

**Follow-Up of the Audit of  
Housing and Community  
Development - State Housing  
Initiatives Partnership (SHIP)  
Program**

**Report by the  
Office of County Comptroller**

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**Report No. 365  
December 2005**

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December 1, 2005

Richard T. Crotty, County Mayor  
And  
Board of County Commissioners

We have conducted a follow-up of the Audit of Housing and Community Development State Housing Initiatives Partnership (SHIP) Program (report number 333). Our original audit included the period of October 1, 2000 to June 30, 2002. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2004 through February 28, 2005. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

During our review, we noted that all of the previous Recommendations for Improvement were fully implemented or partially implemented. **We commend** the Housing and Community Development Division for their efforts. We appreciate the cooperation of the personnel of the Housing and Community Development Division during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Mitchell Glasser, Manager of Housing and Community Development Division

**IMPLEMENTATION STATUS OF  
PREVIOUS RECOMMENDATIONS  
FOR IMPROVEMENT**

FOLLOW-UP OF THE AUDIT OF HOUSING AND COMMUNITY DEVELOPMENT –  
STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Housing and Community Development Division ensures all necessary documents are complete and included in applicant files.	✓			
2.	We recommend the Housing and Community Development Division ensures mortgage notes for down payment assistance are recorded in the amount of funds required to purchase the home. In addition, all files for down payment assistance should contain a copy of the recorded mortgage note.		✓		
3.	We recommend the Housing and Community Development Division establishes procedures to monitor the rental or owner-occupation of homes that received assistance with SHIP funds.	✓			
4.	We recommend the Housing and Community Development Division ensures the following:				
A)	Require the FCCC to return the collected accrued interest and principal loan repayments to the County on a quarterly basis; and	✓			
B)	All of the closing documents specified in the agreement be on file at the Division or amend the agreement to reflect that the documents will be maintained (open for review) at the FCCC. Documentation of these reviews should be maintained.				✓

**FOLLOW-UP OF THE AUDIT OF HOUSING AND COMMUNITY DEVELOPMENT –  
STATE HOUSING INITIATIVES PARTNERSHIP (SHIP) PROGRAM  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
5.	We recommend the Housing and Community Development Division ensures tenant eligibility is monitored for all of the multi-family affordable housing developments that have been assisted with SHIP funds.		✓		
6.	We recommend the Housing and Community Development Division reports the actual administrative expenses for the administration and implementation of the strategies of the SHIP Program on the annual report submitted to the State of Florida.	✓			
7.	We recommend the Housing and Community Development Division either propose an amendment to the Orange County Code eliminating the requirement that the Affordable Housing Advisory Board submit a report to the BCC on August 31 of each year (reflects current practices), or request the advisory board submit the annual report to the BCC in accordance with Orange County Code.		✓		

# INTRODUCTION



### Scope and Methodology

The audit scope was limited to an examination of the status of the previous Recommendations for Improvement from the Audit of Housing and Community Development – State Housing Initiatives Partnership (SHIP) Program (report number 333). The period tested was from October 1, 2004 through February 28, 2005.

To determine if the prior audit recommendations had been implemented, partially implemented, or not implemented, the following audit methodology was used:

- We selected twenty SHIP files. Ten Down Payment Assistance (DPA) files and ten Homeowner Rehabilitation Program files (REHAB) were reviewed to ensure that the file contained the proper documentation.
- For the ten DPA files selected above, we determined whether a recorded copy of the mortgage was on file. We also verified whether the amount that Housing and Community Development paid was the mortgage amount recorded on the Comptroller's website.
- We interviewed staff and reviewed data compiled to determine whether procedures were implemented for monitoring homeowners who had received past DPA and REHAB assistance.
- We reviewed supporting documentation for payments remitted by Florida Community Capital Corporation (FCCC) for principal loan payments and accrued interest. We also reviewed the County's financial records to determine whether the payment was deposited.
- A list of multi-family SHIP assisted developments was obtained to determine whether all applicable developments were being monitored. We also attended a field inspection of a development to determine the adequacy of the review, which included sampling tenants to test for eligibility of low-income housing.



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## INTRODUCTION



Follow-up of the Audit of Housing and  
Community Development - State Housing  
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- We obtained the most recent annual report submitted by the County to the Florida Housing Finance Corporation to determine the amount reported for administrative expenses for the administration and implementation of the strategies of the SHIP program. Using the County's financial records, we determined the accuracy and reasonableness of the amount reported.
- We interviewed staff to ascertain whether the Affordable Housing Advisory Board submitted a report to the Board of County Commissioners by August 31, 2004.

