



Issue Date	July 30, 2010
Audit Report Number	2010-AT-1008

TO: Gary A. Causey, Director, HUD Jacksonville Office of Community Planning and Development, 4HD

//signed//

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

SUBJECT: Polk County, FL, Entered Incorrect Commitments Into HUD's Integrated Disbursement and Information System for Its HOME Program

## **HIGHLIGHTS**

### **What We Audited and Why**

We conducted an audit of HOME Investment Partnerships Program (HOME) commitments that Polk County (County), FL, entered into HUD's Integrated Disbursement and Information System (information system). We included this issue as a separate review area after deciding to audit the County's operations due to a confidential complaint that dealt with other issues, which we will address in a separate audit report. We conducted this audit because the County was one of several participating jurisdictions visited during our 2009 internal audit of HOME commitments. During the internal audit, we determined that the County entered incorrect commitments into HUD's information system. Our objective was to determine the extent of the incorrect HOME commitments that the County entered into the information system and the impact of the incorrect entries, including those identified during the internal audit.

## What We Found

The audit identified more than \$1.6 million in incorrect commitment entries that the County made to HUD's information system. The incorrect entries masked a shortfall of more than \$400,000 that is subject to recapture by HUD. The recapture, which resulted from a failure by County staff to implement adequate controls to monitor and ensure the accuracy of HOME commitments, will deprive County residents of services that the HOME program was intended to provide. The incorrect commitments also undermined the integrity of the information system and of reports HUD generated from the system to monitor the County's compliance with the 24-month statutory commitment requirement.

In addition, the County improperly executed agreements for its HOME-funded tenant-based rental assistance activities that obligated Section 8 funds to pay the costs, although the County used HOME funds to make the assistance payments. The Section 8 contracts did not legally support the commitment of HOME funds. This condition occurred because County management failed to ensure that the contracts were properly drafted to commit HOME funds for its tenant-based rental assistance program.

## What We Recommend

We recommend that the Director of HUD's Jacksonville Office of Community Planning and Development recapture more than \$400,000 in funds not committed by the County's October 31, 2008, deadline compliance date. We also recommend that the Director require the County to implement controls to ensure that future HOME funds are committed by the required deadline, monitor commitments entered into HUD's information system, and take appropriate action to promptly correct detected violations. In addition, we recommend that the Director require the County to prepare a proper legal contract template for its HOME-funded tenant-based rental assistance activities and use that contract template for all future HOME funds committed to those activities.

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 discussed the finding with County and HUD officials during the audit. On June 09, 2010, we provided a copy of the draft report to County officials for their comment and discussed the report with them at the exit conference on June 22, 2010. The County provided its written comments to the draft report on June 25, 2010. The County disagreed with several key issues discussed in the report.

The complete text of the County's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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The U.S. Department of Housing and Urban Development (HUD) allocates HOME Investment Partnerships Program (HOME) funding to eligible local and State 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. For program years 2007 through 2009, HUD awarded Polk County (County), FL, more than \$3.2 million in HOME funding. The County is governed by a five-member board of county commissioners (board). The board appoints the county manager, who is responsible for carrying out the decisions, policies, and ordinances made by the board. The county manager oversees all of the departments under the board, including the Human Services Department, which encompasses the Housing and Neighborhood Development Division that administers the HOME program.

HUD's Office of Community Planning and Development in Jacksonville, FL, is responsible for overseeing the County's HOME program. HUD's most recent monitoring report on the County's HOME program, dated October 20, 2008, did not include a review of the accuracy of commitment entries that the County made to HUD's Integrated Disbursement and Information System (information system).

In 2009, we conducted an internal audit on the adequacy of HUD's controls to ensure the timely commitment and expenditure of HOME funds (audit report number 2009-AT-0001, issued September 28, 2009). During the audit, we visited five Region IV participating jurisdictions that HUD monitored in 2008 and examined support for commitments and/or commitment adjustments that they entered into the information system. The County was one of the participating jurisdictions that we visited. During the internal audit, we examined County commitments that totaled more than \$692,000, of which we questioned more than \$691,000 or more than 99.8 percent of the commitments examined. We did not determine the impact of the questioned amounts at the County's deadline compliance date, because that was not an objective of the internal audit.

