Issue Date August 28, 2009	
Audit Report Number 2009-CH-0002	

TO: Nelson R. Bregón, General Deputy Assistant Secretary for Community Planning and Development, D

for

FROM: Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Office of Affordable Housing Programs' Oversight of HOME Investment Partnerships Program Income Was Inadequate

HIGHLIGHTS

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Office of Affordable Housing Programs' (Office) oversight of HOME Investment Partnerships Program (Program) income (including recaptured Program funds). The audit was part of the activities in our fiscal year 2009 annual audit plan to contribute to improving HUD's execution and accountability of its fiscal responsibilities and our strategic plan to help HUD resolve its major management challenges. Our objectives were to determine whether HUD's Office had adequate oversight of Program income to ensure that participating jurisdictions disbursed Program income before drawing down Program funds and reported Program income in HUD's Integrated Disbursement and Information System (System) accurately and in a timely manner.

What We Found

HUD's Office did not ensure that participating jurisdictions complied with HUD's requirements in their use of Program income and properly reported Program income in HUD's System.

At least 29 of the 45 participating jurisdictions selected for review inappropriately drew down more than $79.4 million in Program funds from their HOME trust fund treasury accounts (treasury account) from January 1, 2007, through December 31, 2008, when they had available Program income. Of the 29 participating jurisdictions, 26 had more than $39.6 million in available Program income as of December 31, 2008, associated with their inappropriate drawdowns of Program funds. In addition, at least 38 of the participating jurisdictions did not report Program income in HUD's System accurately and/or in a timely manner from January 1, 2007, through December 31, 2008.

What We Recommend

We recommend that HUD's General Deputy Assistant Secretary for Community Planning and Development require the Office to ensure that the 26 participating jurisdictions disburse the more than $39.6 million in available Program income as of December 31, 2008, for eligible housing activities and/or administrative costs before drawing down Program funds from their treasury accounts, as appropriate, and implement adequate procedures and controls to address the findings cited in this audit report.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence and directives issued because of the audit.

Auditee's Response

We provided our discussion draft audit report to HUD's General Deputy Assistant Secretary for Community Planning and Development during the audit. We held an exit conference with HUD's Director of Affordable Housing Programs on July 9, 2009.

We asked the General Deputy Assistant Secretary to provide comments on our discussion draft audit report by July 23, 2009. The General Deputy Assistant Secretary provided written comments, dated July 23, 2009. The General Deputy Assistant Secretary agreed with our findings and recommendations. The complete text of HUD's written comments, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Program. Authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, the HOME Investment Partnerships Program (Program) is funded for the purpose of increasing the supply of affordable standard rental housing; improving substandard housing for existing homeowners; assisting new homebuyers through acquisition, construction, and rehabilitation of housing; and providing tenant-based rental assistance.

The U.S. Department of Housing and Urban Development (HUD) allocated more than $1.6 billion in Program funds annually to 629 participating jurisdictions that received an allocation of Program funds for Program years 2004 through 2008. The following table shows the amount of Program funds HUD awarded the 629 participating jurisdictions for Program years 2004 through 2008.

Program year	Program funds
2004	$1,856,532,781
2005	1,814,006,597
2006	1,700,962,471
2007	1,695,704,021
2008	1,645,276,390
Total	**$8,712,482,260**

As of December, 31, 2008, the 629 participating jurisdictions had balances of Program income (including recaptured Program funds) in HUD's Integrated Disbursement and Information System (System) totaling nearly $75 million.

HUD's Office of Affordable Housing Programs (Office) has oversight responsibility for the Program. Before 2000, HUD's Office of Community Planning and Development removed an automated control in HUD's System which ensured participating jurisdictions used available Program income before drawing down Program funds from their HOME trust fund treasury accounts (treasury accounts). The automated control was removed due to participating jurisdictions not reporting Program income retained by subrecipients because the automated control applied the Program income retained by subrecipients to the next voucher for any activity. Since 2000, HUD's Office relied on HUD's Office of Community Planning and Development field offices' monitoring activities to ensure that participating jurisdictions complied with HUD's Program income requirements. HUD's Director of Systems Development and Evaluation Division stated that HUD's Office of Community Planning and Development obtained a cost estimate, dated March 30, 2001, that stated it would cost approximately $1 million to update the Program income controls in HUD's System. HUD's Deputy Assistant Secretary for Operations said that the Office of Community Planning and Development did not have the funds to update HUD's System. However, the Office of Community Planning and Development could not provide documentation to support that it had requested additional funds to update HUD's System as of April 1, 2009.

Our objectives were to determine whether HUD's Office had adequate oversight of Program income to ensure that participating jurisdictions disbursed Program income before drawing down Program funds and reported Program income in HUD's System accurately and in a timely manner.

RESULTS OF AUDIT

Finding 1: The Office Lacked Adequate Controls over Participating Jurisdictions' Use of Program Income

HUD's Office did not ensure that participating jurisdictions complied with HUD's requirements in their use of available Program income. At least 29 of the 45 participating jurisdictions selected for review inappropriately drew down more than $79.4 million in Program funds from their treasury accounts from January 1, 2007, through December 31, 2008, when they had available Program income because HUD lacked adequate procedures and controls to ensure that participating jurisdictions followed HUD's requirements. As a result, 26 of the 29 participating jurisdictions had more than $39.6 million in available Program income as of December 31, 2008, associated with their inappropriate drawdowns of Program funds.

HUD's Office Did Not Ensure That Participating Jurisdictions Disbursed Program Income before Drawing Down More Than $79.4 Million in Program Funds

HUD's Office did not ensure that participating jurisdictions disbursed available Program income in accordance with HUD's requirements. HUD's regulations at 24 CFR [*Code of Federal Regulations*] 92.502(c)(3) state that a participating jurisdiction must disburse Program income in its HOME trust fund local account (local account) before requesting Program funds from its treasury account. HUD's regulations at 24 CFR 92.503 allow a participating jurisdiction's subrecipient to retain Program income for additional Program projects. However, HUD's Office of Community Planning and Development Notice 97-9 requires Program income retained by a subrecipient to be disbursed before it receives additional Program funds.

We selected for review 45 participating jurisdictions to determine whether the participating jurisdictions disbursed Program income before drawing down Program funds. Contrary to HUD's requirements, at least 29 of the 45 participating jurisdictions drew down Program funds from their treasury accounts from January 1, 2007, through December 31, 2008, when they had available Program income. The 29 participating jurisdictions inappropriately made at least 3,900 drawdowns from their treasury accounts during the period. The drawdowns totaled more than $79.4 million in Program funds.

As of December 31, 2008, 26 of the 29 participating jurisdictions had nearly $42 million in available Program income. The nearly $42 million included more than $39.6 million associated with the participating jurisdictions' inappropriate drawdowns of Program funds. The following table shows each of the 26 participating jurisdictions' available Program income as of December 31, 2008, associated with the inappropriate drawdowns of Program funds.

Participating jurisdiction	*Balance*
City of Phoenix, Arizona	$6,825,395
San Bernardino County, California, Consortium	5,937,115
City of Inglewood, California	5,342,831
Essex County, New Jersey, Consortium	4,668,075
City of Bakersfield, California	2,340,852
Sacramento County, California, Consortium	1,906,830
City of Pomona, California	1,883,335
City of Hartford, Connecticut	1,544,545
Greenville County, South Carolina	1,079,783
City of Kenosha, Wisconsin	1,002,443
Hudson County, New Jersey, Consortium	917,676
Amherst, New York, Consortium	839,808
City of Madison, Wisconsin	768,369
City of Austin, Texas	751,441
City of San Diego, California	634,481
Mercer County, New Jersey, Consortium	623,041
City of Atlanta, Georgia	611,713
San Joaquin County, California	593,149
City of Fort Lauderdale, Florida	537,120
City of Newark, New Jersey	362,800
Escambia County, Florida, Consortium	125,621
City of Elizabeth, New Jersey	91,375
State of South Dakota	85,001
U.S. Territory of Guam	60,066
City of Jackson, Tennessee	52,109
City of Oakland, California	26,402
Total	**$39,611,376**

Middlesex County, New Jersey, Consortium and Palm Beach County, Florida, had minimal (less than $40) and no Program income available as of December 31, 2008, respectively. In addition, we did not include the Cook County, Illinois, Consortium as one of the participating jurisdictions that had available Program income as of December 31, 2008, since we addressed this issue in a previous audit report (Office of Inspector General (OIG) audit report number 2008-CH-1009, issued June 7, 2008); as of December 31, 2008, the Consortium had not drawn down Program funds from its treasury account since December 22, 2007, and the Consortium disbursed at least $6.2 million in Program income from its local account without drawing down any Program funds from its treasury account.

