



Internal Audit Department

Report 2011 – 5

Housing, Human & Veteran Services

**Neighborhood Stabilization Program
Property Review**

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TABLE OF CONTENTS

BACKGROUND.....	2
SUMMARY.....	2
SCOPE.....	3
OBSERVATIONS, RECOMMENDATIONS & RESPONSES.....	3
OTHER RECOMMENDATIONS.....	9
CONCLUSION.....	13
ADDITIONAL MANAGEMENT COMMENTS.....	13

The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin (Aug. 28, 1998 DCA of FL, 5th District)* and Florida Statute 119.0713. Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued.

BACKGROUND

The Neighborhood Stabilization Program (NSP) is a federal program which provides funding to state and local governments that have suffered from property foreclosures and abandonment. The purpose of the program is to stabilize communities through government purchase and rehabilitation of foreclosed homes, with the ultimate goal of selling the homes to income qualified families. Collier County has been awarded \$11.2 million under the Neighborhood Stabilization Program (NSP-1 and NSP-3) and has expended \$7.9 million of the funds through fiscal year 2011 in the following manner:

- 10% for administrative program costs, such as HHVS salaries;
- 70% for property acquisition;
- 19% for property rehabilitation;
- 1% for carrying costs, such as lawn maintenance.

As of September 30, 2011, Collier County had purchased 81 properties and sold 20. The homes were sold with an unrecoverable total of \$224,859. Rehabilitation work was complete on 14 properties (10 SF*, 4 MF**). Active rehabilitation was in progress at 3 properties (1 SF, 2 MF). Rehabilitation work was started, but never completed at 4 properties (4 SF). Rehabilitation work was not started on 30 properties (19 SF, 11 MF). There are 10 land bank properties of which 9 are vacant and one is pending demolition.

*SF = Single Family ** = Multi Family

SUMMARY

The following audit observations were generated during the review (*two have already been cited in Interim Audit Reports 2011-5A and 2011-5B):

- Contractors submitted invoices for incomplete work stated to be 100% complete.*
- Contractors made product and equipment substitutions that were not part of the bid specifications.
- County Housing staff approved pay requests for substituted products and incomplete work attesting to be 100% accurate and complete.*
- Bid specifications were revised after job awarded to low-bid contractor.
- Inter-department services submitted to Finance using an unapproved rate structure method despite HUD response disallowing the fee structure.
- Lawn maintenance contract not terminated immediately upon sale of property.

Other Recommendations generated during the audit:

- Contractor submitted payment requests with duplicate invoice numbers.
- Properties that are ready for occupancy remain vacant and continue to incur carrying costs.
- Various properties purchased do not conform to NSP Administrative Plan guidelines.
- Dates on deed documents significantly pre-date actual property closings.
- Monitoring reports from external agencies not always provided to Finance.

Controls surrounding the review and approval of rehabilitation work and related payment requests for the NSP program require immediate improvements to become compliant with grant regulations and county policies.

SCOPE

The audit review consisted of, but was not limited to the following tasks:

- Compiling files and information from Housing, Human & Veteran Services staff, Risk Management, the Clerk's Finance Department and documents available in county public records;
- Site visits to the properties, including photo documentation;
- Interviews with county Housing staff, current homeowners and NSP contractors;
- Review of the bid and award documentation for rehabilitation contracts;
- Comparing details of work within bid specifications to actual work performed by the contractors;
- Comparing work performed by the contractors to pay request details;
- Review of NSP Administrative Plans and program guidelines;
- Review of Department of Housing and Urban Development (HUD) NSP monitoring reports issued to Collier County;
- Review of BCC Resolutions 2009-81 and 2011-110.

The objective of the audit was to determine whether the HHVS Department is properly implementing controls related to: the application approval process; validating payment requests; and adhering to the NSP administrative code, county ordinances and policies to ensure the Clerk is making legal and valid payments related to this grant program.

The auditors were not granted access to twelve NSP homes by private owners, and therefore could not inspect the entire inventory; this is considered a scope limitation and consequently audit findings may not include all potential questioned costs or concerns with the program.

