



DIVISION OF INSPECTOR GENERAL
Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida

November 15, 2022

To: The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed audit of the Administrative Controls over the Community Development Block Grant (CDBG) Program. The funding for this program was provided by U.S. Department of Housing and Urban Development (HUD).

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for the Offices of Inspector General.

The audit includes the expenditures processed for the period from October 1, 2019 to June 30, 2022.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Bill Carroll".

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General
Division of the Inspector General

Approved by:

A handwritten signature in blue ink, appearing to read "Grant Maloy".

Honorable Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County

Audit of
Administrative Controls
Community Development Block Grant (CDBG) Program

Report No. 101522

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HONORABLE GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General

Auditor Assigned:
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Executive Summary

The following Executive Summary provides a high-level synopsis of: 1) why the audit was performed; 2) the audit objectives, and; 3) the results of the audit.

Why was the audit performed?

Seminole County receives annual funding from U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grant (CDBG) Program. From October, 2019 to June, 2022, the county received almost \$6.3 million. The County is required to adhere to funding agreement, federal, state, and county guidelines. This audit focused on the adequacy of the administrative controls.

What are the objectives for the audit?

The objectives of the audit were to determine if the system of internal administrative controls over the program is adequate, and effective; and in compliance with funding agreement, federal, state, and county laws, regulations, policies, and procedures.

What were the results of the audit?

The Seminole County has sufficient internal administrative control over the management and implementation of the CDBG's programs. Also, the County is following funding agreement, federal, state, and county laws, regulations, and guidelines.

The County processed payments of approximately \$5.3 million dollars in CDBG grants between the period of October 1, 2019 and June 30, 2022.

Financial applications, transactions, and records that we statistically tested for the audit period were accurate, complete, and, well documented

Background

Community Development Block Grant (CDBG) is a program that is offered to local communities such as Seminole County to provide much needed funds specifically designed to benefit low income citizens.

According to published federal housing guidelines, low income families living in Seminole County generally include those that are making at or less than \$66,300 in 2022. Local communities such as Seminole County often use program funds to revitalize and develop communities with low income housing projects.

We appreciate the County management team for all of their efforts to promote a more comfortable life for its citizens. This particular audit was designed specifically to determine if the County's administrative controls ensure compliance with the federal guidelines. With that being said, Inspector General (IG) Office reviewed the business processes in place at the County to address compliance with federal guidelines. Noted below are some high-lights of business process that were examined.

Advertisement and Submission Process

The Housing and Urban Development (HUD) posts on their website opportunities for local governments to receive CDBG related Grants.

As part of this process, Seminole County is required to establish and develop a formal implementation process. This includes the County creating an Annual and 5 Year Consolidated Plan to be submitted to HUD for approval. Also, as part of this process, the County is required by federal regulation to seek public input from its citizens. Our audit objective is to determine if the County established a formal implementation process.

Authorization Process

After HUD approves the County's Annual and 5 Year Consolidated Plan, it executes a funding agreement. We noted that during the period of October 2019 to June 2022, the County was awarded three subrecipient agreements. The HUD authorization number related to these agreements is HI-00515R of 20515R under Title 1 of the Housing and Community Development Act (Public Law 930383).

Project/Grant No. 1	Fiscal Year	CDBG Grant
B-19-UC-12-0010	10/2019 - 09/2020	\$1,953,684
B-20-UC-12-0010	10/2020 - 09/2021	\$2,104,669
B-21-UC-12-0010	10/2021 - 09/2022	\$2,197,718
	Total	<u>\$6,256,071</u>

Our audit objective was to review each of these agreements to determine if the terms and conditions of the contract are complete and well defined for proper and effective administration of the contract.

Recording Process

The recording process includes establishing the internal controls over recording the proper information onto the County's financial reporting systems. For this particular program, it is to add the grant into financial system (JDE) with the proper year, amount, and any financial constraints to be considered. The audit tested to see if the grant agreements were properly recorded in the County's business systems.

Reporting Process

As part of the administrative controls, the County has an established process to report to HUD for compliance with the federal program requirements. On an annual basis, the County reports to HUD their performance to the annual and 5-year operating plan. County reports cost incurred information into HUD's Integrated Disbursement & Information System (IDIS). This is the way HUD monitors the county's activities whether allowable or not.

The audit included reviewing and testing the payments and balances of the County's financial system (JDE) to the data reported in the IDIS.

Substantiation Process

From October 1, 2019 and June 30, 2022, the County received CDBG grants of almost \$6.3 million dollars, and expended more than 5.3 million dollars.

We did statistical sampling and examine the payments made under the CDBG programs to test compliance with funding agreement, federal, state, and county's law and regulations.

The results of the audit are included in the report that follows.

Audit Objectives

The objectives of the audit were to determine if the system of internal administrative controls over the program is adequate, and effective; and in compliance with funding agreement, federal, state, and county laws, regulations, policies, and procedures.

Methodology and Scope

The scope of this audit included testing all of the administrative controls established to ensure compliance with HUD guidelines. CDBG reporting process and financial transactions and records for the period from October 1, 2019 through June 30, 2022 were subject to audit.

The audit included reviewing:

- The terms and conditions of the Housing and Community Development Act of 1974;
- CDBG Program Funding Approval/Agreements;
- The Federal, State, and County laws, regulations, and guidelines;
- County's Annual and Consolidated Plans, Consolidated Annual Performance and Evaluation Reports (CAPER), and IDIS's Expenditure Reports;
- Operational workflow for compliance with federal guidelines related to CDBG programs;
- Financial Statements – Schedule of Federal Awards and State Financial Assistance (SEFA);
- Financial applications and supporting documentation (statistically sampled) for compliance with approved guidelines; and,
- Other procedures considered necessary under the circumstances.

Overall Evaluation

The system of internal administrative controls over the CDBG program is adequate, effective, and in compliance with funding agreement, federal, state, and county guidelines.

Financial applications, transactions, and records that we statistically tested for the audit period were accurate, complete, and, well documented. The records tested were from October 1, 2019 to June 30, 2022.