In addition, we could not determine whether seven of the participating jurisdictions appropriately disbursed available Program income before drawing down Program funds from their treasury accounts due to the participating jurisdictions inability to provide their balances of Program income in their local accounts as of January 1, 2007, and/or December 31, 2008, and not tracking their disbursements of Program income outside of HUD's System and/or separate from Program funds.

We included in appendix D of this report the specific details on the participating jurisdictions that inappropriately drew down Program funds from their treasury accounts when they had available Program income or could not provide sufficient documentation to determine whether the participating jurisdictions appropriately disbursed available Program income before drawing down Program funds from their treasury accounts.

HUD's Office Lacked Adequate Procedures and Controls

The weaknesses regarding the participating jurisdictions drawing down Program funds from their treasury accounts when they had available Program income occurred because HUD's Office lacked adequate procedures and controls to ensure that participating jurisdictions appropriately followed HUD's requirements.

HUD's System did not allow the participating jurisdictions to apply Program income to activities that were initially set up as administrative or community housing development organization activities. HUD's System only allowed participating jurisdictions to apply Program income to activities set up with Program income and/or entitlement funds. Further, HUD's System did not prevent participating jurisdictions from drawing down Program funds from their treasury accounts when they had available Program income in HUD's System. In addition, HUD's Office lacked adequate procedures and controls to ensure that participating jurisdictions reported all Program income in HUD's System accurately and in a timely manner (see finding 2 of this audit report).

Since 2000, HUD's Office relied on HUD's Office of Community Planning and Development field offices' monitoring activities to ensure that participating jurisdictions complied with HUD's Program income requirements. However, the Office's staff said that HUD's Office of Community Planning and Development field office staff generally lacked the analytical skills necessary to determine whether participating jurisdictions appropriately disbursed Program income.

HUD's Director of Affordable Housing Programs said that the Office of Community Planning and Development released fiscal year 2009 funding and he anticipated that funding would be available to update HUD's System. However, the Office cannot update HUD's System until it transitions to the System's new operation platform, which is not scheduled to be completed until September 2009.

The Office's staff said that they were developing a quarterly participating jurisdiction analysis report (quarterly report) from data in HUD's System to assist HUD's Office of Community Planning and Development field offices in monitoring participating jurisdictions. The quarterly report will include the participating jurisdictions' balances of Program income and flag those jurisdictions with high balances of Program income. The Office plans to determine the threshold for high balances of Program income and have the quarterly report operational by the end of June 2009.

In addition, HUD did not require participating jurisdictions to certify that they did not have available Program income when they drew down Program funds.

Conclusion

HUD's Office did not ensure that participating jurisdictions disbursed available Program income before drawing down Program funds from their treasury accounts. As previously mentioned, at least 29 of the 45 participating jurisdictions drew down more than $79.4 million in Program funds from their treasury accounts from January 1, 2007, through December 31, 2008, when they had available Program income. As a result, 26 of the 29 participating jurisdictions had more than $39.6 million in available Program income as of December 31, 2008, associated with their inappropriate drawdowns of Program funds.

We could not determine whether seven of the participating jurisdictions appropriately disbursed available Program income before drawing down Program funds from their treasury accounts.

Recommendations

We recommend that HUD's General Deputy Assistant Secretary for Community Planning and Development require the Office to

1A. Require the 26 participating jurisdictions to disburse the $39,611,376 in available Program income as of December 31, 2008, for eligible housing activities and/or administrative costs before drawing down Program funds from their treasury accounts as appropriate.

1B. Implement adequate procedures and controls to ensure that participating jurisdictions disburse available Program income for eligible housing activities and/or administration costs before drawing down Program funds from their treasury accounts as appropriate. The procedures and controls should include but not be limited to updating HUD’s System to prevent participating jurisdictions from drawing down Program funds from their treasury accounts when they have available Program income and requiring participating jurisdictions to certify that they do not have available Program income when they drawdown Program funds. In addition, the Office may need to implement interim procedures and controls until HUD’s System can be updated.

Finding 2: The Office's Controls over Participating Jurisdictions' Reporting of Program Income in HUD's System Were Inadequate

HUD's Office did not ensure that participating jurisdictions properly reported Program income in HUD's System. At least 38 of the 45 participating jurisdictions selected for review did not report Program income in HUD's System accurately and/or in a timely manner from January 1, 2007, through December 31, 2008, because HUD lacked adequate procedures and controls to ensure that participating jurisdictions appropriately reported Program income in HUD's System. As a result, HUD and the participating jurisdictions lacked assurance regarding the amount of Program income each participating jurisdiction had available that needed to be disbursed before drawing down Program funds from its treasury account.

HUD's Office Did Not Ensure That Participating Jurisdictions Properly Reported Program Income in HUD's System

HUD's Office did not ensure that participating jurisdictions reported Program income in HUD's System accurately and/or in a timely manner. HUD's Office of Community Planning and Development Notice 97-9 requires participating jurisdictions to determine and record their Program income in HUD's System in periodic intervals not to exceed 30 days.

We selected for review 45 participating jurisdictions to determine whether they reported Program income in HUD's System accurately and in a timely manner. Contrary to HUD's requirements, at least 38 of the 45 participating jurisdictions did not report Program income in HUD's System accurately and/or in a timely manner from January 1, 2007, through December 31, 2008.

In addition, we could not determine whether one of the participating jurisdictions properly reported Program income in HUD's System due to the participating jurisdictions inability to provide sufficient documentation to accurately support the amounts of Program income earned from January 1, 2007, through December 31, 2008.

We included in appendix E of this report the specific details on the participating jurisdictions that inappropriately reported Program income in HUD's System or could not provide sufficient documentation to determine whether the participating jurisdictions properly reported Program income in HUD's System.

HUD Lacked Adequate Procedures and Controls

The weaknesses regarding the participating jurisdictions not properly reporting Program income in HUD's System occurred because HUD's Office lacked adequate procedures and controls to ensure that participating jurisdictions reported Program income in HUD's System accurately and in a timely manner.

HUD's Office had not issued updated guidance for participating jurisdictions to follow in reporting Program income in HUD's System as of June 18, 2009. HUD's Office drafted updated guidance in October 2005 and April 2008, but did not issue it due to its complexity and because it established that HUD's System did not allow participating jurisdictions to process Program income in accordance with HUD's regulations. For example, HUD's System did not allow participating jurisdictions to apply Program income to activities that the jurisdicitons initially set up as administrative or community housing development organization activities.

HUD's Office of Community Planning and Development field office staff did not consistently monitor participating jurisdictions' Programs to determine whether the participating jurisdictions properly reported Program income in HUD's System.

Conclusion

HUD's Office did not ensure that participating jurisdictions reported Program income in HUD's System accurately and/or in a timely manner. As previously mentioned, at least 38 of the 45 participating jurisdictions did not report Program income in HUD's System accurately and/or in a timely manner from January 1, 2007, through December 31, 2008. As a result, HUD and the participating jurisdictions lacked assurance regarding the amount of Program income each participating jurisdiction had available that must be disbursed before drawing down Program funds from its treasury account.

We could not determine whether one of the participating jurisdictions properly reported Program income in HUD's System.

Recommendation

We recommend that HUD's General Deputy Assistant Secretary for Community Planning and Development require the Office to

2A. Implement adequate procedures and controls to ensure that participating jurisdictions report Program income in HUD's System accurately and in a timely manner. The procedures and controls should include but not be limited to creating a report from HUD's System to identify participating jurisdictions that may not be reporting all Program income in HUD's System.

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed

- Applicable laws; HUD's regulations at 24 CFR Parts 85 and 92; HUD's Office of Community Planning and Development Notice 97-9; HUD's Office of Community Planning and Development's field offices' Program risk analyses and on-site monitoring review letters for the 45 participating jurisdictions as applicable; HUD's System LIVE newsletters; HUD's draft guidance for Program income; OIG Audit-Related Memorandum number 00-DP-166-0804; HUD's response to OIG Audit-Related Memorandum number 00-DP-166-0804, dated December 6, 2000; and OIG audit report numbers 2007-DE-1006, issued August 10, 2007, 2008-LA-1001, issued November 1, 2007, 2008-CH-1009, issued June 7, 2008, and 2008-CH-1014, issued September 26, 2008.

- Financial and Program data from HUD's System and the 45 participating jurisdictions.

In addition, we interviewed HUD's staff and the participating jurisdictions' employees.

