



Clerk of the Circuit Court

Brevard County, Florida

400 SOUTH ST., P.O. Box 999, Titusville, Florida 32781

<http://www.brevardclerk.us>

Scott Ellis, Clerk

July 7, 2009

Ms. Gay N. Williams
Director
Brevard County Housing & Human Services
2725 Judge Fran Jamieson Way, Bldg. B
Viera, FL 32940

RE: Review and Analysis
Housing Replacement Activities
2005 WILMA Supplemental Disaster Recovery Sub Grant Agreement

Dear Ms. Williams:

At the request of Scott Ellis, we have conducted a review of housing replacement activities of five (5) homes damaged by the 2005 Hurricane Wilma by the Housing and Human Services Department through the federally funded 2005 WILMA Supplemental Disaster Recovery Sub Grant Agreement with the Florida Department of Community Affairs. The report includes the responses from your department as well as additional comments concerning those responses. Since an exit conference has not been requested by you or scheduled by the Interim County Manager, this report is being issued as the final report.

Sincerely,

Internal Audit,
Clerk of Courts
Brevard County

C: Scott Ellis, Clerk of Courts
Stockton Whitten, Interim County Manager
Commissioner Robin Fisher, District 1
Commissioner Chuck Nelson, District 2
Commissioner Trudie Infantini, District 3
Commissioner Mary Bolin, District 4
Commissioner Andy Anderson, District 5

Housing and Human Services Department
2005 WILMA Supplemental Disaster Recovery Grant

Executive Summary:

On March 4, 2008, the Board of County Commissioners executed the federally funded 2005 WILMA Supplemental Disaster Recovery Sub Grant Agreement with the Florida Department of Community Affairs. Under the grant, Brevard County Housing and Human Services Department will remove five (5) homes damaged by Hurricane WILMA and replace them with newly constructed homes under current hurricane building code standards.

The Housing and Human Services Department's selection policies and procedures for qualifying properties under this grant should be improved to provide assurance that sub-recipients and their properties are duly qualified in accordance with program guidelines.

This report contains the summary of findings listed below along with recommendations to improve the selection process for the demolition and replacement of homes damaged by named storms.

FINDINGS

Finding 1: The applications on file for the properties currently selected for this grant funding contain no information verifying that the properties selected suffered any damage arising out of Hurricane Wilma in 2005.

Finding 2: The files do not contain inspection information from the Brevard County Housing and Human Services Construction Supervisor that indicate whether or not it is economically feasible to rehabilitate the units as required by the Brevard County Hurricane Housing Recovery Program Plan (HHRP).

Finding 3: Several of the applications are incomplete and do not disclose assets and liabilities as required for determination of eligibility for assistance.

Finding 4: There is a major concern that some of the properties selected are not in a condition that warrants demolition and replacement.

Finding 5: Recipient selection criteria is based on a "first ready/first served basis" and recipients are selected from the "Replacement Homes" waiting list. However, all five applicants indicated they had not been on a waiting list to receive housing assistance.

Finding 6: The files do not contain insurance records or claim information concerning hurricane damage or information regarding other housing assistance that had been applied for and/or received.

Auditor's final comment:

The Clerk's office will await the approval of the new policies and procedures that have been submitted to the Affordable Housing Council for consideration and approval by the Board of County Commission.

Housing and Human Services Department
2005 WILMA Supplemental Disaster Recovery Grant

Purpose:

The purpose of our review was to evaluate the policies and procedures established by the Housing and Human Services Department (HHSD) for the program, and how those procedures were used in the selection of the five (5) individual(s)/properties.

Scope and Objectives:

The Clerk of Circuit Court requested a review of the five (5) individuals and properties selected to receive grant funding for replacement housing. The review and analysis is limited to the proposed demolition and replacement of five (5) single-family residential homes that were damaged by the 2005 Hurricane Wilma.

Background:

In 2006, the State of Florida received a supplemental appropriation of Community Development Block Grant (CDBG) funds. Brevard County received a supplemental appropriation of **\$579,585.55** in CDBG funds, to address unmet needs of communities impacted by Hurricane Wilma with a priority for affordable housing in the most impacted areas of the State. Funding is specifically directed to be utilized in accordance with grant requirements of the grant to address housing needs arising from Hurricane Wilma. Under the grant, Brevard County Housing & Human Services Department will remove five (5) homes damaged by the 2005 Hurricane (Wilma) and replace them with newly constructed homes that comply with current hurricane building code standards.