OBSERVATIONS

1) Contractors requested payment for incomplete work.

Items certified to be 100% complete by contractors, were requested for full payment in signed affidavits, and authorized for full payment by HHVS staff without all work having been completed for 24 homes, as observed during physical inspections of the NSP properties by Internal Audit. The bid value for incomplete work ranged from \$1,038 to \$12,101 across all properties, and was not specific to one contractor. Total questioned costs for incomplete work within this program have accumulated to \$122,499, or 8.3% of the total value of all payment requests for rehabilitation work submitted to Finance as of September 30, 2011.

Although each home had unique issues, some recurring problems were noted for items billed as complete but observed as incomplete or missing:

- A/C compressors were not installed in 4 homes; one of the compressors was witnessed as being stored inside the home for future installation.
- Well, water and/or pool equipment not replaced per specifications (or not at all) in 6 homes.
- Pool, A/C and/or well equipment not secured according to specifications in 4 homes.
- Gutters not installed per specifications (or not at all) in 4 homes.
- Interior and/or exterior paint incomplete or not to specifications in 6 homes.

- Demolition and/or yard debris not removed per specifications in 5 homes; for one home, shed demolition included in the bid specifications twice and was paid for twice.
- Mailboxes not installed in 3 homes.

Several small items (such as all light bulbs not being replaced with fluorescents, screens not installed on all windows and one of several smoke detectors not installed) were not included in the total questioned costs cited above due to the minimal financial impact on the overall findings. However, Project Managers should be vigilant about verifying such items, especially ensuring that the proper numbers of smoke detectors are installed since a missing smoke detector is an obvious safety concern and may constitute a code violation.

Recommendations:

- Contractors should be made clearly aware that billing for incomplete work can be construed as a fraudulent act and can put them in jeopardy of losing the ability to be awarded future jobs with the county, losing their contractor’s license and/or criminal prosecution.
- Contractors must complete all work according to the bid specifications prior to submitting invoices to the HHVS Department as stated in the Contractor’s Payment Affidavit forms.
- Equipment purchased with Federal, State and/or County funds should be secured by the county and not stored for future installation or use by any third party, including the private contractor. Payment cannot be made to a contractor for any items stored; pursuant to the contract, work must be completed prior to payment.
- Detailed invoices for air conditioning, well, water and pool equipment should be provided to HHVS by the contractors to ensure the proper equipment was purchased and installed on the property as defined in the bid specifications.
- Bid specifications should be reviewed by another project manager or the Housing manager to ensure bid item details are not being duplicated.

Management Response:

With minor differences noted below, management agrees with recommendations. HHVS management met with all active contractors involved after the last audit and made them clearly aware that billing for incomplete work would no longer be tolerated. Accordingly, HHVS has taken additional measures to assure that work is completed prior to billing and that it is according to the bid specifications and the contract terms. For the reader, it is relevant to note that the vast majority of items cited in this audit occurred prior to the improvement of controls as noted above.

Regarding the recommendation to obtain invoices for various items to ensure proper equipment was purchased and installed, we believe an adequate inspection and photographic documentation will suffice to ensure contracted work has been completed. Regarding the recommendation to have a review of the bid specifications by another individual or the manager, this has already been implemented.

As background, in calculating the sum of questioned costs, the audit appropriately considers the total by bid spec line. This bid spec line total comprises one or many items in a bid spec grouping, and has been the basis on which payments have or have not been made. This means that all the items in the bid spec grouping must have been deemed 100% complete prior to payment. Therefore, if one item, even a very small one, was not complete, the entire bid spec line was not to be released for payment. While using the entire bid spec line is appropriate for the total of questioned costs, management deems it appropriate to offer for the reader an estimated “real” impact of any work paid for that is considered not to have been completed.

