

OFFICE OF THE CITY AUDITOR AND CLERK
INTERNAL AUDIT



STATE HOUSING INITIATIVES PARTNERSHIP

AUDIT # 19-04

Audit Conducted by:

Mark Sulloway, Senior Internal Auditor

Hayden Gaston, Manager, Internal Audit

A handwritten signature in black ink, appearing to read "Shayla Griggs", is written over the text "Audit Reviewed and Approved by:".

Audit Reviewed and Approved by:

Shayla Griggs, Acting City Auditor and Clerk

You can obtain copies of this report by contacting us at:

Office of the City Auditor and Clerk

1565 1st Street
Sarasota, FL 34236

(941) 954-4135

Or download and view an electronic copy by visiting:

www.sarasotagov.com



Contents

Executive Summary.....	1
Audit #19-04 State Housing Initiatives Partnership.....	1
Audit Purpose and Scope.....	1
Summary of Conclusions	1
Detailed Audit Report Audit	2
#19-04 State Housing Initiatives Partnership.....	2
Background and Introduction	2
Audit Purpose and Scope.....	3
Audit Objectives.....	3
Audit Standards	3
Testing Methodology	3
Audit Criteria	4
Audit Observations and Testing	4
Exhibit A: SHIP Distribution Summary FY 2015 2016 2017 SRQ OHCD Annual Report	6

Executive Summary

Audit #19-04 State Housing Initiatives Partnership

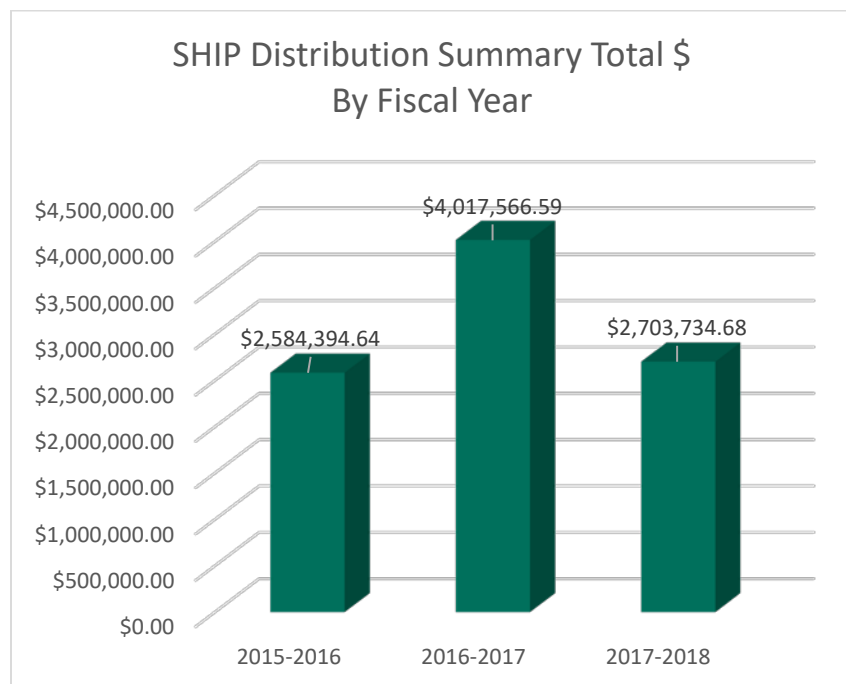
Audit Purpose and Scope

Internal Audit performed an operational/compliance audit of the Office of Housing & Community Development's (OHCD) administration of the State of Florida - State Housing Initiatives Partnership Program (SHIP).

The scope of this audit included a review of SHIP for the period July 1, 2015 to June 30, 2018.

Summary of Conclusions

The results of our audit indicate that controls are generally in place for the Local Housing Assistance Plan (LHAP). Both receipts and expenditures for LHAP appear to be properly tracked, reported and used in accordance with SHIP policies. Client mortgages tested as part of the audit were properly serviced. OHCD did maintain compliance documents in accordance with SHIP grant requirements. Sponsoring agencies billing, and expenditures do appear to be properly tracked. Sarasota County and City consortium receipts and disbursements for SHIP funding did appear to be in agreement.