Findings 1 and 2

We selected 45 of the 629 participating jurisdictions that received an allocation of Program funds for Program years 2004 through 2008 to determine whether the participating jurisdictions disbursed Program income before drawing down Program funds and reported Program income in HUD's System accurately and in a timely manner. We selected 32 of the 45 participating jurisdictions based on their balances of Program income in HUD's System of more than $630,000 as of October 31, 2008. We selected the remaining 13 participating jurisdictions based on their average annual allocations of Program funds for Program years 2004 through 2008 of more than $1 million that either reported zero or had not reported on Program income in HUD's System, as of October 31, 2008.

We determined the participating jurisdictions' available Program income, including their balances as of December 31, 2008, using documentation, such as general ledgers, Program income tracking logs, and bank account statements, provided by the participating jurisdictions and obtained their drawdowns of Program funds from HUD's System. We then determined whether participating jurisdictions drew down Program funds from their treasury accounts when they had available Program income by comparing the participating jurisdictions' drawdowns to their balance of available Program income for the month prior to each drawdown. Our analysis took into consideration Program income retained by subrecipients and state recipients as appropriate. In addition, we were conservative in our approach. We did not include Program income participating jurisdictions earned in the month they made each drawdown.

We performed our audit work from October 2008 through June 2009 at HUD's Headquarters and HUD's Chicago regional office. The audit covered the period October 2006 through September 2008 and was expanded as determined necessary.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.

- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

Based on our audit, we believe that the following item is a significant weakness:

- HUD's Office lacked adequate procedures and controls to ensure that participating jurisdictions disbursed available Program income appropriately and reported Program income in HUD's System accurately and/or in a timely manner (see findings 1 and 2).

APPENDIXES

Appendix A

SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1A	$39,611,376
Total	$39,611,376

1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In these instances, if HUD implements our recommendation, the 26 participating jurisdictions will disburse available Program income before drawing down Program funds from their treasury accounts.

Appendix B

AUDITEE COMMENTS AND OIG's EVALUATION

Ref to OIG Evaluation **Auditee Comments**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

JUL 23 2009

MEMORANDUM FOR: Heath Wolfe, Regional Inspector General for Audit, 5AGA

Nelson R. Bregón

FROM: Nelson R. Bregón, General Deputy Assistant Secretary, D

SUBJECT: CPD Response to Discussion Draft Audit Report
Oversight of Program Income in the HOME Program

This is in response to your memorandum of June 23, 2009, regarding your audit of the Office of Community Planning and Development's (CPD's) oversight of program income requirements in the HOME Investment Partnerships (HOME) Program. The Discussion Draft Audit Report identified two findings and made three recommendations concerning those findings. CPD is in agreement with both findings.

Finding 1: The Office Lacked Adequate Controls over Participating Jurisdictions' Use of Program Income: The report finds that CPD did not ensure that HOME participating jurisdictions (PJs) complied with HUD's requirements with respect to their use of available program income. According to the report, CPD did not ensure that PJs disbursed available program income in accordance with HUD's requirements. HUD's regulations at 24 CFR 92.502(c)(3) state that a PJ must disburse program income in the local account of the HOME Investment Trust fund (local account) before requests are made for HOME funds in the United States (U.S.) Treasury account (Treasury account). Further, the report states that the PJs were able to draw down HOME funds from their Treasury accounts when they had available program income because CPD lacked adequate procedures and controls to ensure that PJs followed HUD's requirements.

The report accurately portrays current shortcomings with respect to CPD's Integrated Disbursement and Information System (IDIS). IDIS does not allow PJs to apply program income to activities that were initially funded in IDIS with administrative or community housing development organization (CHDO) funds. IDIS only allows PJs to expend program income on activities funded with other program income and/or entitlement funds. Further, IDIS does not prevent PJs from drawing down HOME funds from their Treasury accounts when they had available program income in IDIS. In addition, CPD lacks adequate procedures and controls to ensure that PJs reported all program income in IDIS accurately and in a timely manner.

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Ref to OIG Evaluation	Auditee Comments

The report recommended at the time that HUD's General Deputy Assistant Secretary for Community Planning and Development require CPD to take the following actions.

1A. Require the 26 PJs identified in the report to disburse the $39,611,376 in available program income as of December 31, 2008, for eligible housing activities and/or administrative costs before drawing down HOME funds from their Treasury accounts as appropriate.

1B. Implement adequate procedures and controls to ensure that PJs disburse available program income for eligible housing activities and/or administrative costs before drawing down HOME funds from their Treasury accounts as appropriate. The procedures and controls should include, but not be limited to, updating IDIS to prevent PJs from drawing down HOME funds from their Treasury accounts when they have available program income and requiring PJs to certify that they do not have available program income when they drawdown HOME funds. In addition, CPD may need to implement interim procedures and controls until IDIS can be updated.

CPD Response:

Comment 1

1A. CPD will direct the 26 PJs identified in the Discussion Draft Audit Report to disburse any program income on hand in their local accounts before drawing down additional HOME funds. In addition, CPD's Office of Affordable Housing Programs (OAHP) will develop a report listing the current dollar amount of program income recorded in IDIS for these 26 PJs and work through CPD Field Office staff to ensure any program income on hand is expended for HOME eligible activities prior to making drawdown requests for HOME funds from the U.S. Treasury.

Comment 1

1B. When funding for systems development becomes available, CPD will make system changes to IDIS that facilitate the proper accounting and expenditure of HOME program income recorded in IDIS. OAHP has sought these changes for years but the cost and effort required for the IDIS reengineering prevented them from being made. However, the IDIS reengineering has now advance to the implementation stage. The proposed changes to IDIS will permit PJs to: (1) set aside 10 percent of the program income received for HOME administrative costs; (2) count program income expended for subgranted CHDO activities towards a PJ's 15 percent CHDO reservation requirement; and (3) properly account for program income retained by subrecipients and state recipients.

Comment 1

CPD will also add functionality to IDIS that requires HOME PJs to certify at drawdown that there is no available program income to draw in place of HOME funds. Edits to IDIS that would prevent a HOME PJ from drawing down HOME funds from its Treasury account when the PJ has program income available to disburse from its local account can only be implemented after the completion of system changes that allow IDIS to properly account for program income PJs to drawdown program income for all eligible HOME activities.

Ref to OIG Evaluation	**Auditee Comments**

Finding 2: The Office's Controls over Participating Jurisdictions' Reporting of Program Income in HUD's System Were Inadequate: The report also finds that CPD did not ensure that PJs properly reported program income in IDIS because CPD lacked adequate procedures and controls to ensure that PJs reported program income in IDIS accurately and in a timely manner. CPD had not issued updated guidance for PJs to follow in reporting program income in IDIS as of June 18, 2009. OAHP drafted updated guidance in October 2005 and April 2008, but did not issue since it could not be made to conform with the existing IDIS structural limitations which did not allow PJs to process program income in accordance with HUD's regulations.

Your report recommends that HUD's General Deputy Assistant Secretary for Community Planning and Development require CPD to take the following action:

2A. Implement adequate procedures and controls to ensure that PJs report program income in IDIS accurately and in a timely manner. The procedures and controls should include but not be limited to creating a report from IDIS to identify PJs that may not be reporting all program income in IDIS.

CPD Response:

Comment 1

2A. CPD will revise and reissue HUD Notice CPD 97-09, *HOME Program Income, Recaptured Funds, Repayments and CHDO Proceeds* (September 12, 1997) to make sure current policy guidance regarding HOME program income is available to HOME PJs. In addition, once all program income related system changes have been made to IDIS, CPD will issue guidance for HOME PJs regarding the proper accounting for and expenditure of program income in IDIS. In addition, CPD will develop and post a quarterly *PJ Analysis Report* that, among other items, will identify program income balances in IDIS for all HOME PJs and highlight any balances greater than $0.

If you have any questions regarding the CPD response outlined in this memorandum, please do not hesitate to contact me or Cliff Taffet, Director, Office of Affordable Housing Programs at 202-708-2684.

OIG's Evaluation of Auditee Comments

Comment 1 HUD's Office's commitment to develop adequate procedures and controls to ensure that participating jurisdictions disburse available Program income for eligible housing activities and/or administration costs before drawing down Program funds from their treasury accounts as appropriate and report Program income in HUD's System accurately and in a timely manner, if fully implemented, should improve the Office's oversight of Program income.

Appendix C

HUD'S REQUIREMENTS

Findings 1 and 2

HUD's regulations at 24 CFR 92.2 define program income as gross income received by a participating jurisdiction directly generated from the use of Program funds or matching contributions. Program income also includes interest earned on program income pending its disposition.

HUD's regulations at 24 CFR 92.502(c)(3) state that a participating jurisdiction must disburse Program funds, including program income and recaptured Program funds, in its local account before requesting Program funds from its treasury account.

HUD's regulations at 24 CFR 92.505 state that 24 CFR 85.20 applies to participating jurisdictions receiving Program funds.

