



Columbus Consolidated Government

Georgia's First Consolidated Government

Post Office Box 1340

Columbus, Georgia 31902-1340

John D. Redmond, CMA, CIA

Internal Auditor /

Compliance Officer

706 225-3110

FAX: 706 653-4970

jredmond@columbusga.org

AUDIT REPORT TRANSITION AUDIT OF COMMUNITY REINVESTMENT DECEMBER 15, 2015

AUDIT AUTHORIZATION

A Transition Audit of the Community Reinvestment Division was requested by Deputy City Manager Pamela Hodge, endorsed by City Manager Isaiah Hugley, was presented to City Council on June 9, 2015 by John Redmond, Internal Auditor with a request for authorization. The City Council approved the request for audit.

BACKGROUND/HISTORY

The City of Columbus qualifies as an Entitlement Community as determined by the United States Department of Housing and Urban Development (HUD) based on its demographic information. As such, each year, an allotment of funds from HUD is made available to the City of Columbus through various federal programs designed to improve housing, neighborhoods, quality of life, homelessness, and home ownership in the community. Community Reinvestment is the entity within the City of Columbus that is charged with administering these programs and the funding available for each program. Community Reinvestment applies these programs to improve the community consistent with the City's Master Plan for community direction and improvement. As such, Community Reinvestment has considerable interaction with the City's Planning, Inspection & Codes, and Engineering Departments. There is also considerable interaction with HUD and State of Georgia Departments that interface with similar programs at the state and federal levels.

The funding allotments to the City are available for projects that meet the criteria set by HUD and must be approved before funding is released to the City. The projects can be administered by the City, or be sub-contracted with approved agencies such as Community Housing Development Organizations (CHDO's). Each program includes a funding component for the project and for administration. The administrative portion varies by program, from a low end of about 5% to a high end of 20%. Administrative percentages vary based on the amount of initial and continuing administrative involvement required of the City and as a function of the dollar value of the program.

Community Reinvestment has been in a state of transition for the past decade. While the programs change from time to time, with old ones being replaced by newer ones; there can be a considerable

run-out time for the old programs. Over the past decade, this organization has been directed by six individuals: Lynette Gross, Joe Riddle, Mark McCollum (Interim), Amy Carbajal, David Arrington (Interim) and Laura McCool Johnson. During that time, staffing has been reduced from 12 to 4 and the Department reduced to a Division. Some of the reduction in staff has been due to budgetary reductions, due to the economic conditions during the Great Recession. Others were attributed to reduction in funding and/or discontinuance of HUD programs. Other reductions in staffing were not specifically classified. Additionally, most of the reductions were in the managerial/supervisory ranks or in professional positions, leaving the entity with one division manager and three technician positions. The effects of these reductions will be addressed later in the report.

AUDIT SCOPE

The audit of Community Reinvestment is a transition audit, designed to determine the state of the entity at the time of a management change, thus providing a benchmark (starting point) for the new manager, and the entity, as a whole. Since much of the activity of the entity is program based, it is necessary to review each program and how well it is being administered.

AUDIT PROCESS

The audit process involved a review of each program, accomplished with a review of the files of cases administered and an interview with the staff member that handles the program. The files were reviewed for adequacy of documentation, recording and management of funds, qualifying program participants, etc. Also available were copies of past and recent evaluation reports of the program performed by HUD auditors that periodically come on-site to ensure program integrity and compliance.

HUD AUDIT FINDINGS

Past reviews from 2008-2010 were found to reflect high scores and minimal deficiencies and findings, while recent reports for 2014-2015 reflecting a number of deficiencies and several findings, that must be addressed with an action plan for correction or improvement. The latter set of reports noted that the Department was “staffing challenged.” At the time the fieldwork of this audit was completed, one HUD report had not yet been received.

