



# City of Gainesville

## Office of the City Auditor



### Public Report

### SHIP and Local Housing Assistance Plan Audit



#### GAINESVILLE CITY COMMISSION

Harvey Ward, Mayor  
Bryan Eastman, Mayor Pro Tem  
Ed Book  
Cynthia Chestnut  
Desmon Duncan-Walker  
James Ingle  
Casey Willits

#### AUDIT COMMITTEE MEMBERS

Harvey Ward, Mayor  
Bryan Eastman, Mayor Pro Tem  
Harold Monk, CPA, CFE (Appointed)



# City of Gainesville

## Office of the City Auditor

### Transmittal of Audit Findings for SHIP and Local Housing Assistance Plan

March 25, 2025

Dear Audit Committee Members,

We are pleased to transmit the SHIP and Local Housing Assistance Plan audit results. The audit assessed the adequacy of the Local Housing Assistance Plan, through inquiry, observation, and substantive testing. The scope of our audit included reviewing applicant intake oversight, plan execution, contracting, fiscal record keeping, and reporting. We identified opportunities for improvement in two areas as follows:

- 1) *Local Housing Assistance Plan Progress*: There is a risk that State Housing Initiatives Partnership (SHIP) funds received for the State fiscal year 2023-24 may not be encumbered by the deadline, June 30, 2025. As of February 20, 2025, the Housing and Community Development Department (HCD) was in the 19th month of the 36 months it has to fully utilize the \$1,669,046 received for FY 2023-24. However, only 9.45% of that amount (\$157,791) was expended or encumbered.
- 2) *Application Intake Oversight*: There is no documented procedure for oversight of the application process. Management reviews the applicant waitlist occasionally, but there is no formal process or documentation for the reviews. Nine applicants were not on the waitlist. We are pleased to report that HCD staff immediately began updating the waitlist upon notification from Internal Audit.

Our recommendations for corrective action and management action plans are detailed in this report. We would like to take this opportunity to thank the City Manager and the management and personnel of the Department of Housing and Community Development for their cooperation and professionalism during this audit.

Thank you for your attention to this matter.

Sincerely,

*SWhere*

Stephen Where, CIA, CISA, MBA, MS, City Auditor

### **INTERNAL AUDIT TEAM**

Diana Ferguson-Satterthwaite, FCCA, CIA, CFE, Assistant City Auditor and Lead Auditor for this Engagement

Lisa Siedzik, CISA, IT Audit Manager

Peter DeMaris, Staff Auditor

Meayki Batie, Audit Coordinator



## TABLE OF CONTENTS

---

<b>INTERNAL AUDIT TEAM .....</b>	<b>1</b>
<b>BACKGROUND.....</b>	<b>3</b>
<b>AUDIT OBJECTIVES.....</b>	<b>3</b>
<b>AUDIT SCOPE AND METHODOLOGY .....</b>	<b>3</b>
<b>AUDITING STANDARDS .....</b>	<b>3</b>
<b>AUDIT CONCLUSIONS.....</b>	<b>4</b>
<b>RATING OF RISKS ASSOCIATED WITH AUDIT ISSUES.....</b>	<b>4</b>
<b>NOTEWORTHY ACCOMPLISHMENTS.....</b>	<b>4</b>
<b>AUDIT ISSUES AND MANAGEMENT ACTION PLANS .....</b>	<b>5</b>



## **BACKGROUND**

---

The Department of Housing and Community Development works to increase affordable housing opportunities for homeowners and renters in Gainesville through various programs. These programs include Community Development Block Grants (CDBG), State Housing Initiatives Partnership (SHIP) Programs, and the U.S. Department of Housing and Urban Development's HOME Investment Partnerships (HOME). This audit focuses on the SHIP Program.

### **THE SHIP PROGRAM**

The City of Gainesville receives funding from the Florida Housing Finance Corporation (FHFC) through its SHIP program as an incentive to produce and preserve affordable housing options. The program was designed to serve families with very low, low, and moderate incomes. Funds disbursed should be encumbered within two years and fully expended within three years. Sixty-five percent of the SHIP allocation must be used for homeownership. Seventy-five percent of the SHIP allocation must be used for construction or rehabilitation. The City must use at least 30% of all funds received for very low-income applicants. The City received approximately \$1.67M for FY 2023-24 and \$1.12M for FY 2024-25.

### **THE LOCAL HOUSING ASSISTANCE PLAN**

All local governments participating in SHIP must always have an approved Local Housing Assistance Plan (LHAP). Local Governments must submit their LHAPs by May 2 once every three years, covering the three fiscal years beginning July 1 of the year the plan is submitted. LHAPs are designed to detail how each local government will expend funds allocated to them for each fiscal year. The City's current LHAP covers the period from July 1, 2023, to June 30, 2026. The focus of the LHAP is owner-occupied rehabilitation, down payment assistance, housing development, mortgage foreclosure intervention, and rental development. The estimated number of units from each fiscal year allocation was 14 total homeownerships and nine total rentals. HCD has already provided homeownership assistance for 10 units from the FY 2023-24 allocation. Note: this is state fiscal year, which runs July 1 through June 30.

