-private partnerships and to supply decent, safe, and sanitary affordable housing to very low-income families. Participating jurisdictions may use HOME funds to carry out multiyear housing strategies through acquisition, rehabilitation, new construction, and tenant-based rental assistance.

The U.S. Department of Housing and Urban Development's (HUD) Atlanta Office of Community Planning and Development in Atlanta, Georgia, is responsible for overseeing the City. HUD's most recent monitoring report, dated August 10, 2007, indicated that the City's HOME program did not operate at a level that ensured compliance with HOME program requirements.

The City's independent public accountant report for fiscal year 2006 contained one current finding and five prior findings. The independent public accountant findings included excessive administrative costs allocation, lack of subrecipient monitoring, and noncompliance with program income requirements.

Our audit objectives were to determine whether the City complied with HOME program requirements for commitments, production and completion of project activities, and eligibility and support of project costs.

## RESULTS OF AUDIT

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### Finding 1: The City's Controls Over Its HOME Program Were Inadequate

The City's controls over the administration of its HOME program were inadequate. The violations occurred because City management and staff did not follow and enforce program requirements. As a result, the City incurred more than \$1 million in HOME funds that involved questioned costs and funds that were subject to recapture.

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Specifically, the City did not

- Follow commitment requirements involving \$755,284,
- Have proper documentation and analysis to support project approvals and effectively address project delays,
- Ensure proper support of more than \$196,657,
- Ensure the eligibility of \$92,129 for affordable housing compliance, and
- Maintain and manage program staff.

#### **Commitment Requirements Not Followed**

The City did not properly commit \$755,284 in HOME funds that were subject to recapture by HUD because it did not meet the commitment deadline (see appendix C). For 7 of 18 activities examined, the City did not commit the funds by the 24-month commitment deadline. The \$755,284 includes \$477,373 that the City had not committed at the time of our review and \$277,911 that was committed after expiration of the 24-month commitment deadline. Regulations at 24 CFR [*Code of Federal Regulations*] 92.500(d) state that HUD will recapture or reduce HOME funds not committed within 24 months after the last day of the month in which HUD provides notice of its execution of the HOME agreement.

The City also did not accurately report commitment information to HUD. It entered incorrect commitment dates into HUD's Integrated Disbursement and Information System for 17 of 18 sampled activities. The incorrect data included \$983,185 for nine activities, for which the City entered commitment dates that were earlier than the actual commitment dates, and more than \$1.5 million for another eight activities, for which the City entered commitment dates that were later than the actual commitment dates. HUD relies on the accuracy of the commitment information entered by the grantee in the system. The incorrect

dates reduced the effectiveness of the report as a tool for HUD's monitoring of the program's commitment requirements.

### **Delayed Projects Approved without Required Documentation and Supporting Analysis**

The City did not maintain the required documentation and analysis to support its approval of three project activities. Regulations at 24 CFR 92.504(a) provide that recipients are responsible for managing the day-to-day operations of their HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. Notice CPD (Community Planning and Development) 98-1 states that as part of the application process, recipients should have the applicant submit a statement of sources/uses of funds for the project. Regulations at 24 CFR 92.508(a) require recipients to establish and maintain sufficient records to enable HUD to determine compliance with requirements.

The City also did not effectively address delays that did or could affect the eventual completion and sale of affordable housing. Regulations at 24 CFR 92.2 require construction to start within 12 months. The City contracts required projects to be either obligated or completed within 13 months. The three project activities consisted of projects 954, 1334, and 1599.

Project 954 - The City awarded a contract for \$185,782 to a community housing development organization (CHDO) on January 3, 2006, using fiscal year 2003 funding. The contract stated that the CHDO was to perform new construction services for up to 10 single-family homes. These homes were to be sold or rented to eligible low- and very low-income persons. The contract also required the CHDO to maintain evidence of additional financing resources. However, the City's file did not contain evidence that the CHDO had obtained any financial commitments. The file also did not contain the required source and application of fund statements.