Our objective was to determine the extent of the incorrect HOME commitments that the County entered into the information system and the impact of the incorrect entries, including those identified during the internal audit.

## RESULTS OF AUDIT

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### Finding 1: The County Entered Incorrect Commitments Into HUD's Information System and Executed Improper Agreements for Its HOME-Funded Tenant-Based Rental Assistance Activities

The County incorrectly entered more than \$1.6 million in commitments into HUD's information system. The incorrect entries masked a shortfall of more than \$400,000 that is subject to recapture by HUD. The incorrect commitments occurred because County staff did not follow and enforce HUD program requirements or implement adequate controls to monitor the accuracy of HOME commitments. The recapture will deprive County residents of services the HOME program was intended to provide. The incorrect commitment entries also undermined the integrity of the information system and reports that HUD generated from the system to monitor County compliance with commitment requirements and to compile national program statistics. In addition, the County improperly executed agreements for its HOME-funded tenant-based rental assistance activities that obligated Section 8 funds to pay the costs, although the County used HOME funds to make the assistance payments. The Section 8 contracts did not legally support the commitment of HOME funds. This condition occurred because County management failed to ensure that the contracts were properly drafted to commit HOME funds for its tenant-based rental assistance program.

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#### **Incorrect Commitments Were Entered Into HUD's Information System**

The County entered more than \$1.6 million in incorrect commitments into the information system for the period November 1, 2007, through October 31, 2009. We reviewed all of the more than \$3.2 million in HOME commitments that the County entered into the information system for this period. The commitments included more than \$1.7 million for the County's October 31, 2008, deadline compliance date and more than \$1.5 million for its October 31, 2009, deadline compliance date. The incorrect entries masked a shortfall of more than \$400,000 that is subject to recapture by HUD.

Title II of the Cranston-Gonzalez National Affordable Housing Act, section 218(g), and 42 U.S.C. (United States Code) 12748(g) provide that a participating jurisdiction's right to draw funds from its HOME Investment Trust Fund shall expire if the funds are not placed under binding commitment to affordable housing within 24 months after the last day of the month in which such funds are deposited into the participating jurisdiction's HOME Investment Trust Fund. Regulations at 24 CFR (Code of Federal Regulations) 92.2(1) define commitment as an executed legally binding agreement to use a specific

amount of HOME funds to produce affordable housing or provide tenant-based rental assistance, 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. Regulations at 24 CFR 92.500(d) state that any funds in the U.S. Treasury account that are not committed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement are subject to reduction or recapture by HUD. HUD uses a cumulative method to determine recapture amounts pursuant to the regulations at 24 CFR 92.500(d)(2).

The \$1.6 million in incorrect commitments included

- More than \$872,000 for 10 activities for which no written agreements existed when the County entered the commitments into the information system or before the respective deadline compliance dates of October 31, 2008, and October 31, 2009.

Activity number	Commitment date	Agreement executed after the commitment deadline	Amount
<u>October 31, 2008, deadline</u>			
1143	October 21, 2008	May 28, 2009	\$99,225
1135	September 12, 2008	January 20, 2009	92,655
1134	September 11, 2008	January 20, 2009	89,513
1141	September 30, 2008	May 26, 2009	88,807
1136	September 12, 2008	February 11, 2009	87,833
1138	September 29, 2008	December 4, 2008	84,330
1131	October 17, 2008	No contracts	16,124
1044	October 17, 2008	Various (tenant based)	52,484
1044	October 17, 2008	No contracts	1,169
	Subtotal		\$612,140
<u>October 31, 2009, deadline</u>			
1176	August 25, 2009	Various (tenant based)	\$85,388
1176	August 25, 2009	No contracts	106,576
1177	August 25, 2009	Various (tenant based)	68,737
	Subtotal		\$260,701
	Total		\$872,841

We reassessed the County's commitment compliance by adjusting the October 31, 2008, and October 31, 2009, balances shown in the deadline compliance status reports to exclude the incorrect entries discussed above. The incorrect entries masked a shortfall that totaled more than \$400,000 at the County's October 31, 2008, deadline date. The County did not provide allowable substitute commitments to offset the shortfall identified by the audit. The improper commitments for the County's October 31, 2009, deadline compliance date did not generate a shortfall because the sum of the incorrect entries reduced the excess commitment amount to \$174,771 but did not generate a shortfall.

