



# ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

Walton County Board of County Commissioners  
Walton County Housing Agency  
Follow-up Review of  
Section 8 Rental Assistance

Alex Alford  
Clerk of the Courts

Internal Audit Department

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Report 17-03  
July 2017

REPLY TO:

- 571 U.S. HIGHWAY 90 EAST ♦ P.O. BOX 1260 ♦ DEFUNIAK SPRINGS, FLORIDA 32435-1260  
(850) 892-8115 ♦ FAX (850) 892-8130 ♦ SUNCOM 676-8118 ♦ FL TOLL FREE 1-800-342-0141
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# ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

July 28, 2017

Walton County Board of County Commissioners

The Internal Audit Department ("IA") has conducted a follow-up of our review of the Walton County's Housing and Urban Development Section 8 Rental Assistance Program. The review was conducted for the period of October 1, 2015 through September 30, 2016 to determine if recommendations provided in our October 2012 report have been implemented.

Internal Audit appreciates the cooperation of the personnel of the Walton County Housing Agency during the completion of this follow-up review.

Johnny Street  
Internal Audit Manager

Approved:

Alex Alford  
Clerk of Courts and  
County Comptroller

cc: Tom Baker, Executive Director Walton County Housing Agency  
Walton County Administration

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## EXECUTIVE SUMMARY

## Executive Summary

The Internal Audit Department (“IA”) conducted a follow-up audit of our October 2012 review of the Walton County Housing and Urban Development (“HUD”) Section 8 Rental Assistance Program. Our follow-up included an examination of program activities for the period of October 1, 2015 through September 30, 2016 and an assessment of the implementation of recommendations provided by IA as part of our 2012 review. The objectives of this follow-up review were to determine:

1. Whether an account has been established to track overpayments receivable;
2. Whether procedures have been developed for employee transfers and re-assignments;
3. Whether procedures for salary increases outside of the compensation plan and time recording have been established; and,
4. Whether the Agency has developed written policies and procedures.

IA notes that an account to track overpayment receivables has been established and is maintained by both the Agency and the Clerk of Courts’ Finance Department. In the opinion of IA, all other recommendations provided as part of our 2012 review have not been adequately implemented. We have outlined each of our previous recommendations and the results of our follow-up procedures herein.

# INTRODUCTION

## **Background**

IA had previously performed a review of the HUD Section 8 Rental Assistance program and issued a report dated October 2012. The Walton County Housing Agency (“Agency”) was established to administer and disburse HUD Section 8 rental assistance funding to low and very low income families. Families may apply for rental assistance per HUD guidelines, the Agency’s Administrative Plan as approved by HUD, and The United States Code of Federal Regulations (“CFR”) Section 24. The Section 8 Program was enacted as part of the Housing and Community Development Act of 1974, which re-codified the U.S. Housing Act of 1937. The Section 8 tenant-based assistance programs are federally funded and administered for Walton County by the Walton County Board of County Commissioners (“BCC”) through its Housing and Urban Development Section 8 office. Any Walton County resident may apply for rental assistance. Qualification is based on income and family size. The amount of assistance is based on a formula provided by HUD. Families will be assisted as long as funding and housing is available. Once funding and/or housing has been depleted, remaining applicants are placed on a waiting list and contacted when additional funding and/or housing is available. As families become self-sufficient or are dropped from the program, the next applicant on the waiting list is contacted. From time to time the list becomes depleted and the Agency will begin taking new applications for families to be placed on the waiting list. The Agency advertises when new applications are being accepted.

The Agency regularly monitors the families receiving assistance. Routine inspections are conducted to ensure the rental unit is safe, clean, and suitable for occupancy. The participants’ documentation is also verified to ensure any changes in income or family size are reported to the Agency. Occasionally, information that would affect the amount of rental assistance authorized is not received timely or is intentionally not provided by the participant. This may result in an overpayment of rental assistance. Once staff verifies an overpayment the participant is given the opportunity to reimburse the overpayment. The participant may be terminated from the program or allowed to pay back the overpayment in monthly installments withheld from ongoing assistance.

In addition to rental assistance funding, the Agency receives grant funding for the Family Self-Sufficiency Program (“FSS”). The FSS program is designed to help families become self-sufficient and thus allowing them to move forward from the need for assistance. The award funds are to be utilized for an FSS Coordinator (salary and fringe). The purpose of the program is to enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

As a result of our 2012 review, certain recommendations for strengthening of controls were provided. In order to perform a follow-up to assess the implementation of recommendations provided in our report, IA conducted interviews with Agency and County personnel, reviewed the 2015 and 2016 FSS grant agreements, and reviewed documentation provided by Agency staff to substantiate implementation of our recommendations.

