



Issue Date	January 9, 2012
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Audit Report Number	2012-AT-1004
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TO: Mary D. Presley, Director, HUD Atlanta Office of Community Planning and Development, 4AD

//signed//

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

SUBJECT: DeKalb County, GA, Had Inadequate Controls Over the Support for Commitments Entered in HUD's Information System

## **HIGHLIGHTS**

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

We audited DeKalb County's HOME Investment Partnerships Program. We selected the County for review because it had received more than \$8 million in HOME funding since 2008. Our objective was to determine whether the County accurately entered commitments and project completion data into the U.S. Department of Housing and Urban Development's (HUD) Integrated Disbursement and Information System for HOME-funded activities.

### **What We Found**

The signatures of all parties who signed the written agreements for more than \$3.6 million in commitments tested during the audit were not dated as required. The dates were needed to support whether the commitments were made within the 24-month statutory deadline. The County provided supplemental documentation, which HUD agreed to accept as support that six of the seven activities reviewed were committed by the deadline date. We identified one activity in which the County incorrectly entered a \$230,000 commitment into the information system before its deadline date, although the funds were committed after the deadline.

The incorrect entry did not generate a commitment shortfall, and, therefore, the \$230,000 is not subject to recovery by HUD. However, the signatures that were not dated and the incorrect commitment entry could undermine the integrity of the information system and jeopardize the accuracy and support of reports that HUD generates from the system to monitor the County's compliance with the 24-month statutory commitment requirement and compile national program statistics.

The audit did not reveal any problems with the accuracy of project completion data that the County entered into the information system.

### **What We Recommend**

We recommend that the Director of HUD's Atlanta Office of Community Planning and Development require the County to implement controls to ensure that (1) all signatures on future written agreements that commit HOME funds are dated to support when the commitments were made and (2) commitments are not entered into the information system before the written agreements are executed.

For each recommendation in the body of the report 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 the County and HUD officials during the audit. On December 14, 2011, 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 December 19, 2011. The County provided its written comments to the draft report on December 29, 2011. The County generally agreed with the finding.

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

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## **BACKGROUND AND OBJECTIVE**

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The HOME Investment Partnerships Program was created by Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990. Under the HOME program, the U.S. Department of Housing and Urban Development (HUD) allocates funding to eligible local and State governments to strengthen public-private partnerships and 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 2008 through 2010, HUD awarded DeKalb County, GA, more than \$8.7 million in HOME funding. The County operates under an elected chief executive officer and county commission form of government. The County is comprised of various departments, which include the Department of Community Development, which administers the County's HUD-funded HOME program.

HUD requires grantees to enter HOME commitments into its Integrated Disbursement and Information System. HUD uses the information system to monitor compliance with HOME requirements for committing funds. HUD also uses the information system to generate reports used within and outside HUD, including the public, participating jurisdictions, and Congress.

HUD's Office of Community Planning and Development in Atlanta, GA, is responsible for overseeing the County's HOME program. HUD's most recent monitoring report on the County's HOME program, dated June 2009, did not include a review of the accuracy of commitment entries that the County made to the information system.

Our objective was to determine whether the County accurately entered commitments and project completion data into the information system for HOME-funded activities.

## RESULTS OF AUDIT

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### Finding: The County Had Inadequate Controls Over the Support for Commitments Entered into HUD's Information System

The County did not require that the signatures of all parties who signed written agreements be dated to support whether the commitments were made within the 24-month statutory deadline. This occurred because the County did not have procedures to ensure that the signatures on the written agreements were dated. The County provided supplemental documentation, which HUD agreed to accept as support that six of the seven activities reviewed were committed by the deadline date. We identified one activity in which the County incorrectly entered a \$230,000 commitment into the information system before its deadline date, although the funds were committed after the deadline. The incorrect commitment entry is not subject to recovery by HUD because it did not generate a commitment shortfall. However, the signatures that were not dated and the incorrect commitment entry could undermine the integrity of the information system and jeopardize the accuracy and support of reports that HUD generates from the system to monitor the County's compliance with the 24-month statutory commitment requirement and compile national program statistics.

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#### Written Agreements Without Dated Signatures

The County did not require that the signatures of all parties who signed written agreements be dated to support when it committed more than \$3.6 million for all seven activities tested during the audit. The review covered the period July 2009 through June 2011. During this period, the County committed more than \$6.3 million in HOME funds. We selected and reviewed commitments of more than \$3.6 million for seven of the County's largest funded activities. All of the agreements reviewed in our sample contained one or more signatures that were not dated. 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. Without the dates, we could not determine whether the agreements were executed before or after the County's June 30, 2011, 24-month commitment deadline. This condition occurred because County officials did not have procedures in place to ensure that the signatures on the written agreements were dated. They stated that they were not aware of the HUD guidance that required the signatures to be dated.

CPD (Community Planning and Development) Notice 07-06, section VII(B), provided that the signatures of all parties signing the agreement or contract must be dated to show the execution date. The notice expired in June 2008, but HUD still used it as guidance. Participating jurisdictions should have required the dates to support when the agreements were executed and document whether the commitments occurred by the 24-month statutory commitment deadline. This position is consistent with 24 CFR (Code of Federal Regulations) 92.2, which defines 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.

Due to the missing signature dates on the written agreements, we requested and the County provided additional supplemental documentation in an attempt to determine whether the agreements were executed before the County's most recent 24-month commitment deadline, June 30, 2011. The County provided documentation that included but was not limited to signature routing slips, sworn affidavits, and emails. The supplemental documents indicated that all but one of the seven agreements, discussed below, were executed before the June 30, 2011, commitment deadline. We provided and discussed the supplemental data with HUD's Atlanta Office of Community Planning and Development officials. The Director of the Office of Community Planning and Development stated that HUD would accept the documentation as support that the written agreements were executed before the 24-month commitment deadline for six of the activities.

