



Inspector General Insights

Background: There were inconsistencies in an application and related supporting documentation for a State Housing Initiatives Partnership Program (SHIP) grant, to assist with a \$50,000.00 down payment on the buyer's existing residence. The underlying information had already been reviewed by the Board of County Commissioner's (BCC's) Grants department, the County Attorney's Office, and the Clerk's Finance department.

Objective: We were asked to review the documentation provided with the application, and seek additional information from independent sources to determine if the applicant met the terms of the grant program.

Observations: Our review raised additional questions regarding identity, income and child support valuation in comparison to the maximum income allowed under the program. Our calculation of annual income exceeded the program income limitation guidelines, and we found indications of unreported income, which the applicant denied.

Further, the applicant indicated that she was receiving a "gift of equity from seller" of \$125,000, which reduced the purchase price of the home. Additional comments indicated this was in recognition of "prepayment of child support", as the purchase was from the parent of the applicant's child. This raised questions about the arms-length nature of the transaction, and the impact of this on the applicant's qualifications under the program.

Recommendations & Actions: We provided our findings to the Clerk's Finance department, who denied the payment for the down payment assistance. The BCC's Grants department subsequently asked for additional clarification from the US Department of Housing and Urban Development (HUD).

HUD's Affordable Housing Specialist had an issue with the, "gift of equity as prepayment of child support in the sales contract and the relationship between the buyer and seller. This should have stopped the deal from moving forward... I do not see a scenario in which this deal would be eligible for HOME funds." He cautioned that the BCC needed to review their homebuyer assistance underwriting process.

The applicant later raised the issue to a local Congressman's office, asking him to assist in obtaining these grant funds. After hearing the facts of the case, he indicated he would not pursue further action.

Conclusion: The BCC's Grants department was copied on all correspondence. The Clerk's Finance department remarked that they have noticed increased scrutiny of applications submitted for payment by the Grants department.

Total # Transactions	Amounts Audited or Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
1	\$ 49,500.00	\$ 49,500.00	\$ 49,500.00	1