



FULTON COUNTY

**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

**Office of Emergency and Transitional Housing
Grant Infrastructure Review**

April 25, 2014

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Introduction

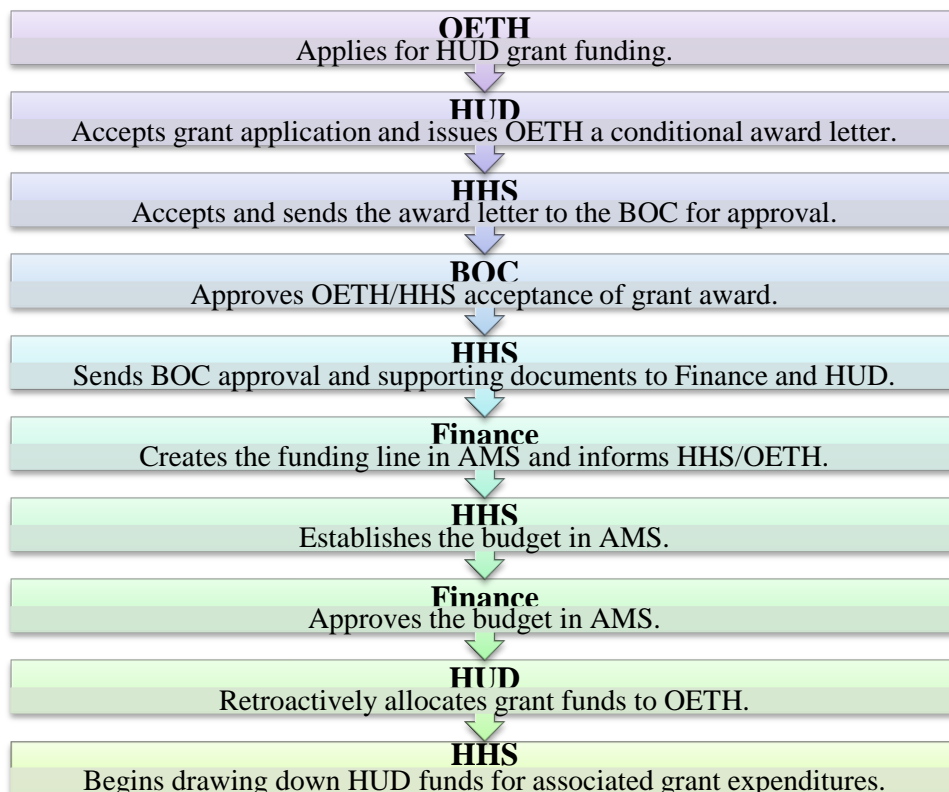
The Office of Internal Audit reviewed the grant infrastructure for the Housing and Human Services’ (HHS) Office of Emergency and Transitional Housing (OETH). The review was conducted to address District 6 Commissioner’s concerns regarding the failure to timely process payments for a grant funded program operated in Villas at the Dome.

Background

The OETH, a division of Housing and Human Services, is located at 1135 Jefferson Street, NW, Atlanta, Georgia. OETH offers an assessment center, supportive services and transitional housing programs that provide support and structure for County’s residents who are refreshing and developing life skills essential to secure stable employment and independent living. These services and programs are offered at the following locations: City of Refuge/Eden Village (serves women and their children), Jefferson Place Transitional Housing Facility (serves men), Odyssey Villas (serves intact families) and the Villas at the Dome (serves women and their children).