The contract also states that the project must be completed within 13 months from the signing of the contract. However, the CHDO did not start construction within the required timeframe. The HOME program manager stated that in the past, City officials did not encourage staff to take appropriate actions against slow performing CHDOs. Also, during the latter part of 2006 and early 2007, the CHDO went through a transition in its administration when the CHDO's director left. After his departure, no housing activity took place. Due to the CHDO's inactivity, in July 2007, the City recaptured funds totaling \$185,782 from the CHDO and reprogrammed the funds for use by other CHDOs. Although the City reprogrammed the funds, they should have been recaptured or reduced by HUD because they were not committed within the 24-month period.

Project 1334 - A contract was approved for the same CHDO as project 954. On October 18, 2005, using fiscal year 2005 funding, the City awarded a contract for \$92,128 to the CHDO to construct up to 10 single-family homes. The contract required the same number of units as project 954. These homes were also to be sold or rented to HOME-eligible persons. The contract stated that the CHDO would complete the project within 13 months from the signing of the contract. As of March 31, 2008, there was no activity, and no funds had been drawn. The project was past the required start date and was behind schedule with no homes constructed. The CHDO's ability to perform construction services and provide affordable housing in a timely manner is questionable. City staff stated that they were waiting for the CHDO to submit a revised plan which involved reducing the number of homes to be built. According to City staff, the CHDO indicated that it would not be able to complete the project for \$92,128. The contract required the CHDO to maintain evidence of additional financing resources. However, the City's file did not contain evidence that the CHDO had the financial commitments needed to complete the project. The file also did not contain the required source and application of fund statements.

Project 1599 – The contract between the City and a nonprofit organization was awarded for \$200,000 on December 12, 2006. The organization was required to obligate the HOME funds within 13 months of the date of the contract execution. However, as of March 31, 2008, no funds had been disbursed, and construction had not begun. In addition, the City's file did not contain evidence that the organization had obtained additional finance resources as required by the contract. The files also did not contain the required source and application of fund statements.

The Augusta Housing and Community Development department director stated that in the past, CHDOs were not required to obtain additional funding. Therefore, they did not obtain additional financing. Thus, the practice of providing the CHDOs all of the funds needed to complete projects did not comply with the program requirements.

### **Costs Not Properly Supported**

The City disbursed \$196,657 for project activities that were not properly supported as allowable HOME costs. The amount included costs for homeownership downpayment assistance, lots purchased, CHDO staff salaries, consultant services, and other miscellaneous expenses. Regulations at 24 CFR 92.508(a) require recipients to establish and maintain sufficient records to enable HUD to determine compliance with program requirements. The \$196,657 consists of

- \$105,036 the City disbursed for homeownership downpayment assistance program project activities. The City did not obtain supporting documentation to verify whether the homebuyer had previously owned a home and if so, when. There was no supporting documentation indicating whether the homebuyer met the criteria for eligibility to receive downpayment assistance.
- \$60,000 paid by the City for four lots purchased by a CHDO (which includes project 963) without adequate documentation to support how much was paid for the lots. For example, the file did not contain a cancelled check or the closing statement.
- \$17,701 for unsupported salary expenditures. The file did not evidence that the City had obtained proper payroll documentation from the CHDOs. The timesheets did not provide information regarding how the employees' time was charged, and there were no photocopies of payroll documentation in the file.
- \$2,400 for unsupported consultant services. There were no written agreements in the file to support payments made to consultants. Without the agreements, the City could not determine whether the consultant services were necessary, reasonable, and in compliance with HOME program requirements.
- \$11,520 in other miscellaneous expenses paid by the City without sufficient supporting documentation. The City could not determine whether the expenses were for HOME-eligible activities.

