

**DEPARTMENT OF HOUSING  
AND COMMUNITY DEVELOPMENT**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2007**

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of the Department of Housing and Community Development, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AGENCY HIGHLIGHTS

The Department administers programs to improve housing, encourage community development, and ensure compliance with the Commonwealth's building code. Major areas of responsibility include community development, community revitalization, affordable housing, homeless assistance, building and fire safety, and rural development. The Department receives most of its funding through federal grants and the General Fund, and transfers a large portion to subrecipients including localities and nonprofit organizations.

### Budget and Expense Analysis Fiscal Year 2007

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenses</u>
General Fund	\$ 45,898,636	\$ 59,742,228	\$ 46,689,654
Special Revenue Funds	3,256,528	3,384,865	2,818,181
Dedicated Special Revenue	400,000	18,016,700	507,101
Federal Fund	<u>60,832,509</u>	<u>64,832,509</u>	<u>62,864,790</u>
Total	<u>\$110,387,673</u>	<u>\$145,976,302</u>	<u>\$112,879,726</u>

In fiscal year 2007, transfer payments to subrecipients accounted for a majority of the Department's expenses, nearly 89 percent. Personal Services accounted for just over seven percent of the agency's total expenses in 2007. Combined, the remaining five activities accounted for less than four percent of the Department's expenses.

### Expenses by Activity Fiscal Year 2007

Activities	<u>Expense</u>	<u>Percent of Total</u>
Transfer Payments	\$100,148,311	88.72%
Personal Services	8,533,160	7.56%
Contractual Services	2,992,015	2.65%
Continuous Charges	928,714	0.82%
Equipment	142,832	0.13%
Supplies and Materials	<u>134,694</u>	<u>0.12%</u>
Total	<u>\$112,879,726</u>	<u>100%</u>

Source: Commonwealth Accounting and Reporting System

Six programs drive the Department's organization and activities: Housing Assistance Services; Community Development Services, Economic Development Services; Administrative and Support Services; Regulation of Structure Safety; and Government Affairs Services. Together, Housing Assistance Services, Community Development Services, and Economic Development Services accounted for almost 90 percent of the agency's expenses.

Expenses by Program Fiscal Year 2007

	<u>Expense</u>	<u>Percent of Total</u>
Housing Assistance Services	\$45,452,163	40.27%
Community Development Services	45,594,941	37.73%
Economic Development Services	16,680,925	14.78%
Administrative and Support Services	2,996,347	2.65%
Regulation of Structure Safety	4,815,058	4.27%
Government Affairs Services	<u>340,293</u>	<u>0.30%</u>
Total	<u>\$112,879,726</u>	<u>100%</u>

Source: Commonwealth Accounting and Reporting System

Housing Assistance Services Program

The Division of Housing manages the Housing Assistance Services program, which provides affordable housing opportunities through the administration of state and federal grants. These grants provide funding, training, and technical assistance. Listed below are the larger grants in this program.

- The HOME Investment Partnership Program: is a multi-purpose, federally funded grant with fiscal year 2007 expenses over \$17 million. This program seeks to expand the supply of decent and affordable housing for low and very low-income individuals by implementing strategies and providing financial and technical assistance to participating localities.
- The Low-Income Energy Assistance Program: provides weatherization to homes of families who live within the federal poverty guideline. The grant totaled \$6.8 million in expenses during fiscal year 2007.
- The Weatherization Assistance Program: provides funds to reduce the heating and cooling costs for low-income families and to ensure their health and safety. The services are for low-income households, particularly for the elderly, individuals with disabilities, and families with children. The Department spent \$4.2 million towards this program in fiscal year 2007.
- Temporary Assistance for Needy Families (TANF): provides assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; and encourage the formation and maintenance of two-parent families. The Department is utilizing these grant funds through their Child Services Coordinator Grant (CSCG) program. This program addresses the specific needs for health care, mental health, and educational needs of homeless children that are located in either emergency shelters or transitional housing programs. The Department's expenses for TANF totaled \$4.9 million in fiscal year 2007.
- Emergency Shelter Grants Program: provides funding for facilities that offer emergency shelters. This program supports the operational, administrative and supportive services for these facilities. Expenses for this program area were \$1.6 million for fiscal year 2007.

## Community and Economic Development Services

The Division of Community Development manages the Economic Development Research, Planning, and Coordination program. This program supports various grants and activities designed to address a broad range of community and economic development needs and enhance economic vitality in communities. Listed below are the three largest grants in this program.

- The Community Development Block Grant: is the Division of Community Development's largest federally funded grant with fiscal year 2007 expenses over \$24.6 million. This grant helps develop communities by providing decent housing and a suitable living environment, eliminating blighting conditions in deteriorated areas, and creating job and business opportunities for low to moderate-income persons. Specific activities include acquisition of real property, and rehabilitation, relocation, and demolition of homes and buildings.
- Enterprise Zone Program: This program includes the Job Creation Grant and the Real Property Investment Grant. This program helps stimulate job creation and private investment throughout the state. In fiscal year 2007 expenses totaled \$16 million in this program area.
- The Appalachian Regional Development: This grant supports economic development and seeks to improve the quality of life to those in the Appalachian area. This region includes 23 counties and seven cities in Virginia. This grant provides assistance in long-term development of this region. In fiscal year 2007 expenses totaled \$1.4 million in this program area.

## Regulation of Structure Safety Program

The Division of Building and Fire Regulation administers the Regulation of Structure Safety programs and provides technical assistance and staffing to the boards responsible for development and adoption of building and fire prevention codes. The Division administers such codes, manages the Virginia Building Code Training Academy, and administers the provisions of certification standards for building/fire officials and technical assistance.

## Administrative and Support Services Program

The Division of Administration provides departmental and administrative support services and functions. These services and functions include computer services, financial management of grants, personnel services, budgeting, research, procurement, payroll, and processing financial transactions.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

February 1, 2008

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the Department of Housing and Community Development for the year ended June 30 2007. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from the prior year reports.

## Audit Scope and Methodology

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Federal grant revenues and expenses
- Payroll expenses
- Network Security

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of

applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of vouchers, grant agreements, and subrecipient payments, reviews of payroll and personnel records, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Department of Housing and Community Development properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Exit Conference and Report Distribution

We discussed this report with management on February 12, 2008.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

WJK:clj

AGENCY OFFICIALS

Department of Housing and Community Development

William C. Shelton, Director

Basil Gooden, Principal Deputy Director

BOARD OF HOUSING AND COMMUNITY DEVELOPMENT

Betty Ann Davis, Chairman

Ellen Robertson	Michael Reilly
Anthony Clatterbuck	Rebecca Villalpando
Susan Dewey	Nancy O'Brien
Thomas Fleury	Carol Saulnier
Clifton Strickland III	Eric Mays
Edwin Whitmore	Brian Mullins

Richard Evans

