



**A Report to the Citizens of Salt Lake County,  
the County Mayor, and the County Council**

**January 2005**

**A Performance Audit of the**

**Salt Lake County  
Community Resources and  
Development Division**

**Sean Thomas**

**County Auditor**

A PERFORMANCE AUDIT  
of the  
SALT LAKE COUNTY  
COMMUNITY RESOURCES AND DEVELOPMENT DIVISION

January 2005

SEAN THOMAS  
Salt Lake County Auditor

JAMES B. WIGHTMAN, MBA, MAcc, CPA  
Director, Internal Audit

LARRY DECKER, CPA  
Assistant Director, Internal Audit

Audit performed by:

Cherylann J. Johnson, MBA  
Jeff Wood, CFE

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# A Performance Audit of the Salt Lake County Community Resources and Development Division

## I. Executive Summary

### Background

The Salt Lake County Community Resources and Development Division (CRD) was established to assist in meeting the housing, social service, community, and economic development needs of Salt Lake County, as well as administering programs which support and enhance people's lives.

The mission of the Division is:

To make a positive difference in people's lives by developing and implementing strategies and services to increase the quality of life and living in Salt Lake County neighborhoods.

The scope of our audit included a review of the petty cash funds, cash handling, fixed and controlled assets, and purchasing. We also reviewed operations in the following programs administered by the Community and Resources Division:

- Community Development Block Grant
- Home Investment Partnership Grant
- Social Services Block Grant
- Emergency Services Grant
- Youth Employ-Ability Services
- Community Access to Technology
- Client Services

Accordingly, our work was designed to achieve the following audit objectives:

- Determine the current status of and internal control over each of the funds assigned to Community Resources and Development.
- Review disbursements and determine if they are appropriate.
- Determine if cash handling functions are in compliance with Countywide Policies.
- Review the administration of the grant fund programs and determine if procedures are followed when administering programs.
- Determine if transactions/projects are in compliance with contracts, rules, and regulations.
- Determine if the interest of Salt Lake County is protected in properties for which the County has a financial investment.
- Evaluate the compliance with applicable Countywide and Division policies and procedures regarding purchasing.
- Evaluate the adequacy of controls over fixed and controlled assets in accordance with Countywide Policy #1125, *Safeguarding Property/Assets*.

Although we performed work designed to address each audit objective, comments are limited to those which address material operational issues and concerns. It should be noted that our reviews of records and documents were limited to samples. We did not look at 100 percent of the records. As with all sampling, there is a risk that issues may not be identified.

### **Findings and Recommendations**

- We reviewed the petty cash funds and found that CRD currently has two petty cash funds with \$300 and \$1,600 limits. The \$1,600 petty cash fund is maintained by CRD's Accounting Specialist and is used to purchase items for most of the programs administered by CRD. When we counted the fund it balanced to the authorized amount of \$1,600. We noted that all purchases were appropriate and were under the \$200 authorized limit. We also noted that the vouchers were properly completed, including the required signatures. When we reviewed the \$300 petty cash fund, we found that the custodian of the fund had not expended any funds in over a year. Theoretically, the fund is supposed to be used to purchase items under the \$200 specified limit for the Youth Employ-Ability Services (YES) Program. The petty

cash custodian stated that she never uses the fund and would like to close it out. The entire amount of the fund in cash and vouchers should be delivered to the Auditor's Office.

- During our review of cash collection, we found that checks were not restrictively endorsed immediately upon receipt but were endorsed when the deposit was prepared. Checks should be endorsed immediately upon receipt as required by Countywide policy. We also found that after the payments for loans were received at the front desk, the money and a log of the payments were given to the Loan Servicing Specialist who posted the payments to the respective borrower's account, prepared the deposits, and made adjusting entries. Sound cash management practices discourage a single employee from exclusively controlling a monetary transaction. For the best internal control, the person who prepares the deposit should not have access to the accounting records. Without proper separation of duties, the opportunity exists where funds could be diverted to personal use. Additionally, mistakes may be less likely to be identified.
- We reviewed the process for evaluating and scoring the applications and awarding funds for the community planning development grant programs and found that the CRD staff have adequate knowledge of rules and procedures to administer programs in accordance with applicable regulations. During our review, we noted that funding for the community planning development grant programs was allocated in accordance with pertinent regulations. However, the scoring of the applications is not an exact science and involves judgmental determinations and comparisons between projects which made it difficult to determine whether there were political considerations attached to any of the selected projects.
- Liens are placed on properties when grant program funds are received in the form of loans. The liens protect the interest of Salt Lake County in properties for which the County has a financial investment. We reviewed a sample of loan files and found that the Loan Servicing Specialist is diligent about making certain that all the legal documents are recorded, have the proper approval signatures, and are placed in the respective borrowers' files.