### **Ineligible Costs and Inadequate Support for Affordable Housing Units**

The City did not meet the program's affordable housing objective for two of four completed project activities. Home sales in projects 963 and 1236 showed that the City did not ensure that four of eight affordable housing units were only sold to individuals who met the required income limits.

- For project 963, one of the four homebuyers had income that exceeded the program's limit. We were unable to obtain documentation for another homebuyer. Regulations at 24 CFR 92.508(a) requires recipients to maintain records demonstrating that each family is income-eligible.
- For project 1236, two of the four homebuyers had incomes that exceeded the program's limit. The City disbursed \$92,129 for this project.

Because of these conditions, the City did not meet the program's affordable housing objective. Thus, the \$92,129 spent on the activity was not supported as an eligible program cost.

## Staff Capacity Issues

The City did not properly hire, train, manage, and supervise the staff needed to administer the program. Regulations at 24 CFR 92.504(a) provide that the City is ultimately responsible for managing the day-to-day operations of its HOME program and taking appropriate action when performance problems arise. Regulations at 24 CFR 92.508(a) require recipients to establish and maintain sufficient records to enable HUD to determine compliance with program requirements. The review showed that the City did not

- Maintain staff to administer the program. The City's organizational charts and employee listing showed that since 2003, there had been four different directors of the City's Housing and Community Development office. It also showed that since 2003, there had been two different financial officers and three different housing program managers in the City's Housing and Community Development office. At the end of December 2007, the financial officer left, and as of March 31, 2008, the City had not hired a full-time permanent financial officer. The City's Housing and Community Development director stated that he planned to hire a new financial officer and an assistant director.
- Properly manage, hire, train, and supervise its staff on issues concerning commitment requirements, supporting documentation for project approvals, project activity delays, eligibility and support of project costs, and documentation of compliance with affordable housing requirements. In February 2007, the City reorganized its Housing and Community Development office. However, the City's Housing and Community Development staff was reassigned duties and responsibilities in areas in which they had no prior experience or training. The staff was not provided with adequate guidance to properly administer the program.

## Conclusion

The City needs to improve controls over its HOME program. City management and staff did not follow and enforce program requirements concerning commitment requirements, project activity delays, eligibility and support of project costs, and documentation of compliance with affordable housing requirements. The City also did not properly manage, supervise, and maintain the

staff needed to administer the program. As a result, the City had more than \$1 million in HOME funds that involved questioned costs and funds that were subject to recapture.

## Recommendations

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

- 1A. Require the City to reimburse its United States Treasury trust fund account from nonfederal funds the \$277,911 that it committed after expiration of the commitment deadline.
- 1B. Recapture \$477,373 on deposit in the United States Treasury trust fund account, which the City had not committed although the commitment deadline had expired.
- 1C. Require the City to develop and implement procedures and controls to ensure that future program funds are committed by the required deadline dates.
- 1D. Require the City to develop and implement procedures and controls to ensure accurate entries into HUD's Integrated Disbursement and Information System.
- 1E. Require the City to take appropriate action to recover all HOME funds invested in activities the City cannot complete in a timely manner.
- 1F. Require the City to develop and implement procedures and controls to ensure proper documentation of its review and approval of activities before disbursing future HOME funds for ownership and rental housing carried out by community housing development organizations and other developers.
- 1G. Require the City to reimburse its United States Treasury trust fund account from nonfederal funds \$196,657 in questioned costs that it cannot support as having been incurred for costs that met program requirements.
- 1H. Require the City to reimburse its United States Treasury trust fund account from nonfederal funds the \$92,129 disbursed for project 1236, since the project did not result in units being sold to individuals who met the HOME program's income limits.

- 1I. Require the City to develop and implement procedures and controls to ensure that affordable housing units are only sold or rented to individuals who meet the program's income limits.
- 1J. Require the City to hire and train sufficient staff to effectively administer its HOME program.

