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Project #2021-13

**Final Report -
Audit of the Home Investment
Partnership (HOME) Program**

April 20, 2022

SUMMARY

The Office of Inspector General (OIG) conducts audits and reviews of Florida Housing Finance Corporation’s (Florida Housing) Programs to provide management and other stakeholders with unbiased, timely, and relevant information for use in promoting accountability, stewardship, and efficient operations.

The OIG’s 2021 Annual Audit Plan included an audit of Florida Housing’s HOME Investment Partnership Program (HOME) processes. Within the scope of this audit, Florida Housing’s HOME program processes that were reviewed and tested were compliant with Code of Federal Regulations (CFR), Florida Statutes (F.S.), Florida Administrative Code (F.A.C.), and internal HOME policy, procedures and guidelines.

OBJECTIVES, SCOPE AND METHODOLOGY

This audit was conducted in accordance with the OIG’s 2021 Annual Audit Plan. The audit scope was from January 1, 2018, to December 31, 2021¹, and focused on the requirements, responsibilities, and controls for minimizing risk within Florida Housing’s HOME program processes as prescribed in CFR, F.S., F.A.C., and existing internal HOME program guidelines.

The objectives of this audit were to determine whether:

- Florida Housing’s HOME program funds were timely committed and expended in accordance with HOME program requirements;
- required documentation was obtained, reviewed, and approved prior to disbursing HOME program funds;
- HOME program funding was provided to eligible recipients; and
- HOME program administrative expenses were adequately documented and compliant with the requirements of the Federal OMB (Office of Management and Budget) A-87.

¹ Certain areas of the audit that were reviewed and tested involved process controls and information related to the years 2013 and 2014. This was due to the deadline for obligating and expending HOME funds changed in 2015.

To achieve these objectives, the OIG interviewed pertinent Florida Housing HOME program staff and reviewed:

- CFR, Part 92 HOME Investment Partnership Program;
- Section 420.5089, F.S., HOME Investment Partnership Program; HOME Investment Partnership Fund;
- Chapter 67-48, F.A.C. - HOME Investment Partnership Program;
- Florida Housing Enterprise Risk Assessment 2020;
- State of Florida Five Year Consolidated Plan Federal Fiscal Years 2020 – 2024;
- State of Florida Five Year Consolidated Plan Federal Fiscal Years 2015 – 2020;
- Florida Housing 2020 Audited Financial Statements;
- Florida Housing 2019 Audited Financial Statements;
- State of Florida, Auditor General Report No. 2017-047;
- State of Florida, Auditor General Report No. 2013-047;
- U.S. Department of Housing and Urban Development (HUD) HOME Audit Report No. 2008-AT-1009; and
- Fulton County Office of the County Auditor, HOME Program Monitoring Audit, April 8, 2020.

BACKGROUND

The HOME program is administered by Florida Housing pursuant to 24 CFR Part 92 and Section 420.5089, F.S.

24 CFR Part 92 states that HUD will:

...allocate federal funds among eligible state and local governments to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income families. State and local governments may use HOME funds to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing, and tenant-based rental assistance. State and local governments may provide assistance in a number of eligible forms, including loans, advances, equity investments, interest subsidies and other forms of investment that HUD approves.

Section 420.5089, F.S. authorizes “to be established by the corporation, the HOME Investment Partnership Fund, which shall be administered by the corporation according to the provisions of the HOME Investment Partnership Program which is hereby created.”

Florida Housing’s HOME program provides, low interest loans to developers for acquisition and/or new construction or rehabilitation of affordable rental housing to low-income families. The borrowers of HOME program funds are for-profit developers, nonprofit housing providers,

Community Housing Development Organizations (CHDO)² or local governments, redevelopment organizations or public housing authorities. Eligible applicants apply for funding through Florida Housing's Request for Applications (RFA) process. Twenty percent of the HOME program assisted units are occupied by families whose annual incomes do not exceed 50 percent of the median family income for the area; and the balance of HOME program assisted units must be occupied by families whose annual incomes do not exceed 60 percent of the median family income for the area.

Additionally, the HOME program enhances the ability of developers to match qualified homebuyers with purchase assistance. Florida Housing's Homeownership Pool (HOP) Program is designed to be a noncompetitive and on-going program, where Developers, by way of an online system have the ability to reserve funds for eligible homebuyers to provide purchase assistance on a first-come, first-served basis.

Florida Housing's HOME program also administers a Tenant Based Rental Assistance (TBRA) program. The TBRA program provides payments to eligible households to make up the difference between the amount they can afford to pay for rental housing and the local rent cost standards. The TBRA program can also provide help with security and utility deposits. The CFR permits Florida Housing to contract with local public housing authorities³ (PHA) to operate the TBRA program and perform administrative activities such as applicant eligibility determination and payment disbursement.