HUD's regulations at 24 CFR 92.508(a)(5) state that a participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of 24 CFR Part 92. The participating jurisdiction must maintain records identifying the source and application of Program income and recaptured Program funds.

HUD's Office of Community Planning and Development Notice 97-9, issued September 12, 1997, requires

- Available Program income to be determined and recorded in HUD's System in periodic intervals not to exceed 30 days;
- Participating jurisdictions to maintain records which adequately identify the source and application of Program income as part of the financial transactions of their Program, consistent with 24 CFR 85.20;
- Participating jurisdictions to be able to identify which projects generated Program income and which projects received Program income, including the amount; and
- Participating jurisdictions to report recaptured Program funds in HUD's System as additions to Program income in the same manner as Program income is reported.

The Notice also states that HUD's System is designed to record the receipt and use of Program income.

Finding 1

HUD's regulations at 24 CFR 85.20(b)(2) state that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and expenditures, and income.

HUD's regulations at 24 CFR 92.207 state that a participating jurisdiction may expend, for payment of reasonable administrative and planning costs of the Program, a sum up to 10 percent of the Program income deposited into its local account or received and reported by its state recipients or subrecipients during the program year. A participating jurisdiction may expend such funds directly or may authorize its state recipients or subrecipients, if any, to expend all or a portion of such funds, provided total expenditures for planning and administrative costs do not exceed the maximum allowable amount.

HUD's regulations at 24 CFR 92.503 state that a participating jurisdiction must deposit program income and recaptured Program funds in its local account unless the participating jurisdiction permits its state recipient, subrecipient, or community housing development organization to retain the Program income and recaptured Program funds for additional Program projects.

HUD's Office of Community Planning and Development Notice 97-9, issued September 12, 1997, requires Program income retained by a subrecipient or state recipient to be disbursed by that subrecipient or state recipient before it receives additional Program funds. The Notice also states that the Program does not permit the establishment of revolving loan funds.

Finding 2

HUD's regulations at 24 CFR 85.20(b)(1) state that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Appendix D

PARTICIPATING JURISDICTIONS USE OF PROGRAM INCOME

Amherst, New York, Consortium

The Consortium did not comply with HUD's requirements in its use of Program income. The Consortium tracked its receipts and disbursements of Program income in its local account through one main account, which only included Program income, and five working accounts, which included Program income and Program funds. In April 2007, the City transferred more than $1.2 million in Program income from its main account to its five working accounts. However, the Consortium could not provide sufficient documentation to support all of its receipts and disbursements of Program income in the working accounts to determine the balances of Program income in the working accounts for the period January 1, 2007, through December 31, 2008. During this period, the Consortium made 233 drawdowns from its treasury account totaling more than $1.5 million in Program funds, when it had at least $331,000 of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was at least $839,000. Although HUD's Buffalo Office of Community Planning and Development rated the Consortium's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the Consortium's Program, it did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Atlanta, Georgia

The City did not comply with HUD's requirements in its use of Program income. The City did not track its disbursements of Program income outside of HUD's System. Therefore, we could not determine whether the City complied with HUD's requirements in its use of Program income from January 1, 2007, through December 31, 2008. However, from December 17 through 19, 2008, the City made 48 drawdowns from its treasury account totaling nearly $549,000 in Program funds, when it had at least $601,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was nearly $612,000. HUD's Atlanta Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively. HUD's Atlanta Office of Community Planning and Development's on-site monitoring review letter, dated September 27, 2007, stated that the City failed to disburse Program income in HUD's System in a timely manner. However, it did not specifically make a finding on the City's use of Program income.

City of Austin, Texas

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 1,094 drawdowns from its treasury account totaling nearly $7.1 million in Program funds for subrecipient costs, when its subrecipient had at least $120,000 in available Program income. The City maintained a spreadsheet that separately tracked all of the City's Program income and all of the Program income generated by its subrecipient. The City's community development administrator said that since the subrecipient was responsible for administering the City's entire housing program, the Program income receipts and disbursements for the two schedules should have been the same. However, the receipts, disbursements, and balances of Program income in the two schedules varied significantly and as of December 31, 2008, the City's balance of Program income was more than $751,000, while the balance of Program income generated by the subrecipient was nearly $934,000. The $120,000 in available Program income was the minimum balance of Program income in the two schedules during the period. The community development administrator said that the subrecipient's balance of available Program income as of December 31, 2008, was more than $751,000 in the schedule that tracked all of the City's Program income. Further, the City did not allocate interest earned on Program income as Program income. However, the City could not provide sufficient documentation to support the amount of interest earned on Program income.

HUD's San Antonio Office of Community Planning and Development rated the City's Program income as a low and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively, and its March 2007 on-site monitoring review did not result in any findings regarding the City's use of Program income. However, the review included a concern that the City's subrecipient agreement did not include a provision that required the subrecipient to use its retained Program income before requesting additional Program funds from the City's treasury account and that HUD's San Antonio Office of Community Planning and Development could not readily determine whether the City used Program income before requesting additional Program funds from its treasury account. HUD's San Antonio Office of Community Planning and Development requested that the City include the provision in its next subrecipient agreement, but did not require further action regarding the inability to readily determine whether the City used Program income before requesting additional Program funds from its treasury account. In response to the request, the City revised its subrecipient agreement, effective October 1, 2008, to require all Program income earned under the agreement, as well as all previous subrecipient agreements, to be remitted to the City and used before Program funds were drawn down from its treasury account. However, as of December 31, 2008, the subrecipient had not remitted any of its Program income to the City since the City revised the subrecipient agreement.

City of Bakersfield, California

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 77 drawdowns from its treasury account totaling nearly $3.9 million in Program funds, when it had less than $2.1 million in Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $2.3 million. HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Baltimore County, Maryland

The County did not consistently comply with HUD's requirements in its use of Program income from January 1, 2007, through December 31, 2008. On February 9 and March 12, 2009, the

County's Office of Community Conservation's HOME program coordinator and Office of Budget and Finance's accountant, respectively, said that the County had drawn down Program funds when it had Program income available in its local account. However, the County could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income outside of HUD's System. Therefore, we could not determine whether the County complied with HUD's requirements in its use of Program income. HUD's Baltimore Office of Community Planning and Development rated the County's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the County's Program and did not include the County's use of Program income in its March 2007 on-site monitoring review.

City of Clearwater, Florida
The City could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income outside of HUD's System. Further, HUD's System did not contain any disbursements of Program income as of December 31, 2008. Therefore, we could not determine whether the City complied with HUD's requirements in its use of Program income. HUD's Jacksonville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Cook County, Illinois, Consortium
The Consortium did not comply with HUD's requirements in its use of Program income. Through a previous audit of the Consortium's Program, we identified that the Consortium had drawn down more than $48.3 million in Program funds from its treasury account since October 1999, when it had more than $2 million of Program income in its local account (OIG audit report number 2008-CH-1009). In addition, the Consortium did not allocate nearly $642,000 in interest earned from Program income as Program income. As of December 31, 2008, the Consortium's last drawdown of Program funds from its treasury account was on December 22, 2007. From December 27, 2007, through December 31, 2008, the Consortium disbursed at least $6.2 million in Program income from its local account without drawing down any Program funds from its treasury account. HUD's Chicago Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Daytona Beach, Florida
The City could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income outside of HUD's System. Therefore, we could not determine whether the City complied with HUD's requirements in its use of Program income. HUD's Jacksonville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

District of Columbia
The District could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income outside of HUD's System. Therefore, we could not determine whether the District complied with HUD's requirements in its use of Program income. HUD's District of Columbia Office of Community Planning and Development rated the District's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the District's Program and did not include the District's use of Program income in its July 2008 on-site monitoring review.

City of El Monte, California
The City could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income separate from Program funds. Therefore, we could not determine whether the City complied with HUD's requirements in its use of Program income. Although HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as high and low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively, it did not include the City's use of Program income in its July 2007 on-site monitoring review.

City of Elizabeth, New Jersey
The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 57 drawdowns from its treasury account totaling nearly $3.2 million in Program funds, when it had more than $18,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $91,000. Although HUD's Newark Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2006 and 2007 risk analyses of the City's Program, it did not include the City's use of Program income in its May 2007 on-site monitoring review.

Escambia County, Florida, Consortium
The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 56 drawdowns from its treasury account totaling nearly $1.5 million in Program funds, when it had more than $101,000 of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was nearly $126,000. HUD's Jacksonville Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

Essex County, New Jersey, Consortium
The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 37 drawdowns from its treasury account totaling nearly $755,000 in Program funds, when it had more than $4.5 million of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was nearly $4.7 million. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in

its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

State of Florida

The State could not provide its balance of Program income in its local account as of January 1, 2007, and did not track its disbursements of Program income outside of HUD's System. Therefore, we could not determine whether the State complied with HUD's requirements in its use of Program income. HUD's Jacksonville Office of Community Planning and Development rated the State's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the State's Program and did not conduct a monitoring review of the State's Program from January 1, 2007, through December 31, 2008.