## **AUDIT OBJECTIVES**

---

This audit was conducted according to the City Auditor's FY 2025 annual audit plan. Its objective was to review the use of SHIP funds and assess the adequacy of the Local Housing Assistance Plan intended to produce and preserve affordable homeownership and multifamily housing.

## **AUDIT SCOPE AND METHODOLOGY**

---

The scope of this audit included assessing the design, structure, and operating effectiveness of controls related to the use of SHIP funds and the execution of the 2023-26 Local Housing Assistance Plan. We conducted the audit through inquiry, observation, and substantive testing of LHAP activities including application intake oversight, plan execution, contracting, fiscal record keeping, and reporting.

## **AUDITING STANDARDS**

---

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement 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 observations and conclusions based on our audit objectives.



## AUDIT CONCLUSIONS

Based upon the work performed, as shown in Table 1 below and explained in the Audit Issues and Management Action Plans section of this report, our conclusion is that SHIP funds are used appropriately, and the Local Housing Assistance Plan adequately produces and preserves affordable homeownership. However, internal controls are not adequate to ensure:

1. Compliance with the timeline for fund encumbrance.
2. HCD considers all applications for home rehabilitation.

## RATING OF RISKS ASSOCIATED WITH AUDIT ISSUES

We identified two audit issues and assigned each of them a risk rating, as shown below.

Table 1: Audit Issue Risk Rating

RISK RATING	RISK RATING DESCRIPTION	Issue # 1	Issue # 2
High	<i>Key controls do not exist or are not effective, resulting in an impaired control environment. High Risk control weaknesses require immediate corrective action detailed in the management action plan.</i>		
Moderate	<i>Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.</i>	✓	✓
Low (non-reportable)	<i>Satisfactory overall control environment with a small number of low risk control improvement opportunities that do not require corrective action or a management action plan.</i>		

## NOTEWORTHY ACCOMPLISHMENTS

As a result of the audit, we identified the following internal controls within the scope of our review that were established and working as designed. We express kudos to management on designing and effecting good controls over the following:

- The HCD procedure for developing the Local Housing Assistance Plan is consistent with the Florida Housing Finance Corporation (FHFC) guidance.
- HCD prioritized extremely low to low-income households for assistance. All beneficiaries that received down payment assistance and mortgage foreclosure intervention from the 2023-25 SHIP funds were in the extremely low to low-income category.
- HCD automated the application process, which makes it easier for potential program beneficiaries to apply for assistance and track application status.



## AUDIT ISSUES AND MANAGEMENT ACTION PLANS

### ISSUE #1 - Local Housing Assistance Plan Progress

**Risk rating:** Moderate

**Observation:** There is a risk that SHIP funds received for the State fiscal year 2023-24 may not be encumbered by the deadline, June 30, 2025. As of February 20, 2025, the Housing and Community Development Department (HCD) was in the 19th month of the 36 months it has to fully utilize the \$1,669,046 received for FY 2023-24. However, only 9.45% of that amount (\$157,791) was expended or encumbered.

Table 1: Allocation and Actual & Encumbered Expenses

Strategies	FY 2023-24		
	Actual Award Split	Actual Expended	% Expended
Down payment Assistance	\$120,000	\$120,000	100.0%
Roof Replacement	\$200,000		0.0%
Homeowner Rehabilitation	\$320,000		0.0%
House Replacement	\$525,000		0.0%
Mortgage Foreclosure Prevention	\$45,000	\$37,500	83.3%
Housing Development (Homeownership) New Construction*	\$100,000		0.0%
Rental Development (New Construction/Rehabilitation)*	\$225,000		0.0%
Administration Fees	\$134,046	\$291	0.2%
<b>TOTAL</b>	<b>\$1,669,046</b>	<b>\$157,791</b>	<b>9.5%</b>

\* The period for Housing and Rental Development ended in February 2025. Applicants submitted are currently under review

HCD has an ongoing case list of 136 applications for rehabilitation, and 65 of the 136 applications were pending intake for a period ranging from 360 to 678 days. A timeline analysis of the rehabilitation progress at various stages of completion indicates that the average time between the application submission date and the date the applicant is pulled from the waitlist is 395 days which is approximately 56 weeks. The average time between an application pull from the waitlist and the contract is 18 weeks, and the average time between the intake and contract is 15 weeks. HCD management communicated that ten applicants were pulled from the waitlist in the week of March 3, 2025. The intake for these applicants will be the week of March 24, 2025. HCD will need to pull and process additional applicants to meet the deadline for encumbered funds.

**Criteria:** Per section 67-37.007 of the Florida Administrative Code: All local housing distribution funds shall be encumbered by June 30 of the State fiscal year following the end of the applicable State fiscal year. The funds deposited to the local housing assistance trust fund must be expended within 24 months from the end of the applicable State fiscal year. Per section 67-37.007 of the Florida Administrative Code: “Encumbered” means that deposits made to the local affordable housing trust fund have been committed by contract, or purchase order, letter of commitment, or award in a manner that obligates the county, eligible municipality, or interlocal entity to expend the amount upon delivery of goods, the rendering of services, or the conveyance of real property by a vendor, supplier, contractor, or owner.

