

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM: 2.10
(ID # 14657)

MEETING DATE:
Tuesday, March 09, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR CONTROLLER: Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention, and Workforce Solutions Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

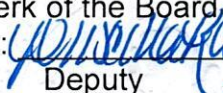
ACTION: Consent


Tanya Harris, Assistant Auditor Controller 2/25/2021

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt
Nays: None
Absent: None
Date: March 9, 2021
xc: Auditor

Kecia R. Harper
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited of the Riverside County Housing, Homelessness Prevention and Workforce Solutions. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets and revolving fund.

Please refer to the audit report for the results of our audit.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A:

Riverside County Auditor-Controller Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solution Audit


 Stephanie Perez, Principal Management Analyst 3/1/2021

Internal Audit Report 2021-004

**Riverside County Housing
Homelessness Prevention
Workforce Solutions
Audit**

Report Date: March 9, 2021



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

March 9, 2021

Heidi Marshall
Director

Riverside County Housing, Homelessness Prevention and Workforce Solutions
3403 Tenth Street, Suite 300
Riverside, CA 92501

Subject: Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Dear Ms. Marshall:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Housing, Homelessness Prevention and Workforce Solutions to provide management and the Board of Supervisors with an independent assessment of internal controls over program integrity monitoring of the Housing Choice Voucher Program and monitoring compliance of multifamily rental and single-family projects.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.



Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Our conclusion and details of our audit are documented in the body of this audit report.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
Jeff A. Van Wagenen Jr., County Executive Officer
Grand Jury

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Table of Contents

	Page
Executive Summary	4
Results:	
Program Integrity Monitoring of the Housing Choice Voucher Program	7
Housing Authority Loan Monitoring	9

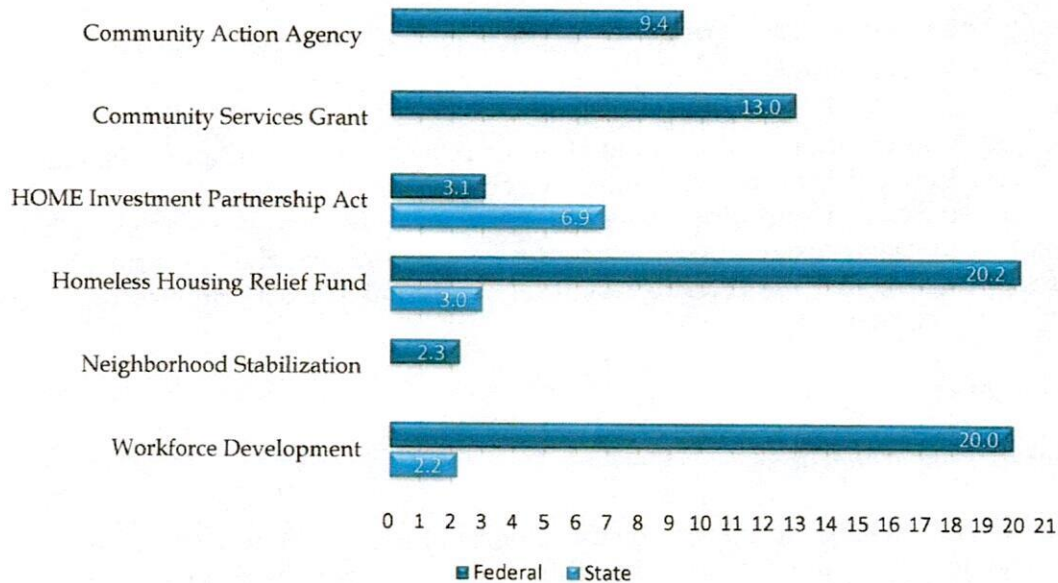
Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Executive Summary

Overview

Riverside County Housing, Homelessness Prevention and Workforce Solution (Housing) provides services and housing opportunities to low- and moderate-income families and supporting programs to foster economic self-sufficiency. The department is also responsible for investing in the county’s workforce by providing job services, training, and employment assistance. They work with a variety of federal and state funded programs which include the Community Action Partnership, Community Development Block Grants, Continuum of Care, Housing Authority, Neighborhood Stabilization Programs, and Workforce Development.

