2010 AUDIT FINDINGS CORRECTIVE ACTION PLANS

Finding 10-01:

The County’s recorded liabilities and expenses related to self-insurance and incurred but not reported (IBNR) claims were understated and inconsistent with actuarial estimates.

Corrective Action Plan:

Historically the County has always adjusted its self-insurance IBNR liabilities to the 70% confidence level as determined by semi-annual actuarial reports prepared by a third party on behalf of the County. In FY 09-10, County staff misinterpreted the reports of the actuary with respect to estimated liabilities related to self-insurance and understated the liability by approximately $2.5M.

Once this $2.5M understatement was discovered through the course of the FY 09-10 financial audit, an adjustment was immediately made to correct the understatement as of the fiscal year end and the County immediately began reviewing its current process relating to the annual adjustment in order to determine how to prevent a similar error from occurring in the future.

As a result of the review, the County has decided to begin funding its IBNR reserve at the “expected” level of claims as based on the actuarial report, and will make an annual adjustment to its liability to match the number calculated by the actuary for that fiscal year. Once the annual adjustment has been made, the Controller and/or Chief Accountant will review and sign off on the adjustment before it is posted to the General Ledger. Once posted, The Controller and/or Chief Accountant will also make sure the ending balance of the liability account agrees to the “expected” level of claims as published in the most recent actuary report. This updated process should greatly reduce the chance for any future misstatements in regards to the County’s IBNR liabilities and reserves.

Finding 10-02:

Awards were made to subrecipients without proper steps to ensure those subrecipients were not suspended or debarred.

Corrective Action Plan:

The Office of Community Development has been keenly aware of the requirement for ensuring that contractors on construction projects were not on the federal excluded parties list. However, we were made aware during the 2010 County audit that this requirement covered all subcontracts greater than $25,000. When we inquired of HUD about this, HUD staff also noted that this was not an area that had been included on HUD monitoring lists for other programs. Immediately after having been informed of this issue, we implemented the following steps:

- We revised the project file checklist to insure that staff verified this for all new contracts. Prior to contracting all new contracts, we will verify (for all contracts greater than $25,000) that the contracting agency is not on the excluded parties list.
- For all existing contracts, we hand wrote on the existing checklist “Suspension and Debarment” and then we verified the status of that subgrantee on the Excluded Parties List. We printed out a copy of the page verifying that the subgrantee was not on the list.
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- We have completed the verification process of all currently contracted agencies and none were found to be on the federal excluded parties list.

This file review process was conducted for all current CDBG, HOME and NSP projects.

Finding 10-03:

The County, as it relates to their subrecipients, did not identify or document at the time of the subaward or disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds, nor did they require the subrecipients to provide similar identification in reporting.

Corrective Action Plan:

Contracts and voucher requests for reimbursements have been revised (or are being revised) to incorporate the following required information on the applicable federal award: Award number, CFDA number, and federal grant amount. Boilerplate legal documents are being revised (OCD initiated the request for County Counsel review) to include CFDA #, Federal Award # and amount (the contract amount is standard in any Office of Community Development contract). We will also ensure that the contracts include language that requires this information be included in any subgrant made by the subrecipient.

Finding 10-04:

No review of current registration in the CCR was being made by the County prior to the agreements made with subawardees which included ARRA.

Corrective Action Plan:

The Federal Funding Accountability and Transparency Act (FFATA) requires a new reporting system for contracts awarded under federal grants awarded after October 1, 2010. Specific information is required. Registration under the CCR database is required as is keeping this information up-to-date annually.

The Office of Community Development has created a form which will be filled out by all subgrantees awarded funds over $25,000. This form will be filled out by the subgrantee during contracting and returned to our office. One of the fields of data required will be the CCR.

Our monitoring checklist has also been revised to include a question regarding the annual renewal of the CCR number. In that we monitor annually, we will ensure that all active project sponsors will demonstrate that the CCR number is kept up to date.

Finding 10-05:

Monitoring of subrecipients was ineffective, in that the County did not follow up on initial requests for information related to the subrecipient compliance with OMB Circular A-133, specifically with respect to reporting under the Single Audit Act and related findings noted in such reporting.
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Corrective Action Plan:

The HOME Program will implement a protocol in which the Office of Community Development will send out a letter annually to the subrecipients with whom it contracts in that fiscal year in order to determine whether they’ve expended more than $500,000 in federal funds in that fiscal year to trigger the A-133 requirement.

Each subrecipient will respond to this letter with a either a letter or memo back to the Office of Community Development acknowledging whether they’ve triggered the A-133 requirement based on their expenditure of $500,000 in federal funds from the Office of Community Development and/or other sources. If they do not trigger the A-133 requirement, their letter back to this Office will serve as documentation to that end. If they do in fact trigger the A-133 requirement based on the expenditure threshold, they must provide the Office of Community Development with a copy of the federal program audit in accordance with the A-133 requirement. If there are significant findings in the program audit, the Office of Community Development will be responsible to work with the subrecipient to ensure they adequately address the findings of the audit.