## SCOPE AND METHODOLOGY

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To accomplish our objectives, we

- Researched HUD handbooks, the *Code of Federal Regulations*, and other requirements and directives that govern the City's HOME program;
- Obtained and reviewed HUD's Integrated Disbursement and Information System reports from HUD;
- Reviewed HUD's monitoring reports and files for the City's HOME program;
- Reviewed the City's consolidated annual performance and evaluation reports for its HOME program;
- Reviewed the City's procedures and controls used to administer its HOME program activities;
- Interviewed officials of the Atlanta HUD Office of Community Planning and Development, the City, and community housing development organizations;
- Obtained and reviewed the City's accounting records, annual audited financial statements, program and project files, policies, and procedures; and
- Conducted tests to determine the City's compliance with HOME program requirements. During the audit period, the City disbursed \$7,277,669 for community housing development organizations, housing rehabilitation, downpayment assistance, demolition rebuild, and professional services, of which we examined \$2,289,520 or 31 percent. We selected the tested items, considering factors such as past HUD monitoring concerns, transaction amount, and transaction type. We also conducted tests to determine whether the City complied with HOME program requirements for commitments. We selected for review 18 projects from a universe of 449 HOME program activities. Our sample included projects from HOME grant program years 2003 through 2006. The results of the audit only apply to the tested activities and cannot be projected to the universe or total population.

We performed the review from October 2007 to March 2008 at the offices of the City's Housing and Community Development department, the residences of its HOME program recipients, and the HUD Office of Community Planning and Development in Atlanta, Georgia.

We did not review and assess general and application controls over computer-processed data for the City's general ledger and HUD's Integrated Disbursement and Information System. We conducted other tests and procedures to assure the integrity of computer-processed data that were relevant to the audit objectives. The tests included, but were not limited to, comparison of

computer-processed data to written agreements, contracts, invoices, and other supporting documentation. We also inspected selected development sites and interviewed community housing development organization officials. The tests disclosed that the City entered incorrect commitment information into HUD's Integrated Information and Disbursement System. The incorrect data entries did not impact our report because we obtained correct information for the activities reviewed.

The review generally covered the period January 1, 2003, through December 31, 2007. We adjusted the review period when necessary.

We performed the review in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

## Relevant Internal Controls

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

- Policies and procedures that management has implemented to reasonably ensure that resource uses are consistent with laws and regulations.
- Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the above controls.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

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

- The City lacked adequate controls and procedures to ensure compliance with HUD requirements (see finding 1).

## APPENDIXES

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### Appendix A

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

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Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$277,911		
1B			\$477,373
1G		\$196,657	
1H	\$92,129	_____	_____
Total	<u>\$370,040</u>	<u>\$196,657</u>	<u>\$477,373</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ 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 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.
- 3/ 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if our recommendations are implemented, HUD will recapture the \$477,373 not committed by the required deadline.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



**Housing & Community Development Department**

Chester A. Wheeler, III  
Director

May 14, 2008

Mr. James McKay  
Regional Inspector General  
U.S. Department of Housing and Urban Development  
District Office of the Inspector General  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303-3388

RE: Response to Inspector General's Audit Report  
City of Augusta, Georgia  
Housing and Community Development Department

Dear Mr. McKay:

Pursuant to the Audit Report issued by your office April 21, 2008, and the exit conference conducted with City officials April 30, 2008, below are the City's responses to your ten (10) recommendations:

Recommendation 1A: Require the City to reimburse its U. S. Treasury trust fund account from nonfederal funds the \$277,911 that it committed after expiration of the commitment deadline.

Response to 1A: The City concurs that funds for the following two (2) projects were not committed within the statutory requirement of 24 months.

