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HOME Investment Partnerships Program Grant Audit of Tarrant County Housing Partnership, Inc. (Beaty Street Apartments Project)

October 16, 2015



City of Fort Worth Department of Internal Audit

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The HOME Investment Partnerships Program Grant Audit of Tarrant County Housing Partnership, Inc. (for acquisition, rehabilitation, and redevelopment of the Beaty Street Apartments) was conducted as part of the Department of Internal Audit's Fiscal Year 2015 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to determine whether:

- the Tarrant County Housing Partnership, Inc. complied with applicable federal regulations and City contract requirements, and
- expenditures charged against the Housing and Urban Development grant were eligible, allocable, and reasonable.

Audit Scope

Our audit included a review for the period September 1, 2011 through January 31, 2015.

Executive Summary

As a part of our FY2015 Annual Audit Plan, the Department of Internal Audit conducted an audit of HOME Investment Partnerships Program (HOME) grant funds administered by the Tarrant County Housing Partnership, Inc. (TCHP) in the form of a subordinate forgivable loan for the Beaty Street Apartments.

On July 26, 2011 the Mayor and City Council authorized a change in the use and expenditure of \$1 million in prior year HOME Investment Partnerships Program Grant funds to TCHP. The funds were granted in the form of a subordinate forgivable loan for the acquisition, rehabilitation and redevelopment of the Beaty Street Apartments located in the 5500 block of Beaty Street within the city of Fort Worth. The contract was amended on three occasions to meet the need for additional funding, for a total of \$1,329,526.51.

The contract between the City and TCHP required that TCHP acquire 10 multi-family buildings and one single family house in the 5500 block of Beaty Street, and rehabilitate those units into 66 units plus an office/community center. Our audit test results indicate that on September 19, 2011, TCHP acquired the number of buildings required by contract and as of September 2013, rehabilitated the 71 existing units into 66 units plus an office/community center. We concluded that HOME CHDO funds were used as reimbursement for expenses (related to rehabilitation, hard costs and relocation expenses) that were eligible, allocable, and reasonable, and that TCHP's rehabilitation activities complied with federal regulations such as lead-based paint requirements.

TCHP currently leases units to low income households that meet the income eligibility requirements set by HUD. TCHP is required to lease to income eligible clients for the 15-year term of the loan, also called the Affordability Period. The Affordability Period will begin when the project status is changed to "complete" in HUD's project tracking system. This project will be complete once remaining obligations to pay relocation benefits have been met, as required by the Uniform Relocation Act. At that point, any remaining balance of funds will be reprogrammed to other eligible HOME, Community Housing Development Organizations (CHDO) activities.



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Background

HOME Investment Partnerships Program (HOME) grants are allocated to states and units of general local government to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. Participating jurisdictions may use HOME funds for a variety of housing activities, according to local housing needs. Eligible uses of funds include tenant-based rental assistance, housing rehabilitation, assistance to homebuyers, and new construction of housing. HOME funding may also be used for site acquisition, site improvements, demolition, relocation, and other necessary and reasonable activities related to the development of non-luxury housing. Participating jurisdictions must also set aside at least 15 percent of their allocations for housing to be owned, developed, or sponsored by Community Housing Development Organizations (CHDO). These “set aside” allocations are the funding source for the Beaty Street Apartments HOME CHDO Project.

CHDO was founded in 1991 by a housing task force formed by then Fort Worth Mayor Bob Bolen and community leaders. Since that time, working in close collaboration with Tarrant County, the City of Arlington, the City of Fort Worth and other partners, the Tarrant County Housing Partnership, Inc. (TCHP) has become the area’s leading non-profit organization charged with fulfilling an array of housing development activities.

On September 14, 2010, the Mayor and City Council approved \$1,699,755.00 in Neighborhood Stabilization Program (NSP) grant funds and contracts with TCHP for the acquisition and redevelopment of Beaty Street Apartments. The Beaty Street Apartments are located in the 5500 block of Beaty Street, just north of East Lancaster Avenue. After a gap in the project’s finances was identified (upon review of the project’s development costs, funding sources and rents), the Mayor and City Council awarded an additional \$1,329,526.51 from HOME CHDO grant funds, which is the subject of this audit.





Objectives

The objectives of this audit were to determine whether:

- the Tarrant County Housing Partnership, Inc. complied with applicable federal regulations and City contract requirements, and
- expenditures charged against the Housing and Urban Development grant were eligible, allocable, and reasonable.

Scope

The scope of this audit covered HOME CHDO funds expensed by the TCHP from September 1, 2011 through January 31, 2015. Our audit did not include a review of the use of NSP grant funds nor performance requirements.

Methodology

To achieve the audit objectives, the Department of Internal Audit staff:

- reviewed M &C's and the executed contract and amendments between the City of Fort Worth and the Tarrant County Housing Partnership, Inc.;
- reviewed closing documents;
- reviewed reimbursed expenditure transactions maintained by the City's Neighborhood Services Department, Financial Management Services Department, and the Tarrant County Housing Partnership, Inc.;
- reviewed applicable federal regulations; and,
- interviewed Neighborhood Services Department staff.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review¹. 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.

¹ Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.



Acknowledgements

The Department of Internal Audit would like to thank the Tarrant County Housing Partnership, Inc. and the Neighborhood Services Department for their cooperation and assistance during this audit.