**Budgeted Award Amounts for Federal and State Programs
 As of September 30, 2020 (in millions)**



Housing provides these services with a recommended annual budget of \$88.6 million in fiscal year 2020/21 and 311 authorized positions within their departments of Administration, Continuum of Care, Workforce Development Community Programs, Housing Authority, and Community Action Partnership. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, September 2020, 151.*

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Audit Objective

Our objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over program integrity monitoring of the Housing Choice Voucher Program and monitoring compliance of multifamily rental and single-family projects. Internal controls are processes designed to provide management with reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

Audit Scope and Methodology

We conducted the audit from July 29, 2020, through September 30, 2020, for operations from July 1, 2018, through September 30, 2020. Following a risk-based approach, our scope initially included the following:

- Housing Choice Voucher Program eligibility
- Housing Choice Voucher Program integrity monitoring
- Multifamily rental project monitoring
- Single family project monitoring

Through inquiry, observations, and examination of relevant documentation related to Housing Choice Voucher Program eligibility, we concluded that internal controls over these areas are sufficient to provide reasonable assurance the objectives as described above are achieved. We focused our scope on internal controls over the Housing Choice Voucher Program integrity monitoring, multifamily rental project monitoring, and single-family project monitoring.

Audit Highlights

Summary of Existing Conditions

- The master fraud tracking log utilized by the Program Integrity Monitoring Unit does not notate who and when the case is assigned to investigate, nor the disposition of the case. Without documentation of who investigated the referral or the results of the investigation, management cannot ensure that the goals of the program are being achieved efficiently and effectively.
- There are no documented procedures for staff to complete fraud referral investigations. Without documented procedures, management cannot evaluate investigations progress, nor the program's effectiveness.

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

- The documents retained in the working file during the fraud referral investigation are inconsistent. Consistent documentation ensures improved quality, efficiency, and comparability across program operations.
- The department did not send the required number of self-certification surveys to single family loan program participants. By not sending the required number of surveys, management is not in compliance with grant program requirements.
- The department did not consistently conduct onsite monitoring as required by department policy for multifamily development projects. Because of this lapse in monitoring, compliance with program requirements cannot be ensured.

Summary of Improvement Opportunities

- Update the log utilized by the Program Integrity Monitoring Unit to track fraud referrals with both the person charged with the investigation and active disposition of the case. This will ensure that management can accurately track and monitor the progression and disposition of the case investigations.
- Establish the minimum records to be reviewed, verified, and documented during the housing case investigation to ensure that all investigations are adequate and comparable to one another.
- Establish a baseline of documents to be retained in each investigative file to ensure consistency in the actions taken during each investigation.
- Establish specific procedures to ensure that the appropriate number of single-family loans are monitored annually.
- Establish procedures to ensure that multifamily projects have onsite inspections performed at least once every three years.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls related to the program integrity monitoring program, monitoring of single-family projects, and monitoring of multi-family projects.

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Program Integrity Monitoring of the Housing Choice Voucher Program

Background

The U.S. Department of Housing and Urban Development estimates that 200 million dollars are paid annually to Housing Choice Voucher Program participants who falsify or omit material facts in order to gain more rental assistance than they are entitled to under the law. The Program Integrity Monitoring Unit was designed in response to federal regulators to investigate and pursue instances of tenant and owner fraud and abuse in the operation of the Housing Choice Voucher Program. The Program Integrity Monitoring unit investigates participating families in the event of a referral, internal file review, or upon the verification of documentation in order to prevent program abuse, non-compliance, and willful violations of program rules. *Housing Authority of the County of Riverside, Administrative Plan for the Housing Choice Voucher Program, effective July 1, 2020, 103. Code of Federal Regulations, Title 24 (1999): 792.101.*

Objective

To determine if internal controls related to the management of the Program Integrity Monitoring Unit are adequate and effective to the design and operation of the unit.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department policies and federal and state compliance standards.
- Interviewed key personnel and reviewed department procedures over the Program Integrity Monitoring Unit.
- Reviewed the master fraud tracking log maintained by Program Integrity Monitoring administration.
- Reviewed a sample of work files used to document evidence obtained by Housing during the course of the fraud investigation.

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Finding 1: Internal Controls over Program Integrity Monitoring Unit

Twelve of the 18 fraud referrals selected from the master fraud tracking log had no documentation retained in investigative files. The Program Integrity Monitoring Unit utilizes a spreadsheet known as the master fraud tracking log to identify all referrals made from other agencies, companies, or persons which allege that a family is violating the obligations or program rules of the Housing Choice Voucher Program. The spreadsheet used by the Program Integrity Monitoring unit does not reflect when and who the fraud allegation was given to investigate by the unit's administration. Additionally, it does not identify the resolution of the investigation completed by Housing staff. Without documentation we were unable to determine whether controls over the Program Integrity Monitoring Unit were functioning effectively as designed.

Code of Federal Regulation 24 CFR §792.101 recommends public housing agencies to investigate and pursue instances of tenant and owner fraud and abuse in the operations of the section 8 housing assistance payments programs. According to the Administrative Plan for the Housing Choice Voucher Program, all referrals will be thoroughly documented, remain anonymous, and/or placed in the participant's file. Without documentation of who investigated the referral, the results of the investigation, and a standard of documentation to be retained in the file if a fraud referral is found credible, management cannot ensure that the goals of the program are being achieved efficiently and effectively.