Project # & Name	Program Year	Required Commitment Date	Actual Commitment Date	Days past 24-mo deadline	Amount
#954 Laney Walker Development Corporation (LWDC)	2003	May 31, 2005	Jan. 3, 2006	216	\$ 185,782
#1514 - 30901 Development Corporation	2005	May 31, 2007	July 10, 2007	39	\$ 92,129
<b>TOTAL</b>					<b>\$ 277,911</b>

**Housing and Community Development Department**  
925 Laney Walker Blvd., 2<sup>nd</sup> Floor - Augusta, Georgia 30901  
(706) 821-1797 - Fax (706) 821-1784 -TDD (706) 821-1783  
[www.augustaga.gov](http://www.augustaga.gov)



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A new director for the Housing and Community Development Department was hired April 2007. At that time, all budgets and projects were reviewed. As a result of that review, \$514,955.70 in HOME funds was reprogrammed from slow moving projects to new projects that could be completed in a timely manner. Included in that reprogrammed list were the two (2) aforementioned projects, LWDC and 30901 Development Corporation. On July 10, 2007, the \$185,782 was reprogrammed from LWDC and 30901 Development Corporation's balance of \$40,000 was reprogrammed. Of the \$185,782, \$134,955.70 was reprogrammed to East Augusta Community Development Corporation and \$50,826.30 to Antioch Ministries. East Augusta Community Development Corporation (IDIS #1552) is utilizing the funds to complete construction on two (2) units located on Magnolia Avenue. The project is 95% complete with a remaining balance of \$8,712.70. Antioch Ministries (IDIS #1605) has not utilized the funds at this time. Antioch Ministries will expend the funds for acquisition within the next two (2) months. 30901 Development Corporation's initial project budget was \$92,128.50, of which, \$40,000 was given to Promise Land Community Development Corporation. Promise Land has expended the total \$40,000. The contract was for 5-units, which have all been completed and four (4) units have been sold.

Comment 1

While the City was proactive, under new leadership, in addressing the delays in expending funds for Laney Walker Development Corporation and 30901 Development Corporation, the City acknowledges its non-compliance and the \$277,911 is subject to recapture.

*RECAP: Recommendation 1A - Subject to Recapture*                      \$277,911

Recommendation 1B: Recapture \$477,373 on deposit in the U. S. Treasury trust fund account, which the City had not committed although the commitment deadline had expired.

Comment 2

Response to 1B: The City concurs that funds for the following five (5) projects were not committed within the statutory requirement of 24 months.

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Project # & Name	Program Year	Required Commitment Date	Actual Commitment Date	Days past 24-mo deadline	Amount
#1316 – Caroline Turner	2004	April 30, 2006	Uncommitted	637	\$ 67,350
#1317 – Mary King	2004	April 30, 2006	Uncommitted	637	\$ 74,218
#1530 - Permanent Homeless Housing	2005	May 31, 2007	Uncommitted	241	\$ 210,000
#1536 – Rental Rehabilitation Program	2003	May 31, 2005	Uncommitted	971	\$ 77,383
#1537 – Rental Rehabilitation Program	2004	April 30, 2006	Uncommitted	637	\$ 48,422
TOTAL					\$477,373

Comment 2

However, we have contracts for three (3) rental rehabilitation projects which are obligated under the Year 2003 Rental Rehabilitation Program above. The total amount obligated for these projects is \$43,778, which are listed below:

3 New Rental Rehabilitation Projects

Project Name	Program Year	IDIS #	Amount
Charles Bullock - 2112 Tubman Home Road	2003	1635	\$ 14,999
Charles Bullock – 2114 Tubman Home Road	2003	1636	\$ 14,999
Nello Thomas – 1810 Covington Place	2003	1637	\$ 13,780
TOTAL			\$ 43,778

Comment 2

This will decrease the recapture amount from \$477,373 to \$433,595. For the balance of HOME funds subject to recapture (\$433,595), the City will reimburse the HOME Program by substituting \$711,586 in low to moderate income projects being funded by non-federal funds.

<i>RECAP: Recommendation 1B - Subject to Recapture</i>	<i>\$477,373.00</i>
<i>Decreased for new projects</i>	<i>\$433,595.00</i>

Recommendation 1C: Require the City to develop and implement procedures and controls to ensure that future program funds are committed by the required deadline dates.