	HHVS Amount	Internal Audit Amount
Disagree, items covered under warranty	\$ -	\$ 5,558
Disagree, various reasons	\$ -	\$ 4,228
Agree/already corrected	\$ 333	\$ 40,392
Agree/but difference in value	\$ 10,002	\$ 38,344
Agree/full amount	\$ 33,977	\$ 33,977
TOTAL Questioned Costs	\$ 44,312	\$ 122,499
% of Total Rehabilitation Costs	3.0%	8.3%

Management wishes to be clear: this in no way makes the errors and issues any less severe; work should not have been invoiced for without being 100% complete. But, it clarifies, for the audience reading the report, that the magnitude is actually much less than the total for the entire bid spec line items. HHVS will work with the contractors and Finance to clean up all discrepancies that can be corrected and work toward assurance that upon clean up no grant funds will have been expended for work undone. If necessary, HHVS will work with technical assistance providers of the grantor agency along with the Finance department to ensure resolutions are compliant.

Internal Audit Response:

Although Internal Audit cannot agree with the values for deficiencies calculated by HHVS, we understand the purpose in which it is intended by management; for purpose of audit, the questioned costs remain at \$122,499 regardless of whether corrections have been made since the Clerk first documented the deficiencies in August 2011.

2) Contractors made unapproved product substitutions.

Upon review of new air conditioning systems installed versus the bid specifications, it was noted that four systems with a combined bid value of \$18,508, did not conform to the bid requirements and one could not be verified. The systems in question required SEER and/or heat kilowatt ratings that were higher than the actual ratings of the systems installed by the contractors. The purpose of using certain minimum Energy Star and SEER ratings for A/C systems used in the rehabilitation process is to ensure the utility bills will remain affordable for the homeowner, as required by HUD grant guidelines.

Other substitutions were also noted, for example: a sink base cabinet was not removed and replaced per specifications in order to save the granite counter top from being damaged. The project manager and contractor decided to install a new tub in one of the bathrooms as a substitute for the work not performed in the kitchen, but a change order was never completed; therefore the substitution was not approved. The total value of other substitutions was \$7,013, bringing the total product substitution value to \$25,521.

Recommendations:

- AHRI (sometimes referred to as ARI) Certifications for SEER ratings should be obtained by HHVS and provided to Finance as part of the payment request approval process for all A/C systems installed using grant funds.
- As recommended in Observation #1, further detailed invoice documentation should be provided to HHVS by the contractors to ensure that the proper A/C system was purchased and installed. Model numbers on the invoices should be verified during inspections.
- Change orders should be kept to a minimum and properly processed by HHVS staff for all revisions to in-progress job specifications to eliminate any appearance of improper product substitution. Change orders approved after the bid award should be monitored carefully to maintain the integrity of the bid process.

Management Response:

Agree with recommendations. HHVS has already adopted the process of obtaining the AHRI Certification for A/C systems and providing them as noted above. Regarding the second bullet point HHVS will take action to assure the units installed match bid specifications. We have already begun the process of utilizing the change order process for any approved field changes.

3) HHVS Staff approved payment requests for incomplete work and substituted products.

HHVS Project Managers and the Housing Development Manager all signed affidavits attesting to 100% completion of all work submitted by contractors. As observed during property inspections, Internal Audit concluded the work billed was not completed for several homes, indicating poor inspections of the work by project managers. Additionally, project managers confirmed in writing and during discussions with Internal Audit that they had personally inspected the properties in question.

As stated on one of the forms required by HHVS for payment authorization, "This Disbursement Authorization certifies that the above referenced Vendor is a participant in Collier County's affordable housing program and has performed rehabilitation work as specified in the attached invoice. A site inspection was conducted and payment is approved for the following project."

Thorough inspections of the properties before payment requests are approved and submitted to Finance are required as part of the controls in place to prevent and detect false billing and/or product substitution by contractors. Management approval of pay requests without sufficient evidence of work having been properly completed and correct equipment/products installed is non-compliant with Federal, State and County regulations and guidelines.