Per section 6-D of the FHFC SHIP Program Overview and Procedure Manual, a waiting list for assistance should be established when it is appropriate for a particular strategy for which all available funding is committed.



**Cause:** The Housing and Community Development Department received funds from multiple sources and allocated funds to projects based on the deadline for utilization. HCD prioritized Community Development Block Grant (CDBG) funds for rehab programs rather than SHIP 2023-24 to meet the timeline to expend the CDBG funds whose deadline was earlier.

**Risk:** If HCD fails to spend or encumber funds within the required timeline, the City will be non-compliant and might be sanctioned by the Florida Housing Finance Corporation.

**Recommendation 1:** We recommend that HCD management:

- a) Develop a strategy to process a targeted number of applications for major rehabilitation and home replacement from the waitlist to ensure the SHIP 2023-24 allocation of funds is encumbered by June 30, 2025.
- b) Review the process for including applicants on the waitlist when funding is available to reduce the processing time.

**Management Action Plan:** Management agrees with the audit recommendations. HCD strives to comply with each funding source. Notably, the allocation of \$1,669,046 of State FY 2023-2024 SHIP Program funding must be expended, encumbered, or a combination of both by June 30, 2025. As of February 20, 2025, \$157,791 of these funds have been expended, with the remaining balance to be encumbered by June 30. HCD has developed the following plan for encumbering these funds by the state-designated deadline.

Current Status (March 11, 2025) and plan:

Two (2) major rehabilitation Projects have been funded and are currently under contract.

Two (2) major rehabilitation applicants have been pulled from the waitlist for intake, review, and approval.

One (1) house replacement Project was approved to move forward to closing, and funds will be encumbered accordingly.

Ten (10) applicants were pulled from the waitlist on March 3, 2025, for intake, review, and approval. These ten applicants will be earmarked for the following programs:

- Eight (8) applicants for the Roof Replacement Program
- Two (2) applicants for House Replacement determination.

Five (5) additional applicants were pulled from the waitlist on March 10, 2025. The intake for these applicants will be the week of April 8, 2025.

HCD fully expects to have all applicants reviewed and approved, with all funds encumbered by June 30, 2025. Management will also review the process to include applicants on the waitlist when funding becomes available, aiming to reduce processing time.

Due date:	June 30, 2025
Responsible Party:	HCD Manager
Accountable Party:	HCD Director



## ISSUE #2 - Application Oversight Processes

**Risk rating:** Moderate

**Observation:** There is no documented procedure for oversight of the application process. HCD personnel are notified via email when applications are submitted via a third-party, cloud-based software. This information is then manually entered into a spreadsheet referred to as the waitlist. This spreadsheet is reviewed occasionally by management, but there is no formal process and no documentation for the reviews. Once applicants are pulled from the waitlist, a staff member assesses their applications and requests supporting documentation. Reviews of this support documentation by management are not always documented.

There were 199 applications for home rehabilitations submitted via the third-party, cloud-based software during the scope period. Nine of those applicants were not on the waitlist and two were assigned incorrect statuses. We are pleased to report that upon notification from Internal Audit, HCD staff immediately began updating the waitlist.

Of the 15 applicants who had received funding during the scope period for down payment assistance and mortgage foreclosure intervention, three were found to have conflicting support documentation regarding income level. One of those three also contained support documentation with inaccurate calculations for the income level of the applicant.

**Criteria:** Section 16.05 of the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government guides that management should perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

SHIP Program Procedures Manual (rev. 3/2021) I. Program Details -

I. Waiting List/Priorities: A waiting list will be established when there are eligible applicants for strategies that no longer have funding available. Those households on the waiting list will be notified of their status. Applicants will be maintained in an order that is consistent with the time applications were submitted as well as any established funding priorities as described in this plan.

**Cause:** Oversight of the application process was not formalized by the department and adopted as a process.

**Risk:** Not performing oversight of the application processes leaves the department susceptible to undetected errors and incorrect reporting. It may also inadvertently exclude neighbors from housing benefits, which can result in a loss of SHIP funding and a negative reputation for the City.

**Recommendation 2:** We recommend that HCD management:

- a) Develop processes and procedures for the oversight of the application process.
- b) Perform and document oversight of the application process.

**Management Action Plan:** Management agrees with the audit recommendations. The Department of Housing & Community Development (HCD) strives to maintain an accurate and efficient application process. To address this finding, HCD has begun updating the Policy and Procedures Manual to include a two-part verification between the Grant Program Specialist and HCD Supervisor to ensure proper and documented oversight of the application process. The HCD Supervisor will be required weekly to check the waitlist to verify all applicants who submitted applications via Neighborly, a web-based client management system, are on the manual waitlist managed by the Grant Program Specialist. HCD Management will periodically review and assess this process to ensure compliance.

Due date:	June 1, 2025
Responsible Party:	HCD Supervisor
Accountable Party:	HCD Manager