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Comment 3

Response to 1C: The City has developed and implemented procedures to ensure that HOME funds are committed in compliance with the required deadline dates (Attachment 1C #1).

Once the Funding Approval HOME Grant Agreement is received from HUD, it will be distributed to HOME staff, the Director and the Financial Officer. The HOME project tracking log is being maintained by the Housing Development Manager (Attachment 1C #2). This log will have information recorded on all HOME projects that include agency/program/project name, fund year, IDIS number, required commitment date, actual agreement commitment date, amount of award, funds expended monthly, balances and status of each project.

Recommendation 1D: Require the City to develop and implement procedures and controls to ensure accurate entries into HUD's Integrated Disbursement and Information System.

Comment 4

Response to 1D: The City has developed and is in the process of implementing the procedures for input of HOME project data into IDIS (Attachment 1D #1). After execution of agencies' agreements, assigned HOME staff will complete HUD's Setup and Completion forms (Attachment 1D#2). The Assistant Director-Housing Development will review and sign-off on each form. Each HOME program manager will maintain all forms in a HOME IDIS Binder Book.

Recommendation 1E: Require the City to take appropriate action to recover all HOME funds invested in activities the City cannot complete in a timely manner.

Comment 5

Response to 1E: Staff has reviewed all open HOME projects and a determination has been made of the need to reprogram funds from certain projects that have been completed and to undertake new projects. Attached is a chart listing all open HOME projects with the required commitment dates, agreement dates and funding awards (Attachment 1E #1).

For all projects denoted with an asterisk (\*), the projects are complete and the funds will be reprogrammed. For Year 2004 Demolition Rebuild Program, the funds are being reprogrammed to the Antioch Ministries for Holley Street Revitalization. The contract has been executed, the agency has site control, house plans has been approved, and construction will start August 1, 2008.

For Year 2005 Demolition Rebuild Program, the funds are being reprogrammed to the Promise Land Community Development Corporation. The contract will be executed the end of August 2008, after meeting citizen participation requirements for reprogramming of funds.

Recommendation 1F: Require the City to develop and implement procedures and controls to ensure proper documentation of its review and approval of activities before disbursing future HOME funds for ownership and rental housing carried out by community housing development organizations and other developers.

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Comment 6

Response to 1F: Staff has implemented procedures to assist in reviewing all applications prior to awarding funds. Staff utilizes the HOME Homebuyer Project Underwriting Checklist (Attachment 1F #1). Agencies' plans must be approved prior to construction (Attachment 1F #2) and the HOME Homebuyer Project Compliance Review Checklist (Attachment 1F #3) is used also. These forms aid staff in making a determination as to whether funds should be awarded for the project to the applicant.

Recommendation 1G: Require the City to reimburse its U. S. Treasury trust fund account from nonfederal funds any portion of the \$392,540 in questioned costs that it cannot support as having been incurred for costs that met program requirements.

Comment 7

Response to 1G: The City has obtained adequate supporting documentation to substantiate \$305,235.58 of the \$392,540 which is enclosed as Attachment 1G #1. Therefore, \$87,304.42 is subject to repayment.

*RECAP: Recommendation 1G – Repayment* *\$87,304.42*

Recommendation 1H: Require the City to reimburse its U.S. Treasury trust fund account from nonfederal funds the \$152,129 disbursed for projects 963 and 1236 since the projects did not result in units being sold to individuals who met the HOME program's income limits.

Comment 8

Response to 1H: Staff has reviewed the agency clients' income documentation and agrees that the units were not sold to individuals who met the HOME program's income limits. Because the \$60,000 for IDIS #963 is included under Recommendation 1G, of which, is subject to repayment, the City accepts responsibility and the \$92,129 is also subject to repayment.