Overall administration of Florida Housing's HOME program for the rental portfolio is performed by two Federal Loan Program Managers. The administration for the HOP program is performed by the Senior Federal Loan Program Analyst. All programs fall under the direction of the Federal Loan Programs Director, and organizationally situated within the office of Homeownership Programs.

The job duties and responsibilities for the Federal Loans Program Managers include:

- HOME program Rental duties and responsibilities;
- TBRA program duties and responsibilities; and
- Federal labor standards and other Federal reporting duties and responsibilities.

The job duties and responsibilities for the Senior Federal Loan Program Analyst include:

- HOP program duties and responsibilities; and
- Cross-cutting Federal Regulations.

The job duties and responsibilities for the Federal Loan Programs Director are to manage the daily operations of the HOME program and include:

- Providing professional guidance and technical assistance to stakeholders;
- Developing and managing HOME rental and HOME single family programs;
- Consulting with and directing the activities of counsel, environmental consultants, and underwriters; and

² A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

³ Punta Gorda, Hernando, Alachua, Milton, and Panama City were the PHAs included within the scope of this audit.

- Developing accurate reports required by HUD or other State or Federal agencies.

“HUD requires that states receiving certain federal funds prepare a consolidated plan pursuant to 24 CFR 91.” This plan provides “the framework for a planning process to identify housing, homeless, community and economic development needs and resources for meeting those needs. The plan process provides an opportunity for citizens, nonprofit organizations, or other interested parties to help define priorities for addressing local community (as well as statewide) needs and to tailor a strategic plan for meeting identified needs.”

The State of Florida's Consolidated Plan (the Plan) process includes the HOME Investment Partnership program under the administration of Florida Housing. The Plan must meet the requirements of the Federal government in order for Florida Housing to continue to receive funds that are used to meet local housing needs.

During fiscal years 2018, 2019 and 2020, Florida Housing received HOME program funding allocations of \$20,096,274.00; \$17,881,000.00; \$20,053,807; and \$19,390,793.00, respectively. For each of those fiscal years, the funds were expended for the following programs as follows:

Fiscal Year 2018

- **HOME Rental** - Florida Housing did not issue any HOME program rental RFAs nor award any funding in 2018 due to the impact of Hurricane Michael which hit the Florida panhandle in October 2018. Florida Housing used the funds to assist with the hurricane recovery efforts and then issued a HOME program RFA in February 2019 awarding more than \$47 million.
- **HOP program** - \$3,105,810.00
- **TBRA program** - \$102,490.00

Fiscal Year 2019

- **HOME Rental** - \$47,937,566.00
- **HOP program** - \$2,607,701.00
- **TBRA program** - \$138,313.00

Fiscal Year 2020

- **HOME Rental** - Florida Housing issued a HOME program RFA in 2020, but it was not scored and awarded until 2021.⁴
- **HOP program** - \$3,066,929.00
- **TBRA program** - \$163,805.00

FIELDWORK PERFORMED

For each objective, the OIG conducted the following testing and validation to provide assurance that program controls were performing as designed.

⁴ The 2020 HOME RFA was delayed until the end of the 2020 hurricane season.

Objective 1: To determine if Florida Housing’s HOME program funds were timely committed and expended in accordance with HOME program requirements:

Reductions of Fiscal Year 2014 and prior fiscal year allocations⁵

HUD will reduce or recapture HOME program funds in the HOME Investment Trust Fund by the amount of:

- Any funds from Fiscal Year 2014 and prior fiscal year allocations in the United States Treasury account that are required to be reserved (i.e., 15 percent of the funds) by a participating jurisdiction,⁶ under CFR 92.300, and which are not committed to a CHDO project within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnership Agreement;
- Any funds from Fiscal Year 2014 and prior fiscal year allocations in the United States Treasury account that are not committed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnership Agreement; and
- Any funds from Fiscal Year 2014 and prior fiscal year allocations in the United States Treasury account that are not expended within 5 years after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnership Agreement.

Reductions of Fiscal Year 2015 and subsequent fiscal year allocations

HUD will reduce or recapture HOME program funds in the HOME Investment Trust Fund, as follows:

- Any funds from a specific fiscal year allocation that are in the United States Treasury account that are not committed (including funds for CHDOs under CFR 92.300) within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnership Agreement for the specific fiscal year allocation;⁷ and
- Any funds from a specific fiscal year allocation that are in the United States Treasury account that are not expended (drawn down) by September 30 of the fifth year after the end of the period of availability of the fiscal year allocation for obligation by HUD. This means that the time period to obligate all of the HOME program funds is up to 4 years and then, after they are obligated, 5 years to expend (i.e., at the end of the ninth year after the grant).⁸

⁵ The OIG tested fiscal years 2013 and 2014.