- Community Resources and Development provides loan servicing to several cities who create loans using community planning development grant funds. However, there were no written agreements between Salt Lake County and those cities. Additionally, no fees were collected for servicing the loans. The County should not provide services to outside agencies where a contract is not in place. In addition, the expenses of administering the program and servicing loans should be paid for by the cities who benefit from that service.
- In our review of fixed and controlled assets, we found that a *Controlled Asset Inventory Form-Employee* had not been completed for each employee. The Controlled Asset Inventory Report used by CRD identifies the employees responsible for specific assets, but the employees were not required to sign the report, thereby acknowledging acceptance of responsibility for the assets they have been assigned. The *Controlled Assets Inventory Form-Employee* should be completed for each employee who is assigned fixed or controlled assets.
- We also reviewed the controlled assets used as part of the Community Access to Technology (CAT) Program. The CAT Program was created in 2000 and designed to bridge the “digital divide” in Salt Lake County by establishing neighborhood computer technology centers that allow economically disadvantaged residents to access and obtain skills in using computer software programs and the Internet. When CRD started the program they obtained surplus computer equipment from other County departments and divisions. They used the equipment to create the first technology center located at the Midvale Boys and Girls Club. The Controlled Assets Inventory Report kept by CRD identifies 12 computers located at the Midvale Boys and Girls Club. However, ownership of these items was transferred to the Boys and Girls Club in 2002. CRD’s Controlled Assets Inventory Report should be updated on a regular basis to reflect changes in ownership status and/or location of controlled assets.

Please refer to Section IV for more details about these and other findings.



**A Performance Audit of**

**Salt Lake County**

**Community Resources and Development**

**Division**

**II. Introduction**

The Salt Lake County Community Resources and Development Division (CRD) was established to assist in meeting the housing, social service, community, and economic development needs of Salt Lake County, as well as administering programs which support and enhance people's lives.

The mission of the Division is:

To make a positive difference in people's lives by developing and implementing strategies and services to increase the quality of life and living in Salt Lake County neighborhoods.

The Division fulfills its mission by:

- Expanding the supply of adequate, affordable housing for people who earn a low or moderate income.
- Revitalizing, upgrading, and beautifying neighborhoods.
- Educating people about how to utilize their resources for maximum benefit.
- Addressing the social, vocational/occupational, and academic needs of low-income and academically at-risk youth and young adults.
- Supporting private, non-profit social service agencies in order to lessen demand on government services.
- Promoting and cultivating citizen participation and leadership in local government and the community.

The Division administers the following programs:

- Community Development Block Grant
- Home Investment Partnership Grant

- Social Services Block Grant
- Emergency Services Grant
- Youth Employ-Ability Services
- Community Access to Technology
- Refugee Targeted Assistance Grant
- Client Services
- Residents Against Graffiti
- Office of Volunteer Program Services
- Utah State University Extension
- VISTA Empowerment Project
- YouthBuild Salt Lake

In 2003, the Division had 43 full-time equivalents (FTEs) and a budget of \$10,730,558. The funding provided by the County was \$1,813,759. The figure below shows the revenues and expenditures for the Division for 2003.

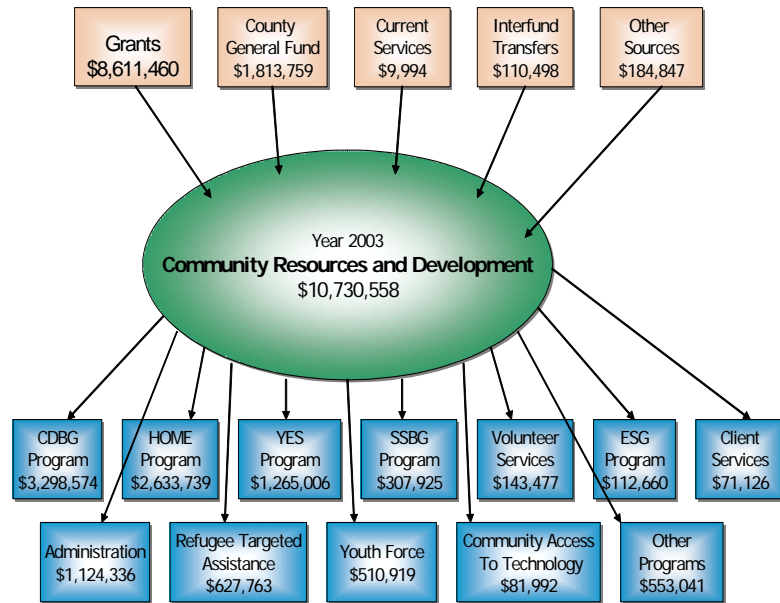


Figure 1. Community Resources and Development had a total budget in 2003 of \$10,730,558.