Description	October 31, 2008 deadline	October 31, 2009 deadline
Excess commitments	211,365*	435,472*
Less incorrect commitments identified by audit	(612,141)	(260,701)
Adjusted balance (shortfall – subject to recapture by HUD)	\$(400,776)	\$174,771

\*These were the differences between required and actual commitments shown in HUD's deadline compliance status reports.

- More than \$748,000 for 10 activities, for which written agreements did not exist at the time the County made the commitment entries into the information system but the agreements were executed before the County's October 31, 2008, or October 31, 2009, deadline compliance dates. Thus, the amounts did not contribute to or generate shortfalls that would require a recapture by HUD. However, the incorrect entries undermined the integrity of the information system and reports that HUD generated from the system, such as the deadline compliance status report used to monitor County compliance with commitment requirements and compile national program statistics.

Activity number	Commitment date	Executed agreement date	Compliance deadline date	Amount
1133	September 11, 2008	September 25, 2008	October 31, 2008	\$91,950
1137	September 19, 2008	October 7, 2008	October 31, 2008	90,995
1092	November 5, 2007	November 19, 2007	October 31, 2008	89,585
1091	November 5, 2007	February 6, 2008	October 31, 2008	89,580
1096	November 28, 2007	December 11, 2007	October 31, 2008	89,360
1125	June 3, 2008	June 6, 2008	October 31, 2008	88,934
1130	August 30, 2008	September 25, 2008	October 31, 2008	87,995
1094	November 28, 2007	April 1, 2008	October 31, 2008	86,600
1043	September 8, 2008	October 31, 2008	October 31, 2008	1,179
1176	August 25, 2009	Various (tenant based)	October 31, 2009	32,437
	Total			\$748,615

The regulations at 24 CFR 92.504 provide that the participating jurisdiction is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements, and taking appropriate action when performance problems arise. The County did not adequately implement this requirement. Specifically, the County had not established written policies and procedures to monitor the accuracy of commitments its staff entered into HUD's information system. As a result, it missed the opportunity to detect and correct the problems before they elevated to the point of subjecting program funds to recapture by HUD.



## Improper Contracts Were Executed for Tenant-Based Rental Assistance

The County used improper contracts for its HOME-funded tenant-based rental assistance program. The contracts showed that the subsidy amounts were funded by the County's Section 8 Housing Choice Voucher program rather than the HOME program. For the period October 1, 2007, through October 31, 2009, the County committed more than \$406,000 in HOME funds for tenant-based rental assistance activities in which the written agreements showed that the subsidy would be paid with Section 8 funds.

Activity number	Funding source according to contract	Amount
1044	Section 8 – tenant-based assistance	\$142,068
1176	Section 8 – tenant-based assistance	159,505
1177	Section 8 – tenant-based assistance	<u>104,676</u>
Total		\$406,249

We reviewed the County's Section 8 housing assistance payment register and, on a test basis, compared the information to the HOME program general ledger for tenant-based rental assistance. For each test transaction, the records showed that the County used HOME funds to pay the tenant subsidies, although the contracts showed that they were for Section 8. Thus, we allowed the contracts as support for HOME commitments in our assessment of whether the County committed the required level of funds by its October 31, 2008, and October 31, 2009, deadline compliance dates.

In 2009, HUD arranged for a consultant to assess the County's HOME program. The report, issued in June 2009, cited the County for using Section 8 agreements for HOME-funded tenant-based rental assistance. The report recommended that the County revise the agreement to reflect HOME funding. We discussed this matter with County officials, and they stated that they had not drafted a contract to correct this problem.

