



COUNTY AUDIT DEPARTMENT

REPORT # 426

JULY 3, 2024

An Audit of:

**ARPA AFFORDABLE HOUSING
SUBRECIPIENT MONITORING**



Cindy Stuart
CLERK OF COURT & COMPTROLLER
HILLSBOROUGH COUNTY



WOMAN-LED



The Honorable Ken Hagan, Chair
The Honorable Donna Cameron Cepeda
The Honorable Harry Cohen
The Honorable Pat Kemp
The Honorable Christine Miller
The Honorable Gwen Myers
The Honorable Joshua Wostal

July 3, 2024

Dear Commissioners:

The Audit Team performed an audit of the ARPA Affordable Housing Sub-Recipient Monitoring processes (Audit Report #426, dated July 3, 2024). Responses to the Audit Team's recommendations were received from the Director of Affordable Housing and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with an independent, objective analysis, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

Heidi Pinner

Heidi Pinner, CIA CISA CFE CRMA
Chief Audit Executive, Clerk of Court & Comptroller

EQUITY | TRANSPARENCY | INDEPENDENCE

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

On March 11, 2021, the President signed the *American Rescue Plan Act* (ARPA) into law, providing \$1.9 trillion in economic relief and recovery assistance in response to the COVID-19 pandemic. ARPA established a \$360 billion *Coronavirus State and Local Fiscal Recovery Fund* (SLFRF) to help state and local governments offset increased expenditures, recover lost revenues, and mitigate negative economic effects of the COVID-19 pandemic. Hillsborough County's ARPA allocation from the SLFRF is \$285,912,528.

On September 8, 2022, the Hillsborough County Board of County Commissioners (Board) approved an affordable housing agreement with sub-recipient Corporation to Develop Communities of Tampa, Inc. (CDC) for \$16,224,664 to provide affordable housing opportunities to Hillsborough County residents utilizing part of the County's allotment. The Board also approved an affordable housing agreement with sub-recipient East Tampa Business and Civic Association, Inc. (ETBCA) on October 19, 2022 for \$6,920,000 to provide affordable housing to Hillsborough County residents.

OBJECTIVE

The primary objective of the audit is to review and evaluate the County's Affordable Housing sub-recipient agreements to ensure that ARPA funds expended are in accordance with the Agreements and the U.S. Treasury guidance.

SCOPE

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team conducted numerous interviews with Affordable Housing and accompanied them on a site visit for each property. The audit team also reviewed submitted payment packets, site visit forms, monthly reports, and quarterly reports.

OVERALL EVALUATION

PROCESS STRENGTHS AND SUCCESSES

- Affordable Housing utilizes a well-organized software system to record and track all information and documents related to the projects.
- Multiple internal control processes are in place to monitor project progress, such as site inspections and documentation requirements.

- Multiple levels of reviews and approvals are performed by Affordable Housing before the sub-recipients are reimbursed for project expenses.

CONTROL IMPROVEMENT OPPORTUNITIES/RISKS

- Mathematical discrepancies and clerical errors in payment packets, monthly reports, and quarterly reports were found.

Full testing results are included on page 4 of this Report.

OPINION

Control Maturity Levels



The overall control environment relative to the ARPA Affordable Housing sub-recipient monitoring process is at a managed maturity level. This means that there are controls and monitoring techniques in place to track project progress, and there is an established chain of accountability for the sub-recipients. An opportunity exists to enhance the document review process to ensure payment packets and reports submitted are accurate and free of mathematical discrepancies and clerical errors.

The exit conference was held with the Affordable Housing Department and County leadership on May 31, 2024.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Chief Audit Executive
 Ben Everett, CPA, CIA, CFE, CISA, Audit Manager
 Mary Bennett, CFE, Internal Auditor

AUDIT COMMENT: ARPA COMPLIANCE**AGREEMENT
AMOUNTS**

**Corporation to
Develop Communities
of Tampa, Inc.
\$16,224,664**

**East Tampa Business
and Civic Association,
Inc. \$6,920,000**

COMPLIANCE

**Expenditures were in
compliance with The
Agreements and ARPA.**

An opportunity exists to improve Affordable Housing's review process to identify clerical errors and mathematical discrepancies in payment packets and reports.

The objective was to ensure expenditures were in compliance with the Agreements and the American Rescue Plan Act (ARPA).

Background

The U.S. Treasury guidance has four eligible use categories for how ARPA funds may be spent. One of the categories, support the COVID-19 public health and economic response, allows for affordable housing development.

The agreements with CDC of Tampa and the East Tampa Business and Civic Association were to provide affordable apartments to Hillsborough County residents who are at or below eighty percent (80%) area median income (AMI) by acquiring and rehabilitating apartment complexes and renting them out at affordable prices. Rehabilitation included repairs and improvements such as new roofs, air conditioners, painting, and interior re-builds such as kitchens and bathrooms.

The CDC of Tampa project was a 96-unit multifamily rental property known as Armature Place Apartments. The amount to acquire and rehabilitate the units was \$16,224,664 with an expenditure deadline of March 31, 2024. The acquisition cost for the property was \$14,700,000.00, which left \$1,524,664.00 for rehabilitation.

