

Department of Housing & Community Development

Department of Housing and Community Development Background

The Department of Housing and Community Development (Department) works with and through local governments and nonprofit organizations to house low – income people and promote sound municipal and neighborhood development. Through a combination of grants and technical assistance, the Department (1) houses low – income families, elderly and handicapped individuals in publicly – owned developments and in private housing supported by rent subsidies, (2) weatherizes the homes of low – income households and provides fuel assistance and, (3) invests state and federal funds in neighborhood housing and community development projects.

For fiscal year 1999, the Department administered approximately \$584 million. Total federal funding was about \$288 million.

The federal funding to this Department is detailed in the Schedule of Expenditures of Federal Awards. The Department's major programs were:

CFDA #	Federal Program Description
	Section 8:
14.855	Rental Voucher Program
14.857	Rental Certificate Program
14.182	New Construction and Substantial Rehabilitation Program
14.856	Lower Income Housing Assistance - Moderate Rehabilitation Program
14.228	Community Development Block Grant/State's Program
93.569	Low-Income Home Energy Assistance

Finding on Compliance with Rules and Regulations

Finding Number 17: Subrecipient Failure to Adhere to Deadlines

The Department of Housing and Community and Development (Department) has been unsuccessful at obtaining the required audit reports from subrecipients in the required time frame. The Department has a system in place to require, obtain, track and follow-up on the Single Audit Reports required by OMB Circular A-133. In some instances the subrecipients do not provide the required reports in a timely manner. This is despite the fact that the Department is able to identify those reports not received within the required 13 months and contacts the subrecipients via telephone and mail. The Department has a policy in place to sanction those who do not provide the audit reports by withholding funding. As a result, some subrecipients provide the audit reports just prior to the release date for the next funding round.

OMB Circular A-133 requires that audits are properly performed and submitted when due. The Circular goes on to state "The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) on this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. (However, for fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period.)" Some subrecipients are not in compliance with this requirement and the Department has not been successful in attempts to compel compliance.

Seven of the 22 cities and town selected for testing in the CDBG program did not provide the audit report for fiscal year 1998 within 13 months of year-end. In the Section 8 Program, one of nine (100%) subrecipients did not file its report on time. The Department did keep track of its efforts to obtain the reports. (*Department of Housing and Urban Development – Community Development Block Grant/ State's Program 14.228; Section 8 Rental Voucher Program 14.855; Section 8 Rental Certificate Program 14.857; Section 8 New Construction and Substantial Rehabilitation Program 14.182; and Section 8 Moderate Rehabilitation 14.856*)

Recommendation

The Department should develop a method to better enforce the requirements of OMB Circular A-133. In fiscal year 2000 the deadline moves to 30 days after the issuance of the audit report or nine months after year-end, whichever ever comes first.

Department Corrective Action Plan

Bureau of Housing

There will be a two-step process put in place. The Bureau of Housing Finance will first insure that all audit reports are filed with the Department in the time frame required. Should the audit report not be received within the allotted time frame administrative funds and the authorization to spend them will be suspended. Once the audit report has been received, it will be reviewed by the appropriate staff. Those requiring management letters will be dealt with immediately. Where corrective plans are required, Bureau of Housing Finance staff will follow up with the sub-grantee with comments. Telephone follow-

up and working meetings will be held to work out any unresolved matters. The Department will require that all corrective action(s) take place within the required time frames.

The Bureau of Housing Finance also will establish two files for these reports: a permanent file containing the original audit submission, management letters and other correspondence; and a second working file that will have copies of the originals. This will insure that files are not misplaced or lost.

This corrective action plan will be implemented by Paul Johnson, Director of Housing Finance, and verified by Tom Simard, Deputy Director for Administration and Finance on or before December 31, 1999.

CDBG

Annually, the CDBG program issues a reminder memo to grantees in May. The memo includes information on the A-133 requirements for submitting audit reports (if there are findings) or an audit certification letter (no findings/or received less than \$300K in federal funds) and it is due by 6/30 for the year audited. CDBG staff are informed to hold any drawdown requests for those grantees that are currently delinquent.

CDBG will issue the reminder memo, with additional information and it will be forwarded directly to the Town Accountant/City Auditor for their response. The memo will address the above submission requirements and the total federal dollars received. They will be informed that failure to respond with the required documentation will result in suspension of drawdowns for all active grants. If there are extenuating circumstances, the audit firm may need to respond also. In addition, any pending grant award will also address it through a "special condition" in the contract. CDBG has already drafted this special condition into the contracts for the upcoming awards for Community Development Fund & Mini-Entitlement programs. Delinquent sub-grantees will not be able to drawdown any of the new fiscal year 1999 funds until they comply the submission of audits.

The corrective action plan will be implemented by Beth Jeppson, Fiscal Manager, Community Development Block Grant Program, and verified by Tom Simard, Deputy Director for Administration and Finance on or before December 31, 1999.

Finding on Compliance with Rules and Regulations

Finding Number 18: Lack of Timely Written Management Decisions on Subrecipient Findings

The Department of Housing and Community and Development (Department) has not fully implemented OMB Circular A-133. The Circular requires the grantor to issue a Management Decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. The Circular states: "The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action."

Of the 23 subrecipients used for this program four had findings. No management decision was issued to any of these subrecipients.

While the Department has an on-going monitoring relationship with these subrecipients and did follow-up on findings, it appears that there was a lack of understanding that a formal, written management decision was required. (*Department of Health and Human Services – Low Income Home Energy Assistance Program 93.568*).

Recommendation

The Department should review OMB Circular A-133 and implement a system to issue the required management decision.

Department Corrective Action Plan

DHCD Division of Neighborhood Services has a system in place that documents audit due dates, when audits are received, reviewed, and actions taken resulting from the review. In instances where a subrecipient's audit contains finding, a letter requesting corrective action is submitted. In the future, all corrective action letters will take the form of a management decision to ensure compliance with the audit requirements. Where corrective plans are required by a management decision, The Director of Finance, Division of Neighborhoods will follow up with the sub-grantees to insure the plans are received within the allotted time frame. Once received, they will be either approved or modified. Those needing modification will be returned to the sub-grantee with comments. Telephone follow-up and working meetings will be held to work out any unresolved matters. The Department will require that all corrective action(s) take place within the required time frames.

This corrective action plan will be implemented by Peter Donko-Hanson, Director of Finance, Division of Neighborhoods, and verified by Tom Simard, Deputy Director for Administration and Finance on or before December 31, 1999.

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