Recommendations:

- Project Managers must thoroughly inspect all work prior to authorizing any payment requests; signing such statements without having performed a sufficient inspection is considered a misrepresentation of facts and falsification of official records.
- Photographic evidence of all items completed, to support both the progress of work and payment requests submitted by contractors, is highly advisable. The second signatory on the pay requests should, at a minimum, utilize the photos as evidence of work completed and inspection of the property by the Project Manager in order to validly attest to the completion of work and legality of the pay request.
- The Clerk's office requires evidence of such inspections having been performed; photos of completed work being billed by the contractor and approved by HHVS should be included in the documentation submitted to Finance, as recommended in the 2011-5 Interim Audit reports and agreed to by management.

Management Response:

Agree with recommendations. HHVS, as noted above, has already taken additional measures to assure that work is completed prior to billing and that it is according to the bid specifications and the contract terms.

4) Bid specifications revised after award to low-bid contractor.

It was noted during a group bidding process for five homes that draft specifications were given to contractors for bidding, and then later revised after the bids were awarded to one contractor. These were titled "pencil bids" by the HHVS project manager who later made revisions to bid specifications and allowed the winning contractor to adjust

its line item pricing. It was further noted that the winning contractor increased certain line items within the bid even when the specifications on the final bid were unchanged from the first set. The bid totals for the jobs did not increase or decrease, only line items within the bid were changed. This process is considered to be in violation of the County's procurement policy since all contractors were not given the opportunity to competitively bid on the same set of specifications. If all interested parties were given the opportunity to re-bid on the final specifications, the job(s) may have been awarded to a different contractor at a lower cost.

Work is complete for 2 of the 5 homes that were part of this group bid; rehabilitation has not begun for the other 3 homes.

Recommendation:

- County procurement policy requires that the bid process be competitive and fair to all interested parties by allowing them to bid on the same specifications. If the details of a bid need to be revised, the pool of bidders should all be informed, given the new specifications and allowed to adjust their bids accordingly or decline to bid.

Management Response:

Agree with the recommendations. As noted, this was not a common practice, and HHVS will continue to follow proper procurement policies in the future.

Management, however, wishes to comment on some of the finding details. Our review shows that for the two homes completed, the actual total project cost ranged from .18% to 8.62% less than the pencil bid. This does not change the point of the finding or our agreement with the recommendation; rather it is provided to inform the reader that in most cases there was not an inflammatory effect on the overall job cost.

Internal Audit Response:

Although the final rehabilitation costs may have come in under the bid estimate, the importance of the finding relates to having a fair bidding process where all contractors are given the same final specifications on which to base their bid.

5) Inter-department program services submitted using unapproved rate structure method.

In June 2010, HHVS requested an opinion from HUD on how to properly charge for inter-department services such as appraisals and transfers of titles which are performed by Real Property Management. At that time, inter-department services were being billed to program expenditures using a \$65/hour flat rate. HUD responded by recommending that an actual hourly rate be utilized, not a flat hourly fee, and that it be paid out of the Administrative portion of the program award.

The Clerk's Office had separately requested further information on how the rate was established and questioned the validity of using a flat rate. It is apparent from documentation, and speaking with Finance staff, that their guidance regarding the use of an actual rate was ignored and the HUD opinion from June 2010 confirming Finance's opinion was not communicated to Finance nor followed. This caused several months (approximately a year) of discussions surrounding this topic, revisions to the rate by HHVS and finally an agreement by HHVS that an actual hourly rate be utilized instead of the flat fee proposed by HHVS. Finance calculated the actual hourly rate for inter-department payments to be in compliance with the HUD opinion. Had the HUD opinion been recognized by HHVS and communicated to Finance, hours of staff time could have been saved resolving the issue.

Recommendation:

- Immediately upon receipt, determinations and opinions from grantor agencies should be provided to Finance by HHVS in order to effectively and efficiently manage all aspects of program compliance.

Management Response:

Management does not understand why this is an audit finding, but we understand the need to continue with effective communication between our department and our partners in the Finance department. And we very much appreciate the time and effort put in on this matter. However, after the noted communication, HHVS conducted additional research, continued to review regulations and had submitted questions to HUD for official response in order to clarify language and intent of language. HUD actually ended up making an adjustment in their language based on our question and their recognition of the lack of clarity. In the end, we ended up back with the guidance provided in 2010. There was absolutely no intent to waste any time in the resolution of this issue.