City of Fort Lauderdale, Florida

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 189 drawdowns from its treasury account totaling more than $1.4 million in Program funds, when it had nearly $223,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $537,000. HUD's Miami Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's use of Program income in its May 2007 on-site monitoring review.

Greenville County, South Carolina

The County did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the County made 216 drawdowns from its treasury account totaling nearly $2.2 million in Program funds, when it had more than $986,000 in Program income in its local account. As of December 31, 2008, the County's balance of Program income in its local account was nearly $1.1 million. Although HUD's Columbia Office of Community Planning and Development rated the County's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively, it did not conduct a monitoring review of the County's Program from January 1, 2007, through December 31, 2008.

U.S. Territory of Guam

The Territory did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Territory made 151 drawdowns from its treasury account totaling more than $3.6 million in Program funds, when it had nearly $24,000 of Program income in its local account. As of December 31, 2008, the Territory's balance of Program income in its local account was more than $60,000. Although HUD's Honolulu Office of Community Planning and Development rated the Territory's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the Territory's Program, it did not conduct a monitoring review of the Territory's Program from January 1, 2007, through December 31, 2008.

City of Hartford, Connecticut

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 34 drawdowns from its treasury account totaling nearly $1.7 million in Program funds, when it had more than $1.1 million of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $1.5 million. Although HUD's Hartford Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, it did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008. In April 2008, HUD's Hartford Office of Community Planning and Development informed the City that its reporting of Program income in HUD's System annually was inappropriate. In an electronic mail, dated June 18, 2008, HUD's Hartford Office of Community Planning and Development stated that the City should report Program income in HUD's System monthly, but did not object to the City reporting Program income quarterly as long as the City considered how reporting Program income quarterly would impact the City's use of Program funds. HUD's Hartford Office of Community Planning and Development also stated that HUD's regulations require the City to disburse Program income before drawing down Program funds from its treasury account. However, from July 16 through November 19, 2008, the City made seven drawdowns from its treasury account totaling more than $1.1 million in Program funds, when it had more than $1.2 million of Program income in its local account.

Hudson County, New Jersey, Consortium

The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 56 drawdowns from its treasury account totaling nearly $2.3 million in Program funds, when it had nearly $1.1 million of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was nearly $918,000. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Inglewood, California

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made nine drawdowns from its treasury account totaling nearly $2 million in Program funds, when it had more than $4.3 million of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $5.3 million. Although HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the City's Program, it did not include the City's use of Program income in its September 2008 on-site monitoring review.

City of Jackson, Tennessee

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 39 drawdowns from its treasury account totaling more than $508,000 in Program funds, when it had more than $26,000 of Program income in its local account. In addition, the City inappropriately set the Program income aside for a revolving loan fund. As of December 31, 2008, the City's balance of Program income in its local account was more than $52,000. HUD's Knoxville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

City of Kenosha, Wisconsin
The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 182 drawdowns from its treasury account totaling nearly $245,000 in Program funds, when it had nearly $479,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $1 million. HUD's Milwaukee Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

City of Madison, Wisconsin
The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 224 drawdowns from its treasury account totaling nearly $2.3 million in Program funds, when it had more than $768,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $768,000. HUD's Milwaukee Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's use of Program income in its July 2007 on-site monitoring review.

Mercer County, New Jersey, Consortium
The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 63 drawdowns from its treasury account totaling nearly $720,000 in Program funds, when it had nearly $534,000 of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was more than $623,000. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program. However, in its on-site monitoring review letter, dated May 21, 2008, HUD's Newark Office of Community Planning and Development stated that the Consortium did not use Program income in lieu of drawing down Program funds from its treasury account. However, the Consortium continued to draw down Program funds from its treasury account when it had Program income available in its local account. Specifically, from July 24 through November 4, 2008, the Consortium made 16 drawdowns from its treasury account totaling more than $349,000 in Program funds, when it had nearly $626,000 of Program income in its local account.

Middlesex County, New Jersey, Consortium
The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 232 drawdowns from its treasury account totaling nearly $2.1 million in Program funds, when it had Program income

available in its local account. Although the Consortium made 131 drawdowns from its treasury account totaling nearly $1.1 million in Program funds, when its balance of Program income in its local account was less than $10,000, it also made 101 drawdowns from its treasury account totaling nearly $1 million in Program funds, when its balance of Program income in its local account was at least $13,000. However, as of December 31, 2008, the Consortium's balance of Program income in its local account was less than $37. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

<u>City of Newark, New Jersey</u>
The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 185 drawdowns from its treasury account totaling nearly $7.1 million in Program funds, when it had nearly $313,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was nearly $363,000. Although HUD's Newark Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2006 and 2007 risk analyses of the City's Program, it did not include the City's use of Program income in its July 2007 on-site monitoring review.

<u>City of Oakland, California</u>
The City did not always comply with HUD's requirements in its use of Program income from January 1, 2007, through December 31, 2008. From January 1, 2007, through December 23, 2008, the City disbursed nearly $4.6 million in Program income from its local account before drawing down Program funds from its treasury account. However, on December 24, 2008, the City made 38 drawdowns from its treasury account totaling nearly $2.2 million in Program funds, when it had more than $26,000 of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $26,000. HUD's San Francisco Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's use of Program income in its August 2008 on-site monitoring review.

<u>Palm Beach County, Florida</u>
The County did not consistently comply with HUD's requirements in its use of Program income. From January 1 through October 24, 2007, the County made 49 drawdowns from its treasury account totaling nearly $2.8 million in Program funds, when it had more than $1.1 million of Program income in its local account. However, as of December 31, 2008, the County's balance of Program income in its local account had been completely disbursed. Although HUD's Miami Office of Community Planning and Development rated the County's Program income as high and low risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively, it did not include the County's use of Program income in its June 2007 on-site monitoring review.

City of Phoenix, Arizona

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 267 drawdowns from its treasury account totaling nearly $8.5 million in Program funds, when it had more than $6.2 million of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was more than $6.8 million. HUD's San Francisco Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively. However, the August 2007 on-site monitoring review performed by HUD's Phoenix Office of Community Planning and Development, which is under HUD's San Francisco Office of Community Planning and Development, did not identify any issues with the City's use of Program income. HUD's Phoenix Office of Community Planning and Development's on-site monitoring review letter, dated October 17, 2007, stated that the City generated Program income, reported Program income in HUD's System, and used Program income for activities before drawing down Program funds from its treasury account.

City of Pomona, California

The City did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the City made 52 drawdowns from its treasury account totaling more than $848,000 in Program funds, when it had nearly $1.9 million of Program income in its local account. As of December 31, 2008, the City's balance of Program income in its local account was nearly $1.9 million. HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Sacramento County, California, Consortium

The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 42 drawdowns from its treasury account totaling more than $1.1 million in Program funds, when it had more than $1.9 million of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was more than $1.9 million. HUD's San Francisco Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2008 and 2009 Program risk analysis and did not include the Consortium's use of Program income in its August 2007 on-site monitoring review.

City of San Antonio, Texas

The City did not comply with HUD's requirements in its use of Program income. However, HUD's San Antonio Office of Community Planning and Development's assessment of the City's consolidated annual performance and evaluation report (consolidated report) for Program year 2007 included a finding that the City drew down Program funds from its treasury account when it had Program income in its local account. HUD's San Antonio Office of Community Planning and Development's assessment letter, dated February 27, 2009, stated that although the City reported nearly $2.3 million in Program income in HUD's System from October 1, 2007, through September 30, 2008, it disbursed less than $238,000 of the Program income while it continued to draw down Program funds from its treasury account during the period. Although

HUD's San Antonio Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively, it did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008. We did not include the City in finding 1 as one of the participating jurisdictions that drew down Program funds from its treasury account from January 1, 2007, through December 31, 2008, when it had available Program income, since the issue had been identified by HUD's San Antonio Office of Community Planning and Development and action had been taken.

San Bernardino County, California, Consortium

The Consortium did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the Consortium made 84 drawdowns from its treasury account totaling more than $3.3 million in Program funds, when it had nearly $4.2 million of Program income in its local account. As of December 31, 2008, the Consortium's balance of Program income in its local account was more than $5.9 million. Although HUD's Los Angeles Office of Community Planning and Development rated the Consortium's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program, respectively, it did not include the Consortium's use of Program income in its July 2007 on-site monitoring review.

