

# **Final Audit Follow Up**

**As of March 31, 2000**



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City Auditor

## **“Review of the Housing Acquisition and Rehabilitation Program”**

**(Report #9843, Issued January 22, 1998)**

**Report #0004**

**May 12, 2000**

### **Summary**

***The Housing and Economic Development Division (Housing) has made progress in addressing the issues contained in the review of the Housing Acquisition and Rehabilitation Program (#9843), issued January 22, 1998.***

In that review we found opportunities to improve Housing’s administration of the Housing Acquisition and Rehabilitation Program. We noted that two of the three contracts with the Tallahassee Urban League (TUL) required Program income to be returned to the City. However, TUL retained all Program income. Program quarterly reports did not disclose the status of the accounts used for the proceeds of sales and lease payments, and Housing needed to increase the level of technical assistance to ensure compliance with all HOME rules and with *Housing Acquisition and Rehabilitation Program Guidelines*. Over the past two years Housing management has negotiated a new contract with TUL to complete the original intent of the Program, provided technical assistance, and conducted on-site monitoring of the Program. In this final follow up report we find significant issues remain outstanding such as: quarterly financial reports, revised Program operating procedures and a property maintenance plan. The responsibility for completing these tasks remains with management; however, completion of these tasks is critical if the revolving fund concept for this Program is to be successful. Housing management indicates that these tasks will be completed in the near future.

### **Scope, Objectives, and Methodology**

#### **Report #9843**

The scope of Report #9843 was an examination of three contracts between the City and the Tallahassee Urban League for the Housing Acquisition and Rehabilitation Program (Program). Our Primary objectives were to determine:

- the amount of funds received by TUL from the sale and rental of houses acquired under the Program.
- whether the funds received from the sale and rental of houses are maintained and identified separately in the financial records.
- whether houses have been sold or rented to individuals qualified to purchase or lease the housing units.
- whether the expenditures from the proceeds of sales or leases were appropriate.

In general, the audit identified opportunities to improve Housing’s administration of the Program and changes to strengthen the contract between the City and TUL.

#### **Report #0004**

The purpose of this final follow up is to report on the progress and/or status of efforts to implement recommended action plan steps due as of March 31, 2000. In addition, this final audit follow up report formally transfers certain unresolved issues to the appropriate Appointed Official for follow up, review, disposition. To obtain information, we conducted interviews with

key department staff and reviewed and examined supporting documentation.

**Background**

The City has provided funds to TUL through three annual agreements to establish the Program for low income households. Over \$1 million has been allocated to acquire and rehabilitate 25 houses, an average of \$42,000 per house. The Program was designed to operate as a revolving fund, self-supporting from the sale or lease/purchase of houses.

**Previous Conditions and Current Status**

In Report #9843, we identified three main areas in the administration of the Program: program success, contract compliance issues, and management issues.

The current status of tasks due is as follows:

**Table 1  
Previous Conditions Identified in Report #9843 and Current Status**

Previous Conditions	Current Status
<b>Program Success</b>	
<ul style="list-style-type: none"> <li>The Program should be evaluated against its original objectives of acquiring and rehabilitating housing units for sale to very low and low income first-time homebuyers.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Housing completed a report titled "Report on the Housing and Rehabilitation Program" and recommended the continuation of the Program to provide low cost housing in Tallahassee.</li> </ul>
<b>Contract Compliance Issues</b>	
<ul style="list-style-type: none"> <li>Proceeds from the sale of houses rehabilitated under the Program pursuant to the FY94 and FY95 agreements between the City and TUL provided that any Program income be returned to the City.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The City Commission in approving the FY99 agreement authorized TUL to retain the proceeds from the sale of houses acquired and rehabilitated under the Program.</li> </ul>
<ul style="list-style-type: none"> <li>The sales price of housing units should be monitored to ensure that they remain affordable to very low and low income families.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The FY99 agreement established the sales price as an amount to recoup all of the costs incurred in acquiring, rehabilitating and maintaining the property.</li> </ul>
<ul style="list-style-type: none"> <li>Housing should ensure that TUL establishes:                             <ul style="list-style-type: none"> <li>⇒ a separate bank account for the proceeds of sales under the Housing Acquisition and Rehabilitation Program</li> <li>⇒ a quarterly reporting process on the status of activities carried out with the proceeds from sales and lease/purchase payments.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✗ Housing management plans to require TUL to meet all of the conditions in the FY99 agreement. The agreement requires the maintenance of separate bank accounts and quarterly reports on the status of the revolving fund. TUL is to provide the report during April 2000 for the quarter ending March 31, 2000. After the current agreement expires annual reports on the status of the revolving fund would be furnished.</li> </ul>
<b>Management Issues</b>	
<ul style="list-style-type: none"> <li>The Housing Division should increase the level of technical assistance to TUL to ensure compliance with all HOME rules and compliance with <i>Housing Acquisition and Rehabilitation Program Guidelines</i>.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Housing staff conducted a monitoring visit to TUL and presented recommendations to ensure compliance with HOME rules and Program guidelines</li> </ul>

<ul style="list-style-type: none"> <li>• Housing staff, in conjunction with TUL, should develop a comprehensive <i>Property Management Plan</i> for the Housing Acquisition and Rehabilitation Program.</li> </ul>	<ul style="list-style-type: none"> <li>✘ Housing management, in a March 21, 2000, letter to TUL, plans to require TUL to adhere to the conditions contained in the FY99 contract prior to reimbursing TUL for costs associated with the FY99 agreement. The agreement requires the development of a property maintenance plan that should outline the procedures for the acquisition, maintenance, and sale of housing units.</li> </ul>
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**Table Legend:**

- Issue addressed in the original audit
- ⇒ Issue sub-components

- ✓ Issue addressed and resolved
- ✘ Issue not resolved

**Significant Outstanding Issues**

As noted above, Housing management in a March 21, 2000, letter to TUL outlined the requirements contained in the FY99 agreement that have yet to be completed. The agreement provided for quarterly financial reports, revised Program operating procedures and a property maintenance plan.

Housing management still needs to review and modify the Housing Acquisition and Rehabilitation Program Guidelines. These guidelines need to be comprehensive and address property acquisition, rehabilitation, lease, lease purchase, and sales.

Obtaining and reviewing quarterly financial information is critical to the future operations of the Program. Housing management will need to continuously monitor the financial activity of TUL to ensure the continuation of the revolving fund and review the number of houses that are acquired, rehabilitated, and sold to very low and low income families.

The development of a property maintenance plan for the Program is also critical. Operating costs need to be identified and evaluated to

determine if they are eligible Program expenditures. This would include costs such as, insurance, utility costs, lawn maintenance, security, etc., for houses units leased or offered for sale. If these costs are determined as eligible Program costs, Housing management will need to determine if these costs reduce the revolving fund or will be reimbursed from other sources.

These outstanding issues are the responsibility of management to complete.

We appreciate the assistance from the Department of Neighborhood and Community Services in this follow up report.

**Appointed Official Response**

**City Manager’s Response:** Representatives from NCS and Auditing met with the Tallahassee Urban League and explained in detail the material needed to comply with the remaining audit issues. NCS is awaiting a response from TUL and will make sure the final issues are resolved. We appreciate the time and cooperation of the audit staff in conducting this audit.

Copies of this Final Audit Follow Up or audit report #9843 may be obtained via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@mail.ci.tlh.fl.us).

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