## Conclusion

The incorrect entries masked a commitment shortfall of more than \$400,000 that is subject to recapture by HUD. The recapture could have been avoided if the County had properly met its responsibility to ensure compliance with requirements, which include but are not limited to monitoring the accuracy of commitments entered into the information system. The recapture will deprive County residents of HOME program assistance. The incorrect entries also compromised the integrity of commitments in the information system, which HUD uses to monitor compliance with commitment requirements and compile national program statistics. The improper agreements that the County executed for HOME tenant-based rental assistance obligated Section 8 funds for contracts that were supposed to be and, based on our tests, were funded by the HOME program.

The above conditions occurred because County staff did not adequately follow and enforce HUD program requirements for HOME commitments and did not ensure that contracts were properly drafted to commit HOME funds to its tenant-based rental assistance activity.

## **Recommendations**

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

- 1A. Recapture \$400,776 in HOME funds, which the County did not commit by its October 31, 2008, deadline compliance date.

We further recommend that the Director of HUD's Jacksonville Office of Community Planning and Development require the County to

- 1B. Reduce the commitments in the information system for any of the questioned commitments not supported by written agreements.
- 1C. Train its staff regarding HUD's documentation and entry requirements for commitments entered into HUD's information system.
- 1D. Develop and implement monitoring procedures to ensure the accuracy of commitments entered into HUD's information system and take appropriate action to promptly correct detected violations.
- 1E. Prepare a proper legal HOME contract template for tenant-based rental assistance and use the HOME contract template for all future HOME funds committed to that type of activity.

## SCOPE AND METHODOLOGY

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We performed the audit from March through June 2010 at the County's Housing and Neighborhood Development office located in Bartow, FL, and the HUD Office of Community Planning and Development in Jacksonville, FL.

We did not review and assess general and application controls for computer-processed data that the County entered into HUD's information system for commitments. We conducted other tests and procedures to ensure the integrity of computer-processed commitments that were relevant to the audit objective. Specifically, we examined written agreements to determine the accuracy of commitments that the County entered into the information system. The review disclosed that the County entered incorrect commitments into the information system. We obtained correct information from written agreements for the activities reviewed and determined that incorrect entries compromised the reliability and integrity of HUD's information system.

The review generally covered the period November 1, 2007, through October 31, 2009. We adjusted the review period when necessary. To accomplish our objective, we

- Reviewed and obtained an understanding of relevant HOME regulations, program guidance, and criteria;
- Obtained and reviewed reports on County commitments from HUD's information system;
- Reviewed HUD's monitoring reports for the County's HOME program;
- Reviewed the County's consolidated annual performance and evaluation reports for its HOME program;
- Reviewed the County's procedures and controls used to administer its HOME program activities relative to commitments;
- Interviewed HUD and County officials regarding the County's HOME operations; and
- Reviewed the accuracy of commitments that the County entered into the information system for the period November 1, 2007, through October 31, 2009. During this period, the County committed more than \$3.2 million in HOME funds. We examined all (100 percent) of the commitments.

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

# INTERNAL CONTROLS

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

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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.

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## Relevant Internal Controls

We determined that 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 relevant controls identified above.

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 that the following is a significant weakness:

- The County did not adequately enforce HOME requirements to ensure the accuracy of commitments its staff entered into the information system (finding 1).

## APPENDIXES

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### Appendix A

#### SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

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<u>Recommendation number</u>	<u>Funds to be put to better use 1/</u>
1A	\$ 400,776

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if our recommendation is implemented, HUD will recapture \$400,776 in funds not committed by the 24-month statutory commitment deadline.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



**Bob English**  
Chairman – Commissioner District 1

Board of County Commissioners

(863) 534-6450  
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June 23, 2010

Mr. James D. McKay – Regional Inspector General for Audit  
HUD Region 4 – Office of Audit – Box 42  
Richard B. Russell Federal Building  
75 Spring Street SW – Room 330  
Atlanta GA 30303-3388

RE: OIG Draft Audit Report on the HOME Program

Dear Mr. McKay:

Please accept this letter in response to the draft audit report from the Office of Inspector General (OIG) on the Polk County HOME program and its commitments entered into HUD's Integrated Disbursement and Information System (IDIS) received on June 9<sup>th</sup> of this year. Included are our written comments and backup documentation addressing the findings therein. Should you have any questions, please do not hesitate to contact me, County Manager Michael Herr (863-534-6444), Elba Cherry or Greg Alpers.