Methodology:

The Internal Audit Department reviewed Housing and Human Services Department Policy, HS-008, Repair, Rehabilitation, and Replacement Housing Program Policy. The review included evaluation of the substantial amendment to FDCA Disaster Recovery Program Action Plan, (supplemental appropriation addressing Hurricane Wilma), the 2005 Disaster Recovery Initiative Action Plan (addressing Hurricanes Katrina and Wilma) and the department's Hurricane Housing Recovery Program (HHRP).

During the review and evaluation, we interviewed personnel of Housing and Human Services to obtain information about the policies and procedures for the replacement housing program and the procedures for implementing the policies in the selection of the five (5) individual(s)/properties. We also reviewed each of the files on the five applicants and all information contained in the files including the applications. All information was evaluated against all applicable polices and procedures.

FINDINGS AND RECOMMENDATIONS

Finding 1:

The applications on file for the properties currently selected for this grant funding contain no information verifying that the properties selected suffered any damage arising out of Hurricane Wilma in 2005.

There is no information in the files that indicate that any of the five properties actually incurred hurricane damage during the 2005 Hurricane Wilma or any other named storm. In addition, the prescribed Brevard County Housing & Human Services application does not contain applicable sections for the applicant to disclose such damage; and the application does not include an option for the selection of "Replacement Housing." The only three programs (choices) the applicant can apply for are (1) Repair Program; (2) Rehabilitation Program; or (3) Emergency. The auditors conducted additional research in an attempt to locate documentation concerning hurricane damage for the selected properties by contacting the following agencies: Brevard County Property Appraiser, United Way of Brevard, and FEMA.

The records of the Brevard County Property Appraiser's office indicate that no adjustments have been made to the market value of any of the five properties studied in this paper. No hurricane damage to the subject properties was reported on the tax rolls and no applications have been made for property tax relief through the Property Appraiser from the Department of Revenue. (Only one of the selected properties has a taxable value greater than \$0; however, no application was made or approved).

We contacted United Way of Brevard to determine if any of the five property owners had requested housing assistance due to hurricane damage through the Brevard Long-Term Recovery Coalition (BLTRC). Only one of the five property owners, (434 Sea Horse Lane, Cocoa, Florida 32927), made an application and subsequently received assistance related to hurricane damage. The BLTRC did not have any information or 211 referrals for the other four properties.

We contacted the Federal Emergency Management Agency (FEMA) to determine if any of the five property owners had requested housing assistance due to hurricane damage. Only one of the five property owners, (434 Sea Horse Lane, Cocoa, Florida 32927), made an application and was subsequently denied assistance due to "insufficient damage to the home."

Recommendation: We recommend the application be revised to include the selection of "Replacement Housing" and; if the damage was a result of a named storm, it should be identified with a date in which the damage occurred. We also recommend including a section where a description of the damage can be provided.

We further recommend the application be revised to include the question: "Has your home been declared unlivable or severely damaged by any agency?" If so, please provide any documentation that you may have received and list the name of the agency

County Management's Response: *The files that were reviewed by the Clerk's Auditor were in the beginning stages of the verification process and had not received a final approval for commencement, which includes: confirming income and assets (i.e., requesting information from financial institutions, verifications to employers, etc.), property research (using Clerk's and Property Appraisers information and compiling a history of previous hurricane repair assistance), and obtaining Ownership and Encumbrance reports. Income and asset calculations are completed utilizing a State defined formula which takes into account all things that can be liquidated into cash (i.e., property, bank accounts, stocks, interest etc). Additionally per regulations, if the applicant is within the State approved income limits; the applicant cannot be excluded based upon the type of assets they possess. Once income and asset eligibility is completed, the initially eligible properties are referred to the housing inspector, who then completes the comprehensive housing inspection finalizing the need for rehabilitation/replacement necessary to bring the dwelling up to code.*