⁶ Participating jurisdiction means any State or local government that has been designated by HUD to administer a HOME program grant (i.e., Florida Housing).

⁷Section 242 of Title I of Division K of the Consolidated Appropriations Act, 2017(Public Law 115-36) and Section 235 of Title II of Division L of the Consolidated Appropriations Act, 2018 (Public Law 115-141) (collectively the “Appropriation Acts”), which suspended the 24-month commitment requirement for HOME Investment Partnerships Program (HOME) funds. The Acts suspended the commitment requirement for funds with deadlines occurring in 2016, 2017, 2018, 2019, and 2020.

⁸ Any HOME program funds appropriated in federal fiscal year (FY) 2015 will not be available for HOME Participating Jurisdictions (PJs) to expend after September 30, 2023

To accomplish this objective, the OIG requested and received access to HUD's, Integrated Disbursement and Information System (IDIS)⁹ database in order to run disbursement reports and perform calculations to independently verify that sampled fiscal years 2013, 2014 and 2015 allocations were disbursed timely according to requirements. Two types of IDIS reports are described below:

- **Status of HOME Grants Report** - This report contains financial information on HOME program grants and was used to verify Florida Housing's total commitments and disbursements in each grant year or program year, as applicable.
- **The HOME Deadline Compliance Status Report** - This report was used to verify Florida Housing's progress toward meeting their 24-month commitment requirements as well as their 5-year expenditure requirements for HOME program funds.

The OIG concluded that, within the scope of testing and validation, HOME program funding disbursements were timely committed and expended in accordance with HOME program requirements.

Objective 2: To determine if required documentation was obtained, reviewed, and approved prior to disbursing HOME program funds:

The OIG reviewed disbursements for two HOME program areas: Florida Housing's HOP and rental development programs.

To accomplish the HOP objective, the OIG requested from Florida Housing's HOME program staff a list of HOP recipients from the years 2018, 2019, 2020 and 2021, from which the OIG randomly sampled three files. The authoritative source criteria to measure compliance was selected from:

- HUD'S HOME Monitoring Tools checklists;¹⁰
- F.A.C. 67-57.070 Homebuyer Loan Process;
- F.A.C. 67-48.02 HOME Disbursements Procedures and Loan Servicing; and
- Florida Housing's Homeownership Pool (HOP) Step-by-Step Guide.

The OIG then reviewed the three files of the sampled HOP recipients and concluded that, within the scope of the testing and validation, required documentation was obtained, reviewed, and approved prior to disbursing HOME program funds.

To accomplish the rental development program objective, the OIG requested from Florida Housing's HOME program staff a list of all HOME program development projects designated as completed, meaning all construction was finished and the development is occupied. The scope were those

⁹ IDIS provides HUD with current information regarding HOME program grant funding activities underway across the nation by the various state and local entities receiving the funding. HUD uses this information to report to Congress and to monitor the entities. IDIS is the drawdown and reporting system for the HOME program. Florida Housing uses IDIS to request their grant funding from HUD and report on what is accomplished with these funds.

¹⁰ [HOME Monitoring Checklist 5-B Documentation: Homebuyer Project](#) "These checklists provide access to tools and Federal requirements for the HOME Program."

development projects completed in 2018, 2019 and 2020, and from which four were selected to test if required documentation was obtained, reviewed, and approved prior to disbursing HOME program funds. The authoritative source criteria to measure compliance was selected from:

- HUD'S HOME Monitoring Tools checklists;¹¹ and
- 67-48.022, F.A.C. HOME Disbursements Procedures and Loan Servicing.

The OIG then requested the required documentation for the four development projects to validate that it was obtained, reviewed, and approved, by Florida Housing staff and the loan servicer, prior to disbursing HOME program funds.

The OIG concluded that, within the scope of the testing and validation, required documentation was obtained, reviewed, and approved prior to disbursing HOME program funds.

Objective 3: To determine if HOME program funding was provided to eligible recipients (developers).

To accomplish this objective, the OIG reviewed the following authoritative criteria to determine recipient eligibility for HOME program funding projects:

- F.A.C. 67-48.004 Selection Procedures for Developments; and
- F.A.C. 67-48.0072 Credit Underwriting and Loan Procedures

The OIG requested from Florida Housing's HOME program staff a list of all HOME program rental development projects designated as completed, meaning all construction was finished and the development is occupied. The scope were those development projects completed in 2018, 2019 and 2020, from which four were selected. The OIG then obtained and reviewed the following documentation from those development projects to determine if HOME program funding was provided to eligible recipients in compliance with authoritative sources:

- Submitted RFA Applications;
- Principals of the Applicant and Developer(s) Disclosure Form;
- Florida Housing Finance Corporation Past Due Reports; and
- Credit Underwriting Reports.