Audit Objectives

- 1) Determine if OHCD internal controls of the State of Florida SHIP program implement the required policies & procedures for the Local Housing Assistance Plan (LHAP).
- 2) Determine if funds received for, and expended on behalf of, the LHAP were properly tracked, reported and spent in accordance with SHIP policies.
- 3) Determine if any client mortgages are held under the LHAP, and if so, properly serviced.
- 4) Determine if compliance with all LHAP grant requirements and agreements was maintained.
- 5) Determine if LHAP sub-recipient or sponsoring agencies' billing & expenditures are properly tracked.
- 6) Determine if Sarasota City and County Consortium receipts and disbursements for SHIP funding are in agreement.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report Audit

#19-04 State Housing Initiatives Partnership

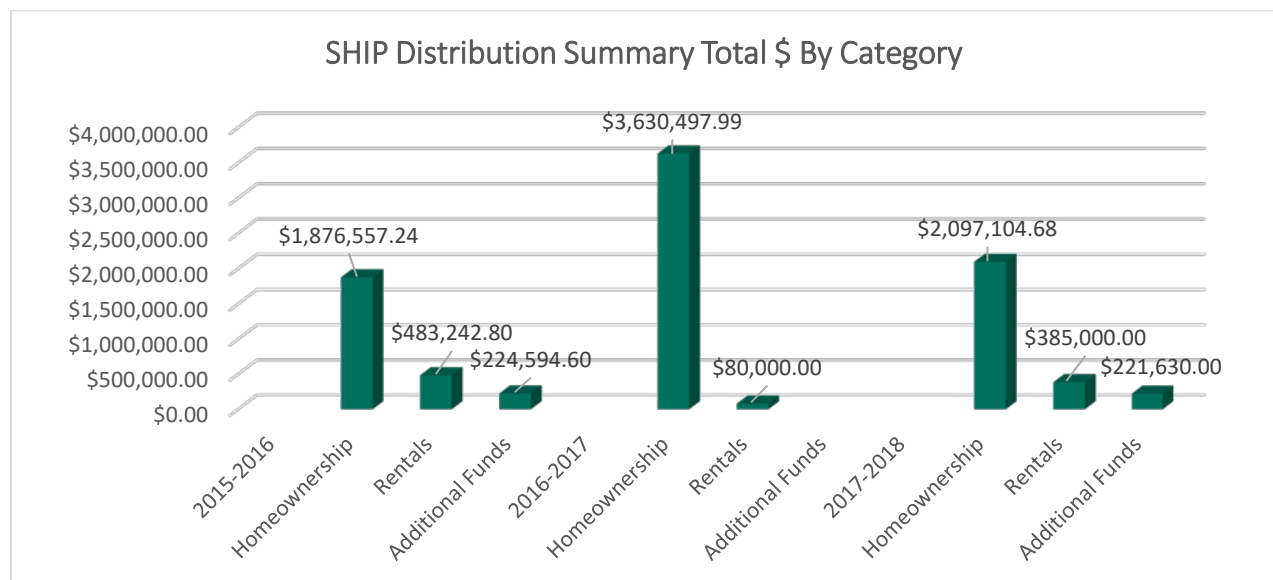
Background and Introduction

The State Housing Initiatives Partnership (SHIP) program is a state of Florida program administered by the Florida Housing Finance Corporation (FHFC) that provides funds to local governments to assisted low and moderate-income families. SHIP funds are used to provide housing rehabilitation, new construction, emergency repairs, down payment and closing cost assistance, acquisition of property for affordable housing, matching dollars for federal housing grants and programs, and homeownership counseling. See **Exhibit A** for how strategies are identified in Homeownership, Rentals, or Additional Use of Funds.

SHIP policies are administered under F.S. Title XXX, Chapter 420 Part VII, and Florida Administrative Code (FAC) 67-37. Local governments must establish a Local Housing Assistance Plan (LHAP) by ordinance, and a housing incentive strategy to reduce costs and ensure rent or mortgage costs do not exceed 30% of the area median income limits.

The City of Sarasota (City) and Sarasota County have formed a consortium under an Interlocal Agreement providing for the Cooperative Administration of City and County Housing and Community Development Programs. The consortium is managed by the Office of Housing and Community Development (OHCD).

As per 67-37.007 FAC: "All local housing distribution funds shall be encumbered by June 30 of the State fiscal year following the end of the applicable State fiscal year. The funds deposited to the local housing assistance trust fund must be expended within 24 months from the end of the applicable State fiscal year." See **Exhibit A** for details of expended, encumbered and unencumbered funds.



2

² Dollar amounts, and client numbers noted in graphs throughout this report for FY 2017 and FY 2018 are subject to adjustment based on final report submittals.

Audit Purpose and Scope

Internal Audit performed an operational/compliance audit of the Office of Housing and Community Development's administration of the State of Florida - State Housing Initiatives Partnership Program (SHIP). The scope of this audit includes a review of the SHIP program for the period July 1, 2015 to June 30, 2018.

