



CITY OF WILMINGTON

Real Estate & Housing

Internal Audit Review

April 23, 2020

City Auditor's Office

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Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of Real Estate & Housing. The audit was in accordance with the 2019 Internal Audit Plan.

Methodology

The objectives were met thru interviewing management and staff, reviewing existing procedures/guidelines for CDBG, HOME, ESG and HOPWA federal programs and performing detailed testing for each program.

Distribution

TBD, Chair

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Objective and Scope

Internal Audit (IA) conducted a Performance Audit of the City of Wilmington's Real Estate & Housing Department (RE&H). The audit objective was to determine if RE&H was conducting business in an effective and efficient manner and in accordance with RE&H's policies & procedures.

The scope of the audit was to examine financial activity for fiscal year July 1, 2018 through June 30, 2019 and monitoring activity for the four types of programs sponsored and monitored by RE&H

We conducted our audit in accordance with Generally Accepted Government Audit Standards (GAGAS). These 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 upon our audit objective.

Background

There are four types of programs sponsored and monitored by RE&H all of which assist low income individuals and households. The programs are as follows.

- Community Development Block Grants (CDBG) programs include a wide range of services that can include drug counseling, job training, housing, in addition to other services.
- HOME Investment Partnership (HOME) programs promote home ownership or rental units to low income individuals or families.
- Emergency Solutions Grants (ESG) programs provide to shelter to those most in need. The recipients must be in the 30% or lower median income bracket, homeless, or in emergency shelters.
- Housing Opportunities for Persons with AIDS (HOPWA) – As the program name states these programs provide housing and shelter for persons with AIDS.

Each year, RE&H notifies the community to submit Requests for Proposals (RFP's) to fund their specific programs. RE&H submits an Action Plan to The Department of Housing & Urban Development (HUD) requesting funding for the four categories of programs using the RFP information submitted by the program administrators.

HUD then notifies RE&H via an award letter the amount of their funding for the fiscal year by program category. RE&H issues award letters to sub-recipient program administrators notifying them of their funding and issues grant contracts. As the program administrators administer their programs and incur expenses, they submit invoices to RE&H. RE&H pays the program administrators' invoices and then submits for reimbursement by HUD. RE&H is required to monitor the programs for compliance and document the monitoring activity with an array of reports.

Key Statistics

Real Estate & Housing Department 's HUD funding the for fiscal year 2019 was as follows.

**Table 1: Department of Real Estate & Housing
HUD funding FY2019**

HUD Program	Funding Amount
ESG	\$ 182,956
HOME	\$ 552,461
HOPWA	\$ 772,728
CBDG	\$2,183,011
Total	\$3,691,156

As of November 2019, RE&H still needs to issue contracts to sub-recipients totaling \$1,700,560 which represents 46% of HUD's 2019 annual grant.

Key Findings

See Attachment “A” for a detailed description.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Business Operations	Alan Matas & Jerri Cherry				✓
Reconciliations	Alan Matas			✓	
Record Keeping	Alan Matas		✓		
Policies & Procedures	Alan Matas		✓		

Business Operations

1. Of the four programs sampled, all were deficient with monitoring activities. Two of the programs were completed but did not conduct monitoring activities. One program conducted an onsite monitoring visit but failed to conduct a key income test. Although the HOME program tested was in the initial stages and not yet subject to monitoring, we learned that HOME projects are subject to monitoring up to 15 years after completion yet no comprehensive listing of all HOME projects to be audited could be produced.

The recently hired Senior Program Director acknowledged there was a backlog of programs that needed to be monitored. In his first year of tenure he needed to address the backlog of issuing contracts to program administrators. He then needed to submit the Action Plan to secure HUD funding for the next fiscal year. Only now has he begun to address the backlog of monitoring activity.

2. Of the \$3.6 M awarded by HUD to RE&H for fiscal year 2019, contracts totaling \$1.7M (46%) still need to be issued sub-recipients. The funds are not being utilized in a timely manner to help those most in need in our community. Only year 2019 was within the scope of our audit, but there were verbal representations by RE&H that funds from prior years still have not been awarded and/or contracts issued to sub-recipients.

Reconciliations

3. We did not see evidence of reconciliation between the RE&H accounting records (MUNIS) and HUD's records (IDIS). The CDBG Challenge \$3K expense recorded in IDIS in the incorrect fiscal year suggests that a formal & final reconciliation may not be occurring.