Recommendation 1.1

Update the master fraud tracking log to include when the case was assigned to an investigator and who was assigned to complete the investigation. Additionally, the log should include both the current and final dissolution of the investigation.

Management's Response:

"Concur. The Housing Authority agrees with this recommendation and is in the process of drafting new processes and procedures for fraud investigations. These new written policies will include the recommended improvements to the Master Fraud Tracking Log including tracking additional case related dates such as assignment to case worker for investigation and date of final dissolution."

Actual/estimated Date of Corrective Action: **On or before February 1, 2021**

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Recommendation 1.2

Develop a checklist to document the minimum number of resources, i.e. credit bureau inquiries, verification of credit, employers or prior employers, neighbors or witnesses, other agencies, public records, Department of Motor Vehicles, enterprise income verification reports, interviews, and other sources as applicable to be verified during Housing's investigation.

Management's Response:

"Concur. We agree with this recommendation and will develop a checklist that will document the minimum number of resources to be verified during the investigation of the allegation."

Actual/estimated Date of Corrective Action: **On or before February 1, 2021**

Recommendation 1.3

Develop a checklist to document the minimum required documents required to be retained to support Housing's actions, ultimately ending in termination of assistance.

Management's Response:

"Concur. As noted in Recommendation 1.1, Housing is in the process of devising new processes and procedures for the Program Integrity Unit. One of the goals of these updated policies and procedures is to provide written parameters to guide investigations and retention of investigative records. Per Recommendation 1.3, these policies will include a checklist which specifies the evidentiary records which are retained in the electronic housing case file to support the fraud termination. At present time, the documentation and retention of investigative records follows Section 8 guidelines and policies. "

Actual/estimated Date of Corrective Action: **On or before February 1, 2021**

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Housing Authority Loan Monitoring

Background

Housing adopted a Monitoring Policies and Procedures Manual pursuant to Code of Federal Regulations, Title 24 Housing and Urban Development, Section 92.504 *Participating jurisdiction responsibilities; written agreements; on-site inspections*, to ensure compliance with the diverse federal and state funded programs. A variety of housing projects have been developed throughout the county, including multifamily, rental, and owner-occupied housing types in order for the department to meet their strategic objective of providing housing and development opportunities to foster homeownership opportunities for low income families. *Riverside County Economic Development Agency, Monitoring Policies and Procedures Manual, effective July 1, 2018.*

Objective

To determine if internal controls related to the compliance requirements set forth in the department's monitoring policy and procedures are adequate and effective to the design and operation of the programs.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department policies and procedures, and applicable federal and state compliance standards.
- Interviewed key personnel and reviewed department procedures over loan monitoring.
- Verified department sent the appropriate amount of owner-occupied monitoring letters.
- Verified the department had appropriately followed up on all owner-occupied monitoring letters.
- Verified the department followed through and placed the appropriate liens and deeds of trust on the properties attached to the loans.

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

- Reviewed the monitor compliance tracker utilized by the department to monitor multifamily development projects.
- Selected a sample of multifamily development loans to perform testing related to completeness of review, detailed testing of risk analysis, and detailed testing of on-site monitoring.
- Verified all loans eligible to request drawdowns had a documented inspection prior to the release of funds.

Finding 2: Single Family Project Monitoring

The department did not send the required number of homeowner self-certification surveys for the last two years. The department's Monitoring Policies and Procedures Manual states, "5% of all... housing projects shall be monitored during each fiscal year." In order to accomplish this, "EDA monitoring compliance staff will mail out Homeowner Self Certification Surveys to 5% of the homeowner assisted households...." While the department does utilize the Monitoring Policies and Procedures Manual noted above, the manual lacks clarity and specific actions to be taken in the procedures it outlines such as the escalation process for homeowners who do not comply, the consequences for non-compliance, or the process of how the department will select the five percent of housing projects to monitor compliance.

As of June 30, 2020, Housing had extended approximately 1,823 loans between the First Time Home Buyer, Neighborhood Stabilization Program, and Mobile Home Tenant Loan programs. Using the department's policies and procedures, a random selection should have been completed selecting approximately 92 loans for compliance testing with self-certification surveys. The table below illustrates the actual monitoring level activity for the past two fiscal years.

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Approximate number of total program participants: 1,823					
	Sample Size per Department Policy	Total Selected	Total Completed	Total Outstanding	In Conveyance
2018-19	92	Unknown	31	15	Unknown
2019-20	92	77	31	20	26

The total completed represents the self-certification surveys that were completed and retained by Housing Authority. The total outstanding represents the self-certification surveys that were documented, a second follow up was initiated with the loan participant, but there is no completed self-certification survey nor supporting documentation. Some loans maintained on management's list were noted as in conveyance. Conveyance is the action of transferring property from one party to another. In relation to Housing, loans to program participants that fully repay the loan have titles of respective properties officially transferred to participants.