### **Written Agreement Executed After Deadline**

The County committed \$230,000 in the information system for activity 3189, although the commitment (written agreement) did not occur until after its 24-month statutory commitment deadline, June 30, 2011. The written agreement was missing the signature dates, which were needed to determine when the commitments occurred. However, the County provided a routing slip indicating that the written agreement was not signed by all County officials until July 11, 2011, or 11 days after the commitment deadline. The County provided documentation indicating that the board of commissioners approved the commitment on June 14, 2011. The regulatory definition of commitment is based on the date of the executed written agreement. We recognize that the County had authorization to execute the written agreement before the deadline date, but it did not execute the agreement until after the deadline. The incorrect entry did not generate a commitment shortfall, and, therefore, the \$230,000 is not subject to recovery by HUD.

## **Conclusion**

The signatures that were not dated and the incorrect commitment entry could undermine the integrity of the information system and jeopardize the accuracy and support of reports that HUD generates from the system to monitor the County's compliance with the 24-month statutory commitment requirement and compile national program statistics.

## **Recommendations**

We recommend that the Director of HUD's Atlanta Office of Community Planning and Development require the County to develop and implement controls to ensure that

- 1A. All signatures on future HOME agreements are dated to support the commitment of funds entered into HUD's information system.
- 1B. Commitments are not entered into the information system before the execution of written agreements.

## SCOPE AND METHODOLOGY

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We performed the audit from July through November 2011 at the County's Community Development Department and the HUD Office of Community Planning and Development in Atlanta, GA.

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. We identified one instance, discussed in the finding, in which the County entered an incorrect commitment into the information system before the written agreement was executed.

The review generally covered the period July 1, 2009, through June 30, 2011. To accomplish our objective, we

- Researched HUD handbooks, the Code of Federal Regulations, and other requirements and directives that govern the commitment of HOME program funds.
- Obtained and reviewed reports from HUD's information system.
- Reviewed HUD's monitoring reports and files 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 officials of the Atlanta HUD Office of Community Planning and Development and the County.
- Obtained and reviewed the County's audited financial statements, project files, policies, and procedures.
- Conducted tests to determine whether the County entered accurate project completion data into the information system. We selected a sample of 11 of 27 activities that had funding of at least \$175,000 and were reported as completed in the information system. The 11 activities had funding that totaled more than \$9.7 million.
- Conducted tests to determine the County's compliance with HOME fund commitment requirements. During the review period, July 1, 2009, through June 30, 2011, the County committed more than \$6.3 million in HOME funds, of which we examined \$3.6 million for seven activities. The sample covered 58 percent of the total funds committed during



the review period. We limited the sample to commitments that equaled or exceeded \$200,000 to cover the most significant commitment amounts. The results of the audit apply only to the tested activities and cannot be projected to the universe or total population.

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

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

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

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## Relevant Internal Controls

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

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

## Significant Deficiency

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

- The County did not have controls in place to ensure that all signatures on future HOME agreements were dated to support the commitment of funds entered into HUD's information system and that commitments were not entered before the written agreements were executed (see finding).

# APPENDIX


## Appendix A

### AUDITEE COMMENTS AND OIG'S EVALUATION

#### Ref to OIG Evaluation

#### Auditee Comments

#### Comment 1



## DeKalb County

### Community Development Department

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December 29, 2011

Mr. James D. McKay, Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303

Dear Mr. McKay:

The County has received the recent draft report of the OIG's audit of the DeKalb County HOME Investment Partnership Program. We appreciate your staff's discussion with us regarding our processes and the audit report content.

The County is in agreement with implementing the two recommendations shown in the draft audit report. Please note our comments set forth below.

**Recommendations:**

We recommend that the Director of HUD's Atlanta Office of Community Planning and Development require the County to develop and implement controls to ensure that

- 1A.** All signatures on future HOME agreements are dated to support the commitment of funds entered into HUD's information system.
- 1B.** Commitments are not entered into the information system before the execution of written agreements.

**County Response:**

- 1A.** All HOME agreements will be appropriately signed and each signature will be dated before commitments are entered into HUD's Information system.
- 1B.** All signatures on future HOME agreements will be dated to support the commitment of funds entered into HUD's information system.

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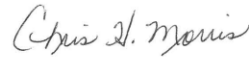
150 E. Ponce de Leon Ave. Suite 330 ♦ Decatur, Georgia 30030 ♦ Telephone (404) 286-3308  
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Mr. James D. McKay  
December 29, 2011  
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We will augment our internal processes to ensure that all signatures on future HOME agreements are also dated prior to any funds being committed in HUD's information system or logged into our data base. We will exercise the appropriate internal controls to ensure that the integrity of the information system is not jeopardized. DeKalb County's contract process already ensures that the agreements are consistent with all laws. The process that we will implement will ensure that we are in compliance with the HUD regulations and guidance on commitment of funds within the required timeframes.

DeKalb County takes pride in its compliance history regarding HUD's regulations and guidance. We look forward to continuing our conscientious adherence to regulations while providing HOME assistance to DeKalb County households.

Sincerely,



Chris H. Morris

CHM:AM

Cc: Burrell Ellis, CEO, DeKalb County  
Mary Presley, Director, HUD Atlanta Office of CPD  
Richard Stogner, Executive Assistant, DeKalb County  
Allen Mitchell, Assistant Director, Community Development  
Melvia Richards, Housing Programs Manager

## **OIG Evaluation of Auditee Comments**

**Comment 1** The County agreed with the finding recommendations and commented that it will implement procedures to address them.