




**CITY OF
TALLAHASSEE**

TO: Mayor and Members of the City Commission
FROM: Dennis R. Sutton, Inspector General 
DATE: April 7, 2021
SUBJECT: Audit of the Housing Division (AR-2102)

We have completed the Audit of the Housing Division. We submit this report which contains our observations and recommended actions, and a response from the City Manager. We will periodically review and report on management's actions to address the observations within this report.

We thank applicable City staff for their assistance and cooperation during this audit. If you have any questions or need a more detailed briefing on this audit, please contact me.

DRS/md

Attachment

cc: Members of the Audit Committee
Appointed Officials
Executive Team
Abena Ojetayo, Housing and Community Resilience
Matt Lutz, Treasurer-Clerk Records
External Auditor



Audit of the Housing Division

Report AR-2102
April 7, 2021

Why We Did This Audit

Prior audits of housing activities resulted in significant audit recommendations to improve accountability and program activities. In continuing efforts to evaluate activity within the City's housing programs, we reviewed and evaluated two of the Housing Division's 10 programs: Owner-Occupied Rehabilitation (OOR) and Emergency Home Repair Program (EHRP). These programs are operated through contracts with certain nonprofit agencies that, in turn, subcontract repair and rehabilitation work to general contractors.

What We Found

The audit objective was to determine whether the Housing Division of the Department of Housing and Community Resilience provided proper oversight and adequately administered contracts with subrecipients. Our audit showed:

- The Housing Division generally had controls in place to provide reasonable assurance of OOR and EHRP compliance with the division's policies and procedures, and relevant rules and regulations.
- Recipients of OOR and EHRP assistance were duly eligible for the funding.
- Payments to non-profit agencies were for authorized and properly completed home rehabilitation services.
- Of the three non-profit agencies reviewed, two complied with contract terms and obligations when providing services to clients and one did not comply.
- Non-profit agencies were not appropriately monitored.
- Of the ten homeowner surveys received, six homeowners were satisfied with the services provided.

What We Did



Audit Period: 10/1/17 - 9/30/19

Reviewed: Laws, Regulations, Policies and Procedures

Interviewed: Housing Division Staff

Conducted **1** telephone interview and visited **14** project homes

Owner-Occupied Home Rehabilitation (OOR)

22 Project files reviewed
Totaling **\$648,850**

Emergency Home Repair Programs (EHRP)

19 Project files reviewed
Totaling **\$162,324**

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Background

The mission of the Housing and Community Resilience Department is to address a wide range of issues affecting natural and built environments, public health and safety, and a thriving economy. As part of its efforts to accomplish its mission, the department administers federal and state-funded affordable housing programs, partners with human service agencies and develops city-wide strategies such as the Community Resilience and Consolidated Housing Plans to improve the quality of life in Tallahassee.

The Housing Division, within the Housing and Community Resilience Department, operates programs aimed at using and leveraging grant funds to create new housing or rehabilitate existing housing units. This audit focused on the Owner-Occupied Rehabilitation (OOR) program and Emergency Home Repair Program (EHRP). Those programs are primarily funded through Home Investment Partnership Program (HOME), Community Development Block Grant (CDBG), and State Housing Initiatives Partnership Program (SHIP) grants funds.

The OOR assists households, earning 80% of Area Median Income (AMI) or less, make major and critical repairs to their homes or correct major building code violations so the owner(s) may continue to live in their homes. The program provides forgivable loans up to \$25,000 with zero-interest and no monthly payments. The loan is forgiven if the homeowner continues to occupy the home for a minimum of 10 years after the repairs are complete.

The goal of the EHRP is to improve the living conditions of homeowners by removing health and safety hazards. Recipients must be the owner and occupant of the home and be income-eligible (i.e., earning no more than 50% of AMI). The program provides zero-interest forgivable loans up to \$12,500 with no monthly payments for repairs with a life span of greater than 15 years such as new roofs, new HVAC, water, or sewer systems. The loan is forgiven if the homeowner occupies the home for five years after the repairs are complete.