*The grant does **not** specify that the structure must have had a specific amount of hurricane damage or that requests for assistance had to have been made to other sources (i.e., FEMA, Brevard Long Term Recovery Coalition, Insurance, etc.) HHS asked for and received assistance from the state Technical Advisor regarding this issue and was informed that even though the grant agreement did not provide specific written instructions or requirements for determining hurricane damage, other jurisdictions were writing a case narrative or creating a questionnaire for applicants to complete and sign. Additionally, the Advisor informed us that if the initially eligible home was subsequently determined ineligible another home could be substituted.*

Unlike existing entitlement funded housing programs (SHIP & HOME); this grant required that environmental reviews (letter to regulatory agencies evaluating the potential impact of the project) be conducted before funds could be released (available for reimbursement). The request to the Board of County Commissioners on November 11, 2008 was not for approval of expenditures, but to allow for the submittal of the environmental reviews to the state to make funds available for completion of the verification process and reimbursement once projects were determined feasible to proceed.

It has always been the intention of the Housing and Human Services Department to utilize these funds in the manner that was described to the Board of County Commissioners. However, as indicated above, not all of the requirements of the grant were finalized at the time of allocation and this supplemental discretionary grant was allocated as an entitlement, but had much different rules and regulations governing it than normal.

Auditor's additional comments: The agenda report dated 11/25/08 includes the following under Summary Explanation & Background: "Under this grant, Brevard County Housing & Human Services Department **will remove five (5) homes damaged by the 2005 Hurricane (Wilma)** and replace them with newly constructed homes under the current hurricane building code standards. Therefore, the agenda report is written to give a presumption that the five homes being replaced have in fact been damaged by Hurricane Wilma. If this is not the case then the agenda report is misleading to the Board. In addition, if there is no requirement to verify that homes received Wilma damage, then why is a questionnaire being created "after the fact?" While the audit was not the premature action, the requested action by Housing and Human

Services to approve the Environmental Reviews and authorization for the release of funds from the Department of Community Affairs, based on the incomplete information for the five homes selected was premature.

The HHS' response states *"The files that were reviewed by the Clerk's Auditor were in the beginning stages of the verification process and had not received a final approval for commencement, which includes: confirming income and assets (i.e., requesting information from financial institutions, verifications to employers, etc.), property research (using Clerk's and Property Appraisers information and compiling a history of previous hurricane repair assistance), and obtaining Ownership and Encumbrance reports. Income and asset calculations are completed utilizing a State defined formula which takes into account all things that can be liquidated into cash (i.e., property, bank accounts, stocks, interest etc). However, the verification process is essentially impossible if the applications are incomplete and do not contain required information needed in to actually perform processes such as confirmation of income and assets. Additionally, if the 2005 WILMA Supplemental Disaster Recovery Grant did not require "that the structure must have had a specific amount of hurricane damage," as indicated in HHS' response, AND, if any of the five homes selected did not incur hurricane damage in a named storm, then the agenda report to the BoCC should not have indicated such was the case.*

Although the auditor understands that grants are not always specific as to how they are to be expended, the government expending the funds should incorporate good judgment and stewardship to ensure programs are operated and managed effectively. It appears that the Housing and Human Services department is using a very broad strategic plan and action plan to justify individual projects. Even though most of the dollars spent on these projects do not come directly from the Brevard County General Fund, the obligation and responsibility to effectively manage affordable housing programs are no less diminished.

Finding 2:

The files do not contain inspection information from the Brevard County Housing and Human Services Construction Supervisor that indicate whether or not it is economically feasible to rehabilitate the units as required by the Brevard County Hurricane Housing Recovery Program Plan (HHRP).

The files do not contain initial property inspection reports or a professional home inspection report, conducted by a Brevard County Housing and Human Services Construction Supervisor, (work write-up and cost estimate) which are required by the Brevard County Hurricane Housing Recovery Program Plan. The required inspections determine if the improvements are in a condition that is not economically feasible to rehabilitate. Additionally, legible photos should be included that correspond to the inspection report for each of the inspection elements recorded, i.e. – roof, interior, electrical, plumbing, flooring, etc.

Recommendations: We recommend the initial property inspection report and the detailed work write-up and cost estimate inspection is conducted **before** the "Owner-Occupied Replacement of Site-Built Housing" strategy is selected.