Audit Objectives

The audit focused on the following objectives:

- 1) Determine if OHCD internal controls of the State of Florida SHIP program implement the required policies & procedures for the Local Housing Assistance Plan (LHAP).
- 2) Determine if funds received for, and expended on behalf of, the LHAP were properly tracked, reported and spent in accordance with SHIP policies.
- 3) Determine if any client mortgages are held under the LHAP, and if so, properly serviced.
- 4) Determine if compliance with all LHAP grant requirements and agreements was maintained.
- 5) Determine if LHAP sub-recipient or sponsoring agencies' billing & expenditures are properly tracked.
- 6) Determine if Sarasota City and County Consortium receipts and disbursements for SHIP funding are in agreement.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require 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 objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

Testing Methodology

- Performed site visits of OHCD and interviewed appropriate personnel.
- Surveyed other cities with similar SHIP programs for industry standards and identification of best practices.
- Reviewed the Florida Housing Coalition SHIP program manual, and the SHIP Program Overview and Procedures Manual.
- Tested a sample of SHIP program recipient files for compliance with SHIP program policies and procedures.
- Tested a sample of SHIP client payments to the OHCD for proper processing and documentation of payments received.
- Tested a sample of SHIP funds received to verify funds were recorded in the City's FMS accounting software.
- Confirmed OHCD annual SHIP reporting to FHFC.

Audit Criteria

- City of Sarasota Administrative Regulations and Municipal Codes
- F.S. Title XXX, Chapter 420, Part VII
- Florida Administrative Code 67-37
- Interlocal Agreement Providing for the Cooperative Administration of City & County Housing & Community Development Programs
- U.S. Department of Housing & Urban Development Policies & Procedures
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”

Audit Observations and Testing

For **objective one**, we determined that OHCD’s internal controls implemented the required policies and procedures for LHAP based on testing recipient files for client income statements, income determinations, property encumbrance reports, recorded mortgages, signed promissory notes, lien amounts, expenditures, contractor current license and insurance, property title commitment and title insurance policy (where applicable). Additionally, SHIP annual reports were submitted by September 15th of each year, in compliance with FS 420.9075(10).

For **objective two**, we tested SHIP revenues and expenditures against FMS City accounting system software entries noting they appear to be properly identified, tracked, reported and spent in accordance with SHIP policies. OHCD has implemented a process to ensure funds deposited are expended within 24 months of the close of the applicable state fiscal year in accordance with Chapter 67-37.007(1)(b), F.A.C. Additionally, OHCD did perform reconciliations between program reports and the City’s general ledger in compliance with 67-37.019(1), F.A.C.

Objective three testing identified that client mortgages are held under LHAP. Based on testing client payments, bank deposits of paid funds, invoicing, receipt of funds, payoff letters (where applicable), and recording of mortgage satisfactions (where applicable) it appears mortgages are being properly serviced. Additionally, all mortgages tested were found to be recorded with the Sarasota County Clerk ensuring OHCD lien is present in case of death of the client, sale or transfer of the property.

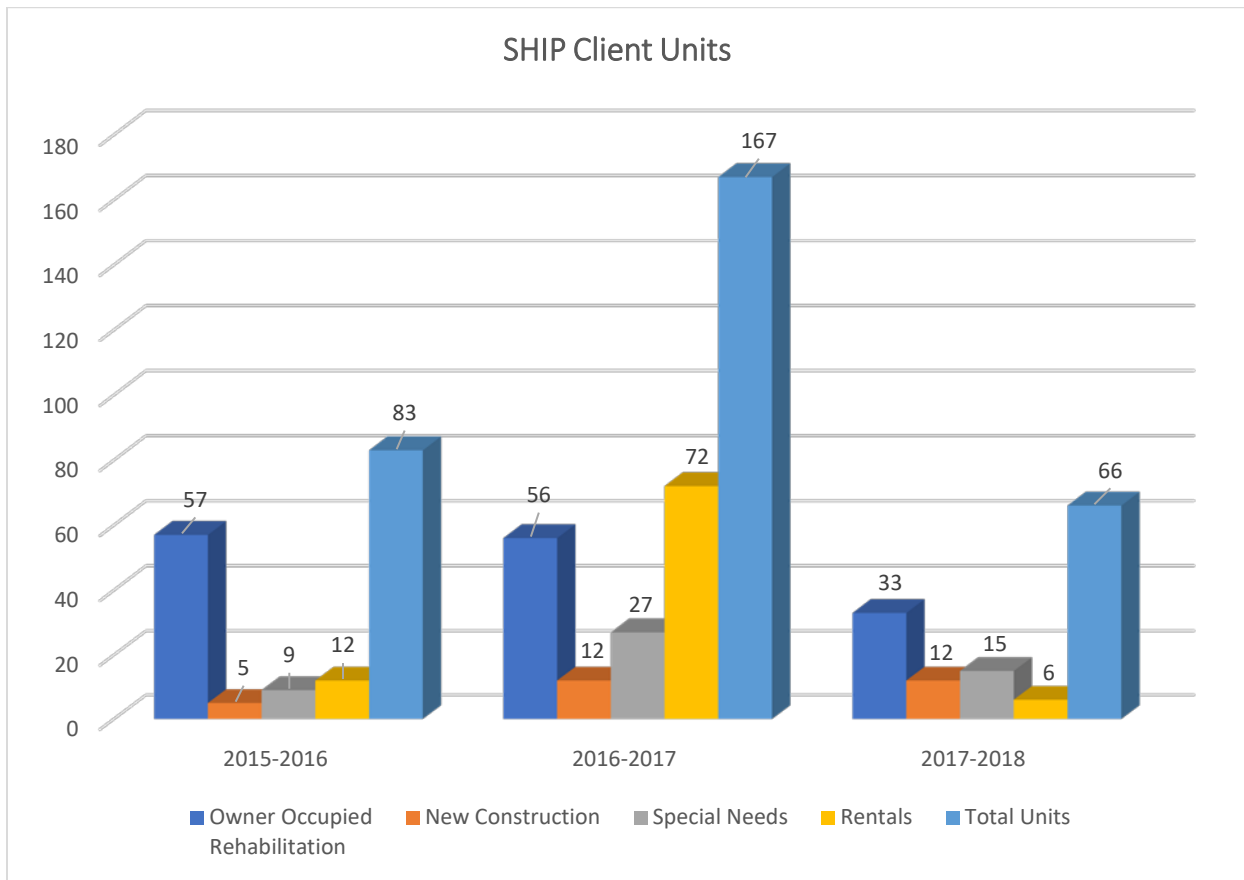
For **objective four**, we reviewed recipient eligibility, pay applications, client mortgages, compliance with the adopted LHAP incentive strategy, and a review of allowable costs. All files tested included documentation that supported recipients meeting SHIP funding criteria, and that individual allowable costs were not exceeded.

