

**DEVELOPMENT AND ECONOMIC OPPORTUNITY  
HOUSING AND COMMUNITY DEVELOPMENT  
HOUSING PROGRAMS – SHIP FUNDING  
AUDIT 23-10  
JULY 31, 2023**



**City of Tampa**  
*Jane Castor, Mayor*

**Internal Audit Department**

315 E. Kennedy Boulevard  
Tampa, Florida 33602  
Office (813) 274-7159

July 31, 2023

Honorable Jane Castor  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Housing Programs – SHIP Funding, Audit 23-10

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Housing Programs – SHIP Funding.

The Housing Division has already taken positive actions in response to our recommendations. We thank the management and staff of the Housing Division for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover  
Internal Audit Director

cc: John Bennett, Chief of Staff  
Nicole Travis, Administrator for Development and Economic Opportunity  
Dennis Rogero, Chief Financial Officer  
Abbye Feeley, Deputy Administrator for Development and Economic Opportunity  
Kayon Henderson, Housing and Community Development Manager  
Carl Brody, Assistant City Attorney

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*/s/ Vivian N Walker*

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Lead Senior Auditor

*/s/ Christine Glover*

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Audit Director

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**BACKGROUND**

The City of Tampa (City) receives funding from the State of Florida (State) to implement its Local Housing Assistance Plan (LHAP). These funds are referred to as State Housing Initiative Partnerships or SHIP. SHIP funding was used by the City to address various strategies identified in the LHAP for 2019-2022. The two strategies listed in the LHAP are homeownership and rental. The housing programs implemented to accomplish these two strategies are down payment assistance (DPA), owner occupied rehabilitation (OOR), and rental security and utility deposit assistance (RSUDA). For 2019-2022, the City received revenues totaling more than \$3.2 million for the strategies identified in the LHAP.

**STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY 2023 Audit Agenda. The objectives of this audit were to determine whether:

1. The system of internal controls related to SHIP funding are adequate.
2. The SHIP annual report submitted for the 2019-2020 closeout year is accurate.
3. The City complied with the funding requirements for its OOR program for the 2019-20 SHIP closeout year.
4. The City complied with the funding requirements for its DPA program for the 2019-20 SHIP closeout year.
5. The City complied with the funding requirements for its RSUDA program for the 2019-20 SHIP closeout year.

**STATEMENT OF SCOPE**

The audit period covered the activities of the Housing Division (Housing) for SHIP funded program for the closeout period of 2019-2020. Tests were performed to determine whether the Housing Division personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Source information reviewed was generated from Oracle Cloud using reporting module SplashBI, which has previously been evaluated and determined to be reliable. Original records as well as copies were used as evidence and verified through observation and physical examination.

## **STATEMENT OF METHODOLOGY**

The following steps were taken to complete the stated objectives:

- Discussed the processes for OOR, DPA, and RSUDA with appropriate personnel to assess the adequacy of internal controls.
- Reviewed policies and procedures manual for each of the program types and the applicable Florida statutes.
- Reviewed documentation for each program to determine if the requirements were being met for eligibility and use of SHIP funds.
- Discussed the performance metrics being reported on Tampa.Gov for Housing related activities. Based on the discussion, suggestions were provided to Management that would result in more relevant information being captured as a measure of performance.

## **STATEMENT OF AUDITING STANDARDS**

We conducted this performance 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.

## **AUDIT CONCLUSIONS**

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to SHIP funding are adequate.
2. The SHIP annual report submitted for the 2019-2020 closeout year is accurate.
3. The City complied with the funding requirements for its OOR program for the 2019-20 SHIP closeout year. However, improvement is needed in the process to accurately report loan details to third parties.
4. The City complied with the funding requirements for its DPA program for the 2019-20 SHIP closeout year. However, improvement is needed in the documentation being maintained to support compliance with the approval process and recording the loan in the general ledger.
5. The City complied with the funding requirements for its RSUDA program for the 2019-20 SHIP closeout year..

## **DOWN PAYMENT ASSISTANCE DOCUMENTATION**

**STATEMENT OF CONDITION:** Housing administers the Dare to Own the Dream Homeownership Program or DARE using funding from Home Investment Partnership Program (HOME), SHIP, Community Development Block Grant, or City of Tampa general funds. The SHIP Annual Report for FY 2019/2020 Closeout shows three units under the strategy "purchase assistance without rehab," which describes down payment assistance loans. A 100% review of the documentation retained to support compliance with SHIP funding requirements identified the following:

- Two applications were processed, including having the mortgage recorded, as HOME funded loans. The two mortgages were recorded in April 2022. The funding source was subsequently changed from HOME to SHIP, in the general ledger via a journal entry, in August 2022. However, there is no documented explanation in either file to support why the applications were initially processed as HOME funded loans but were being recategorized to SHIP funded loans.
- HUD defines a first-time homebuyer as someone that has not owned property within three years of applying for funds. DARE requires an applicant to be a first-time homebuyer and Housing uses the response to a question in Section 5 of the Housing and Urban Development Form 1003 to determine if an applicant meets this criterion. However, there is no independent verification by Housing that an applicant has not owned property within three years of the date of the application.
- There is no documented record of which party to the sale of the property attended the required housing quality standard inspection.