We further recommend *section g. Sponsor Selection Criteria* (Owner-Occupied Replacement of Site-Built Housing) of the HHRP be revised to read: The Brevard County Department of Housing and Human Services will administer the Replacement Strategy once the unit inspections have been conducted and the unit is determined “not economically feasible to rehabilitate.”

County Management’s Response: The Brevard County HHRP was developed in response to the application for the State SHIP Hurricane Housing Recovery Program (SHIP HHRP) not the Wilma Grant. Although similar in client eligibility and inspection requirements, they are separate programs with differing program guidelines. Moreover, the files that were reviewed were in the beginning stages of verification and had not progressed to the point that a final inspection was warranted. Additionally, it would have been fiscally irresponsible for the Housing and Human Services Department to complete these inspections considering that (until the Environmental Reviews were submitted and grant funds released) there were no funds to pay for these inspections.

The request to the County Commissioners on November 11, 2008 was for approval of the Environmental Reviews and Request for Release of Funds from the Department of Community Affairs. This step had to be accomplished first in order to receive funds to complete the verification process. As stated previously, any applicant that failed the verification process could be replaced with a new applicant without loss of funding or impact to the grant.

Auditor’s additional comments: It is impossible to make a determination that a home is not economically feasible to rehabilitate without a complete physical inspection, both interior and exterior. Again, initial property inspection reports and the detailed work write-up and cost estimate inspections should be conducted **before** the “Owner-Occupied Replacement of Site-Built Housing” strategy is selected. Additionally, it is illogical to employ a replacement strategy without conducting a complete and detailed inspection by the HHS staff, which is not a costly exercise AND could prevent fiscal irresponsibility if the exercise precluded HHS from expending \$25,000 on an environmental review if the property clearly did not qualify for a replacement strategy. It is important to note that any properties that are subsequently disqualified **after** the environmental review has been conducted will be replaced with another property where an additional \$25,000 environmental review must be conducted and paid for. Therefore, a loss of funding would occur and would impact funds available via the grant.

Procedures should be established that provide the most cost effective use of dollars regardless of their origin. Pre inspections and pre qualifications are cost effective measures. If such were employed, the county may prevent expending \$25,000 for environmental reviews for properties with applicants that would not have been approved early in the process.

Finding 3:

Several of the applications are incomplete and do not disclose assets and liabilities as required for determination of eligibility for assistance.

Several of the applications are incomplete and do not contain information regarding assets and liabilities which is required to determine if the applicant qualifies for assistance by the Brevard

County HHRP and HS-008, Repair, Rehabilitation, and Replacement Housing Program Policy. The *Assets* section requires that the applicant provide information on existing bank accounts, stocks and mutual funds, and other real property. The *Liabilities* section requires that the applicant provide information on auto loans, mortgages, rent/lease payments, credit cards, and other loans.

Two of the applications left the assets and liabilities section blank yet the property owners currently have mortgages on the property. One of the mortgages is for \$78,000, for a term of thirty years, which was recorded on November 3, 2005 and the other mortgage is for \$31,720.33, for a term of twenty years, which was recorded on June 8, 2007. (Both of these mortgages would have required real estate appraisals conducted after Hurricane Wilma; and it is likely that the property with the \$78,000 was required to carry homeowner's insurance.)

One of the applications indicates the applicants have two savings accounts but the cash value was not disclosed. Furthermore, the file does not contain bank statements or account balance information. In addition, the main applicant owns a 20% interest in a single-family residence located at 430 Easy Street, Merritt Island, Florida 32953, that has a current market value of \$131,000 (Brevard County Property Appraiser) which was not disclosed in the assets portion of the application under "Other Property."

None of the files contain a completed income certification form.

Recommendations: Although we concur with providing as much assistance as possible to applicants with the application process, we recommend incomplete applications not be considered for housing assistance. Applications should be deemed incomplete if they do not contain information that is *required* to determine eligibility. If the applicant, upon request for completion of the application does not comply within a time limit to be set out in the notice letter, then the application should be disqualified.

We further recommend that some fields on the application be labeled as **REQUIRED** information such as sections for Household Income, Assets, Liabilities, and Applicant's Employer.