Observation 1 - Issues Identified During Site Visits for OOR

Audit staff sent out 22 homeowner satisfaction surveys, from which 10 responses were received. After reviewing the survey responses, we conducted 1 telephone interview and 14 site visits.

Responses to the survey, homeowner interviews, and site visit observations showed homeowners were generally satisfied with the OOR program; however, issues were identified. The most significant included:

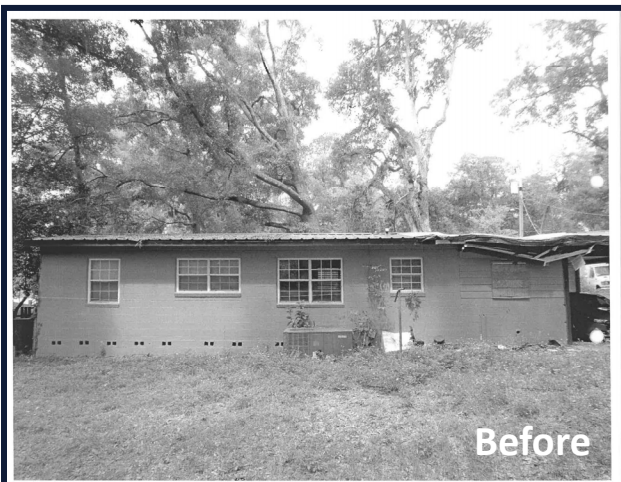
- Improper, inadequate, incomplete or unsatisfactory work or products, including doors, drywall, electrical services, cabinets, appliances, and painting.
- Repairs included in the statement of work were paid for but not performed; untimely completion of rehabilitation projects; and long wait periods between the application for and commencement of rehabilitation services.

- Poor communication with homeowners, including clients not notified or consulted prior to: 1) beginning of repairs, 2) inspections taking place, and 3) changes to planned repairs.
- Rude and disrespectful treatment of homeowners by contractors, City, and agency representatives as well as pressure from those parties for homeowners to sign-off on incomplete repairs.

We recommend management follow up with the non-profit agencies and rehabilitation homeowners to ensure concerns are addressed. We further recommend a monitoring checklist which lists all required documentation be prepared by staff and reviewed by management prior to completion of the rehabilitation project.

Management's Response and/or Corrective Action

Housing staff will implement a plan providing for appropriate follow up with the non-profit agencies and homeowners as well as provide for the use of an appropriate monitoring checklist for review by management staff prior to project completion.



Observation 2 - Inadequate Segregation of Duties in OOR

Management's Response and/or Corrective Action

Duties of the Major Rehabilitation section will be reviewed and separated where possible. Where separation is not possible due to staffing constraints, increased oversight and review will be conducted by management staff.

While reviewing project files and performing site visits, we noted one employee within the Housing Division's Major Rehabilitation section was responsible for overseeing many if not all aspects of home rehabilitation projects. Duties performed by that individual include determining and approving home repairs, reviewing and approving contractor bids, performing inspections for work performed, reviewing project files to ensure statement of work requirements are met, reviewing and approving contractor invoices, and approving payments.

We recommend duties in the Major Rehabilitation section be adequately separated to ensure proper oversight of work performed and reduce the risk for errors, fraud and/or misconduct. Conflicting duties unable to be segregated due to a lack of resources should be mitigated by secondary review/monitoring of those duties by management.

Owner-Occupied Rehabilitation and Emergency Home Repair Programs support Strategic Plan Objective 2B: Rehabilitate and enhance the existing housing inventory to reduce the cost of living.

Observation 3 - Incomplete OOR Project Files

Our review of 22 project files revealed the following:

- For all project files, inspection reports did not contain details or supporting documentation to verify inspections occurred.
- None of the project files contained homeowner survey responses. Surveys were provided to homeowners at the beginning of rehabilitation projects rather than when repairs were completed.
- Two files did not contain competitive bid documentation, before-rehabilitation pictures, or certificates of completion.