### **Scope**

Our follow-up review of the Section 8 Rental Assistance Audit was conducted for the period of October 1, 2015 through September 30, 2016. The FSS grant is administered on a calendar year basis (January – December) and as such both the 2015 and 2016 awards were reviewed.

### **Objectives**

The objectives of our inquiries and examination of records were to determine:

1. Whether an account has been established to track overpayments receivable;
2. Whether procedures have been developed for employee transfers and reassignments;
3. Whether procedures for salary increases outside of the compensation plan and time recording have been established; and,
4. Whether the Agency has developed written policies and procedures.

### **Methodology**

The methodology utilized in this follow-up was to first interview the Agency Director and Office Manager in order to gain an understanding of current policies and procedures and how IA's recommendations have been implemented. This interview included discussion of activities since IA's previous review and how responsibilities for administering the program are delegated amongst the staff.

Upon completion of our initial interview, IA prepared a request list of documentation needed to perform our assessment of recommendation implementation. This request included FSS grant agreements for 2015 and 2016, all written policies and procedures, the overpayments account receivable listing as of September 30, 2016, and a listing of all Agency employees and their job descriptions.

IA reviewed all documentation and responses received by the Agency and also performed interviews with the County Finance Department and Clerk of Courts Finance Department. The results of our review of recommendation implementation are outlined at section, "Recommendation Review."

### **Overall Conclusion**

Based on the results of the work performed, we noted that an overpayment receivable account has been established. We did note however, that while no employee transfers or reassignments have occurred, a written policy and procedure for such circumstances has not been created. In addition, there has been no change to the structure for payment of FSS grant compensation since our 2012 review where it was noted that funds are incorrectly paid as stipends to current Agency employees. Tracking of employee time spent administering the FSS grant has also not been implemented. Lastly, while the Agency is making strides to improve, written policies and procedures for daily operations have not been developed. We have provided the results of our Recommendation Review in the following section.

RECOMMEDATION  
REVIEW

Below we have outlined the conditions and recommendations as reported in our October 2012 report along with the results of our follow-up assessment of the implementation of such recommendations.

**1. Condition**

The County does not have a receivable account for debts owed to the Agency by Section 8 Housing participants.

**Recommendation**

Internal audit recommends that the Agency contact Clerk's Finance to coordinate the establishment of a receivable account. Procedures should be developed to ensure that all payments are recorded to the account whether by bank deposit or rental assistance reduction.

**Follow-up Results**

IA notes that an account has been established for overpayments receivable. Both the Agency and the Clerk's Finance Department maintain the listing of receivables and ensure monthly that both are in agreement. Any payments received by check at the Agency are routed to the Clerk's Finance Department for processing. Assistance reductions are performed and tracked by the Agency and provided to Clerk's Finance monthly. IA compared the September 30, 2016 receivable balance of \$191,282 to the audited financial statements without exception.

**Management's Response**

No response needed.

**2. Condition**

Grant funds were improperly used to pay county employees.

**Recommendation**

Internal audit recommends the County develop procedures to ensure Clerk's Finance is provided with documentation for County employee transfers and reassignments; especially when the transfer requires a funding change.

**Follow-up Results**

IA notes that a similar circumstance, where an Agency employee was reassigned to another department, has not occurred since our previous audit. However, based

on discussions with management, a written policy and procedure for such an occurrence has not been developed.

IA recommends that a written policy and procedure for employee transfers and reassignments be established so that proper guidelines are available when the need arises.

### **Management's Response**

On May 23, 2017, the BCC approved an updated Personnel and Policy Manual containing the policies related to employee transfers. Also, an internal procedure has been developed for the HR department to ensure employee transfers are accompanied by proper documentation. Per this procedure, any employee changes made in the Payroll system are to be accompanied by a PAN (Personnel Action Notice) form and signed by the Human Resources Director and County Administrator or Assistant County Administrator.

### **3. Condition**

The County does not have procedures for salary increases outside of the compensation plan.

### **Recommendation**

Internal audit recommends that County Management develop policies and procedures that provide guidance for salary increases outside of the compensation plan. County Administration should be consulted and should provide approval for all salary adjustments outside of Board approved increases. In addition, the Agency should develop time recording procedures that track the time spent on the FSS program to ensure the additional compensation supports FSS activities as outlined in the program requirements.