County Management's Response: At the time of the review by the Clerk's Auditor, preliminary income information had been obtained from the client. Based upon cursory review, they appeared to be eligible and were advanced to the next step (Environmental Review) to release funds in order to complete the verification process. No funds are expended upon a home prior to the completion of the final verification process.

All assets are taken into account during the final verification process per guidelines established by the State. All liquid assets (i.e., bank accounts, property, stocks, investment income, interest income, etc.) are considered to determine annual income. The State formula specifies that liquid assets over \$5,000 be multiplied by 2% to determine a person's asset income. Utilizing this formula, the applicant specified in the Auditor's report with a 2-% ownership in a property valued at \$131,000, would have an additional \$524 added to his/her annual income, which would still leave him/her well within the income guidelines for this grant.

Auditor's additional comments: Again, there is no way to assure eligibility requirements with severely incomplete applications. Additionally, HHS' response indicates that one of the applicant's additional liquid income would only add \$524 in annual income and the applicant will still be qualified based on the State's formula; however, they failed to include the fact that the applicant disclosed having two savings accounts but the cash value was not disclosed. While it may be true that the cash value of the accounts may not be enough to disqualify the applicant, the information must be obtained in order to make that determination. Therefore, this information must be obtained ***BEFORE*** HHS can qualify the recipient. Also, it makes logical sense to require complete applications before the Board is asked to approve expenditures for environmental reviews.

Finding 4:

There is a major concern that some of the properties selected are not in a condition that warrants demolition and replacement.

Although physical inspection information is not contained in the files, the files do contain interior photos of elements in need of replacement and/or repair. Some of the pictures capture damage or conditions that may have been caused by water associated with hurricane/roof damage; however, many of the pictures are of interior finishing or elements that exist due to age and deferred maintenance. There are very few photos that capture damage to the exterior of the homes.

In 1998, the owners of one of the properties selected received \$27,757 in housing rehabilitation funds through the Brevard County Repair Program for a full scale housing rehabilitation. As a result, a permit was obtained for interior renovations and improvements were made. Although the permit was for interior renovations, it appears that exterior renovations were made as well. Those improvements included new exterior siding and windows. The Brevard County Property Appraiser established the 2008 market value of the property at **\$50,800**.

In 2001, the owners of one of the properties selected received \$5,000 in housing SHIP funds from the City of Cocoa. As a result, a permit was obtained for renovations and changes were made to the building including a change in the effective age of the building (remaining economic life) due to improved exterior, a new screen porch, roof improvements, etc. The Brevard County Property Appraiser established the 2008 market value of the property at **\$99,900**. (Note – there is currently a mortgage on the property for \$78,000 and is likely that homeowners insurance was required to secure the note.)

Recommendations: We recommend the initial property inspection report and the detailed work write-up and cost estimate inspection is conducted ***before*** the “Owner-Occupied Replacement of Site-Built Housing” strategy is selected; and, that information be used to determine whether or not the improvements are economically feasible to rehabilitate.

We further recommend ***section g. Sponsor Selection Criteria*** (Owner-Occupied Replacement of Site-Built Housing) of the HHRP be revised to read: The Brevard County Department of

Housing and Human Services will administer the Replacement Strategy once the unit inspections have been conducted and the unit is determined “not economically feasible to rehabilitate.”

County Management’s Response: The Clerk’s Auditor reviewed files that were in the initial eligibility stage and as such did not have a final inspection completed. As stated in the response to Finding 2, a final inspection is completed after the Environmental Reviews and release of funds.

The Housing and Human Services Department does agree with the auditor that determination of a home’s feasibility for rehabilitation/replacement is a necessary step prior to work commencing, which is why no funds are expended upon a project until all steps in the final eligibility process are completed. A home failing this part of the final eligibility process would be removed from the list of projects and replaced with another home.

Auditor’s additional comments: Determination of a “home’s feasibility for rehabilitation/replacement” is a necessary step before spending \$25,000 on an environmental review. The initial property inspection report and the detailed work write-up and cost estimate inspection should be conducted **before** the “Owner-Occupied Replacement of Site-Built Housing” strategy is selected; and, that information should be used to determine whether or not the improvements are economically feasible to rehabilitate. Additionally, any properties that are subsequently disqualified **after** the environmental review has been conducted will be replaced with another property where an additional \$25,000 environmental review must be conducted and paid for. Therefore, a loss of funding would occur and would impact funds available via the grant.