**CRITERIA:** All general ledger journal entries should be properly supported. DARE policies and procedures require (with some exceptions) that an applicant has had no ownership of "a principle residence or owned a home in the last three years at the date of application." Additionally, there is a requirement that either the "seller or buyer's Real Estate Agent MUST BE present" during the housing quality inspection.

**CAUSE:** No requirement to obtain written support of attendance at housing quality inspection by the buyer's realtor or seller. Additionally, there is no established process to independently verify that the applicant was not a property owner in the three years prior to applying for assistance.

**EFFECT OF CONDITION:** Inadequate documentation to support reclassifying funds could be considered ineligible use and result in loss of, or reduced, future allocations from the State of Florida. Additionally, failure to verify that an applicant did not own property within the three years prior to applying for the program could result in someone participating in a program for which they do not qualify, resulting in those funds being deemed ineligible.

Liability to the City of Tampa could occur for any damages to the seller's property if only the City's inspector is on site without the seller or buyer's realtor present to observe the housing quality inspection.

RECOMMENDATION 1: Housing Management should update the recorded mortgage to reflect the funding source as SHIP, not HOME. Additionally, any changes to a funding source should have an explanation in the file. Although qualification of an applicant is completed by the housing counseling agencies, Housing should research independent methods to verify if the applicant has, in fact, not owned property within the required period.

Additionally, to document compliance and limit any liability to the City, a record should be kept that supports the fact that the required party(ies) were in attendance during the housing quality standard inspection.

MANAGEMENT RESPONSE:

**In response to the two mortgages that were recorded with the wrong fund source:**

Housing has initiated a process with the Legal Department to complete mortgage modifications for both loans.

**In response to confirming that applicants are actually first-time homebuyers:**

Housing will include this as a required step during the reservation process. Housing will request the title search prior to providing an approved reservation number. The title search will be included in the underwriting file once the purchase contract has been signed prior to initiating the Housing Quality Standards (HQS) inspection being scheduled.

**In response to having a documented record of which party attended the Housing Quality Standards (HQS) inspection:**

Previously, there was no written confirmation of the required party being present for the HQS inspection and the Inspector did not enter the property if the Agent or Seller, if applicable, was not present. If the Buyer's Agent, Seller's Agent or Seller, if applicable, was not present, the HQS inspection wasn't completed and was rescheduled when one of the required individuals could be present.

Effectively immediately, Housing will have signed confirmation that the Buyer's Agent, Listing Agent and/or Seller, if applicable, is present at the HQS inspection. The HQS Inspection Form Cover Sheet is updated to include a signature/date line for the Agent or Seller, if applicable, to sign at the beginning or conclusion of the HQS inspection.

TARGET IMPLEMENTATION DATE:

Anticipated completion for loan modifications is 90 days.

Confirmation of first-time homebuyers' status was taken into effect October 2024.

Documentation of which party was present for the HQS was taken into effect May 17, 2023.

## **OWNER OCCUPIED REHABILITATION DOCUMENTATION**

**STATEMENT OF CONDITION:** A review of the documentation for OOR loans, receiving SHIP funds, identified nine mortgages that were not properly recorded with the Clerk of Court for Hillsborough County (County) and/or the City's mortgage servicing company. Mortgages recorded with the County and the information reported to the mortgage servicer are based on the approved contract bid amount. The differences identified were due to approved change orders after the initial loans were processed and recorded. Three of the nine loans had a difference that exceeded the threshold required to amend a promissory note/mortgage.

**CRITERIA:** OOR policies and procedures indicate that an approved change order that is for "\$5,000 or more" requires a request to the Legal Department to amend the promissory note/mortgage. Additionally, after the loan closing, the OOR policies and procedures require finalizing an account setup with the City's mortgage servicing company by submitting the mortgage amount and terms.

**CAUSE:** At the time of the deficiencies, the project sponsor approved change orders without prior City notification. The change order amounts were paid through reimbursement to the project sponsor. Additionally, the threshold for the \$5,000 was applied to a single change order and some of the above exceptions were for multiple change orders.

**EFFECT OF CONDITION:** Non-compliance with an established policy could jeopardize the City's position for mortgages recorded against the properties used as collateral for OOR deferred payment loans.

**RECOMMENDATION 2:** Housing Management should develop a process when closing a file that would require comparing the information recorded by the Clerk of the Court and the mortgage servicing company. The comparison will allow for any discrepancies to be identified and corrected in a timely manner.

**MANAGEMENT RESPONSE:** We agree with the auditor's comments, and the following action will be taken: Housing and Community Development will amend its policy and procedures to remove the exception to require an amendment for change orders that are "\$5,000.00 or less." For all loans moving forward, all recorded mortgages will match with the final amount of assistance provided to the homeowner. The City's mortgage servicing provider will be provided with the final mortgage amounts upon the completion of each project. This revision will be communicated to all staff involved with the Owner-Occupied Rehab and mortgage servicing programs.

**TARGET IMPLEMENTATION DATE:** June 23, 2023