We recommend management:

- Require inspection reports include, at a minimum, the homeowner's name and address, the date of inspection, the purpose of the inspection, and the results of the inspection.
- Provide customer satisfaction surveys to homeowners when rehabilitation work has been completed.
- Implement procedures to ensure non-profit agencies comply with requirements to provide the City with before and after rehabilitation pictures of home rehabilitations as well as copies of all bid documentation, including their selection for awarding the contract.
- Review bid documentation and work write-ups prior to awarding rehabilitation contracts.
- Compare before and after rehabilitation pictures prior to approving the payment.
- Ensure a monitoring checklist, which lists all required documentation, be prepared and completed by staff prior to final approval of the rehabilitation projects.

Management's Response and/or Corrective Action

A plan will be implemented by Housing staff to enhance the procedures in place consistent with the recommendations provided.



Observation 4 - Issues Identified in the EHRP

Management's Response and/or Corrective Action

Housing staff will revise procedures to improve the accuracy of review performance.

We reviewed 19 EHRP project files and found they generally complied with program requirements; however, a few exceptions were noted:

Expenses - One file reviewed showed expenses exceeded the \$12,500 maximum amount by \$1,240. Subsequent to our bringing this matter to management's attention, the issue was corrected.

Lien - One file reviewed showed a homeowner received a new Heating, Ventilation, and Air Conditioning (HVAC) system; however, a lien was not filed with the Leon County Clerk of Courts, as required by Housing policies and procedures.

Income Eligibility - For one project file reviewed, a homeowner's income eligibility was wrongly calculated as a one-person household rather than a two-person household. This error did not impact eligibility determination.

Biographical and Demographical Data - For one file reviewed, the homeowner's race/ethnicity was improperly recorded as White rather than African American/Black. Although age is not an eligibility requirement, being elderly (62 years and up) and/or disabled is categorized as Special Needs and prioritized under SHIP rules. Two homeowner's ages were inaccurately recorded, one as 57 rather than 59 and the other as 79 rather than 75. The error did not impact the prioritization of the project.

We recommend management revise review procedures to improve the accuracy of their review performance, such as a second level review and provide ongoing requisite training.

The EHRP offers zero interest/no monthly payment forgivable loans to assist low-income property owners with emergency repairs. Five year liens are filed if these repairs have a life span of greater than 15 years.

Observation 5 - OOR Timeliness Requirements Were Not Always Met

We reviewed 22 project files for compliance with required contract timelines and found:

- Eight disbursements were made to non-profit agencies after the disbursement due date specified in the contract.
- Timeliness could not be determined for work write-ups, competitive bid documentation, and/or change orders for any of the files primarily because work write-ups and responses from CHHS Division staff were not always dated.
- Three projects, without 30-day extensions, exceeded

the 120-day completion date by an average of approximately 36 days.

We recommend, the progress of projects be monitored and documented 30 days prior to the project completion date and disbursement due date to determine whether a 30-day extension and amendment are required. Additionally, we recommend management date-stamp documents received from the non-profit agencies and use a monitoring checklist to document the date of the review and response to work write-ups, competitive bid documentation, change order requests, and progress monitoring.

Management's Response and/or Corrective Action

An enhanced monitoring checklist of progress 30 days prior to project completion will be implemented along with the use of date stamping of documents received from agencies.



Appointed Official's Response

I thank you and your team for this thorough review of the Housing rehabilitation and repair programs. The report is very informative, and the site visits and customer feedback provide a very helpful perspective. We are pleased to see that many past issues have been improved over the years and we value your help in continuing to strengthen internal controls. The department is actively engaged with our various internal and external partners and several of the corrective actions are already underway. As resources allow, I am hopeful that we can build in additional layers of redundancy and review to improve outcomes for our citizens.

Acknowledgements

We would like to express our appreciation to the Department of Housing and Community Resilience management and staff for their cooperation and assistance during this audit.

Project Team

Engagement conducted by: Jane Sukuro, CPA
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Deputy Inspector General

Approved by: Dennis R. Sutton, CPA, CIA
Inspector General

Statement of Accordance

The Office of Inspector General's mission is to advance integrity, accountability, transparency, and efficiency and effectiveness within City government by providing professional, independent, and objective audit and investigative services.

We conducted this audit in conformance with the Institute of Internal Auditors 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of Inspector General at (850) 891-8397 or inspector.general@talgov.com.

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