### III. Scope and Objectives

The scope of our audit included a review of the petty cash funds, cash handling, fixed and controlled assets, and purchasing. We also reviewed the operations in the following programs administered by the Community and Resources Division:

- Community Development Block Grant
- Home Investment Partnership Grant
- Social Services Block Grant
- Emergency Services Grant
- Youth Employ-Ability Services (YES) Program
- Community Access to Technology
- Client Services

Accordingly, our work was designed to achieve the following audit objectives:

- Determine the current status of and internal control over each of the funds assigned to Community Resources and Development.
- Review disbursements and determine if they are appropriate.
- Determine if cash handling functions are in compliance with Countywide policies.
- Review the administration of the grant fund programs and determine if procedures are followed when administering programs.
- Determine if transactions/projects are in compliance with contracts, rules, and regulations.
- Determine if the interest of Salt Lake County is protected in properties for which the County has a financial investment.
- Evaluate compliance with applicable Countywide and Division policies and procedures regarding purchasing.
- Evaluate the adequacy of controls over fixed and controlled assets in accordance with Countywide Policy #1125, *Safeguarding Property/Assets*.

Although we performed work designed to address each audit objective, comments are limited to those which address material operational issues and concerns. It should be noted that our reviews of records and

documents were limited to samples. We did not look at 100 percent of the records. As with all sampling, there is a risk that issues may not be identified.

## IV. Findings and Recommendations

Our findings and recommendations are divided into the following sections:

- **Petty Cash Funds and Cash Handling Activities**
- **Youth Employ-Ability Services**
- **Community Planning Development Grant Programs**
- **Loan Servicing**
- **Purchasing Cards**
- **Fixed and Controlled Assets**

### 1.0 Petty Cash Funds and Cash Handling Activities

Community Resources and Development (CRD) currently has two petty cash funds with \$300 and \$1,600 limits. Countywide Policy #1203, “Petty Cash and Other Imprest Funds,” Section 1.2, states, “*A petty cash fund is an amount of cash available for small purchases related to normal business operations.*” In addition, Section 3.5 of the same policy, states, “*Disbursements from petty cash are for the purpose of covering over-the-counter, cash purchases under the specified limit of \$200.*”

The \$1,600 petty cash fund is maintained by CRD’s Accounting Specialist and is used to purchase items for most of the programs administered by CRD. For example, during our audit we noted expenditures made on behalf of the Youth Employ-Ability Services (YES) and the Lead-Based Paint Programs. When we counted the fund, it balanced to the authorized amount—\$1,600. In addition, we noted that all purchases were appropriate, under the \$200 authorized limit, and vouchers were properly completed, including the required signatures.

We found that:

- **The custodian of the Youth Employ-Ability Services (YES) Program’s petty cash fund had not expended any funds in over a year.**
- **Checks were not restrictively endorsed upon receipt.**
- **Segregation of duties was lacking in some areas.**

*One of the petty cash funds is seldom used and should be closed out.*

**1.1 The custodian of the Youth Employ-Ability Services (YES) Program’s petty cash fund had not expended any funds in over a year.**

When we conducted our count of CRD’s \$300 petty cash fund we noted that the custodian of the Youth Employ-Ability Services (YES) Program’s petty cash fund had not expended any funds in over a year. The \$300 fund is maintained by CRD’s YES Program Manager. Theoretically, the fund is supposed to be used to purchase items under the \$200 specified limit for the YES Program. However, when we conducted our count of the fund we noted that there had not been any purchases made in over a year. The petty cash custodian stated that she never uses the fund and would like to close it out.

Countywide Policy #1203, Section 4.2, states, *“To close out a fund no longer in use, the entire amount in cash and voucher, shall be delivered to the Auditor’s Office, Accounting and Operations Division. A receipt for the return of the fund will be issued by the Auditor.”* In order to eliminate any possibility of theft or misuse and the fact that the fund is not used, the custodian should close it out according to Countywide Policy #1203.