The East Tampa Business and Civic Association's project was for the acquisition and rehabilitation of 28 apartments spread among two properties known as Betty Wiggins and Hart House, for \$6,920,000. The properties were acquired at separate locations, with a total acquisition cost of \$4,519,906, which left \$2,400,094 for rehabilitation.

Affordable Housing and the sub-recipients utilize a software program to record and track all information relating to the projects. Documents such as payment packets, insurance policies, site visit forms, and monthly/quarterly reports are stored in the program. Sub-recipients are required to submit monthly Program Performance Reports and Quarterly Progress Reports to Affordable Housing by the 15th of the following month. Sub-recipients are also required to maintain insurance policies as outlined in the Agreements.



The sub-recipients hire contractors to carry out the rehabilitation work. These contractors submit invoices/receipts to, and are paid directly by, the sub-recipients throughout the project. The sub-recipients then submit a reimbursement request known as a payment packet to Affordable Housing. Each payment packet includes confirmation of payments to the contractors, contractor invoices, required reports, and a form called the Application and Certificate for Payment. The Application and Certificate for Payment includes lists of dollar amounts with mathematical calculations to track the detailed costs on the project. The sub-recipients have 90 days from the date of the expenditure to submit the reimbursement request. Once the payment packets have been submitted, there is a multi-level review by Affordable Housing. The payment packet is then submitted to County Finance for validation and payment.

Test Procedure

The Audit Team reviewed the guidance issued by the U.S. Department of Treasury to determine whether or not ARPA funds expended on affordable housing are allowable costs. The Audit Team also reviewed both sub-recipient agreements to ensure they included language requiring the sub-recipients to comply with the ARPA U.S. Treasury guidance.

To ensure expenditures, reports, and activities were allowable, accurate, timely, and sufficiently monitored, the Audit Team also:

- Reviewed all payment packets for the sub-recipients and re-calculated and confirmed information presented.
- Reviewed each monthly and quarterly report submission.
- Reviewed site visit forms and visited each site location.
- Reviewed insurance policies for the sub-recipients to confirm required coverage.

TESTING RESULTS**Armature Place (CDC of Tampa):**

Based on the review of all six payment packets with supporting documentation, sixteen monthly reports, and six quarterly reports, the Audit Team determined the following:

- Two payment packets contained minor clerical errors on the Request for Payment Form and Affordable Housing letterhead, such as the incorrect payment packet number or the incorrect activity period.
- Two payment packets had miscalculations on the Application and Certification for Payment form.
- Four quarterly reports had miscalculations, such as incorrect dollar amounts of remaining funds and incorrect percentages of funds spent.
- Two monthly reports and one quarterly report were not submitted by the 15th of the following month as required by the agreement.

Betty Wiggins/Hart House (ETBCA):

Based on the review of all eight payment packets with supporting documentation, thirteen monthly reports, and six quarterly reports, the Audit Team determined the following:

- Six payment packets had minor clerical errors on multiple documents, such as the incorrect payment packet number or the incorrect activity period.
- Four payment packets had miscalculations on the Application and Certificate for Payment form.
- One payment packet contained miscalculations on the Request for Payment Form.
- Four quarterly reports had miscalculations, such as incorrect percentages of funds spent.
- Three monthly reports were not submitted by the 15th of the following month.

Miscalculations identified on the Application and Certificate for Payment form and the Request for Payment forms were typically corrected in the following month and ultimately did not affect the overall project budgets. Funds were expended on time and adhered to the expense schedule outlined in the Agreements. All expenditures were allowable and appropriate within the ARPA rules based on the U. S. Treasury guidance.

The Audit Team conducted site visits for Betty Wiggins/Hart House and Armature Place. Renovations were consistent with contractor invoices within the Payment Packets and were within the scope of services indicated in the Agreement between Hillsborough County and the sub-recipients. Bi-weekly site visits performed by the Affordable Housing team for Betty Wiggins/Hart House and Armature Place were also satisfactory and were documented in line with the Agreements.

RECOMMENDATION

Although the clerical and mathematical errors were minor in nature and did not affect the project budgets, the frequent nature of the errors may indicate a need to improve the review process to ensure final supporting documentation is accurate. Affordable Housing management should implement a more thorough review process to ensure the accuracy of the data on all supporting documents. If the sub-recipients submit payment packets or reports with any inconsistencies, Affordable Housing should request the sub-recipients to make the necessary corrections and re-submit the documents.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Two (2) separate training sessions were provided.

- *Training Session 1 – Findings from this ARPA monitoring was used, and staff was shown the clerical and mathematical errors. Staff was trained on how to look for errors and steps to prevent errors in the future.*
- *Training Session 2 – Contract Managers were required to bring their old pay requests and the manager went through all of them to look for errors. Errors were noted for future reference.*

An additional Review process has been implemented, which will provide a second set of eyes on the pay requests. In addition to the assigned Contract Manager, the Project Manager or Contract Services Manager will review each pay requests. Contract Managers were also trained to double check the first pay requests since that is where most of the errors originate.

TARGET COMPLETION DATE:

June 12, 2024.