**FOLLOW-UP TO PREVIOUS  
RECOMMENDATIONS FOR  
IMPROVEMENT**



**1. Procedures Should Be Enhanced to Ensure SHIP Program Files Are Complete**

During the previous audit, we selected 30 homebuyer files for the Down Payment Assistance Program and 30 homeowner files for the Homeowner Rehabilitation Program for testing to determine compliance with program policies and procedures. For both programs, required documentation was missing from various files reviewed.

**We Recommend** the Housing and Community Development Division ensures all necessary documents are complete and included in applicant files.

**Status:**

Implemented. Ten files were reviewed for each program. All necessary documents were located and presented for audit.

**2. Mortgages for Down Payment Assistance Should Reflect the Actual Amount of Funds Used for the Purchase of a Home**

In the previous audit, we reviewed checks submitted to the Housing Development Section from title and mortgage companies for refunds of down payment assistance due to a decrease in the amount of assistance required at the time of closing to purchase the home. Twenty-six percent (4 of 15) of the checks were not reflected as a decrease in the amount borrowed on the second mortgage note. We also were unable to locate recorded mortgage note copies in some client files as required in Housing and Community Development Down Payment Assistance Program Guidelines, Chapter VII, Role of the Title Companies.

**We Recommend** the Housing and Community Development Division ensures mortgage notes for down payment assistance are recorded in the amount of funds required to purchase the home. In addition, all files for down payment



assistance should contain a copy of the recorded mortgage note.

**Status:**

Partially Implemented. Of the ten files reviewed, we could not determine whether two of the second mortgage notes were recorded in the proper amount because they could not be located in client files. The notes were not found in the files because they were never recorded. The Housing and Community Development Division has requested that the title companies record the notes. In addition, six of the files did not contain a copy of the recorded note.

**We Again Recommend** the Housing and Community Development Division ensures mortgage notes for down payment assistance are recorded in the amount of funds required to purchase the home. In addition, all files for down payment assistance should contain a copy of the recorded mortgage note.

**Management's Response:**

Concur. HCD will ensure that all loan documents are received after closing and all mortgage notes and deeds are recorded in the amount of the funds identified on the closing statement. To ensure compliance, all files will remain in an open status until a copy of the recorded second mortgage note is secured.

**3. Procedures to Monitor Whether Assisted Homes Have Been Rented or Otherwise Non-Owner Occupied Should Be Implemented**

In the previous audit, the Housing and Community Development Division did not have procedures in place to ensure homeowners utilizing the Down Payment Assistance, Infill, or Homeowner Rehabilitation Programs had not rented, leased, subleased, or otherwise ceased to occupy their homes during the ten-year amortization period.



**We Recommend** the Housing and Community Development Division establishes procedures to monitor the rental or owner-occupation of homes that received assistance with SHIP funds.

**Status:**

Implemented. The Housing and Community Development Division has established procedures to monitor the rental or owner-occupation of homes that received assistance with SHIP Funds. A percentage of homes are researched annually on the Property Appraisers website to confirm ownership and homestead exemption filing.

**4. Provisions of the Agreement For Program Administration Should Be Followed**

Orange County signs an agreement with Florida Community Capital Corporation (FCCC), a not-for-profit agency, for each year of SHIP funding to assist in the administration of the Multi-Family Construction Program. We noted the following concerns related to the agreement between Orange County and the FCCC:

- A) The Housing and Community Development Division does not require the FCCC to return accrued interest or principal loan repayments to Orange County quarterly as required by their funding and program administration agreement. Principal loan repayments deposited into the account total approximately \$10,000 per month.
- B) While closing documents were on file at the FCCC for the three multi-family construction projects we selected for testing, copies of the FCCC first mortgage, notes and mortgages for the project loan, recorded deeds, fully executed closing statement, and other items noted in the agreement were not on file at the Housing and Community Development Division.



**We Recommend** the Housing and Community Development Division ensures the following:

- A) Require the FCCC to return the collected accrued interest and principal loan repayments to the County on a quarterly basis; and
- B) All of the closing documents specified in the agreement be on file at the Division or amend the agreement to reflect that the documents will be maintained (open for review) at the FCCC. Documentation of these reviews should be maintained.