Finding 5:

Recipient selection criteria is based on a “first ready/first served basis” and recipients are selected from the “Replacement Homes” waiting list. However, all five applicants indicated they had not been on a waiting list to receive housing assistance.

The Brevard County HHRP requires that applicants are served on a first ready, first served basis and are selected from the “Replacement Homes” waiting list. However, all five applicants indicated on their applications that they have **not** been on a waiting list to receive housing assistance. In addition, the files do not contain completed selection-criteria forms which are required to be completed at the initial intake.

Recommendations: We recommend that all files contain completed selection-criteria forms to ensure that priority is given, **based on need**, to applicants meeting the following criteria: elderly, disabled, young children in household, and hurricane displacement.

We further recommend that Housing and Human Services adhere to the first ready, first serve policy for recipient selection by ensuring that selected applicants have come from the appropriate waiting list (Assistance versus Replacement Housing).

County Management's Response: *The current waiting list for applicants requesting housing assistance is maintained on a first ready/first served basis. Specifically, for the grant need is determined by criteria established by the State and further defined at the local level.*

Applicants are asked "Are you on a waiting list to receive housing assistance?" which refers to assistance from program outside of the Housing and Human Services department (e.g., Brevard Long Term Recover Coalition). This information is used to assess their eligibility and to obtain information for coordination with other housing providers.

In response to the Auditor's comments regarding the Golden Family, whose final application was signed on September 6, 2007, staff had been working with the Golden Family over a period of time to clarify information and to acquire necessary documents; the Golden family's initial application was received by HHS on September 27, 2005 with updates being received on October 19, 2006 and September 12, 2007.

Prior to the audit by the Clerk's office, staff conducted a study of processes utilized in other jurisdictions and determined that a process taking into consideration the condition of the structure, income, age, and disability would better fit the needs of Brevard County residents. Staff subsequently revised the housing policies and procedures to reflect these changes and has presented them to the Affordable Housing Council. They are pending approval by the Board of County Commissioners.

Auditor's additional comments: In HHS' response, they indicate that the question "Are you on a waiting list to receive housing assistance?" refers to assistance from programs outside of the Housing and Human Services department (e.g., Brevard Long Term Recover Coalition). However, the question might be better stated as "Are you on a waiting list with any agency other than Brevard County Housing and Human Services to receive housing assistance?"

If the family (stated above) made several applications for housing assistance, and all are being considered for the application of Wilma Grant funds, then all applications should be in the files and should have been made available when the files were reviewed by the auditor.

Finding 6:

The files do not contain insurance records or claim information concerning hurricane damage or information regarding other housing assistance that had been applied for and/or received.

The files do not contain insurance records or claim information concerning hurricane damage or information regarding other housing assistance that had been applied for and/or received. The application and the project checklists fail to include sections that require applicants to disclose insurance information, other agencies that may have been contacted (i.e. – local entities of the United Way, American Red Cross, Salvation Army, Catholic Charities, etc.), or other housing assistance that may have been received.

Recommendations: We recommend the application and/or case file checklist be revised to include a section where homeowner insurance information can be provided. Documents to be provided could include: Declaration of Coverage, claim/appraisal information, or any correspondence involving the insurance company.

We further recommend that the case file checklist include information regarding other housing assistance that had been applied for and/or received.

County Management's Response: *As stated in the response to Finding 1, a history of previous hurricane repair assistance is completed as part of the final eligibility process, which would have come after the Clerk's Auditor conducted her investigation.*

Auditor's additional comments: It is vital that the case file checklist be utilized in a timely manner within the selection process and that proper documentation be obtained from recipients to determine which eligible activity should be pursued. Insurance records or claim information concerning hurricane damage should be required, in order to determine if the damage is covered by the individual's homeowner's insurance.

The audit was NOT premature as it was limited to the review of the selection process. As we previously stated, the Housing and Human Services Department's selection policies and procedures for qualifying properties under this grant should be improved to provide assurance that sub-recipients and their properties are duly qualified in accordance with program guidelines.

Auditor's final comment:

The Clerk's office will await the approval of the new policies and procedures that have been submitted to the Affordable Housing Council for consideration and approval by the Board of County Commission.