Management respectfully requests this item be removed from the audit report.

Internal Audit Response:

Internal Audit cannot remove the observation since the charges originally submitted to Finance would have been paid using an unapproved rate structure had Finance not questioned the method. Just as payment requests for rehabilitation costs should be submitted to Finance after all proper inspections and approvals have been made, inter-department charges are subject to the same level of scrutiny and legality, therefore the audit comment is warranted.

6) Maintenance contracts not terminated timely after properties sold.

Five homeowners received lawn care services for three months after their purchase of an NSP property with a value of \$1,380. The HHVS department found the error and requested the funds be reimbursed to the county for the services from each homeowner in letters dated February 4, 2011. To date, no funds have been reimbursed to the county from the homeowners; however, it was further noted that the contractor was never paid for these services by Finance. It is unclear at this time if the contractor was paid for the services by the homeowners.

Recommendation:

- As part of the property closing procedures, items such as termination of any lawn or pool care maintenance services should be added to the department checklists to avoid any additional ineligible costs being charged to grant programs; this will also help to avoid situations where vendors are working in good faith and may not be reimbursed for their services with grant funds.

Management Response:

Management does not understand why this is an audit finding. This was an isolated situation that was discovered by staff far in advance of the audits. Payment was never made to the vendor. Since that time a process has been in place to assure this is not repeated.

Management respectfully requests this item be removed from the audit report.

Internal Audit Response:

Auditors often come across issues during the period under review that warrant further investigation to ensure controls are properly in place to prevent similar errors from occurring again. Since audits utilize sampling methods, there is the potential for similar errors/oversights to be occurring within other programs (meaning the occurrence may not in fact be isolated) if a control deficiency is noted.

This particular finding was an audit concern: the contractor performed the work in good faith, requested payment and is unable to be paid with grant funds due to an error/oversight by county staff. Had staff notified the contractor in a timely fashion to discontinue work on the sold properties, no confusion would have occurred. The finding is noted in the report so that management can implement recommended controls in any other areas of the department where needed and ensure that vendors performing work on behalf of the county can be legally paid for all work performed.

ADDITIONAL RECOMMENDATIONS

7) Contractor submitted payment requests with duplicate invoice numbers.

While reviewing payment requests for NSP rehabilitation work, it was noted that one contractor submitted payment requests that included invoices with duplicate numbers.

One of the financial controls in place to catch duplicate payments before they are made is the relationship of the contractor name and the invoice number in SAP. The invoice number acts as the unique identifier to ensure payments are not made to the same vendor for the same goods/service more than once. This particular contractor was not billing for the same services, however, further research was required to determine that the invoice was not an actual duplicate; with thousands of invoices being processed on a monthly basis, research time cannot be afforded for such issues.

Recommendation:

- HHVS staff should explain to contractors that invoice numbers need to be unique so Finance can process payment requests as quickly as possible; any research time will delay payments to vendors.

Management Response:

Management does not understand why this is an audit finding. We certainly agree with the logic and understand the concern, however this is an isolated situation, and not a pattern of similar instances. This contractor has already corrected his business practice and HHVS now includes this information as part of our review process.

Management respectfully requests this item be removed from the audit report.

Internal Audit Response:

As in the response to Observation #6, the audit sample rooted out a possible issue with duplicate invoice numbers that required further research. While this is not categorized as an audit finding, it should be considered a recommendation for maintaining sound accounting practices across all programs for all vendors.

8) Properties ready for occupancy remain vacant.