The OIG concluded that, within the scope of the testing and validation, HOME program funding was provided to eligible recipients.

Objective 4: To determine if HOME program administrative expenses were adequately documented and compliant with the requirements of OMB A-87.

¹¹ [Program Wide HOME Monitoring Checklist 3A](#) and [HOME Monitoring Checklist 6-A Rental Project Completion](#).

OMB A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments.

To accomplish this objective, the OIG requested from Florida Housing’s Financial Accounting staff, documentation showing all 2020 financial expense transactions¹² for the HOME program. Within those transactions, the OIG specifically reviewed direct cost¹³ administrative expenses¹⁴ with the requirements of OMB A-87 to determine compliance. These requirements specify what Florida Housing can expense as a direct cost (allowable cost¹⁵) vs. what they cannot expense as a direct cost (unallowable cost¹⁶) from the Federal HOME program funding allocation received in 2020.

The OIG concluded that, within the scope of the testing and validation, the HOME program is compliant with the requirements of OMB A-87 for HOME program administrative expenses.

Objective 5: To determine if TBRA program recipient files contained adequate validating information for participant eligibility and payment documentation.

To accomplish this objective, the OIG requested from Florida Housing’s HOME program staff, a list of PHAs under contract during the years 2018, 2019 and 2020 with Florida Housing to operate the TBRA program. These PHAs perform administrative activities to include applicant eligibility determination and payment disbursement.¹⁷ The OIG also requested a list of names for all TBRA program recipients who received assistance from the PHAs during those same years. From a total population of 100, the OIG randomly sampled three TBRA program recipient files from each of the five PHAs and compared file documentation to the criteria to measure compliance, which was selected from CFR 92.209 Tenant-Based Rental Assistance: Eligible Costs and Requirements.

The OIG concluded that, within the scope of the testing and validation, TBRA program recipient files contained adequate validating information for participant eligibility and payment documentation.

ACKNOWLEDGEMENT

The Office of Inspector General would like to extend our appreciation to the management and staff of Florida Housing’s HOME program for their assistance and cooperation during this audit.

¹² Due to the volume of transactions the scope was limited to FY 2020.

¹³ Direct Costs are those costs that can be identified and expensed specifically to the HOME Program.

¹⁴ Administrative expense transactions are designated with a specific funding code by Finance and Accounting.

¹⁵ An example of allowable costs would be meetings and conferences including renting facilities, meals, and speakers’ fees related to HOME program activities.

¹⁶ An example of unallowable costs would be alcohol and entertainment costs (e.g., “amusement, diversion, social activities, ceremonials and costs relating to these activities such as meals, lodging, rentals transportation and gratuities”).

¹⁷ Punta Gorda, Hernando, Alachua, Milton and Panama City PHA’s

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors. The audit was conducted by David Merck, Systems Auditor, CIA, CISA, CIGA, CISSP-ISSMP, CAP, CPM under the supervision of Justin Evans, Director of Auditing, CIA, CFE, CIGA, CIGI, CIG, CPM. This report and other reports prepared by Office of Inspector General can be obtained from the Corporation's website, <http://www.floridahousing.org/AboutUs/OfficeOfInspectorGeneral>.

APPENDIX A



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April 19, 2022

Chris Hirst, Inspector General
Florida Housing Finance Corporation
227 N. Bronough Street, Suite 5000
Tallahassee, FL 32301

RE: Audit of the HOME Program (2021-13)

Dear Chris,

I am in receipt of the Final Report for the Audit of the HOME Investment Partnerships (HOME) Program (Project #2021-13) dated April 14, 2022. I would like to thank you and your staff for the thorough job you did in looking at various aspects of the HOME Program and providing this detailed report. I would especially like to thank David Merck for both his professionalism and the congenial way that he worked with my program staff to obtain all of the necessary information.

I am very pleased that after such a thorough review there were no findings or observations in the report. My program staff and I take pride in our jobs and the resources that have been entrusted to us, so it is very gratifying to have it confirmed that we are administering the HOME Program in a manner consistent with the governing laws, regulations and procedures. I would specifically like to recognize Donna Phillips, Amanda Franklin and David Woodward for the jobs they do every day in faithfully administering this program. Most of all, I would like to thank Nicole Gibson, whose leadership, knowledge and expertise in the HOME Program is unmatched.

We look forward to taking the information you have provided and incorporating it in ways that will continue to enhance the jobs that we do.

Very truly yours,

David R. Westcott
Managing Director of Homeowner Programs

cc: Trey Price, Executive Director

Ron DeSantis, Governor

Board of Directors: Ron Lieberman, Chair • Mario Facella, Vice Chair
Ryan Benson • Dane Eagle • Sandra Einhorn • David Hall • Dev Matwani

Harold "Trey" Price, Executive Director