**RECOMMENDATION:**

**1.1.1 *We recommend that the custodian of the YES Program’s petty cash fund close out the fund by returning the entire \$302.27 to the Auditor’s Office Accounting and Operations Division.***

**1.2 Checks were not restrictively endorsed upon receipt.**

During our review of cash collection, we found that checks were not restrictively endorsed immediately upon receipt but were endorsed when the deposit was prepared. Countywide Policy #1062, “Management of Public Funds,” Section 3.6.1, states, *“All checks and other negotiable instruments received by the Agency Cashier should be restrictively endorsed immediately upon receipt using the agency’s approved endorsement stamp.”* Checks that are not restrictively endorsed are easier for someone who is not the designee to deposit. Should the check become lost or stolen, an individual may be able to cash the check or deposit it into an account other than the County’s account. Endorsing checks upon receipt provides additional protection against checks being deposited into the wrong account or being cashed by an individual.

**RECOMMENDATION:**

**1.2.1** *We recommend that checks be restrictively endorsed immediately upon receipt.*

**1.3 Segregation of duties was lacking in some areas.**

The introduction to Countywide Policy #1062, "Management of Public Funds," states, "*The duties of individuals should be so divided as to maximize employee protection and minimize the potential for collusion, perpetration of inequities, and falsification of accounts. The policy provides suggested internal controls for the segregation of duties in such a way that persons who are responsible for the custody of funds and performance of cashiering duties have no part in the keeping of, nor access to, those records which establish accounting control over the funds and operations (and vice versa).*"

In our review of cash collection, we found that after the loan payments were received at the front desk, the money and a log of the payments were given to the Loan Servicing Specialist who posted the payments to the respective borrower's account, prepared the deposits, and made adjusting entries. Sound cash management practices discourage a single employee from exclusively controlling a monetary transaction.

For the best internal control, the person who prepares the deposit should not have access to the accounting records. Without proper separation of duties, the opportunity exists where funds could be diverted to personal use. Additionally, mistakes may be less likely to be identified. If separation of duties is not possible, extra supervisory review can mitigate the risk. The deposit should be reviewed by someone entirely independent of the cashiering duties and the review should be documented with a signature.

**RECOMMENDATION:**

**1.3.1** *We recommend that the individuals who have access to the accounting records have no duties with regard to cashiering and custody of funds, or alternatively that the deposit and accounting records be reviewed by a second employee to verify that all transactions are posted properly and completely.*

*For the best internal control, the person who prepares the deposit should not have access to the accounting records.*

**2.0 Youth Employ-Ability Services Program**

Our findings in the Youth Employ-Ability Services (YES) Program include the following:

- **Community Resources and Development operates the Youth Employ-Ability Services (YES) Program in conjunction with the Utah State Department of Workforce Services.**
- **The YES Program provides supportive service funds, and/or training funds, and bonus funds for clients enrolled in the program.**
- **The Community Resources and Development System Administrator has developed a database that helps case managers monitor support service and training expended on their clients.**
- **Community Resources and Development utilizes a voucher system to disburse YES Program funds.**
- **Youth must meet eligibility requirements to enroll in the YES Program.**

**2.1 Community Resources and Development operates the Youth Employ-Ability Services (YES) Program in conjunction with the Utah Department of Workforce Services.**

The Youth-Employability Services (YES) Program is a work training program administered by Community Resources and Development (CRD) in conjunction with the Utah Department of Workforce Services (UDWS). Federal funds, authorized under the Workforce Investment Act (WIA), are passed through the UDWS on to CRD, thus enabling the YES Program to fulfill its mission of assisting eligible young people with career planning and success.

*The Youth Employ-Ability Services (YES) Program helps eligible young people with career planning.*

YES Program Grant Revenue 2001-2003	
Year	Amount
2001	\$1,069,112
2002	\$1,407,405
2003	\$1,425,747

*Table 1. YES program funds received from the Utah Department of Workforce Services*

In addition, the program works with the Tooele Applied Technology College, Salt Lake Community College, Health Careers Opportunity Program, Youth and Families with Promise, and other community agencies that allow youth the opportunity to explore various occupations and careers. Youth enrolled in the program work with case managers to develop an individualized employment plan and set goals so they can achieve academic and employment success.

YES provides eligible youth with tuition assistance, job shadowing opportunities, internships, counseling, vocational testing, guidance through the financial aid process, the purchase of books, supplies, tools, and other training material in an effort to help the client achieve their academic and employment goals. These services are targeted especially to young people who have dropped out of high school, or who have graduated but have since failed to obtain adequate occupational skills to start a career.

The YES Program staff consists of a Program Manager, 11 Case Managers, and 1 Recruitment Specialist. Along with staff there are currently 583 participants enrolled in the program. Participants are classified as either 'active' or 'follow-up' status. Active status clients are in contact with their case manager at least once a month and are eligible for support service and training funds. In contrast, those clients in 'follow-up' status are generally in contact with their case manager only once every quarter and are not eligible for training funds. However, they do remain eligible for support service funds. All program participants are placed in 'follow-up' services for one year before exiting the program.