Over 20 properties where rehabilitation work is complete remain unsold and are still under the management of the county. Maintaining properties for several months can have adverse financial impacts to taxpayers. In a memo from HHVS staff to the BCC on March 17, 2009, it was stated (in reference to resale of properties), "Communication and Customer Relations to assist [HHVS] with marketing of available homes through Collier TV, website and other marketing tools." The following observations were made upon visiting the "HUD Owned Properties" section of the county website:

- The site was last updated as of 6/23/2008
- Only 5 homes were listed, one without a picture or a price
- Listing prices ranged from \$107,000-\$210,000

Carrying costs such as utilities, lawn and pool maintenance are not allowed to be recaptured as part of the sale price of NSP properties, therefore due care should be taken to keep these costs to a minimum by selling finished inventory as quickly as possible. As of September 30, 2011, carrying costs of approximately \$93,000 have been expended for this program. The county also loses the opportunity to collect ad-valorem taxes while a property is held within the NSP inventory. It is difficult to calculate an accurate tax loss to the county for these homes while they are held in the NSP inventory. However, from conservative estimates using the 2011 tax rolls, it is probable that a minimum loss of \$120,000 has been incurred while the homes have been held in inventory; this total will continue to accumulate while properties remain unsold.

Recommendation:

- As stated in the memo to the BCC from Staff, Collier TV and the county website should be utilized in an attempt to make the income qualified community of the county aware of the program and availability of properties. Program awareness may help generate faster sales and therefore keep the property inventory levels at a minimum.

Management Response:

Management notes that the link identified in this item is a link to homes HUD holds title to, are not funded by and are in no way related to the NSP program. Instead, to review current information about the NSP program, including easy access to an application, one would need to go to the NSP link on the Housing, Human and Veterans Services page on colliergov.net. HHVS has completed updating this to reflect all available homes.

Management acknowledges that the sooner a property is returned to owner occupancy, the sooner it returns to a tax generating status. What is absent from this observation, however, is that this is a short term condition that, by design, is to generate consistent, and potentially improved, tax revenue over the long term. This is done so by investing in foreclosed properties in order to maintain or increase the value of the neighborhood, in general, and the value of the specific properties.

Internal Audit Response:

Upon original review of the links available on the Housing website, nothing was noted as being related to the NSP homes; it is now clear that the NSP inventory list has been recently updated with new photos and pricing.

9) Properties purchased do not conform to NSP guidelines.

The Collier County NSP Administrative Plan contains certain evaluation criteria to be used by staff when considering the purchase of a potential property to rehabilitate. It states, "Collier County may seek to acquire

properties that possess the following characteristics: a) require minimum structural rehabilitation, b) ability to convert to energy efficient housing, c) located in close proximity to centers of employment, d) located in close proximity to public transportation, and e) located in close proximity to other NSP-assisted properties.”

HUD further adds in the Frequently Asked Questions guidance, “...in evaluating the debt burden that an income eligible homebuyer can afford, pool maintenance cost should be factored into the equation. In some cases, a pool may not be feasible and the grantee should consider filling in the pool prior to resale or avoid purchasing properties with pools all together.”

The county has purchased 5 homes with pools and has several properties located in rural areas that would not be considered within reasonable proximity to employment, public transportation or other NSP homes. As the distance from populated areas increases, so does the likelihood of theft (A/C compressors, pool equipment, well and water equipment, etc.) and vandalism to the property, as well as cost for project managers to continuously check on the property.

One particular residential parcel that was purchased for land banking (to build an affordable home at that location in the future) was observed to have wetland species of plants and standing water on portions of the site visible from a gravel access road. The property to the immediate west of this parcel that had less vegetation was observed to have significant standing water. Parcels across the access road from this property were previously purchased by Conservation Collier as preservation land. The costs and time to permit and develop property that may be considered wetlands will be considerably more expensive than buildable upland parcels. This property would also require a well and septic system, both of which have higher cost impacts when associated with wetlands, to be developed as a residential unit.

Recommendations:

- While it is understandable that finding and purchasing foreclosed properties that only require \$50,000 or less of rehabilitation work in order to re-sell is challenging, homes that are in extremely rural areas as well as homes with pools should possibly not be considered for this program due to the high risk of vandalism as well as carrying costs required to maintain them.
- Land purchased for banking should meet the objectives set forth in the Collier County NSP Administrative Plan, which is to “assemble, manage, and dispose of vacant land to stabilize neighborhoods and encourage re-use or redevelopment of urban property.”

Management Response:

Management does not agree with the conclusions drawn, as we find no evidence herein of non-conformity with the terms of the Administrative Plan or other guidelines.