**Status:**

- A) Implemented. The Housing and Community Development Division is currently receiving quarterly payments for accrued interest and principal loan repayments from the FCCC.
- B) Not Applicable. No multi-family projects have been started since the prior audit and therefore the Housing and Community Development Division has not entered into any agreements with FCCC. However, in the future if the Housing and Community Development Division enters into this type of agreement, consideration should be given to this recommendation.

**5. Tenant Eligibility Should Be Monitored For Each Project**

The Housing and Community Development Division does not ensure that tenant eligibility is monitored for all of the multi-family affordable housing developments that have been assisted with SHIP funds. Of the two completed developments that we reviewed, one had not been monitored for tenant eligibility.

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**STATUS OF PREVIOUS  
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Without yearly monitoring, eligible tenants could move out and be replaced by tenants who are not in need of affordable housing. Also, there could be a risk of loss of State funding if adequate monitoring is not performed.

**We Recommend** the Housing and Community Development Division ensures tenant eligibility is monitored for all of the multi-family affordable housing developments that have been assisted with SHIP funds.

**Status:**

Partially Implemented. The Housing and Community Development Division has not monitored all applicable multi-family developments for client eligibility. Of the fifteen developments that should be monitored, seven were monitored in 2003; however, only two were monitored in 2004 due to hurricane relief efforts according to Division staff. The Housing and Community Development Division has started a monitoring schedule for 2005.

**We Again Recommend** the Housing and Community Development Division ensures tenant eligibility is monitored for all of the multi-family affordable housing developments that have been assisted with SHIP funds.

**Management's Response:**

Concur. HCD will conduct annual project monitoring site visits for developments that have received SHIP funds. To determine tenant eligibility, a random sampling of tenant files will be conducted.

**6. Administrative Costs Reported to the State  
Should Be Documented**

In the prior audit we noted there was no documentation of SHIP funds expended for administration in the SHIP annual report remitted to the Florida Housing Finance Corporation on September 10, 2001. The amount reported for

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administration was exactly five percent of the annual State distribution, and not actual administrative expenses for the period.

**We Recommend** the Housing and Community Development Division reports the actual administrative expenses for the administration and implementation of the strategies of the SHIP Program on the annual report submitted to the State of Florida.

**Status:**

Implemented. The Housing and Community Development Division instituted a procedure to include actual administrative expenses in the annual reports submitted to the State of Florida. The Division included administrative costs of \$408,332 in the June 2004 report. However, during our review, we noted additional expenditures totaling \$63,000 in the County's financial records that should have been reported but were not part of the Housing and Community Development Division figure. Both amounts combined did not exceed the threshold limit.

**We Recommend** the Housing and Community Development Division include all eligible expenses of the SHIP Program on the annual report submitted to the State of Florida.

**Management's Response:**

Concur. This was an apparent oversight by staff. New procedures will be put in place to help this not occur in the future.

**7. Provisions of the Orange County Code Should Be Followed or Amended**

The Affordable Housing Advisory Board did not assist the Housing and Community Development Division in preparing the SHIP annual report that is required by Florida Statutes, or submit a report to the Board of County Commissioners



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**STATUS OF PREVIOUS  
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Follow-up of the Audit of Housing and  
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(BCC) by August 31 of each year as required by the Orange County Code.

**We Recommend** the Housing and Community Development Division either propose an amendment to the Orange County Code eliminating the requirement that the Affordable Housing Advisory Board submit a report to the BCC on August 31 of each year (reflects current practices), or request the advisory board submit the annual report to the BCC in accordance with Orange County Code.

**Status:**

Partially Implemented. The Housing and Community Development Division has requested the County Attorney's advice to amend the County Code requiring the Affordable Housing Advisory Board to submit an annual report to the BCC.

**We Again Recommend** the Housing and Community Development Division propose an amendment to the Orange County Code eliminating the requirement that the Affordable Housing Advisory Board submit a report to the BCC on August 31 of each year (reflects current practices) or request the advisory board submit the annual report to the BCC in accordance with Orange County Code.

**Management's Response:**

As a recipient of funding under the State Housing Initiatives Partnership (SHIP) program, Orange County must submit an annual report to the Florida Housing Finance Corporation. This annual report must be submitted directly to FHFC on or before September 15. HCD staff has requested the County Attorney's Office to prepare an amendment to the Orange County Code, Section 2-182 eliminating the requirement for the Affordable Housing Advisory Board to submit a report to the Board of County Commissioners.