Additionally, monitoring letters were sent for the First Time Home Buyer Program and the Neighborhood Stabilization Program, but not the Mobile Home Tenant Loan program. This increases noncompliance with department monitoring policies and procedures and hinder its ability to ensure compliance with program requirements.

Recommendation 2.1

Develop a framework to specify loans selected for monitoring and specific detailed steps to be taken when escalating monitoring and noncompliance.

Management's Response:

"Concur. We agree with this recommendation and will update our Monitoring Policies and Procedures Manual accordingly."

Actual/estimated Date of Corrective Action: **On or before March 1, 2021**

Recommendation 2.2

Revise Monitoring Policies and Procedures Manual to document the review of the self-certification survey process by department administration. Management's review should be evidenced by a signature and date.

Management's Response:

"Concur. We agree with this recommendation and will update our Monitoring Policies and Procedures Manual accordingly."

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

Actual/estimated Date of Corrective Action: **On or before March 1, 2021**

Recommendation 2.3

Require all Housing staff to complete program specific training to ensure compliance with projects funded by CalHome, Community Development Block Grant, Bonds, HOME Investment Partnership program, Neighborhood Stabilization programs, and the Redevelopment Agency.

Management's Response:

"Concur. All new staff are trained internally and through trainings offered by the US Department of Housing and Urban Development (HUD) and the state's division of Housing and Community Development (HCD). This training is comprehensive and required by all employees on an ongoing basis. We do concur that the training must be augmented with updated policies and procedures and staff must be trained on these procedures. As noted in Recommendation 2.2, we are in the process of updating the Monitoring Policies and Procedures Manual and will provide a training to staff once the update is completed."

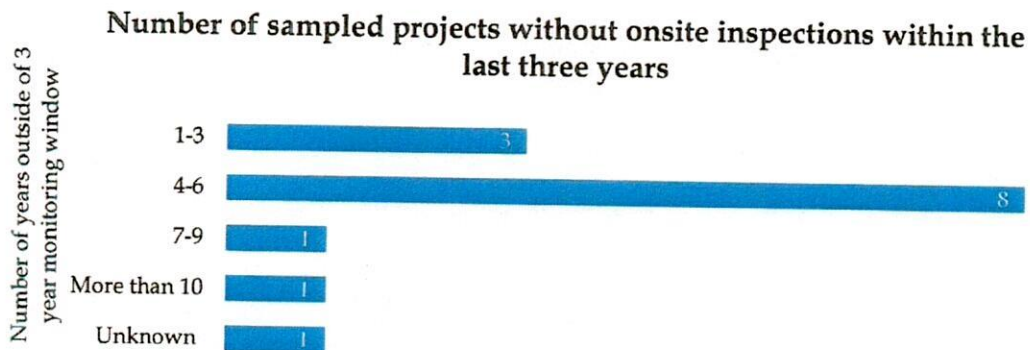
Actual/estimated Date of Corrective Action: **On or before March 1, 2021**

Finding 3: Multifamily Project Monitoring

Fourteen (56%) out of 25 multifamily project samples had not been visited for onsite monitoring within the last three years. Projects ranged from one to 11 years outside of the three-year window for the physical inspection, with the average project tested five years outside of the inspection window. The department did not complete onsite monitoring visits in accordance with the department's Monitoring Policies and Procedures Manual. Both the Monitoring Policies and Procedures, as well as, the Code of Federal Regulations, Title 24, Section 92.504, *Participating jurisdiction responsibilities; written agreements; on-site inspection*, states, "on-site inspections must occur within twelve months after project completion and at least once every three years thereafter during the period of affordability." In addition, the department Monitoring Policies and Procedures states that annually, "a monitoring calendar will be created by compliance staff which will include the dates of all onsite monitoring technical assistance workshop dates." This lapse in onsite monitoring does not ensure compliance with program

Internal Audit Report 2021-004: Riverside County Housing, Homelessness Prevention and Workforce Solutions Audit

requirements. The graph below denotes the number of projects that are outside of the onsite inspection window and how far outside of the inspection window they are.



Note: The number inside of the bar graph is the number of projects whose last inspections falls within the above increments.

Recommendation 3

Ensure projects are appropriately monitored, at a minimum of once every three years as required by department’s Monitoring Policy and Procedures Manual.

Management’s Response:

“**Concur.** We agree with this recommendation and will establish an annual inspection schedule to ensure that onsite inspections take place in accordance with the Monitoring Policy and Procedures Manual. The annual schedule will be finalized annually by June 1st to allow staff sufficient time to coordinate inspections.”

Actual/estimated Date of Corrective Action: **June 1, 2021**