**2.2 The YES Program provides supportive service funds, and/or training funds, and bonus funds to clients enrolled in the program.**

The State Department of Workforce Services (DWS), the YES Program's contractor, defines supportive services as "*services such as child care, dependent care, financial, housing material, medical, needs-related payments, supplies, transportation, and other types of assistance provided to the participants so they can reach their goal.*"

Community Resources and Development has an internal policy PROVISION OF SUPPORTIVE SERVICE, Section B.1, which states, "*Support Services may be used only if they are necessary to allow the clients to obtain goals specified in their employment plan and are spent on activities to address barriers to training and employment success.*"



However, all other potential sources of aid are examined or exhausted before supportive services funds will be expended. Supportive service funds will only be used for activities that are directly related to the client's ability to participate in training and/or in obtaining employment.

Special instructions apply to some types of support services and training expenditures. These instructions are outlined below:

1. **Child and dependent care** – in the event that the client's regular caregiver is unavailable and their employment or training completion is in jeopardy, YES program will provide funds. However, funding will only be provided if the child is placed in a commercial daycare establishment. (Policy PROVISION OF SUPPORTIVE SERVICES, Section B.4a)
2. **Tools for Employment** – tools purchased by the YES program will be retained by YES if the client fails to maintain employment for a period of six months. (Policy PROVISION OF SUPPORTIVE SERVICES, Section B.4c)
3. **Healthcare, eye exams, and eyeglasses** – may only be provided if medical treatment is required for the client to participate in educational or employment related activities that are specified in their employment plan. However, assistance is limited to three times over the course of a calendar year. Any continuous medical issues should be funded by other means. YES funding is only used as a last resort. (Policy PROVISION OF SUPPORTIVE SERVICES, Section B.4d)
4. **Clothing** – in a one year period \$300 may be spent on clothing that is used for activities directly related to employment plans and goals. In addition, no more than \$200 may be spent in one shopping event. (Policy PROVISION OF SUPPORTIVE SERVICES, Section B.4a)
5. **Transportation** – YES clients regularly attend school, training, and/or employment and occasionally need assistance getting there.

- a. **Bus passes** –YES can provide bus passes to clients after reviewing their financial need. Case Managers personally deliver the bus pass to the client—they are not mailed. (Policy SUPPORT SERVICES – BUS PASSES AND TRANSPORTATION, Section B.1)
- b. **Car pooling** – monthly transportation expenditures may not exceed the current cost of a bus pass. YES participants driving in from the Tooele Valley to the Salt Lake Valley to attend job or educational related training may be eligible for up to a \$40 per month transportation stipend. (Policy SUPPORT SERVICES – BUS PASSES AND TRANSPORTATION, Section B.2c)
- c. **Car repairs** – a one-time \$200 expenditure may be made on behalf of a YES client that is currently engaged in employment and/or academic training and who is anticipated to be most likely to continue with and successfully complete YES program goals. (Policy SUPPORT SERVICES – BUS PASSES AND TRANSPORTATION, Section B.3)
- d. **Gas allowances** -- \$20 gas allowance once every six months is available to YES clients actively searching for a job. YES clients driving from Tooele are eligible for \$30 allowance once every three months. (Policy SUPPORT SERVICES – BUS PASSES AND TRANSPORTATION, Section B.4)

Discretionary Bonuses

***YES Program Case Managers may award “Discretionary Bonuses” to clients who achieve significant accomplishments.***

The YES Program attaches monetary incentives and bonuses to goal accomplishment (See Appendix 1 for 2003 YES program bonus structure.) In an effort to motivate clients to set, pursue, and achieve their goals, YES Case Managers have the option of awarding “Discretionary Bonuses” to clients who achieve significant accomplishments that are not noted in the client’s employment plan.

Case Managers verify achieved goals by obtaining documentation, i.e., a report card, contacting the client’s employer, or a statement of accomplishment on employer letterhead. Documentation along with the Case Manager’s narrative on the goal accomplished is placed in the

client's file. Also, a supervisor's approval is required before discretionary bonuses can be authorized and disbursed. (For disbursement process of discretionary bonuses see Section 2.4.)