To meet the recordkeeping involved with this finding, a copy of the letter to the subrecipient, a letter or memo back from the subrecipient and a copy of the federal program audit subject to the A-133 requirement with all relevant findings must all be kept for a minimum of five years in the project file.

Finding 10-06:

A re-inspection was performed 112 days after initial inspection failed while PHA policies state the unit was required to be re-inspected within 30-45 days of the failed inspection.

Corrective Action Plan:

It is DHS policy that a “vacationing” inspector is not assigned inspections during the vacation period. If previously assigned and scheduled inspections that cannot be re-scheduled (such as a life-threatening fail) occur during this period, they are given to the on-duty inspector to perform. In this instance, the inspector who performed the failed initial annual inspection erroneously placed the inspection documents for the re-inspection in a folder outside of our normal 30-day suspense range. In early November 2009, the Department of Housing Services (DHS) revised its in-house inspections process so that all inspections are now received and assigned by the supervisory Management Officer. This ensures that all failed inspections can be resolved within the 30-day period. Utilizing the new process in January 2010, which was well prior to the financial audit in July, DHS discovered the overdue inspection and immediately scheduled the re-inspection on or about January 28, 2010.

Additionally, DHS requested and received approval from its software vendor to make changes in the inspection module that would improve our utilization of the YARDI system. The technical updates to the computer system and the changes we implemented in our in-house process greatly enhanced our ability to recognize potential concerns and resolve current issues in a timelier manner.

The newly implemented procedure includes an inspection scheduling report that is run daily, weekly and monthly. The Management Officer (MO), who is the immediate supervisor for the inspectors, begins the monthly inspection processing by retrieving inspection data from the system that identifies any units approaching the twelve months expiration date of the last full inspection. The MO prepares the monthly inspection report, schedules the inspections, and ensures that each inspector receives his/her assigned units’ inspection documentation.
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Each day, the inspector prints his/her schedule, performs the inspection type identified on the inspection schedule, returns to the office to complete the computer data entry and prints a hard copy inspection report for each unit on the daily inspection schedule. Each day, the hard copy data is given to the MO. The MO reviews the hard copy data for any deficiency, monitors the data entry into the computer system to determine whether any inconsistencies exist and runs a follow-up report. If errors or omissions exist between the two reports, they are addressed the same day and corrected within a defined period.

At the end of each month, the MO utilizes a report from the PIC database to reconcile unit inspections and ensure that all inspections have been completed in a timely manner. This process ensures that re-inspections, as well as all other types of inspections, are performed within a timeframe required after the failed inspection.

Finding 10-07:

A housing assistance payment was made to a landlord for a tenant whose period of eligibility had expired. Corresponding reimbursement has not been requested from landlord.

Corrective Action Plan:

There were several extenuating circumstances regarding this program participant situation. First, the family was being impacted by a foreclosure on the landlord. HUD had issued guidelines in the case of foreclosures regarding new protections for families with Section 8 assistance that had been recently enacted into law. This appeared to be our first family facing these circumstances. DHS’ main concern was determining whether the old owner and the subsequent new owner had provided the client with sufficient notice to vacate the property and our efforts to continually provide housing assistance for the family during this period. Therefore, DHS took additional time to ensure that it followed the process under the PTFA (Protecting Tenants Against Foreclosure Act) and continued to protect the impacted family by providing payments to the owner of record.

Secondly, the client’s computer record presented an anomaly. Later, when the family suddenly decided to move, the case manager began the move process for the family. However, DHS discovered that there were two computer records with identical historical data for the family. The anomaly occurred when more than one change to the field, “lease end date”, was entered into this field. The field becomes disabled and will not accept additional changes. DHS became aware of the overpayment but needed to complete a diagnostic review of the software system. Research was done on our database and the incorrect record, that was created in error at the time of our conversion in 2007 and allowed the additional payment, was deleted from the system. These factors impeded our ability to withhold the recurring HAP to the owner.

However, DHS demonstrated a very successful recovery process. DHS began its dialogue with the old owner’s designee regarding reimbursement and was able to retrieve the over-paid HAP in a very short timeframe.
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The Department has implemented controls to ensure that each change of unit or End of Participation (EOP) processed for a participant, which does not have the program participant leasing in a new unit on the same day or the next day, requires the staff member to enter the lease end date in that field, review the subsidy schedule, review the T-Code on the subsidy schedule of the client receiving the action type to ensure that it is the correct record, print the subsidy schedule and place a hold on the correct record. At the end of the month a report is generated to identify any over-payments. This report is reviewed by the Program Administrator’s designee. The printed subsidy schedules are compared to the report to ensure that housing assistance payments are discontinued on the effective date of the program participant’s move out action. If there are deficiencies on the report, these are resolved prior to the next month’s check process.