*RECAP: Recommendation 1H – Repayment* *\$92,129*

Recommendation 1I: Require the City to develop and implement procedures and controls to ensure that affordable housing units are only sold or rented to individuals who meet the program's income limits.

Comment 9

Response to 1I: The City has developed and implemented the "HOME Income Eligibility Determination Worksheet" (Attachment 1I #1). This worksheet has been distributed to all the CHDOS which is being used now. The worksheet contains space for the recording of income, racial data, affordability period, financial investment in project, maximum subsidy and evidence of first time homebuyer. Also, City HOME staff performs quarterly on site monitoring of CHDOs to review project/client records, check on progress of projects and provide technical assistance, if needed.

Recommendation 1J: Require the City to hire and train sufficient staff to effectively administer its HOME program.

Comment 10

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Response to 1J: The City's current HOME staff consists of LaSandra Corley, Housing Development Manager, Hattie Hogan, Housing Rehabilitation Manager and Chester A. Wheeler, Director. Mr. Wheeler has more than 20 years experience at a director's level managing the Community Development Block Grant and HOME programs. An Assistant Director for Housing Development has been hired and his reporting work date is May 19, 2008. Attached is a copy of the current organizational chart (Attachment 1J #1) and resumes of Ms. Corley, Ms. Hogan and Mr. Hawthorne Welcher (Attachments 1J #2).

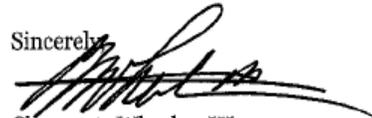
**CONCLUSION:** According to the City's calculations, the following amounts are to be recaptured or repaid:

• Recommendation 1A – Subject to Recapture	\$277,911.00
• Recommendation 1B – Subject to Recapture	\$433,595.00
• Recommendation 1G – Subject to Repayment	\$ 87,304.42
• Recommendation 1H – Subject To Repayment	<u>\$ 92,129.00</u>
<b>TOTAL</b>	<b>\$890,939.42</b>

No City entity desires to be audited by the Inspector General's Office. However, this audit has been beneficial to the City and me, the new Director of the Department, because it has provided insight to the problem areas that require immediate attention.

Thanking you in advance for your cooperation and assistance in this matter.

Sincerely,



Chester A. Wheeler, III  
Director

CAW/rhw

Attachments

cc: Joyce Harris, Senior OIG Auditor  
Mary D. Presley, Director - HUD Atlanta Regional Office  
Stella Taylor, Sr. CPD Representative – HUD Atlanta Regional Office  
Frederick Russell, Augusta City Administrator  
Tameka Allen, Augusta Deputy Assistant

### **OIG Evaluation of Auditee Comments**

- Comment 1     The City acknowledges its non-compliance and agrees the funds are subject to recapture. The City should reimburse \$277,911 to the United States Treasury trust fund account from nonfederal funds.
- Comment 2     The City agreed that \$477,373 in HOME funds were not committed within the statutory requirement of 24-months. The City stated that of the \$477,373 in HOME funds, it obligated \$43,778 to three projects under the year 2003 rental rehabilitation program. However, the City obligated the \$43,778 after the expiration of the 24-month commitment deadline; therefore, HUD should recapture the funds.
- Comment 3     The City stated it has developed and implemented procedures to ensure that HOME funds are committed in compliance with the required commitment deadline dates. The City provided a copy of its HOME procedures for committing HOME funds and HOME project tracking log. The procedures were provided after we completed our site work. Thus, we did not verify the information. The City should provide its new procedures for committing and tracking HOME funds to HUD.
- Comment 4     The City responded it has developed and is in the process of implementing the procedures for entering HOME project data in Integrated Disbursement and Information System. The City included its procedures for entering Integrated Disbursement and Information System data and the applicable forms. The procedures were provided after we completed our site work. Thus, we did not verify the information. The City should provide its new procedures for entering HOME project data in the Integrated Disbursement and Information System to HUD.
- Comment 5     The City commented that staff reviewed all open HOME projects and determined the need to reprogram funds from completed projects and to undertake new projects. The City provided a chart listing open HOME projects and projects that are having their funds reprogrammed. Since the chart was provided after we completed our site work, we did not verify the information. The City should provide its chart listing all open HOME projects to HUD.
- Comment 6     The City stated that staff has implemented procedures to assist in reviewing all applications before awarding funds. The City provided an underwriting checklist, a house plans form, and a compliance review checklist. The information was provided after we completed our site work. Therefore, we did not verify the information. The City should provide the information to HUD for review.

