



**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2017**

CORRECTIVE ACTION PLANS

FINANCIAL STATEMENT FINDINGS - CURRENT YEAR

Finding Reference Number: 2017-01 Payroll Database Access

- **Name(s) of the contact person:** *David Noce, Accounting Manager*
- **Corrective Action Plan:** *The City agrees with this finding. The Finance and Human Resources Departments have begun identifying the processes that need to be transitioned to Human Resources, or reviewed and signed off by upper management, and the City expects to have the necessary changes made in fiscal year 2018.*
- **Anticipated Completion Date:** *FY 2017/18*

FEDERAL AWARD FINDINGS - CURRENT YEAR

Finding Reference Number: SA2017-001 Monitoring HOME Program Activities for Compliance with HOME Program Rules and Regulations

- **Name(s) of the contact person:** *Jonathan Veach, Housing and Community Services Division Manager*

Corrective Action Plan: In response to the August 2016 HUD finding, staff implemented a seven step process to ensure that HOME funds are not obligated in advance of commitment and to ensure that staff completes the environmental review at the time of the Housing Inspector's initial inspection/consultation with the client. Additionally, staff engaged in program training with Ernest Molins, San Francisco Region HUD Specialist, in order to fully understand the importance of completing the environmental and historical forms prior to loan approval and issuance of promissory note/deed of trust.

The seven steps described below present a summary of HUD approved administrative steps that ensure HOME program activities are occurring in an appropriate sequence.

- 1) The NCIP Administrator receives and reviews applications and if the application is approved, will oversee the preparation of a property valuation to determine the funding source (CDBG or HOME) for which the project qualifies.



- 2) The NCIP Housing Inspector conducts a site visit and inspection of the property. The physical and financial scope of work is assessed, including substandard code corrective requirements, and the inspection is discussed with the homeowner. At this time the homeowner will sign an Owner Participation Agreement which covers any grant expenditures. *At this time Environmental and historical forms and any required disclosures will be executed.*
- 3) The NCIP Administrator will request an NCIP activity number and the direct time payroll code from the City's Finance Department to start documenting costs attributed to the project.
- 4) If the scope of work determined will require a loan, the NCIP Administrator will request Lot Book and Judgment Tax Lien Guarantees from a Title Company. If the property has less than three liens reported and a City loan will be within third position, a loan will be offered to the homeowner.
- 5) The project is scheduled for review at the next Rehabilitation Loan Committee Meeting. Once the loan is approved, a Promissory Note is drawn and a Deed of Trust is recorded for the project.
- 6) Once all necessary documents have been fully executed with a written legally binding agreement under which HUD assistance will be provided to the homeowner, a HOME/CDBG activity and commitment will be set up in IDIS. The Housing and Community Services Division Management Analyst will process the first draw once an amount over \$1,000 has been spent on the project.
- 7) The NCIP Administrator will sign off on the draw vetting that all the necessary documents have been executed before the draw is processed and approved in IDIS.

- **Anticipated Completion Date:** December 19, 2016



Corrective Action Plan: More recently, staff has taken a series of steps to increase internal capacity and expertise, while improving policies and procedures, especially related to federal grant administration. These steps include the following:

- 1) City staff hired a Housing Division Manager in July 2017 to provide overall vision and strategic leadership for the City's housing program and oversee agency contract administration, delivery of housing services, and implementation of guidelines and procedures.
- 2) The Division has simplified and streamlined its HUD funded program activities. Due to the complicated nature of properly expending HOME Funds, the Division now allocates HOME funds solely to its TBRA program, with the exception of set-asides for program administration and CHDO activities. This eliminates the complexity of having multiple HOME projects and activities to track and monitor. The NCIP Program is now funded solely with CDBG funds, which have fewer restrictions, thus reducing the risk of de-obligation.
- 3) The Housing Division has contracted with Cloudburst Consulting Group – a team of HUD approved technical experts – to compose comprehensive policy and procedure manuals for both the NCIP and TBRA programs. The NCIP program manual is in final draft form and should be finalized by June 2018. The TBRA manual is anticipated to be completed by December 2018.
- 4) The Housing Division has made conditional offers to a Housing Development Officer and a Housing Inspector to both oversee and implement the NCIP and TBRA programs in coordination with updated policy and procedure manuals. Both candidates have exceptional HUD administration expertise and were hired specifically to address concerns and findings raised by the August 2016 On-Site Monitoring.
- 5) By the end of calendar year 2018, the Housing Division anticipates being fully staffed and having fully implemented comprehensive policies and procedures. Additionally, the Housing Division has made a concerted effort to maintain an open dialogue with its regional HUD representative and to participate in HUD sponsored trainings as frequently as possible. In fact, the Division organized and hosted a regional HUD training in October 2017, which was a great success.

- **Anticipated Completion Date:** June 2018; December 2018