**Finding #1: The County Entered Incorrect Commitments Into HUD's Information System and Executed Improper Agreements for its Home-Funded Tenant-Based Rental Assistance Activities**

**Element #1: Incorrect Commitment Entry into IDIS**

As you know this audit was conducted because Polk County was one of several participating jurisdictions visited in March 2009 by OIG staff during an internal HUD audit of HOME commitments. During the internal audit, OIG staff determined that the County had entered incorrect commitments into HUD's IDIS database. During a conversation regarding the internal audit OIG staff notified the Housing and Neighborhood Development (HND) Division Director (Alpers) that the manner in which the HOME projects were being entered into the IDIS database was incorrect. Until that time, HND staff was under the impression that the commitment information cited was being inputted in the system correctly. A Compliance and Performance Monitoring report on the HOME and ADDI Grant Programs conducted during the week of August 11 to 14, 2008 report states that "At the time of this visit during Program Year 2007 (October 1, 2007 September 30, 2008), the County was in compliance with the regulatory requirement that its HOME funds must be committed to projects within two years and expended within five years of the last day of the month in which each grant agreement was signed. This included 100 percent of funds committed through PY 2005 and disbursed through Program Year

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Comment 1

Re: OIG Draft Audit Report on the HOME Program

2004, including program income. It was also one of a few grantees that showed satisfactory performance in almost all eight factors used for our recent Headquarters Office of Affordable Housing annual analysis of PJ performance from IDIS and other performance reports posted on the HOME website." In addition an Annual Community Assessment completed in March of 2006 states that "The IDIS PR27 Status of HOME Grants Report showed 100 percent of all HOME grants through PY '02 as committed, along with 86.4 percent of the 03 grant and 23.3 percent of 04 funds. This met the HOME regulatory requirement for commitment of grant funds within 24 months of each year's grant agreement execution. The five-year limitation for actual disbursements was also satisfied, with all grant funds through PY '02 disbursed along with 62.6 percent of PY '03 and 8.9 percent of PY '04 funds disbursed." We believe that these two reports as well as others show the Housing and Neighborhood Development Division's record of a high level of program management and performance in complying with HUD program requirements. Please find attached a copy of the Compliance and Monitoring Report and the 2006 Annual Community Assessment Report for your review.

**Comment 2**

After being notified by OIG staff of the incorrect practice of the project(s) entry into the IDIS database, HND staff immediately changed its procedure for entering information into the system to address the concerns articulated by OIG staff. We would like to thank the OIG staff for bringing this to our attention at that time. It was not our intention to enter the information incorrectly. Any shortfall that resulted from the incorrect identification of commitment dates was unintentional. The HND Director currently is implementing new controls to monitor and ensure the accuracy of future HOME commitments as recommended by the OIG report. Changes include recommendations that include at least one backup person for each program area and the accurate entry of IDIS project information to be monitored internally on a monthly and quarterly basis, along with additional training by HUD staff and contract trainers if needed. It should be noted, that at no time have County residents been deprived of services that the HOME program was intended to provide. All HOME funds were used for eligible HOME activities, and were expended in accordance with the HOME program requirements. We will continue to closely monitor the activities funded and expenditures made for each activity.

**Comment 3**

**Comment 4**

In closing, if you decided that the HOME program funds concerning this issue will be recaptured we would ask that we be able to travel to Jacksonville and sit down in person with you to discuss the future adverse effect this will have on residents of Polk County.

**Element #2: Improper Executed Agreements for the Tenant-Based Rental Assistance Activities**

**Comment 5**

The draft OIG audit states that: "the County improperly executed agreements for its HOME-funded tenant-based rental assistance activities that obligated Section 8 funds to pay the costs, although the County used HOME funds to make the assistance payments." We have attached a breakdown of the three activities reviewed (1044, 1176, and 1177) listing by client(s) participating in the program to show that TBRA funds were used correctly. Attached is a spreadsheet which shows the client's name, entry date into the TBRA program, exit date from the program and the internal Oracle account string (which funding source paid for expenditure)