Noteworthy Accomplishments

- Recipient files were complete with standardized organization that were accompanied by checklists identifying required documentation.
- SHIP funds are separately identified in the general ledger and are not commingled with other funding sources.
- Project management procedures include processes to verify contractors pay applications contained only materials that were used on specific job sites and costs are allowable.
- Staff was knowledgeable of SHIP program requirements and participated in annual training.

For **objective five**, we tested sponsoring agencies billing and expenditure documentation, noting amounts were properly tracked and documented.

Testing for **objective six** identified no discrepancies between Sarasota County program documentation and OHCD provided reports.



SHIP Client Units may be individuals or households.

Exhibit A: SHIP Distribution Summary FY 2015 2016 2017 SRQ OHCD Annual Report

	Expended	Encumbered	Unencumbered	Total \$ All 3 Years	Total \$ By Category	Total \$ By FY
2015-2016						\$2,584,394.64
Homeownership					\$1,876,557.24	
Owner Occupied Rehabilitation	\$1,192,823.20			\$1,192,823.20		
New Construction	\$463,889.73			\$463,889.73		
Special Needs	\$219,844.31			\$219,844.31		
Rentals					\$483,242.80	
Special Needs R	\$483,242.80			\$483,242.80		
Additional Funds					\$224,594.60	
Administrative	\$190,346.70			\$190,346.70		
Program Income	\$34,247.90			\$34,247.90		
2016-2017						\$4,017,566.59
Homeownership					\$3,630,497.99	
Owner Occupied Rehabilitation	\$23,203.31	\$1,206,028.21		\$1,229,231.52		
New Construction		\$1,500,000.00		\$1,500,000.00		
Special Needs	\$88,589.26	\$812,677.21		\$901,266.47		
Rentals					\$80,000.00	
Demolition/ Reconstruction	\$80,000.00			\$80,000.00		
Additional Funds					\$307,068.60	
Administrative	\$23,160.00	\$233,388.00		\$256,548.00		
Homeownership Counseling		\$50,520.60		\$50,520.60		
2017-2018						\$2,703,734.68
Homeownership					\$2,097,104.68	
Owner Occupied Rehabilitation			\$642,104.68	\$642,104.68		
New Construction			\$1,155,000.00	\$1,155,000.00		
Special Needs			\$300,000.00	\$300,000.00		
Rentals					\$385,000.00	
Special Needs R			\$100,000.00	\$100,000.00		
Demolition/ Reconstruction			\$250,000.00	\$250,000.00		
Rapid Re-Housing			\$35,000.00	\$35,000.00		
Additional Funds					\$221,630.00	
Administrative			\$172,888.00	\$172,888.00		
Program Income			\$48,742.00	\$48,742.00		

Dollar amounts noted above for FY 2017 and FY 2018 are subject to adjustment based on final report submittals.