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Audit Report Number 2010-DE-1003

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

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

SUBJECT: The City of Ogden, UT, Appropriately Administered the HOME Investment Partnerships Program

HIGHLIGHTS

What We Audited and Why

We reviewed the City of Ogden, UT's (City) HOME Investment Partnerships Program (HOME) to determine whether the City effectively established HOME projects, ensured that HOME funds were used for eligible HOME expenses, and properly monitored the HOME projects. We conducted the review as part of the Office of Inspector General's (OIG) annual plan.

What We Found

The City appropriately established HOME projects, used HOME funds for eligible HOME expenses, and monitored the HOME projects during development and during the HOME affordability periods.

What We Recommend

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

Auditee's Response

We provided the draft report to City officials on March 18, 2010. They chose not to have an exit conference or provide a written response.

TABLE OF CONTENTS

Background and Objective	3
Results of Review	4
Scope and Methodology	5
Internal Controls	6

BACKGROUND AND OBJECTIVE

The City of Ogden, UT (City), established the Community and Economic Development Department, which was responsible for formulating a comprehensive community plan. The Community Development Division was responsible for administering community development and housing programs including the HOME Investment Partnerships Program (HOME). The Community Development Division's mission was "to work with our community to enhance the quality of life in Ogden by planning for Ogden's future, while preserving its heritage." The City was governed by the Ogden City Council and mayor.

The U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development approved the City to receive funding for the HOME and Community Development Block Grant (CDBG) programs. The City and HUD entered into annual "Funding Approval and HOME Investment Partnerships Agreements" to establish the amounts of HOME funding the City would receive and the terms for the funding. The following table shows the HUD Office of Community Planning and Development funding the City received during our review period.

Program	2007	2008	2009
HOME	527,849	509,147	566,897
CDBG	1,130,906	1,145,377	1,103,976
Total	1,658,755	1,654,524	1,670,873

HUD and the City signed an "Asset Control Area Agreement" on June 8, 2005. The Asset Control Area program was a HUD Office of Single Family Housing program for which the City designated a specific geographical area and purchased all HUD foreclosed homes in that area at a discounted price. The City was required to do the rehabilitation work needed to meet local and HUD building codes. The City then sold each home to an eligible person. If the purchase and rehabilitation costs exceeded the sales price, the City used HOME funds as a development subsidy for the difference.

The City used HOME funds for five programs. In addition to the Asset Control Area program, the Own in Ogden program provided downpayment assistance loans to eligible home buyers. The Home Sweet Ogden or Homestead program provided loans to rehabilitate owner-occupied homes or homes owned by the City, which were then sold to eligible home buyers. The Infill Housing program replaced blighted homes or vacant lots with homes that matched the neighborhood. The new homes were sold to eligible home buyers. The Homeowner Loan program was a joint effort between the City and banks. The Community Reinvention Act required banks to work with local governments to provide loans to first-time homeowners who could not afford the house without help. The City signed agreements with some banks and used HOME funds for expenses such as downpayment assistance and rehabilitation work.

Our review objective was to determine whether the City effectively established HOME projects, ensured that HOME funds were used for eligible HOME expenses, and properly monitored the HOME projects.

RESULTS OF REVIEW

The City Appropriately Administered the HOME Program

The City appropriately administered the HOME program. It established HOME projects, used HOME funds for eligible HOME expenses, and monitored the HOME projects during development and during the HOME affordability periods.

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The City appropriately administered the HOME program. It established HOME projects, used HOME funds for eligible HOME expenses, and monitored the HOME projects during development and during the HOME affordability periods.

The City followed policies and procedures to determine the eligibility of the HOME projects. City staff members developed forms and checklists, for each type of HOME project, which they used to ensure that the project met HUD and City project requirements. We did not identify any reportable deficiencies in the HOME activity files reviewed.

The City had procedures to ensure that HOME funds were used for eligible HOME expenses. We did not identify any questionable or ineligible expenses.

The City had procedures to ensure that the HOME projects were appropriately monitored from development through pertinent affordability periods. City staff monitored the projects. In addition, the City used a loan servicer to service and monitor the HOME loans through maturity.

The City had procedures to ensure that the HOME information was accurately entered into HUD's Integrated Disbursements and Information System and that the data reconciled with the City's accounting system.

Recommendation

There is no recommendation, and no further action is necessary.

SCOPE AND METHODOLOGY

Our review was limited to the City’s activities with HOME funds and generally covered the period July 2007 through December 2009. We performed on-site work from November through December 2009 at Ogden’s office located at 2549 Washington Boulevard, Suite 120, Ogden, UT.

To achieve our review objective, we reviewed the City’s HOME and Asset Control Area program policies and procedures, interviewed staff involved with the HOME functions, reviewed selected HOME project files, and reviewed HOME accounting records. In addition, we reviewed Federal regulations and HUD requirements.

We did not rely on computer-processed data to complete the review work. We used computer-generated data to aid in the selection of project files for review but used the documents in the files to reach our conclusions.

We selected a nonstatistical, representative sample of 20 project files, which was 11.2 percent of the 179 projects identified as active during our review period. We selected projects from all of the City’s HOME-funded programs except administration costs, which we included in the review of accounting records.

Program	Project count	Sample
Downpayment Assistance	128	10
Asset Control Area	34	5
Homeowner Loan	8	2
Infill Housing	5	2
Homestead (rehabilitation)	2	1
HOME administration	2	0
Totals	179	20

We reviewed the files to assess project eligibility, eligibility of HOME expenses, and monitoring of the HOME projects.

We conducted the review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our review objective. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our review objective.

INTERNAL CONTROLS

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.

Relevant Internal Controls

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

- Controls to ensure that the City appropriately determined project eligibility.
- Controls to ensure that the City appropriately expended HOME funds.
- Controls to ensure that the City appropriately monitored HOME projects.

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

We did not identify any significant weaknesses.