INTERNAL AUDIT FINDINGS

Files from each of the programs were selected and reviewed. The findings for each of the programs yielded very similar results. In general, participants of each of the HUD programs complete an application and provide various types of information to become qualified. Once approved, funds are provided to the participant from the particular program. It may be a down-payment assistance loan for a first time homebuyer, financing for the purchase of a restored property, or funding for restoring a blighted home. In most scenarios, once a project has been approved and funded, it becomes a project for oversight by the program administrator, requiring intermittent monitoring, site visits, periodic mailings, etc., to assure that the home is owner occupied and compliant with program requirements. At the end, the loan collateral is released upon loan repayment or upon

amortization of the time period. In each instance, the front-end process and the close-out process were completed and adequately documented in the participant's file. However, the middle section that includes monitoring, verification, and/or inspections was found to be inadequate to non-existent. The several administrators were working diligently but the program was not adequately staffed to administer this phase of the project. This finding was consistent with the findings of the HUD program auditors.

An administration allocation is available for each of these projects that are designed to fund administrative staff to administer these programs.

Some of the programs involve contracting with outside agencies, such as a Community Housing Development Organization (CHDO) to administer the build-out of a project, or to an agency like "Home for Good" to assist with reducing/elimination homelessness in the community. Frequently, such organizations are better staffed and trained to administer such programs or to perform direct services to qualifying individuals. In these situations, the agency gets a significant portion of the administration allocation, for their hands-on work, with a lesser portion retained by Community Reinvestment, for monitoring the results, qualifications, and compliance of the contracted agency.

Over the past four to six years, the administrative portion was not apportioned and retained appropriately by Community Reinvestment to support the cost of program administration, but was more routinely distributed to the program, itself. As such, there was no provision, other than the general government budget allocation to support Community Reinvestment, resulting in reduced staffing and under-administering several of the HUD-funded programs. This can only be attributed to the frequency of changes in leadership and their lack of experience or familiarity with such programs. The current leader has demonstrated knowledge of the programs, a continuing relationship with HUD Administrators and a pro-active approach to resolving inherited problems and seizing the opportunity to place funds and earn the administrative component for the City.

During the fieldwork stage of the audit, management discovered that there were unspent funds from several previous years that were soon to expire. Qualifying projects were quickly identified, packaged and presented to City Council in August for approval. As such, not only were projects approved to benefit the city and its residents, but administrative fee revenue was earned, as well.

Additionally, management reviewed the CHDO files and discovered that the CHDO's certification had lapsed and not been recertified in several years. This lapse could have resulted in considerable detriment to both the City and the CHDO. The department collaborated with CHDO management to bring the certification back into compliance and establish a process for annual monitoring to preclude future lapses.

One of the responsibilities of Community Reinvestment is tracking, monitoring, acquisition and disposal of city-owned properties. The current inventory records do not contain all of the necessary information to proactively manage the inventory. Management and staff are currently updating and fleshing out the file information and comparing their inventory listing to ownership records of the tax assessors.

AUDIT RECOMMENDATIONS

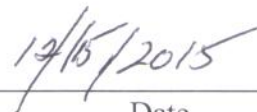
1. Management needs to develop a strategy plan for Community Development, and how its various programs support and accomplish its planned objectives consistent with its mission and purpose.
2. Community Reinvestment must respond to HUD findings that properly address and provide a satisfactory remedy to the deficiencies noted by the HUD Auditors.
3. The Community Reinvestment Division should be restored to departmental status and adequately organized and staffed to perform all required aspects of each of its programs, including the monitoring, inspection and determination of participant compliance throughout the tenure of each project.
4. Community Reinvestment should ensure that all available funding is utilized to the maximum benefit to the City and its citizens and that the administrative funding component of each program is used to offset the cost of administering the various programs that it administers.
5. The entity needs to ensure that any agency, contractor, or CHDO is evaluated, qualified and certified (as necessary) for eligibility for program participation and project funding.
6. Community Reinvestment should maintain a comprehensive inventory of all city-owned properties including information as to how and why it was acquired, initial and subsequent cost, location, zoning, current market value, photographs, plats and planned usage by the City. If no usage is planned, it should be included on a listing of parcels available for sale at its Fair Market Value and actively marketed for its disposal.

MANAGEMENT RESPONSE

Management concurs with each of the recommendations and hopes to implement as soon as practicable.



John Redmond, Internal Auditor & Compliance Officer



Date