- Comment 7 The City stated that it obtained adequate supporting documentation to substantiate \$305,235 of the \$392,540 in questioned costs. The City concluded that \$87,304 is subject to repayment. Based on the supporting documentation provided, we determined that \$196,657 of the \$392,540 remains unsupported. We revised the report to reflect the revised unsupported costs.
- Comment 8 The City reviewed the agency clients' income documentation and agreed that the units were not sold to individuals who met the HOME program's income limits. The City stated the \$60,000 for project 963 is included under recommendation 1G which is subject to repayment. The City accepts responsibility and the \$92,129 is also subject to repayment. We agree that projects 963 and 1236 did not result in units being sold to individuals who met the HOME program's income limits. We also agree with the City that the \$60,000 for project 963 is included under recommendation 1G. We revised the report to reflect that \$92,129 for project 1236 should be reimbursed to the United States Treasury trust fund account from nonfederal funds for this recommendation.
- Comment 9 The City responded it has developed and implemented the HOME income eligibility determination worksheet. The City also responded that the worksheet was distributed to all the CHDOs. According to the City, staff performs quarterly on-site monitoring of CHDOs to review project and client records, check on progress of the projects, and provide technical assistance. The documentation was provided after we completed our site work. Thus, we did not verify the information. The City should provide its documentation to HUD.
- Comment 10 The City has not hired and trained sufficient staff to effectively administer its HOME program. We acknowledge that the City plans to hire an assistant director in housing development. However, the City did not address the hiring of a full-time permanent financial officer. The City also did not address the continuing training needs of its staff.

## Appendix C

### **SCHEDULE OF FUNDS NOT COMMITTED BY THE REQUIRED DEADLINE**

Project number	Program year	Required commitment date	Actual commitment date	Days past 24-month deadline	Amount	Notes
Funds still not committed as of January 28, 2008						
1316	2004	Apr. 30, 2006	See note A	637	\$67,350	B, C
1317	2004	Apr. 30, 2006	See note A	637	\$74,218	B, C
1530	2005	May 31, 2007	See note A	241	\$210,000	B, C
1536	2003	May 31, 2005	See note A	971	\$77,383	B, C
1537	2004	Apr. 30, 2006	See note A	637	<u>\$48,422</u>	B, C
Subtotal			See note A		<u>\$ 477,373</u>	
Funds committed after 24-month deadline						
954	2003	May 31, 2005	Jan. 3, 2006	216	\$185,782	B
1514	2005	May 31, 2007	July 10, 2007	39	<u>\$92,129</u>	B
Subtotal					<u>\$ 277,911</u>	
Total					<u>\$ 755,284</u>	
Notes						
A	Funds still not committed as of January 28, 2008. The 24-month commitment period has expired.					
B	The costs associated with these projects are not allowed because the City did not commit the funds by the 24-month commitment deadline. Regulations at 24 CFR 92.500(d)(1) state that HUD will recapture or reduce HOME funds in the HOME trust fund by the amount of 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. Regulations at 24 CFR 92.2 define commitment as an executed legally binding agreement to use a specific amount of HOME funds to produce affordable housing, an executed written agreement reserving a specific amount of funds to a community housing development organization, or having met the requirements to commit to a specific local activity.					
C	The City had not drawn down these funds at the time of our review.					