

# Memorandum



**CITY OF DALLAS**  
(Report No. A09-012)

**DATE:** August 21, 2009

**TO:** Honorable Mayor and Members of the City Council

**SUBJECT:** Final Report – Follow-Up of Audit Recommendations, Housing Department Development Division, Fiscal Year 2005

The Housing Department is commended for implementing the three recommendations resulting from the *“Review of the City of Dallas Housing Department Award and Administering Controls”*, dated September 2, 2005. *Attachment A* provides detailed information for the recommendations included in this audit<sup>1</sup> report.

## Summary of Follow-up Audit Results

Fiscal Year Audit Report Issued	Number of Report Recommendations	Recommendations Implemented	Recommendations Partially Implemented	Recommendations Not Implemented
<b>2005</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>

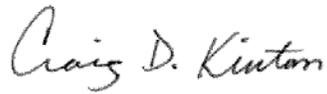
The Housing Department tracks the levels of Community Housing Development Organizations' (CHDOs) and sub-recipient expenditures of federal funds received through the City of Dallas and has established a procedure for annual re-certification of CHDOs to insure CHDO compliance with federal requirements. The annual re-certification includes a review, approval, and accurate filing of required documentation including certified financial statements and Single Audit statements. The Housing Department receives weekly schedules of construction work by CHDOs and their certified payroll records and sends these documents to the Grants Compliance Group (GCG).

<sup>1</sup> This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. The audit objective was to verify that management has taken corrective action(s), the corrective action(s) are achieving the desired results, or management has assumed the risk of not taking corrective action(s). This performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We appreciate the cooperation of Housing Department personnel. This report was discussed with Housing Department management, but a written response was not requested.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton  
City Auditor

Attachment

C: Mary K. Suhm, City Manager  
Jerry Killingsworth, Director of Housing  
A.C. Gonzalez, Assistant City Manager

**ATTACHMENT A**

<b>Audit Report</b>	<b>Audit Issues</b>	<b>Audit Recommendations</b>	<b>Audit Follow-Up Results</b>
<p><b>Review of the City of Dallas Housing Department Award and Administering Controls (September 2, 2005)</b></p>	<p><b>Compliance with Federal grant requirements</b></p>	<p>- Implement controls to:</p> <p>a) Notify sub-recipients and Community Housing Development Organizations (CHDOs) when they exceed expenditure thresholds per OMB Circular A-133 during their fiscal year.</p> <p>b) Notify sub-recipients of their need to perform a single audit in compliance with federal law and OMB Circular A-133, once a grant program sub-recipient exceeds the self-reporting threshold.</p> <p>c) Require sub-recipients and CHDOs to submit the result of a single audit for any year in which the sub-recipient or CHDO is to perform a single audit to the Housing Department.</p> <p>d) Suspend sub-recipients and CHDOs from participation in federal grant program awards for failure to comply with the Single Audit Act of 1986 and its subsequent amendments.</p>	<p><b>Implemented.</b> The City of Dallas as a whole has controls in place to insure that all CHDOs and sub-recipients comply with the Single Audit requirement.</p> <p>a) Housing Department tracks the level of expenditures of federal funds on Dallas projects by CHDOs and sub-recipients. However, the Housing Department does not have a capability to track expenditures of federal funds from sources other than the City of Dallas. Therefore, the Department is unable to determine if CHDOs and sub-recipients exceed Single Audit expenditure thresholds until the agencies submit their year-end certified financial statements showing the expenditure of federal funds from all sources.</p> <p>b) The Housing Department distributes federal funds among non-profit agencies by entering into contracts with CHDOs and sub-recipients. These contracts include a requirement for Single Audit compliance.</p> <p>c) All CHDOs are required to undergo annual certification and submit their certified financial statements and Single Audit to the Housing Department.</p> <p>d) There were no instances of non-compliance with the Single Audit requirement on the part of CHDOs or sub-recipients.</p>

Audit Report	Audit Issues	Audit Recommendations	Audit Follow-Up Results
		<p>e) Require sub-recipients and CHDOs to submit statements periodically to the Housing Department regarding federal grant funds received from other awarding entities.</p> <p>f) Provide a copy of the notice to Grants Compliance Group as per "a" above and provide a copy of the supporting financial information.</p>	<p>e) Sub-recipients and CHDOs submit their year-end certified financial statements to the Housing Department. These financial statements detail the expenditure of federal grants from all sources.</p> <p>f) The Grants Compliance Group (GCG) separately obtains and reviews certified financial statements from CHDOs and sub-recipients. Based on the information in the financial statements, GCG monitors compliance with Single Audit requirement.</p>
		<p>- Ensure that the Department revises the business process flows and internal controls to include the distribution of relevant documentation to other City departments and interested parties.</p>	<p><b>Implemented.</b> The Housing Department obtains weekly schedules and certified payroll documents from contractors and forwards these documents to GCG upon receipt from contractors. However, delays in submission of these documents hamper GCG's monitoring activities.</p>

Audit Report	Audit Issues	Audit Recommendations	Audit Follow-Up Results
		<p>- Adhere to document collection directives as denoted in HUD Notice CPD-97-11 and detailed in the Housing Department's document entitled "Community Housing Development Organization Certification Policy", to ensure all necessary documentation is collected from CHDOs at the time of certification application and develop internal controls that will ensure that all collected documentation from a sub-recipient or CHDO is maintained in a readily accessible manner.</p>	<p><b>Implemented.</b> Housing Department requires annual re-certification of all CHDOs and has a procedure in place to control and review all certification documents to make sure that they comply with certification requirements. CHDOs submit adequate documentation to comply with certification requirements. Review of certification files shows that files are well organized and easily accessible.</p>