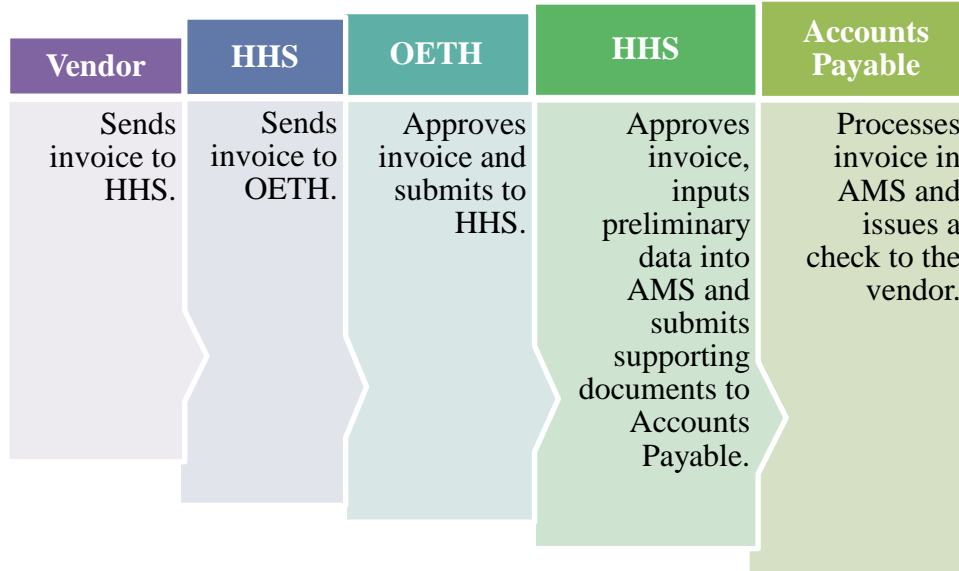
The mission of the OETH is to provide a continuum of care to homeless and at-risk persons that would enable them to successfully reintegrate into the community. To aid in achieving its mission, the OETH regularly applies for grant funding. The process that the OETH utilizes to establish its grants are listed in the following ten steps:

The OETH’s Grant Establishment Process



Accordingly, the OETH utilizes grant funds to pay vendors for any incurred expenditure associated with the grant. The vendor payment process of the OETH is listed in the steps below:

The OETH’s Vendor Payment Process



Overview of OETH’s Utilization of the Homeless Assistance Grant (HAG)

The U.S. Department of Housing and Urban Development (HUD) administers the Homeless Assistance Grant (HAG) that the OETH utilizes for its Permanent Supportive Housing Program. The HAG, valued at \$300,000, is renewable annually and obligated for one year from February 1st through January 31st. The timeframe in which HUD opens the application process varies from year to year. HUD allocates the grant funds retroactively from the beginning date of the grant award and disperses the funds based upon the grantee’s budgetary needs. Funds are dispersed to those grantees with the smallest budget first and all other disbursements are made in sequentially in accordance with the size of the grantees budget. Consequently, due to the size of Fulton County’s budget, the OETH receives grant funds later in the grant disbursement process. As a result, this causes a delay in receiving funds, which impedes the OETH’s ability to draw-down funds to cover on-going grant expenditures.

Overview of Villas at the Dome

On January 25, 2012, HUD approved the OETH’s HAG grant amendment to use Villas at the Dome to house its participants of the Permanent Supportive Housing Program. The County’s Agreement with the Villas at the Dome’s agent, Vine City Holdings, LLC, was for the period from February 1, 2012 through January 31, 2013 and was renewed for another year from February 1, 2013 through January 31, 2014. The OETH is currently in the process of moving its program participants residing at Villas at the Dome to another location. Thus, the County did not renew its Agreement with Vine City Holdings, LLC and is now paying on a month-to-month

basis until all program participants residing at Villas at the Dome are relocated.

Objective

The objective of our review was to determine if the existing grant infrastructure is adequate to timely begin grant administration at the time of grant award and to determine where and why there is a recurring delay in the vendor payment process.

Scope

The period covered by this audit is February 1, 2013 through March 31, 2014.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. To accomplish our objectives, we:

- Identified and reviewed policies, procedures, applicable laws, codes, regulations and board resolutions;
- Interviewed and performed walkthroughs with key personnel;
- Utilized AMS queries to identify vendor payments and the source of funding;
- Analyzed budget establishment procedures, invoices, payment processing and authorizations required to issue payments to Villas at the Dome; and
- Evaluated the business practice utilized by the OETH from grant inception through payment completion to ensure that adequate internal controls exist.

Generally Accepted Government Auditing Standards require that we plan and perform the audit to obtain sufficient and 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.

Findings and Recommendations

Finding 1 – Late Vendor Payments

The County’s Agreement with Vine City Holdings, LLC stipulates the monthly payments are:

“...payable in advance on the first day of the month.”