City of San Diego, California

The City did not consistently comply with HUD's requirements in its use of Program income. From June 19, 2007, through January 31, 2008, the City made 13 drawdowns from its treasury account totaling nearly $5.4 million in Program funds, when it had more than $143,000 of Program income in its local account. On June 14, 2008, the City made an additional nine drawdowns from its treasury account totaling more than $389,000 in Program funds, when it had more than $174,000 of Program income in its local account. From July 1 through December 31, 2008, the City disbursed available Program income from its local account before drawing down Program funds from its treasury account. The disbursements totaled nearly $3.9 million in Program income. On August 31, 2008, the City received nearly $5 million in Program income. As of December 31, 2008, the City's balance of Program income in its local account was more than $2.1 million.

In addition, the City did not comply with HUD's requirements in its use of Program income for administrative and planning costs. On October 18, 2007, the City made three drawdowns from its treasury account for administrative and planning costs totaling nearly $944,000, when it had nearly $2.1 million of Program income in its local account for administrative and planning costs. On June 30, 2008, the City disbursed nearly $1.7 million of Program income in its local account for eligible administrative and planning costs. As of December 31, 2008, the City's balance of Program income in its local account for eligible administrative and planning costs was more than $634,000.

HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

San Joaquin County, California

The County did not comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the County made 33 drawdowns from its treasury account totaling nearly $1.7 million in Program funds, when it had more than $590,000 of Program income in its local account. As of December 31, 2008, the County's balance of Program income in its local account was more than $593,000. Although HUD's San Francisco Office of Community Planning and Development rated the County's Program income as low and high risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively, it did not conduct a monitoring review of the County's Program from January 1, 2007, through December 31, 2008.

State of South Dakota

The State did not consistently comply with HUD's requirements in its use of Program income. From January 1, 2007, through December 31, 2008, the State made 144 drawdowns from its treasury account totaling more than $4.3 million in Program funds, when it had at least $82,000 of Program income in its local account from Program funds for disaster areas. As of December 31, 2008, the State's balance of Program income in its local account from Program funds for disaster areas was more than $85,000. A finance and administration accountant with the South Dakota Housing Development Authority stated that the State intended to use the Program income from Program funds for disaster areas for an eligible Program activity once sufficient funds were available. Although HUD's Denver Office of Community Planning and Development was aware of the issue, it did not inform the State that it was not complying with HUD's requirements. From January 1, 2007, through December 31, 2008, the State generally disbursed available Program income, excluding HOME flood program income, from its local account before drawing down Program funds from its treasury account. The disbursements totaled more than $2.8 million in Program income. HUD's Denver Office of Community Planning and Development rated the State's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the State's Program and did not conduct a monitoring review of the State's Program from January 1, 2007, through December 31, 2008.

State of Utah

The State of Utah could not provide its balance of Program income in its local account as of January 1, 2007. Therefore, we could not determine whether the State complied with HUD's requirements in its use of Program income. HUD's Denver Office of Community Planning and Development rated the State's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the State's Program, respectively. However, it did not identify any issues with the State's use of Program income in its April 2007 on-site monitoring review.

Appendix E

PARTICIPATING JURISDICTIONS REPORTING OF PROGRAM INCOME

Amherst, New York, Consortium

The Consortium did not properly report Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was at least $839,000, while its balance of Program income reported in HUD's System was less than $498,000. From January 1, 2007, through December 31, 2008, the Consortium received more than $799,000 in Program income. The Consortium reported more than $1.9 million of Program income in HUD's System during the period. However, the Consortium did not report Program income in HUD's System after November 2007. From December 27, 2007, through November 30, 2008, the Consortium received nearly $688,000 in Program income. Although the receipts occurred in every month during the period, the Consortium did not report any Program income in HUD's System from December 27, 2007, through December 31, 2008. Although HUD's Buffalo Office of Community Planning and Development rated the Consortium's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the Consortium's Program, it did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Atlanta, Georgia

The City did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the City received nearly $759,000 in Program income. The City reported more than $634,000 of Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from January 1 through July 12, 2007, the City received nearly $392,000 in Program income. Although the receipts occurred in every month, the City did not report Program income in HUD's System for the period until August 14, 2007. HUD's Atlanta Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively. HUD's Atlanta Office of Community Planning and Development's on-site monitoring review letter, dated September 27, 2007, stated that the City failed to disburse Program income in HUD's System in a timely manner and did not report Program income in HUD's System within a reasonable timeframe. From July 16 through November 30, 2008, the City received nearly $62,000 in Program income. The receipts occurred in every month during the period. However, the City had not reported the Program income in HUD's System as of December 31, 2008.

City of Austin, Texas

The City could not provide sufficient documentation to accurately support the amount of Program income deposited in its local account from January 1, 2007, through December 31, 2008. Therefore, we could not determine whether the City properly reported Program income in HUD's System. HUD's San Antonio Office of Community Planning and Development rated the City's Program income as low and high risk in its fiscal years 2007 and 2008 risk analyses of the

City's Program, respectively, and did not include the City's reporting of Program income in its March 2007 on-site monitoring review.

City of Bakersfield, California

The City did not properly report Program income in HUD's System. Although the City's December 31, 2008, balance of more than $2.3 million of Program income in its local account was nearly identical to its balance of Program income reported in HUD's System, the City did not consistently report Program income in HUD's System in a timely manner. For example, the City received nearly $126,000 in Program income from August 30 through December 31, 2007. The receipts occurred in every month during the period. However, the City did not report Program income in HUD's System for the period until January 31, 2008. Further, the City reported less than $76,000. HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Baltimore County, Maryland

The County did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the County received nearly $1.1 million in Program income. The County reported nearly $1.3 million of Program income in HUD's System during the period. However, the County did not consistently report Program income in HUD's System in a timely manner. For example, from July 14 through October 30, 2008, the County received nearly $88,000 in Program income. Although the receipts occurred in every month, the County did not report the Program income in HUD's System for the period until December 18, 2008. HUD's Baltimore Office of Community Planning and Development rated the County's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the County's Program and did not include the County's reporting of Program income in its March 2007 on-site monitoring review.

City of Clearwater, Florida

The City did not properly report Program income in HUD's System. From January 1, 2007, through November 30, 2008, the City received more than $73,000 in Program income. However, the City did not report any Program income in HUD's System from January 1, 2007, through December 31, 2008. HUD's Jacksonville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Cook County, Illinois, Consortium

The Consortium did not properly report Program income in HUD's System. Through a previous audit of the Consortium's Program, we identified that the Consortium underreported at least $2.7 million in Program income, including nearly $2.1 million in Program income earned before October 1999 and nearly $642,000 in interest earned on Program income, in HUD's System as of March 2008 (OIG audit report number 2008-CH-1009). In addition, on October 6, 2008, the Consortium received more than $276,000 in Program income. However, as of December 31, 2008, the Consortium had not reported the Program income in HUD's System. HUD's Chicago Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Daytona Beach, Florida

The City did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the City received nearly $420,000 in Program income. The City reported slightly more than $286,000 in Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from January 14 through November 30, 2008, the City received more than $70,000 in Program income. The receipts occurred every month during the period. However, the City did not report any Program income in HUD's System from January 14 through December 31, 2008. HUD's Jacksonville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

District of Columbia

The District did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the District received nearly $4.8 million in Program income. The District reported less than $4.7 million of Program income in HUD's System during the period. However, the District did not consistently report Program income in HUD's System in a timely manner. For example, on September 29, 2008, the District received more than $58,000 in Program income. However, the District had not reported the Program income in HUD's System as of December 31, 2008. HUD's District of Columbia Office of Community Planning and Development rated the District's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the District's Program. However, in its on-site monitoring review letter, dated September 30, 2008, HUD's District of Columbia Office of Community Planning and Development stated that the District did not report Program income in HUD's System at least quarterly and required the District to report Program income in HUD's System when received to ensure that its financial records match HUD's System at all times.

City of El Monte, California

The City did not report its Program income in HUD's System. From January 1, 2007, through November 30, 2008, the City received nearly $520,000 in Program income. As of December 31, 2008, the City had not reported any of its Program income in HUD's System. Although HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as high and low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively, it did not include the City's reporting of Program income in its July 2007 on-site monitoring review.

City of Elizabeth, New Jersey

The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $91,000, while its balance of Program income reported in HUD's System was less than $16,000. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from July 3, 2007, through May 27, 2008, the City received nearly $108,000 in Program income. The receipts occurred in July and October 2007 and May 2008. However, the City did not report Program income in HUD's System for the period until November 25, 2008. Although HUD's Newark Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2006 and 2007 risk analyses of the City's Program, it did not include the City's reporting of Program income in its May 2007 on-site monitoring review.

