

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

NEIGHBORHOOD SERVICES DEPARTMENT
COMMUNITY DEVELOPMENT DIVISION AUDIT

AUDIT REPORT

TABLE OF CONTENTS

I. INTERNAL AUDIT REPORT

A.	Background; Purpose/Objectives.....	1
B.	Scope; Methodology; Irregularities, Abuse or Illegal Acts; Test of Compliance	2
C.	Statement of Internal Control Structure Management Team and Management Action Plan	3
D.	Management Summary	3-4
E.	Audit Report Authorization	4
F.	Areas of Improvement and Management Action Plans	5

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A U D I T R E P O R T

The Internal Audit Department conducted an audit of the Neighborhood Services Community Development Division for the audit period August 1, 2007 through July 31, 2008. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Neighborhood Services Department's Community Development Division coordinates with Federal, State, and local agencies on available housing and community development programs. The Community Development Division implements and administers the Community Development Block Grant Programs; administers the Housing Partnership Program including State Housing Initiatives Partnerships (SHIP), HOME Investment Partnerships programs, and Rural Development Programs; coordinates with Federal and State agencies on available housing, community and economic development programs; and implements the Enterprise Zone Program. Major sources of revenue are generated through Federal and State grants.

PURPOSE/OBJECTIVES:

The main audit purpose/objectives included, but were not limited to, the following:

- To verify revenues and expenditures are properly segregated, documented, approved, recorded and reported.
- To verify an adequate system of internal control exists to ensure compliance with laws and regulations, including Florida Statutes, federal and state grant regulations, policies and procedures, and signed agreements or contracts.
- To evaluate overall operational efficiency and effectiveness.

SCOPE:

The scope of the audit included reviewing the overall adequacy of the Community Development Division's internal controls and the operational efficiency and effectiveness by examining and testing financial and operational records and compliance to the state and county laws for the period ending July 31, 2008.

The financial audit scope consisted of a review of accounts, financial transactions, and reports of the Community Development Division for the period August 1, 2007 through July 31, 2008.

The compliance audit scope consisted of a review of the policies and procedures, Florida Statutes, federal regulations, ordinances, resolutions, contracts, administrative orders and agreements related to the Community Development Division for the period ending July 31, 2008.

The operational audit scope consisted of a review of the Division's internal controls and the effectiveness and efficiency of the operation during the audit period ending July 31, 2008. Management controls were also reviewed to identify significant weaknesses that may have contributed to deficient performance.

METHODOLOGY:

Internal control evaluations were accomplished by flowcharting processes, reviewing key operations through discussions with management and staff, observations, analytical testing, and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered for the one year period ending July 31, 2008 in audit of the Community Development Division.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with regulations and other policies established by the Community Development Division.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Community Development Division for the twelve month period ending July 31, 2008, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accountability Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, due to the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report may constitute reportable conditions as previously defined.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for the Area for Improvement. The Management Action Plan is a corrective action with an implementation date developed in cooperation with Neighborhood Services Department's management team and the Internal Audit Department. The management team included Cheri Coryea, Director of Neighborhood Services; Suzie Dobbs, Community Development Manager; Luz Mcquiston, Fiscal Management Analyst; and Jeanne Watkins, Administrator Compliance Coordinator.

MANAGEMENT SUMMARY:

The Neighborhood Services Department was established in October 1, 2007 to preserve the establishment of neighborhoods, assist with the revitalization of existing or aging neighborhoods and to provide Economic Development growth throughout Manatee County. The Community Development Division has the responsibilities of coordinating federal, state, and local grant programs with an emphasis on redevelopment. Housing rehabilitation is a large portion of the work provided within the department, with a focus on Affordable and Workforce Housing for income eligible citizens. The State Housing Initiative Partnership Program (SHIP) funds activities in this area. In addition, the Community Development Block Grants (CDBG) assist with capital improvements in neighborhoods which predominately have a large population of low income residents, blighted conditions, and a minimal economic base.

The Community Development Division is staffed by highly trained and dedicated individuals whose priority is to provide quality service to a wide variety of customers that include eligible participants, developers, and community representatives. In addition, the Division is required to comply with numerous Federal, State, and local requirements imposed by the dollars received. Based on the audit, the Community Development Division is properly recording funds received

MANAGEMENT SUMMARY: Continued

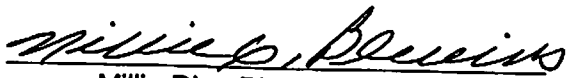
and distributed under the CDBG grant program, the HOME program, and the SHIP program. In addition, the majority of the funding requirements for each of these major programs were complied with including the selection process of recipients, the timeliness of expending of funds, expending of funds for allowable costs, reporting requirements, and monitoring procedures for both recipients and contractors. We were particularly impressed with the Division's knowledge and expertise in the organization and management of this complicated process of compliance with the various regulations. The core section of employees demonstrated a high degree of professionalism in their desire to serve their community. The audit identified one area where improvement can be made. This improvement and management action plan are summarized below:

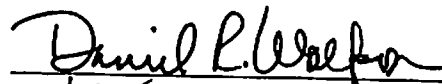
Recipients of SHIP funds who applied for purchase assistance under the Affordable Housing Development Program are required to live in the home for an initial seven year period. Failure to comply results in the percentage of appreciation as calculated by the program to be returned to Manatee County. The Community Development Division monitors these households on an annual basis by selecting and reviewing recipients' files maintained in a file drawer. Currently controls do not exist to ensure all the files maintained in the file drawer are accounted for. Management through its Management Action Plan Management will develop a spreadsheet that lists all files due for monitoring as well as a "check out" system for when files are removed from the file drawer.
(See Area for Improvement #1 at page 5.)

The findings listed in this report were discussed with the Management Team members. Other minor findings noted during the audit were discussed and/or corrected during the audit, and were not included in this report. We would like to thank the Neighborhood Services Community Development Division's management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and aggressively seeking solutions to these matters. We look forward to the continued effort on monitoring controls and maintaining accountability over all of their operations.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:


Millie Diaz-Blevins, CPA
Director of Internal Audit


for R. B. "Chips" Shore
Clerk of the Circuit Court & Comptroller

AREA FOR IMPROVEMENT #1.....
MONITORING OF SHIP RECIPIENTS

Recipients of SHIP funds who applied for purchase assistance under the Affordable Housing Development Program are required to live in the home for an initial seven year period. If SHIP eligible recipients should sell or otherwise transfer, lease, vacate, or abandon the property, or if the property ceases to be their principal homestead property, during the first year through year seven, the percentage of appreciation as calculated by the program shall be returned to Manatee County.

To ensure compliance with this requirement, the Community Development Division monitors the households that receive SHIP funds on an annual basis. Each month, SHIP recipient files are selected and reviewed in the order that they are maintained in a file cabinet drawer that is filed by month and year. During the testing of the monitoring procedures, it was noted that a file had been removed and the employee was not aware that it was missing and as a result the monitoring was not performed. Currently controls do not exist to ensure all the files are accounted for.

Management Action Plan:
Management will develop a spreadsheet that lists all files due for monitoring as well as a "check out" system for when files are removed from the file drawer. Management anticipates implementation by October 1, 2009.