We reviewed the monthly invoices received from Vine City Holdings, LLC and the payments made by the County from February 1, 2013 through March 31, 2014. Our review of these invoices revealed that the vendor’s invoices were submitted to HHS in advance of the payment’s due date. However, the County failed to pay 40% of the invoices by the due date stipulated in the Agreement. The delays in the vendor payment process were attributed to internal issues such as staff turnover and lack of departmental coordination, which interrupted the flow of critical information. The chart below reflects the analysis of days lapsed between the time the invoice was received from Vine City Holdings, LLC and the date the check was cut for payment.

| Invoice & Check Dates for Vine City Holdings, LLC | | | |
|--|---------------------|--------------------------|--|
| Analysis of Days Lapsed | | | |
| <i>(From 2/1/2013 through 3/31/2014)</i> | | | |
| Service Month | Invoice Date | County Check Date | # Days between Invoice & Check Date |
| February | 02/01/2013 | 02/20/2013 | 19 |
| March | 03/01/2013 | 02/27/2013 | -2 |
| April | 04/01/2013 | 03/27/2013 | -5 |
| May | 05/01/2013 | 04/30/2013 | -1 |
| June | 06/01/2013 | 05/29/2013 | -3 |
| July | 07/01/2013 | 06/26/2013 | -5 |
| August | 08/01/2013 | 08/07/2013 | 6 |
| September | 09/01/2013 | 08/21/2013 | -11 |
| October | 10/01/2013 | 09/13/2013 | -18 |
| November | 11/01/2013 | 10/16/2013 | -16 |
| December | 12/01/2013 | 11/13/2013 | -18 |
| January | 01/01/2014 | 01/17/2014 | 16 |
| January* | 01/23/2014 | 03/06/2014 | 42 |
| February | 01/23/2014 | 03/06/2014 | 42 |
| March | 02/23/2014 | 03/06/2014 | 11 |
| Average # Days Lapsed | | | 3.8 |

*Partial payment. See Finding #2 for details.

On average, the County payments were 4 days late and on multiple occasions 42 days late as illustrated in the above chart. HHS's failure to submit payments by the stipulated contract date makes the County noncompliant with the terms of its Agreement with Vine City Holdings, LLC.

Recommendation

We recommend the HHS implement processes and procedures that can ensure advance payments to Vine City Holdings, LLC are received by the vendor on the first day on each month in accordance with the Agreement.

Finding 2 – Partial Vendor Payments

The County's Agreement with Vine City Holdings, LLC stipulates that the County will pay:

“\$23,758 per month (representing \$874 per unit for 11 two bedroom units, and \$1,158 per unit for 11 three bedroom units and \$1,406 per unit for 1 four bedroom unit)...”

We reviewed the monthly invoices received from Vine City Holdings LLC and the payments made by the County from February 1, 2013 through March 31, 2014. We noted that January's invoice of \$23,758 was not paid in its entirety. Instead, HHS partially paid January's invoice in the amount of \$20,659.20. After receiving the partial payment, Vine City Holdings invoiced the County for the remaining balance of \$3,098.80. HHS made a partial payment on January's

invoice because residents were in the process of moving out of Villas at the Dome and the partial payment was based on the number of units actually occupied. Once HHS determined full payment was required per the Agreement, the remaining unpaid January balance of \$3,098.80 was paid on March 6th (64 days after the original January invoice due date). HHS’s failure to pay the stipulated contract amount makes the County noncompliant with the terms of its Agreement with Vine City Holdings, LLC.

