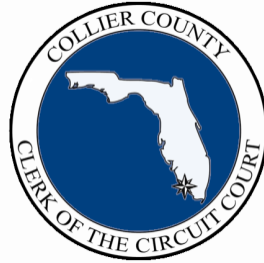


BCC Meeting

Audit Report 2012- 6

Housing, Human & Veteran Services
Disaster Recovery Initiative Grant

Limited Scope: Applicant Eligibility



May 28, 2013

Dwight E. Brock

Background

Disaster Recovery Initiative (DRI) Grant Program

- Federally funded
- Administered by the Florida Department of Economic Opportunity (DEO)
- Enables communities to assist very low, low, and moderate income families affected by natural disasters
- Grant funds used for housing rehabilitation, economic development, infrastructure, and prevention of further damage to affected

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- Since 2005, Collier County has received over \$14 million through three separate DRI grants.
- Collier County awarded over \$1.3 million, from January 2008 to June 2010, to 46 low and very low income single family homeowners in Naples and Immokalee to repair damage caused by Hurricane Wilma.
- The deficiencies cited in Audit Report 2012-6 occurred under prior HHVS management.

Purpose for Audit 2012-6

- In September 2011, Clerk released Interim Audit Report 2011-5A:
 - documented discrepancies between invoices submitted for payment and actual work completed to repair hurricane damage to a DRI grant property (3404 Seminole Ave).
- Fieldwork also determined homeowner was ineligible to receive DRI grant funds.
 - homeowner received insurance proceeds for same repairs contracted under DRI Grant Program.
- This audit focuses on the eligibility of single family homeowners who received DRI grant funds directly from HHVS.

Summary of Findings

1. DEO grant requirements to ensure applicants do not receive any duplication of benefits were not followed.
2. Sufficient documentation to determine applicant compliance with HUD Section 8 income limits was not obtained by HHVS staff.
3. Collier County DRI Administrative Plan guidelines for determining applicant eligibility were not enforced.

1. *Duplication of Benefits*

- The “Duplication of Benefits” section in the Florida DEO Action Plan Amendment states:

“Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act prohibits any person ... from receiving financial assistance with respect to a loss resulting from a major disaster as to which he has received financial assistance under any other program or from insurance or any other source ... Local governments must certify that there will be no duplication of benefit.”

- Single family homeowners are required to sign a “Duplication of Benefits” statement at the time of application certifying funds have not been or won’t be received from any other source.

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Homeowner previously identified in Interim Report 2011-5A:

- received insurance proceeds in October 2007 for the same repairs to her home that were contracted to be completed under the DRI Grant Program;
- signed a “Duplication of Benefits” statement as part of the DRI application process in June 2009;
- stated she informed HHVS staff at the time of application that she received insurance proceeds;
- used insurance proceeds to:
 - pay off mortgage,
 - hire contractor for repairs that did not do work, and
 - provide financial assistance to family in Haiti.

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- HHVS staff was informed of the homeowner's ineligibility in July 2011 during fieldwork for the Interim Audit.
- HHVS notified homeowner of ineligibility and removed her from the DRI grant program.
- Based upon discovery of the homeowner's ineligibility, the Clerk did not pay any invoices associated with repairs to the 3404 Seminole Ave property.

Additional Testing

In Audit 2012-6, Internal Audit selected an additional 25% sample (11 of 44) of single family DRI grant recipients to verify eligibility:

- 63% (7 of 11) of recipients tested had a post dated “Duplication of Benefits” statement on file. The statements were dated in 2012, 3 to 4 years after the recipient’s application date.
- Post dated statements were the result of file reviews performed by HHVS after being notified of the 3404 Seminole Ave homeowner’s ineligibility in 2011.

2. HUD Section 8 Income Limits

Collier County's DRI Administration Plan requires:

- An applicant's total household income must not exceed the very low, low, and moderate income limits set for the HUD Section 8 program.
- Total household income must include the gross income of all household members occupying the dwelling.

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- For 1 of the 11 recipients tested, HHVS intake file included a property deed listing a husband and wife.
- HHVS household income calculation only included the husband's gross income.
- Intake file did not indicate wife's status (deceased, divorced, or unemployed) to determine whether she had income that should be included in HHVS calculation.
- Compliance with HUD Section 8 income limits could not be verified due to incomplete file documentation.

3. Guidelines Not Enforced

- Collier County's DRI Administration Plan requires applicants to meet specific eligibility criteria including:
 - Property tax, mortgage payments, and utility bills must be current and ownership must not be jeopardized by any other threat of foreclosure, default, or clouded title.
 - All applicants that may have a business or familial relationship with a member of the Collier County BCC, Housing Rehabilitation Specialist, Program Administrator, and participating construction contractors must fully disclose this relationship at the time of the application, at the point in time that the conflict occurs, and definitely before a construction contract is executed.
- HHVS procedures did not include verification of the above criteria.

Management Responses

- HHVS has developed a single point of contact for all application processing, including income qualifying participants.
- A single application has been developed along with program specific supplemental forms which should reduce or eliminate errors of omission in the intake process.
- All applications have a two stage review process after completion to ensure full compliance with income limits/eligibility and grantor requirements.

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- HHVS is implementing a process to conduct internal quality/compliance reviews of all grant files by management.
- HHVS has instituted a conflict of interest procedure relative to program qualification for all county, sheriff office, and school district personnel when applying for assistance through an HHVS program and also requires this disclosure on the revised application form.

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- HHVS has contracted with a technical assistance contractor to develop, update and refine policies and procedures related to the DRI program.
- HHVS is developing a complete compliance manual with policies and procedures; building on what exists today. Substantial accomplishment is expected in 2013.
- For future programs, compliance requirements will be evaluated and integrated into the process prior to implementation, significantly reducing the potential for intake errors.

Conclusion

- HHVS has undergone several managerial and staffing changes.
- The deficiencies cited in this report occurred under prior HHVS management.
- Management Responses indicate HHVS:
 - recognizes the application of these deficiencies to all grant programs, and
 - has implemented or is in the process of developing controls to bring the department into compliance and operate in a compliant manner going forward.

Thank you