**2.3 The Community Resources and Development System Administrator has developed a database that helps Case Managers monitor support service and training expended on their clients.**

The Utah Department of Workforce Services has established limits on the amount of funds that can be expended on any single client. However, these limits are flexible. The YES Program Manager has the discretion to authorize variances to allow expenditures to exceed authorized levels. During our review we noted 45 instances where training or support service fund expenditures exceeded recommended levels. It is recommended that training funds not exceed \$5,000 per enrollment in the YES Program. Support service expenditures per client should not exceed \$2,000 (maximum of \$1,000 per year).

To more efficiently monitor support service and training expenditures, CRD's System Administrator has developed a database. The database tracks training and support service expenditures. Furthermore, the client's status (active or follow-up), date enrolled, and outstanding vouchers (vouchers submitted on the client's behalf, but not yet paid) are monitored as well.

Each month the System Administrator creates and distributes a *Summary of Expenses* report to all case managers. The report highlights clients that have used 90-100 percent of their authorized training and support funds. Therefore, Case Managers can easily review the report and identify their expenditures on clients that exceed recommended limits.

**2.4 Community Resources and Development utilizes a voucher system to disburse YES Program funds.**

Supportive service and training payments are authorized and disbursed through a voucher system. Community Resources and Development's policy, Standard Operating Procedure for Voucher System identifies assessment/testing, books, equipment, tuition, and other costs as needed as authorized services. Also, the policy outlines the procedures that CRD personnel must follow prior to disbursing funds to YES clients.

Payment Voucher Procedure

The process begins with a client meeting with their Case Manager who conducts a financial needs assessment or reviews the client's most current assessment. If the client is eligible for support service payments and the service is authorized by policy the Case Manager inputs voucher information into the YES Voucher database. All client information – name, address, social security number – is entered on the electronic voucher (e-voucher). Also included on the voucher is the Case Manager's name, the type of service (support or training), and a description of the service.

After all information has been entered the YES Program Assistant is notified of pending vouchers. He/she prints hard copies of the four-part Payment Authorization Voucher (PAV) forms and distributes them to the corresponding Case Manager. Case Managers review, sign, and forward the PAV to the YES Program Manager or YES Case Manager Supervisor for their review and signature. Following supervisory review, the authorizing individual separates the form and returns the white, yellow, and pink copies to the Case Manager. The blue copy is received by CRD's Accounting Specialist who places it in his outstanding voucher file. The Case Manager inserts the pink copy into the client's file while the white and yellow copies are delivered to the vendor either by the client or Case Manager.

After the service has been rendered the vendor and client both sign the PAV. The vendor keeps the yellow copy and mails the white copy and an invoice to the Accounting Specialist. When received the specialist matches the white copy to the corresponding blue copy and enters the vendor information into Quickbooks, thereby generating a check. Checks are then signed by CRD's Fiscal Manager and Direct Services Manager and mailed to the vendor.

Discretionary Bonuses Disbursement Procedure

The disbursement process for monetary incentives and bonus funds are somewhat similar to the training/support services voucher system, however, there are some differences. Case Managers are required to complete and submit a two-part *Purchase Request* form indicating the client's name, the goal accomplished, and the amount of the bonus before funds can be dispersed. Verifying documentation is attached to the *Purchase Request* and given to the YES Program Manager for review and signature. However, bonus requests without proper documentation will not be authorized.

The Program Manager returns the yellow copy to the Case Manager to place in the client's file and submits the white copy to the YES Program Specialist. He completes a memorandum indicating the bonus amounts, goals completed, and client's Case Manager, and attaches it to the purchase request form. The packet (purchase request form and memorandum) is returned to the YES Program Manager for her review and signature. She then returns the packet to the YES Program Specialist. He submits the packet to CRD's Accounting Specialist who enters the data into Quickbooks, generates a check, and obtains authorizing signatures. Finally, he distributes the checks to the Case Managers who distribute them to their clients.

During our review of the Payment Voucher and Discretionary Bonus Disbursements procedures we examined a sample of payment vouchers, purchase requests, and bonus memorandums and noted that all required signatures and verifying documentation were present indicating proper managerial approval and review prior to funds being expended.

**2.5 Youth must meet eligibility requirements to enroll in the YES program.**

*Youth must meet at least one of the WIA barriers to enroll in the YES Program.*

The Utah Department of Workforce Services has established criteria that all potential clients must meet to enroll in the YES Program. Youths must be between ages 14-21, be a resident of Salt Lake or Tooele counties, and a U.S. citizen or permanent resident alien, come from a low-income situation, and face barriers that prevent them from succeeding academically or finding and keeping gainful employment.