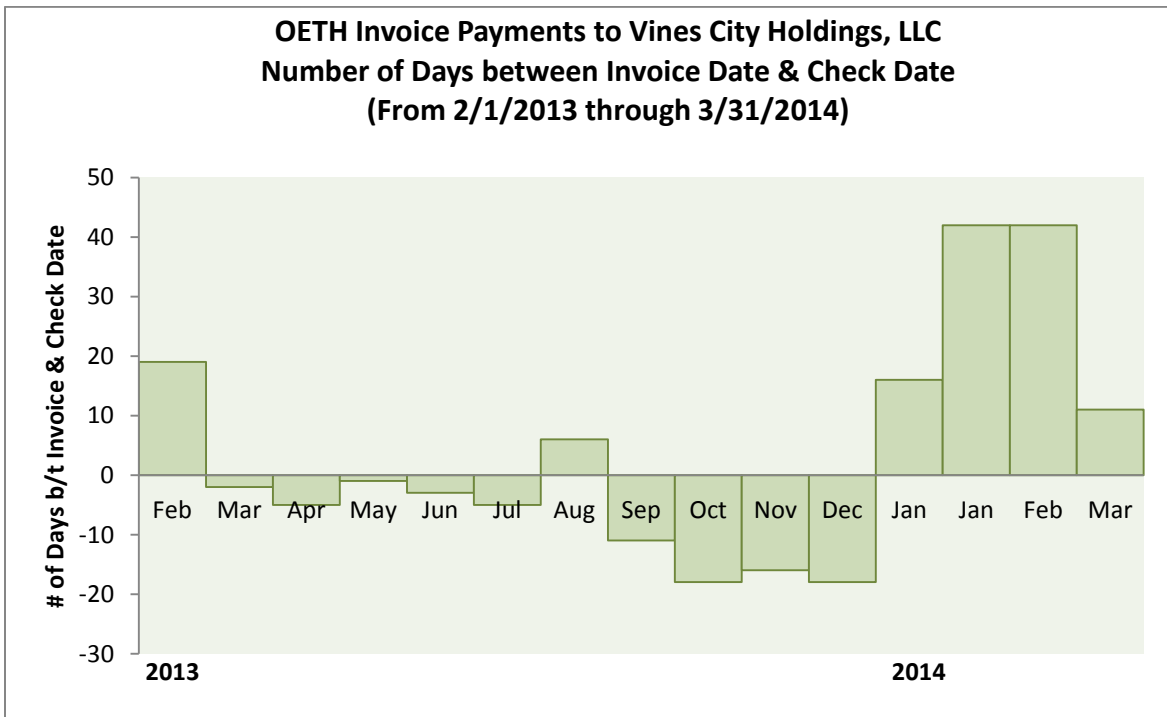
Recommendation

We recommend all invoiced amounts be paid in full to the vendor, Vine City Holdings, LLC in accordance with the Agreement.

Finding 3 – Grant Funding Gap

Management of HHS and the OETH recognizes the period between the expiration of old grant funding and the disbursement of new grant funding as “lag time” or the “grant renewal period”. During the grant renewal period the OETH continued to administer services to its program participants by utilizing general funds from their budget to cover vendor payments. While this process covered temporary shortfalls in previous years during the grant renewal period, this process became ineffective in 2014 at which time general funds in the OETH’s budget were completely eliminated. Due to the elimination of the OETH’s 2014 general funds, delays in vendor payments occurred during the grant renewal period, which negatively impacted client services.

As illustrated in the graph below, the most significant payment delays occurred during the grant renewal period forcing the OETH to use general funds to cover expenditures.



Recommendation

We recommend the OETH identify the projected shortfall amount needed to cover necessary expenditures during the grant renewal period. OETH should request that the Budget Commission restore this amount to their general fund budget to avoid any gaps in service or late payments. Once funding has been received from the grantor, the general fund can be reimbursed for the restored amount. This would help in strengthening and ensuring that an adequate grant infrastructure is in place to effectively administer the grant during the grant renewal period.

Finding 4 – Undocumented Procedures

In years prior, HHS, the OETH and executive level management were aware of the funding gap that occurred during the grant renewal period. Consequently, the OETH general fund was used to cover grant expenditures until HUD dispersed grant funds, which would then be used to reimburse the OETH general fund. The OETH general fund budget has been completely eliminated for the year 2014. Thus, paying grant expenditures during the grant renewal period required the identification of a new funding source and approval of the County Manager. Additional questions from executive level management regarding the undocumented processes of HHS contributed to the delay in the payment process, which negatively impacted client services.

Recommendation

Since the OETH only handles the programmatic portion of the grant, we recommend that HHS include all undocumented in their written policies and procedures. If there are incidents that impede the payment process, it will be important for HHS to immediately inform all decision-making parties and implement an expeditious resolution to ensure timely vendor payments.

Conclusion

Our audit of the HHS’s vendor payment process identified several findings regarding the payments to the vendor, Vine City Holdings, LLC to include late and partial vendor payments due to gaps in grant funding and undocumented procedures. To mitigate these weaknesses, we highly recommend that HHS and the OETH initiate, document, and/or implement the necessary remedies to ensure compliance with the terms of the Agreement and prevent any negative impact on client services. In conclusion, we determined that the OETH vendor payments can be made timely and in accordance with the terms of the Agreement as long as general funds are available to cover any shortfalls during the grant renewal period.

Please provide a written response to this audit within 30 days. You may email your written response to the County Manager and Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.