### **Follow-up Results**

At the time of IA's follow-up audit, no changes have been made to the compensation structure for the FSS program. The FSS program began in 2008 at which time the Agency was awarded the grant in order to fund one full-time employee ("FTE") as a Grant Coordinator. The Agency chose instead to reallocate the time of existing employees so that time is available in their existing schedules to administer the FSS program. These existing employees, prior to the FSS program, were funded entirely by the HUD Section 8 Voucher Program ("Voucher Program"). Upon receipt of the FSS program funds, rather than adjust the portion of salaries, wages and benefits paid from the Voucher Program, the FSS funds

were paid to employees in the form of stipends. This resulted in employees being paid their entire County approved salary/wage from the Voucher Program and receiving funds in excess of their approved salary/wage, in the form of stipends, from the FSS program funds.

Currently, Agency employees are still receiving a salary/wage and also a stipend. A salary/wage is the payment or remuneration that one receives in return for work performed. A stipend is typically paid during the term of internship, apprenticeship, or volunteering. The most significant difference between the two is that a salary is paid in return for the work provided by an employee to the employer, whereas a stipend is paid to supplement the intern or apprentice for the time they put in to learn the trade, as opposed to the work they do.

The FSS grant does not allow for stipends as this would indicate that the position is a trainee or apprentice and the purpose is primarily to cover expenses. The entire funds approved for each year of the award are to be utilized for the employment of one FTE as a Grant Coordinator. Since inception in 2008, the Agency has received approximately \$240,000 in FSS grant funds that have been paid as stipends.

Based on IA's discussions with management, we believe that Agency staff are appropriately administering the FSS program. IA agrees that it is acceptable to utilize current staff to administer the FSS program and allocate the approved FTE among those employees assisting; however, in doing so, employees should not receive compensation above their approved salary/wage. The correct approach would be to reallocate each employee's approved salary/wage based on time spent between the FSS program and the Voucher Program. Since each employee is still only working 40 hours per week, it would not be prudent to provide compensation in excess of approved salaries/wages in the form of a stipend.

IA notes that the FSS program is being administered by the current staff in conjunction with the Voucher Program. IA recommends that the Agency institute a method for tracking time and effort of each employee so that actual hours worked can be allocated between both the FSS program and the Voucher Program. The County should then pay each employee's approved salary/wage from the appropriate program based on percent of hours worked for each. The use of stipends should be eliminated.

### **Management's Response**

As the Agency is administering the FSS program in addition to HUD Section 8 Voucher Program, the FSS program administration did add additional duties to Agency staff. To compensate staff for these duties, the pay adjustment was coded to the FSS Grant as a method of charging hours against the grant account. The account codes of current staff with salary dollars paid directly from FSS grant

funding have been corrected to properly reflect the entire salary amount paid from HUD Section 8 administrative funding. Going forward, any hours to be charged against the FSS grant will be tracked internally and an adjusting journal entry requested to reclassify these hours to the FSS accounts. Also, client growth and the expanding workload required by current procedures have necessitated the hiring of an additional FTE specifically to administer the FSS grant. This position will be dedicated to the FSS grant and will be paid 100% from FSS grant funding.

#### **4. Condition**

The Agency does not have written operating procedures.

#### **Recommendation**

Internal audit recommends that the Agency develop written procedures that provide guidance for the processes needed to achieve the Agency's mission and goals.

#### **Follow-up Results**

The Agency Plan ("Plan") was last approved by the Board of County Commissioners in 2002. Management's response to our 2012 recommendation indicated that the entire plan was being revised and would include guidance for the processes needed to achieve the Agency's mission and goals and would be provided to the Board no later than March 2013. At the time of IA's follow-up this revision has not occurred, however the Agency has made amendments to the Plan when necessary to comply with regulatory changes, which were submitted and approved by the Board. We recommend the Agency complete their revision of the Plan as proposed.

While the Plan provides guidelines on how to appropriately administer the HUD grants in line with federal guidelines, written policies and procedures have not been prepared for daily operating procedures at the Walton County Agency office. Written procedures should be in place that detail how daily operations specific to the Agency's office are conducted. This should include enough detail to be utilized as a guide so that a new employee, substitute, etc. can understand the appropriate methods for conducting daily operating procedures such as office opening/closing procedures, processing payments received, time entry, etc. We recommend the Agency develop written policies and procedures for the specifics of onsite administration, which would not be part of the Plan.

While written operating policies and procedures are not in place, the Agency has developed a "Play Book" which is a tool that provides templates for letters. This

tool has example letters and templates filed by type of incident so that staff have an example, approved by the Director, of how to respond. IA commends the Agency on the development of this resource tool as it ensures consistency in responses.

**Management's Response**

The Agency Office Manager has recently attended training that has provided information on what needs to be included in the Agency's written operating procedures related to HUD grant functions. As a supplement to this, the Office Manager has begun to also write procedures for day to day operations. We anticipate this will be finished in early 2018.