Re: OIG Draft Audit Report on the HOME Program

**Comment 6**

for those program participants that were entered as TBRA clients and later moved into the Section 8 program. In review of the three activities it is noted on the spreadsheet that several clients were initially funded by the TBRA program but were later moved into the HCV (formally Section 8) program. We have attached documents that show the transfer of the client to the Section 8 program and Board approval. The spreadsheet shows the date and funding source change for each of these clients. As you can see from our documents, Section 8 funds were not used to pay the costs as stated in the draft audit. When establishing the Tenant-Based Rental Assistance (TBRA) program the Polk County Housing and Neighborhood Development staff followed the Community Planning and Development Training Manual in its program development. In Chapter 7: Tenant-Based Rental Assistance – the manual states on page 13 that when applying "the HOME Program parameters, PJs are free to design their own individual TBRA program models. Many jurisdictions have elected to model their TBRA program models on either the Section 8 Certificate or the Section 8 Voucher programs." HND staff decided to model their program after the Section 8 Voucher Program and in doing so used the existing Section 8 Contract as their model and document of use for both Section 8 and the TBRA programs.

**Comment 7**

It was noted during HND staff review of these files that TBRA funds were committed for a two-year period of time in IDIS however the client's signed only a one-year contract with HND. However, in order to make sure that the funds were secured for the two-year housing commitment to the client the entry into the IDIS system shows the entire two-year amount. Each year the client is re-evaluated and signs a new contract for the second year commitment in the program. Thus the incorrect entries did not undermine the integrity of the IDIS database or the compliance of commitment requirements.

As recommended by the OIG, HND staff is in the process of designing a new HOME two-year contract that will be used once approved by Polk County Attorney's Office. We have attached a rough draft of the proposed HOME Rental Assistance Contract and a copy of the proposed Lease Addendum.

Please find the following attachments:

1. October 2008 Compliance and Performance Monitoring Report
2. March 31, 2006 Annual Community Assessment Report
3. IDIS Activity # 1044 Spreadsheet and Participant Documentation
4. IDIS Activity # 1176 Spreadsheet and Participant Documentation
5. IDIS Activity # 1177 Spreadsheet and Participant Documentation
6. Home Rental Assistance Contract Draft
7. Lease Addendum Draft
8. Chapter 7: Tenant-Based Rental Assistance Manual Page 1 and Page 13

**Response to OIG Recommendations**

**Comment 8**

- 1A. Reduce the commitments in the information system for any of the questioned commitment not supported by written agreements.**  
Housing for each client for Activity Number(s) 1044, 1176 and 1177 in the IDIS system are supported by written agreements attached to this response.

Re: OIG Draft Audit Report on the HOME Program

**Comment 9**

**1B. Recapture \$400,776 in HOME funds which the County did not commit by its October 31, 2008, deadline compliance date.**

HND response and documentation attached shows that the amount in question concerning TBRA funding was not used inappropriately and therefore does not need to be recaptured.

**Comment 10**

**1C. Train its staff regarding HUD's documentation and entry requirements for commitments entered into HUD's information system.**

Staff will continue to attend trainings from HUD and its contractors on IDIS training.

**Comment 10**

**1D. Develop and implement monitoring procedures to ensure the accuracy of commitments entered into HUD's information system and take appropriate action to promptly correct detected violations.**

HND staff will continue to promptly correct detected violations or errors found in the IDIS system to ensure the accuracy of commitments and meeting the deadline compliance date. The HND Division Director is currently establishing written procedures to ensure that such errors do not occur. We intend to have the written policies and procedures completed and in effect by mid September 2010.

**Comment 10**

**1E. Prepare a proper legal HOME contract template for tenant-based rental assistance and use the HOME contract template for all future HOME funds committed to that type of activity.**

Staff has a TBRA contract template model and will use this model for the program participants once approved by the Division and Department Director. Please see attached template.

Thank you for your consideration pertaining to this issue. We will be happy to meet with you at your request to discuss the issues set forth in this letter and the enclosed documents. If you have any questions, please contact Gregory Alpers our Housing and Neighborhood Development Director at (863) 534-5240, or e-mail at [gregalpers@polk-county.net](mailto:gregalpers@polk-county.net).