The Workforce Investment Act (WIA) identifies the barriers and income levels that can qualify a youth for the YES Program. All youth must meet, at a minimum, one of the WIA barriers to enroll in the YES Program. Applicants are required to provide documentation that verifies that they in fact satisfy a specified criterion. In addition, income requirements must be met and verified prior to enrollment in the program. Table 2, on page 14, and Table 3, on page 15, identify the barriers and income levels identified in the WIA.

<b>WIA YOUTH BARRIERS</b>	
<b>BARRIERS</b>	<b>ACCEPTABLE DOCUMENTATION</b>
Basic skills deficient	Assessed by a Generally Accepted Standardized test or school records
Foster child	Written statement from state/local agency Court contact or court documentation
Homeless or run-away	Applicant statement Written statement from shelter Written statement from Social Service Agency
Criminal offender	Applicant statement Court documents Police records Letter of parole or letter from probation officer
Pregnant or parenting	Applicant statement Birth certificate or hospital record of birth Medical card Physicians note
School dropout	Applicant statement Attendance record Dropout letter
<b><i>Barriers to establish at-risk youth:</i></b> 1. Chronic absenteeism from school 2. Chronic underachievement in school 3. Chronic behavior problems 4. Social/developmental immaturity 5. Family illiteracy 6. Cultural differences 7. Chronic health problems 8. Physical/sexual/psychological abuse 9. Ethnic or racial differences 10. Substance abuse 11. Limited English proficiency 12. Lacks occupational goals/skills	School records or statement from school School records or statement from school Statement from mental /medical health provider Statement from mental /medical health provider Applicant/parental statement Applicant/parental statement Medical/mental health care provider statement Applicant or mental health provider statement Applicant/parental/counselor statement Statement from treatment provider Employment counselor observation School records/Employment counselor observation

**Table 2. Identifies youth barriers as defined in the WIA.**

WIA Income Guidelines		
Family	METRO*	NON-METRO**
Size	(Annual)	(Annual)
1	\$8,980	\$8,980
2	\$13,070	\$12,630
3	\$17,950	\$17,330
4	\$22,150	\$21,390
5	\$26,140	\$25,250
6	\$30,570	\$29,520
7	\$35,000	\$33,790
8	\$39,430	\$38,060
For each additional family member add:	\$4,430	\$4,270

*Table 3. WIA established income guidelines.*

\*METRO areas in Utah include the following counties: Cache, Davis, Juab, Morgan, Salt Lake, Summit, Tooele, Utah, Washington, and Weber.

\*\*NON-METRO areas include all counties not listed above

Although applicants may meet WIA established criteria, they must expend the required effort to become enrolled in the program. The enrollment process starts when the applicant completes and submits an information sheet to the YES office. The YES Case Manager Supervisors review all applications to determine the eligibility of each applicant. Applicants meeting eligibility requirements are invited to attend an informational orientation about the YES program. Also, applicants are required to take a skills test to measure their academic capabilities. Finally, the applicant meets with a YES Case Manager to set goals and establish an employment plan. In the initial meeting with a Case Manager an applicant is required to bring the following items:

- Social Security Card
- Birth certificate
- Photo identification
- Birth certificates for everyone in the household that is related to applicant
- Proof of income (check stubs) for the last six months for applicant and everyone in their household related to them.

- Verification of address (bill or letter with applicant's name on it)

In addition, the Case Managers will assign them certain tasks to complete prior to the next appointment. The tasks might include obtaining a high school transcript or conducting a labor market study in a field or profession that interests them. The purpose of the tasks is to weed-out those applicants who are not serious about the program. Once the applicant has attended the orientation, taken the skills test, completed all assigned tasks, and provided all necessary documentation they are placed into active status, which makes them eligible for support service and training funds.

Generally, clients remain in active status for 24 months following which they are placed into follow-up status for 12 months before exiting the program. Clients in active status over a 24 month period will have their case files reviewed. The client's Case Manager, YES Program Manager, and a Case Manager Supervisor meet to discuss the reasons that the client remains in active status. The client must be continuously working towards reaching their goals to remain in the program.

In accordance with DWS policy, the YES Program Case Manager Supervisor audits Case Manger's client files on a monthly basis to determine that, among other things, the client meets eligibility requirements, a financial needs assessment has been conducted by the Case Manager, an employment plan is in place, all appropriate permission documents/consent/release forms are signed, supportive service payments are authorized and appropriate, and documentation exists of the client's income and family size. A DWS "Quality Evaluation Form" is used by the supervisor while conducting the audits.

Following the Case Manager Supervisor review of client files, she notes any problems and/or discrepancies and discusses them with the Case Manager(s). The Case Manager Supervisor then forwards the Quality Evaluation Form to the YES Program Manager who reviews and signs the document indicating her review and approval.