Regarding the second recommendation, staff has confirmed with a HUD representative and has provided written information from the Federal Register that confirms that in addition to the acquisition, maintenance and disposition uses, NSP funding may also be used to redevelop the property for housing. Consequently, no action is required.

Management respectfully requests this item be removed from the audit report.

Internal Audit Response:

Internal Audit did not determine that this particular practice was non-compliant with any regulations, but rather there appeared to be purchases being made that did not conform to the NSP Administrative Plan adopted by the BCC.

10) Significant time lapse between dates on deed documents and actual property closing dates.

During the review of documentation for the sold NSP homes, it was observed that 19 out of 20 deed documents cited dates earlier than the actual closing dates for the properties. The deeds were prepared anywhere from 7 to 212 days prior to the closings. All deed documents were recorded with the Clerk in a reasonable amount of time, ranging from 3 to 12 days from the actual date of the closing.

Recommendation:

- The date on the deed document should match the date of the closing for the property to avoid confusion as to when the transfer of ownership actually occurred. If this is unreasonable, the closing statement (a.k.a. HUD Settlement Statement) should also be recorded so that accurate information regarding the sale is available to the public.

Management Response:

This response was developed by staff in the Real Property Management Department as they are the owners of this process:

The date on the NSP property resale deeds is the date that the deed is signed by the BCC Chairman, which has usually been well in advance of the actual closing date. The closing date is determined by the date the transaction actually closes (that is, the date that the purchase price is paid to the County and the deed is delivered to the Buyer). This closing date is reflected on the HUD Settlement Statement for each transaction. Following the closing, the deed is recorded in the Public Records of Collier County, and the date of recordation is entered on the recorded instrument by the Clerk of Courts recording unit. Recording generally takes place shortly after the actual closing.

In short, the only document that would clearly reflect the closing date would be the HUD Settlement Statement, since in all cases the deed is signed in advance of the closing and recording happens after the closing.

In addition, we have no control over third parties, such as the banks, concerning delays and closing dates. Also, trying to obtain the Chairman's or Vice-Chairman's signature the day of closing would be virtually impossible for most transactions.

11) Monitoring reports not communicated to Finance.

During this review, it was noted that monitoring reports from external agencies, such as HUD, are not always forwarded to Finance. It appears that Finance has to make several requests per year to HHVS staff for any reports they may have received from federal or state agencies.

Recommendation:

- When monitoring reports from any external agencies are issued to HHVS, staff should share the reports with Finance so they are aware of any findings and can assist in addressing any fiscal or compliance related concerns.

Management Response:

Agree with recommendation. Management will endeavor to send monitoring reports in a timely fashion.

CONCLUSION

The Clerk's Office is aware that the HHVS Department is undergoing several changes at this time and is actively addressing the concerns raised by both Internal Audit and the Finance Department for the Neighborhood Stabilization Program. The cooperation of staff during this audit was greatly appreciated.

As a reminder, it is the ultimate responsibility of management to understand and implement the proper procedural controls to limit the risk of fraud, error, and misappropriation of county assets. When these controls are circumvented, it is possible that payment requests forwarded to the Clerk are not legally sufficient to pay. The Clerk's Office may suggest recommendations in audit reports, but it is the duty of management to formulate compliant ways of implementing those controls.

Additional Management Comments:

It continues to be the position of the management of Collier County to comply with the accepted recommendations made in all audits, and the management team remains committed to vast improvement of the internal business processes and controls over these functions.

Management recognizes and appreciates the vast amount of time spent by the Internal Auditors, the Finance Department and the Clerk of Courts volunteer in preparing the detailed analysis underlying this report. We look forward to continuing to partner with the Internal Audit and Finance departments as we both correct deficiencies and seek effective controls on a proactive basis for all applicable items.

In addition, to further improve the ability of Collier County to administer the NSP program in a compliant and well controlled manner, in December 2011 the Board of County Commissioners approved the plan to engage Habitat for Humanity to operate the program. Implementation tasks are in progress.