Record Keeping

4. The new Senior Program Director has renewed focus and emphasis on record keeping. We recommend a checklist indicating all documents to be included in the program binder be instituted. In fieldwork testing, two of the program award letters could not be located or produced out of the four programs sampled.

Policies & Procedures

5. We recommend that that procedure manuals be updated at least annually to incorporate the latest business practices. For example, the housing inspections are now utilizing the HUD form and checklist, not the exhibits contained in the RE&H HOME manual.

Additional Information

The Senior Program Director indicated he joined the RE&H team approximately one year ago. RE&H had been late and delinquent in performing many tasks. He focused on issuing contracts to the organizations administering the programs and prepare the HUD Action Plan to secure funding. He recently began to address the backlog of programs that require monitoring activity.

Summary and Conclusions

It appears that RE&H has been late and is still delinquent in performing many of their routine functions: awarding grants, issuing contracts, and monitoring programs. By not awarding grants, issuing contracts, and disbursing funds in a timely manner the RE&H mission or goal to assist low income individuals and families is not being performed in an expeditious or efficient way. By not performing the monitoring function for projects or performing them long after completion of the program, RE&H is not detecting non-compliance or detecting non-compliance too late to take corrective actions. If a HUD audit discovers non-compliance the City will need to reimburse HUD resulting in a financial loss for the City.

We do believe that RE&H is already aware of these two significant deficiencies and is planning to address them.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: It is mandatory that RE & H perform and document monitoring activities in a timely manner for all programs. It is recommended that a program monitoring checklist should be created for ESG, HOPWA, and CDBG projects to clearly track what monitoring has and has not been performed. As HOME projects may require monitoring activities for 15 years after completion, a listing/checklist should indicate all HOME projects that require monitoring and the follow-up monitoring dates.

Management response & action plan: RE & H is now conducting monitoring visits on all HUD funded activities. A checklist will be created show completed and scheduled site visits HOME projects are being monitored in compliance with HUD's HOME regulations. RE & H understands the importance of a comprehensive monitoring program and is in the processing of developing a schedule of monitoring visits. One note, with the onset of the Coronavirus, site visits have been suspended.

Completion Date: April 30, 2020

Recommendation #2: RE & H should immediately quantify the exact dollar amounts by year that have not yet been awarded/granted or had contracts not issued to sub-recipients. Then, RE & H should develop an immediate action plan to award/grant these funds to sub-recipients.

Management response & action plan: All contracts have been issued to sub-recipients. For a brief period of time when the position of Senior Program Director and Financial Assistant were vacant there was a delay in issuing contracts. As soon as those positions were filled, the contracts were completed, issued and contracts were executed/activities begun. At all time, RE & H is aware of HUD funds that have been awarded to the City of Wilmington. This is monitored weekly, if not daily, through the IDIS financial system. The Department of RE & H is working diligently to expend all awarded funds from the Department of Housing and Urban Development.

Completion Date: Completed (on-going)

Recommendation #3: RE & H should maintain binders for all programs that contain significant documents such as invoices. It is recommended that this binder also included reports from MUNIS, IDIS, and the HUD PR## report indicating a formal reconciliation between systems has occurred.

Management response & action plan: The Department maintains binders on all projects showing executed contracts, purchase orders, and invoices along with FFATA and financial
April 2020 (Project# 19-07)

audits. MUNIS and IDIS reports are maintained in separate binders. Reconciliation of accounts occur on a weekly basis.

Completion Date: Completed (on-going)

Recommendation #4: Management should create a checklist of required documents for their binders to ensure that all relevant documents are being captured. The new Senior Program Director is already placing renewed focus and emphasis on documentation and record keeping (i.e. program binders). We recommend a checklist of documents to be included in the binder being utilized.

Management response & action plan: Checklists will be created.

Completion Date: April 30, 2020

Recommendation #5: It is recommended that the RE & H Home policy & procedure manual be updated to include the HUD forms that are currently being used.

Management response & action plan: HUD manuals are being updated as new forms/regulations are issued by HUD. The Senior Program Director is on HUD's distribution list which provides him with the most up to date information on all of HUD's programs.

Completion Date: Completed (on-going)

Audit Team

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Tamara Thompson, Audit Manager