Escambia County, Florida, Consortium

The Consortium did not report its Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was nearly $126,000. From January 1, 2007, through November 30, 2008, the Consortium received more than $24,000 in Program income. However, the Consortium had not reported any Program income in HUD's System as of December 31, 2008. HUD's Jacksonville Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

Essex County, New Jersey, Consortium

The Consortium did not properly report Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was nearly $4.7 million, while its balance of Program income reported in HUD's System was more than $2.8 million. From January 1, 2007, through November 30, 2008, the Consortium received nearly $930,000 in Program income. However, the Consortium did not report any Program income in HUD's System from January 1, 2007, through December 31, 2008. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

State of Florida

The State did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the State received nearly $13.2 million in Program income. The State reported more than $14.5 million of Program income in HUD's System during the period. However, the State did not consistently report Program income in HUD's System in a timely manner. For example, from August 13 through October 31, 2008, the State received nearly $2 million in Program income. Although the receipts occurred every month, the State did not report Program income in HUD's System for the period until December 16, 2008. Further, the State reported less than $1.8 million in Program income. HUD's Jacksonville Office of Community Planning and Development rated the State's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the State's Program and did not conduct a monitoring review of the State's Program from January 1, 2007, through December 31, 2008.

City of Fort Lauderdale, Florida

The City did not properly report Program income in HUD's System. Although the City's December 31, 2008, balance of more than $537,000 of Program income in its local account was nearly identical to its balance of Program income reported in HUD's System, the City did not consistently report Program income in HUD's System in a timely manner. For example, the City received more than $521,000 in Program income from August 5 through August 22, 2008. However, the City did not report Program income in HUD's System for the period until December 6, 2008. HUD's Miami Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's reporting of Program income in its May 2007 on-site monitoring review.

Greenville County, South Carolina

The County did not properly report Program income in HUD's System. As of December 31, 2008, the County's balance of Program income in its local account was less than $1.1 million, while its balance of Program income reported in HUD's System was nearly $2.3 million. From January 1, 2007, through December 31, 2008, the County received more than $2.6 million in Program income. The County reported more than $2.6 million of Program income in HUD's System during the period. However, the County did not consistently report Program income in HUD's System in a timely manner. For example, from May 31 through October 6, 2008, the County received less than $337,000 in Program income. The receipts occurred every month during the period. However, the County did not report Program income in HUD's System for the period until November 17, 2008. Further, the County only reported more than $261,000. Although HUD's Columbia Office of Community Planning and Development rated the County's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively, it did not conduct a monitoring review of the County's Program from January 1, 2007, through December 31, 2008.

U.S. Territory of Guam

The Territory did not properly report Program income in HUD's System. As of December 31, 2008, the Territory's balance of Program income in its local account was more than $60,000, while its balance of Program income reported in HUD's System was nearly $1.2 million. From January 1, 2007, through November 30, 2008, the Territory received more than $698,000 in Program income. The receipts occurred every month during the period. However, the Territory did not report any Program income in HUD's System from January 1, 2007, through December 31, 2008. Although HUD's Honolulu Office of Community Planning and Development rated the Territory's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the Territory's Program, it did not conduct a monitoring review of the Territory's Program from January 1, 2007, through December 31, 2008.

City of Hartford, Connecticut

The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $1.5 million, while its balance of Program income reported in HUD's System was around $1 million. From January 1, 2007, through December 31, 2008, the City received more than $1.7 million in Program income. The City reported less than $1.1 million in Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, the City received more than $44,000 of Program income in November 2008. However, it did not report this Program income in HUD's System as of December 31,

2008. Although HUD's Hartford Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, it did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008. In April 2008, HUD's Hartford Office of Community Planning and Development informed the City that its reporting of Program income in HUD's System annually was inappropriate. In an electronic mail, dated June 18, 2008, HUD's Hartford Office of Community Planning and Development stated that the City should report Program income in HUD's System monthly, but did not object to the City reporting Program income quarterly as long as the City considered how reporting Program income quarterly would impact the City's use of Program funds. HUD's Hartford Office of Community Planning and Development also stated that HUD's regulations require the City to disburse Program income before drawing down Program funds from its treasury account.

Hudson County, New Jersey, Consortium
The Consortium did not properly report Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was less than $918,000, while its balance of Program income reported in HUD's System was negative. The Consortium was aware of and working with HUD as of December 31, 2008, to correct issues related to more than $800,000 incorrectly reported in HUD's System as Program income in 2003 and more than $900,000 that should have been reported in HUD's System as Program income in 2002. From January 1, 2007, through December 31, 2008, the Consortium received nearly $198,000 in Program income. The Consortium reported slightly more than $157,000 of Program income in HUD's System during the period. In addition, the Consortium did not consistently report Program income in HUD's System in a timely manner. For example, from May 16, 2007, through May 7, 2008, the Consortium received nearly $119,000 in Program income. The receipts occurred in every month during the period. However, the Consortium did not report Program income in HUD's System for the period until June 17, 2008. Further, the Consortium only reported slightly more than $68,000. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

City of Inglewood, California
The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $5.3 million, while its balance of Program income reported in HUD's System was more than $3.5 million. From January 1, 2007, through July 24, 2008, the City received more than $815,000 in Program income. However, the City only reported slightly more than $631,000 of Program income in HUD's System on September 22, 2008. In addition, the City received nearly $238,000 in Program income on November 19, 2008. However, the City did not report the Program income in HUD's System as of December 31, 2008. Although HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2008 and 2009 risk analyses of the City's Program, it did not include the City's reporting of Program income in its September 2008 on-site monitoring review.

City of Jackson, Tennessee

The City did not report its Program income in HUD's System. As of November 30, 2008, the City's balance of Program income in its local account was less than $51,000. From January 1, 2007, through November 30, 2008, the City received more than $24,000 in Program income. However, the City had not reported any of its less than $51,000 balance of Program income in HUD's System as of December 31, 2008. HUD's Knoxville Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

City of Kenosha, Wisconsin

The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $1 million, while its balance of Program income reported in HUD's System was nearly $1.2 million. From January 1, 2007, through December 31, 2008, the City received more than $1.2 million in Program income. The City reported more than $1.2 million of Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, the City received nearly $33,000 in Program income on October 31, 2007, and more than $136,000 in Program income on December 7, 2007. However, the City did not report the more than $169,000 of Program income in HUD's System until March 6, 2008. HUD's Milwaukee Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

City of Madison, Wisconsin

The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $768,000, while its balance of Program income reported in HUD's System was less than $513,000. From January 1, 2007, through December 31, 2008, the City received at least $1.3 million in Program income. The City reported nearly $2.3 million of Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from January 1 through April 20, 2007, the City received at least $285,000 in Program income. The receipts occurred every month during the period. However, the City did not report Program income in HUD's System for the period until May 21, 2007. Further, the City only reported $200,000. HUD's Milwaukee Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's reporting of Program income in its July 2007 on-site monitoring review.

Mercer County, New Jersey, Consortium

The Consortium did not properly report Program income in HUD's System. Although the Consortium's December 31, 2008, balance of more than $623,000 of Program income in its local account was nearly identical to its balance of Program income reported in HUD's System, the Consortium did not consistently report Program income in HUD's System in a timely manner. For example, from January 1, 2007, through May 9, 2008, the Consortium received nearly

$98,000 in Program income. However, the Consortium did not report Program income in HUD's System for the period until October 16, 2008. Further, the Consortium reported less than $632,000. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program. However, in its on-site monitoring review letter, dated May 21, 2008, HUD's Newark Office of Community Planning and Development stated that the Consortium was not reporting Program income in HUD's System and required the Consortium to report its full amount of Program income in HUD's System. On October 1, 2008, the Consortium received nearly $3,900 in Program income. However, the Consortium had not reported the Program income in HUD's System as of December 31, 2008.

Middlesex County, New Jersey, Consortium
The Consortium did not report its Program income in HUD's System. From January 1, 2007, through November 30, 2008, the Consortium received more than $144,000 in Program income. As of December 31, 2008, the Consortium had not reported any of its Program income in HUD's System. HUD's Newark Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program and did not conduct a monitoring review of the Consortium's Program from January 1, 2007, through December 31, 2008.

Nassau County, New York
The County did not report its Program income in HUD's System. From January 1, 2007, through November 30, 2008, the County's subrecipients generated at least $240,000 in Program income. However, the County had not reported any Program income in HUD's System as of December 31, 2008. HUD's New York Office of Community Planning and Development rated the County's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the County's Program and did not include the County's reporting of Program income in its June 2007 on-site monitoring review.