Sincerely,



Bob English - Chairman

## OIG Evaluation of Auditee Comments

- Comment 1** The County commented that a 2008 HUD monitoring report and a 2006 Annual Community Assessment stated that the County was in compliance with the HOME program's 24-month commitment requirement. We determined that HUD based its conclusion on commitments shown in reports it pulled from the information system but that HUD did not test the accuracy of commitment entries the County made to the system. The County was required to make accurate entries to the information system so that HUD would have reliable information from which to draw conclusions concerning the County's compliance with program requirements. We determined that the County entered more than \$1.6 million in inaccurate commitments to the information system for the two-year period November 1, 2007 through October 31, 2009. The inaccurate entries lead HUD to reach an inaccurate conclusion concerning the County's compliance with the program's 24-month commitment requirement.
- Comment 2** We commend the positive actions cited in the County response to ensure the accuracy and proper support for future commitment entries made by its staff to the information system.
- Comment 3** The County stated that at no time were its residents deprived of intended HOME program services; all HOME funds were used for eligible HOME activities; and funds were expended in accordance with HOME program requirements. The report states that the recaptured funds will deprive County residents of services the HOME program was intended to provide. During this audit we did not review HOME expenditures and we drew no conclusions concerning whether the County properly spent its HOME funds.
- Comment 4** The County commented that if we decide that HOME program funds will be recaptured that its staff be allowed to travel to Jacksonville and meet with us to discuss the future adverse effect this will have on residents of Polk County. As explained during the exit conference, once the report is issued the County will work directly with HUD's program staff versus our office to resolve the recommendations. However, we also explained that our office will coordinate with the HUD staff to ensure that the recommendations, including the one related to recapture, are properly resolved.
- Comment 5** The County's response incorrectly indicated that our report stated that it used Section 8 funds to provide subsidies for its HOME funded tenant based rental assistance program. The report commented that for each test transaction, the records showed that the County used HOME funds to pay the tenant subsidies, although the contracts showed that they were for Section 8. Thus, we allowed the contracts as support for HOME commitments in our assessment of whether the County committed the required level of funds by its October 31, 2008, and October 31, 2009, deadline compliance dates.

**Comment 6** The County commented that its housing staff followed the Community Planning and Development Training Manual to develop its HOME funded tenant-based rental assistance program. The County also commented that its housing staff decided to model the rental assistance program after the Section 8 program and to use the Section 8 contract for both programs. We recognize that the County had the right to model its tenant based rental assistance program after its Section 8 program. However, the problem was that the County used the exact Section 8 contract language, including references to Section 8 regulations, versus modifying the contract to eliminate references to Section 8 and to replace them with references applicable to its HOME funded tenant based rental assistance program.

**Comment 7** The County commented that tenant-based rental assistance funds were committed for a two-year period, even though the client signed a one-year contract, in order to secure the funds for the two-year housing commitment in the information system. The County also commented that the incorrect entries did not undermine the integrity of the information system or compliance with commitment requirements.

We disagree with the County's position. HUD requirements only permit the entry of commitments supported by written agreements which in this case were twelve month agreements. As a result, the commitments exceeded the amounts supported by the one year contracts that should have been the basis for the commitment entries. The incorrect entries undermined the integrity of the information system and the accuracy of reports HUD pulls from the system to monitor the County's compliance with the program's 24-month commitment deadline. For instance, the inaccurate entries contributed to the condition discussed in comment 1 above where HUD reached an inaccurate conclusion about the County's compliance with the program's 24-month commitment requirement.

**Comment 8** In response to recommendation 1A the County responded that housing for each client for activities 1044, 1176, and 1177 in the information system are supported by written agreements attached to the response. The documentation provided by the County does not support the questioned commitments. Therefore, we did not revise the report.

**Comment 9** In response to recommendation 1B the County commented that tenant-based rental assistance funding was not used inappropriately and therefore does not need to be recaptured. The County provided no documentation to support the accuracy of the commitments we questioned for its tenant based rental assistance program. Therefore, we did not revise the report or our recommendation.

**Comment 10** The County's response indicated actions that were responsive to our recommendations but which will require consultation with HUD staff to ensure compliance with requirements.