State of Nebraska
The State did not report its Program income in HUD's System. As of January 1, 2007, and December 31, 2008, the State's recipients had a cumulative balance of Program income of at least $616,000 and $565,000, respectively. However, the State had not reported any Program income in HUD's System as of December 31, 2008. HUD's Omaha Office of Community Planning and Development rated the State's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the State's Program and did not include the State's reporting of Program income in its August 2007 on-site monitoring review.

City of Newark, New Jersey
The City did not report its Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was nearly $363,000. From January 1, 2007, through November 30, 2008, the City received $50,000 in Program income. However, the City had not reported any Program income in HUD's System as of December 31, 2008. Although HUD's Newark Office of Community Planning and Development rated the City's Program income as high risk in its fiscal years 2006 and 2007 risk analyses of the City's

Program, it did not include the City's reporting of Program income in its July 2007 on-site monitoring review.

City of Oakland, California
The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $26,000, while its balance of Program income reported in HUD's System was zero. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from July 24, 2007, through April 10, 2008, the City received nearly $406,000 in Program income. However, the City did not report Program income in HUD's System for the period until October 1, 2008. Further, the City reported less than $174,000. HUD's San Francisco Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not include the City's reporting of Program income in its August 2008 on-site monitoring review.

Palm Beach County, Florida
The County did not report its Program income in HUD's System. From January 1, 2007, through November 30, 2008, the County received more than $649,000 in Program income. In addition, the County had a balance of Program income in its local account of nearly $2.4 million on January 1, 2007. However, as of December 31, 2008, the County had not reported any of its Program income in HUD's System. Although HUD's Miami Office of Community Planning and Development rated the County's Program income as high and low risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively, it did not include the County's reporting of Program income in its June 2007 on-site monitoring review.

City of Phoenix, Arizona
The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was more than $6.8 million, while its balance of Program income reported in HUD's System was less than $1.2 million. From January 1, 2007, through December 31, 2008, the City received more than $2.4 million in Program income. The City reported more than $4 million of Program income in HUD's System during the period. However, the City did not consistently report its Program income in HUD's System in a timely manner. For example, from January 3 through November 30, 2008, the City received nearly $879,000 in Program income. Although the receipts occurred in every month, the City had not reported Program income in HUD's System for the period as of December 31, 2008.

Further, the City accurately reported balances of more than $8.3 million and more than $6.2 million of Program income in its consolidated report to HUD for the periods ending June 30, 2007, and June 30, 2008, respectively. Although HUD's Phoenix Office of Community Planning and Development received the City's consolidated reports, it did not use the consolidated reports to determine that the City had not been reporting all of its Program income in HUD's System.

HUD's San Francisco Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively. Further, in an on-site monitoring review letter, dated October 17, 2007, HUD's Phoenix Office of Community Planning and Development stated that the City generated Program income, reported Program income in HUD's System, and used Program income for activities before drawing down Program funds from its treasury account.

City of Pomona, California

The City did not properly report Program income in HUD's System. Although the City's December 31, 2008, balance of nearly $1.9 million of Program income in its local account was nearly identical to its balance of Program income reported in HUD's System, the City did not consistently report Program income in HUD's System in a timely manner. For example, the City received nearly $304,000 in Program income from August 10, 2007, through June 16, 2008. Although the receipts occurred in every month, the City did not report Program income in HUD's System for the period until August 6, 2008. Further, the City reported more than $393,000. HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2008 and 2009 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

Sacramento County, California, Consortium

The Consortium did not properly report Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was more than $1.9 million, while its balance of Program income reported in HUD's System was less than $801,000. From January 1, 2007, through December 31, 2008, the Consortium received more than $1.4 million in Program income. The Consortium reported more than $2 million of Program income in HUD's System during the period. However, the Consortium did not consistently report Program income in HUD's System in a timely manner. For example, the Consortium received more than $553,000 in Program income from January 16 through November 26, 2007. The receipts occurred in every month during the period. However, the Consortium did not report Program income in HUD's System for the period until January 16, 2008. HUD's San Francisco Office of Community Planning and Development rated the Consortium's Program income as low risk in its fiscal years 2008 and 2009 Program risk analysis and did not include the Consortium's reporting of Program income in its August 2007 on-site monitoring review.

City of San Antonio, Texas

The City did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the City received nearly $1.9 million in Program income. The City reported nearly $2.3 million of Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from March 26, 2007, through January 11, 2008, the City received less than $1.3 million in Program income. Although the receipts occurred in every month, the City did not report Program income in HUD's System for the period until February 13, 2008. Further, the City only reported less than $749,000. The City's Department of Grants Monitoring and Administration's interim director said that the City did not report in HUD's System any Program income maintained by its subrecipients before December 31, 2008. Although HUD's San Antonio Office of Community Planning and Development rated the City's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the City's Program, respectively, it did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

San Bernardino County, California, Consortium

The Consortium did not properly report Program income in HUD's System. As of December 31, 2008, the Consortium's balance of Program income in its local account was more than $5.9 million, while its balance of Program income reported in HUD's System was around $952,000. From January 1, 2007, through November 30, 2008, the Consortium received more than $6.9 million in Program income. However, the Consortium reported less than $637,000 of Program income in HUD's System from January 1, 2007, through December 31, 2008. Although HUD's Los Angeles Office of Community Planning and Development rated the Consortium's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the Consortium's Program, respectively, it did not include the Consortium's reporting of Program income in its July 2007 on-site monitoring review.

City of San Diego, California

The City did not properly report Program income in HUD's System. As of December 31, 2008, the City's balance of Program income in its local account was less than $2.8 million, while its balance of Program income reported in HUD's System was nearly $4.2 million. From January 1, 2007, through December 31, 2008, the City received more than $8.7 million in Program income. The City reported more than $9 million of Program income in HUD's System during the period. However, the City did not consistently report Program income in HUD's System in a timely manner. For example, from January 5 through May 14, 2007, the City received more than $406,000 in Program income. Although the receipts occurred in every month, the City did not report the Program income in HUD's System for the period until June 14, 2007. Further, the City reported nearly $1.1 million in Program income. HUD's Los Angeles Office of Community Planning and Development rated the City's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the City's Program and did not conduct a monitoring review of the City's Program from January 1, 2007, through December 31, 2008.

San Joaquin County, California

The County did not properly report Program income in HUD's System. As of December 31, 2008, the County's balance of Program income in its local account was around $593,000, while its balance of Program income reported in HUD's System was more than $881,000. From January 1, 2007, through December 31, 2008, the County received more than $1.5 million in Program income. The County reported more than $3.7 million of Program income in HUD's System during the period. However, the County did not consistently report Program income in HUD's System in a timely manner. For example, from January 16 through September 3, 2008, the County received nearly $307,000 in Program income. Although the receipts occurred in every month, the County did not report Program income in HUD's System for the period until October 6, 2008. Further, the County reported nearly $638,000. HUD's San Francisco Office of Community Planning and Development rated the County's Program income as low and high risk in its fiscal years 2007 and 2008 risk analyses of the County's Program, respectively. However, it did not conduct a monitoring review of the County's Program from January 1, 2007, through December 31, 2008.

State of South Dakota

The State did not properly report all of its Program income in HUD's System. As of December 31, 2008, the State's balance of Program income in its local account was nearly $315,000, while its balance of Program income reported in HUD's System was less than $230,000. As of November 30, 2008, the State received nearly $85,000 in Program income from Program funds for disaster areas. However, the State had not reported in HUD's System any of the nearly $85,000 in Program income from Program funds for disaster areas as of December 31, 2008. HUD's Denver Office of Community Planning and Development rated the State's Program income as low risk in its fiscal years 2007 and 2008 risk analyses of the State's Program and did not conduct a monitoring review of the State's Program from January 1, 2007, through December 31, 2008.

State of Utah

The State did not properly report Program income in HUD's System. From January 1, 2007, through December 31, 2008, the State received nearly $5.6 million in Program income. The State reported around $5.2 million in Program income in HUD's System during the period. However, the State did not consistently report Program income in HUD's System in a timely manner. For example, from June 1 through September 30, 2007, the State received more than $684,000 in Program income. Although the receipts occurred in every month, the State did not report the Program income in HUD's System for the period until November 30, 2007. HUD's Denver Office of Community Planning and Development rated the State's Program income as moderate and high risk in its fiscal years 2007 and 2008 risk analyses of the State's Program, respectively. However, it did not identify any issues with the State's reporting of Program income in its April 2007 on-site monitoring review. HUD's Denver Office of Community Planning and Development stated that the State properly recorded Program income in HUD's System. In addition, through a previous audit of the State's Program, we identified that the State did not report in HUD's System Program income received from July through November 2006 until February 2007 (OIG audit report number 2007-DE-1006).