During our audit we reviewed 20 Quality Evaluation Forms from July and August of 2004 and noted that each form was reviewed and signed by the YES Program Manager. In addition, the Department of Workforce Services annually reviews client files and the "Quality Evaluation Forms" to ensure that Case Managers and the Case Manager Supervisors are complying with YES Program policies and procedures.



We reviewed the latest DWS report, dated April 29, 2004, and noted that they were, “pleased with the progress the YES Program staff have made in the last year since the previous monitoring. The WIA programs are complicated and the work of improving documentation, justifications, and performance outcomes seem never ending. The monitoring team has recognized the staff’s hard work and effort of the last year.”

Furthermore, the report indicates that CRD is generally in compliance with the policies and procedures of the YES Program.

### 3.0 Community Planning Development Grant Programs

Background Information:

Community Resources and Development administers the following community planning development grant programs:

- Community Development Block Grant
- HOME Investment Partnership Grant
- Social Services Block Grant
- Emergency Shelter Grant

*To participate in funding under the community planning and development formula grant programs, Community Resources and Development must have an approved Consolidated Plan.*

To participate in funding under the community planning and development formula grant programs – Community Development Block Grant (CDBG), HOME Investment Partnership Grant (HOME), and Emergency Shelter Grant (ESG) funds – Community Resources and Development must have a current and approved Consolidated Plan, which includes an action plan that describes how the jurisdiction will use its CDBG, HOME, and ESG funds.

The Consolidated Plan is an application for funding, as well as a statement of specific long-term and short-term community development objectives and projected use of funds. In addition, grantees include in the Consolidated Plan a report on program year accomplishments and performance.

#### The Community Development Block Grant Program

The Community Development Block Grant (CDBG) Program is a federally funded grant program of the U.S. Department of Housing and Urban Development (HUD). Under the CDBG Program, states receive an allocation of funds for local community development use. In Salt

Lake County, large cities – cities with populations of 50,000 and above – receive their funds directly from HUD, and are known as entitlement cities. Cities with less than 50,000 people can access CDBG funds through the state or the Urban County Program, administered by Salt Lake County.

The primary purpose of the CDBG Program is “*to assist in developing viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.*” CDBG funds are used to revitalize lower-income neighborhoods through housing rehabilitation and other housing activities, public facilities and infrastructure improvements, economic development, and the provision of public services. Each entitlement grantee receiving CDBG funds is free to determine what activities it will fund as long as certain requirements are met, including that each activity is eligible and meets one of the following broad national objectives:

- a) benefit persons of low and moderate income,
- b) aid in the prevention or elimination of slums or blight, or
- c) other community development needs of particular urgency.

More specific objectives of the CDBG Program and examples of projects are shown in Table 4, on page 19, and Table 5, on page 20.

Objectives of the CDBG Program	
Housing	Home improvement and emergency repair services Accessibility and retrofitting Home ownership and ownership counseling Case management
Home improvement and emergency repair services	Accessibility and retrofitting Home ownership and ownership counseling Case management
Special Needs	Capacity building for agencies who provide support to special needs populations
Neighborhoods	Capacity building for agencies who provide assistance to low and moderate income neighborhoods Infrastructure and street improvements Parks, recreation centers, and other public facilities Economic development activities Youth programs Anti-crime programs
Seniors	Development of rental housing Supportive Care Senior citizen centers

*Table 4. The CDBG Program funding can be used for a variety of objectives..*

Examples of Projects That Are Eligible to Receive CDBG Funding	
Housing Activities	<p>Home purchase assistance to low- and moderate-income (LMI) persons</p> <p>Acquisition of land for affordable housing development</p> <p>Assistance to LMI homeowners for repair, rehabilitation, or reconstruction of owner-occupied housing</p>
Economic Development Activities	<p>Lend money to a micro-business (one with five or fewer employees)</p> <p>Provide technical assistance and advice to micro-business owners</p>
Public Services Activities	<p>Develop employment and training programs</p> <p>Arrange for child care for LMI households</p> <p>Furnish health services for those who cannot afford care</p> <p>Provide substance abuse services</p> <p>Provide shelter for the homeless individuals and/or abused spouses</p> <p>Provide food</p> <p>Provide services for targeted populations</p>
Infrastructure and Public Facilities Activities	<p>Construct infrastructure (street improvements, sewer)</p> <p>Build neighborhood facilities</p> <p>Design and construct housing facilities for people with special needs, such as nursing homes, homeless shelters, and group homes for people with disabilities</p> <p>Make accessibility improvements to public facilities in order to meet the Americans with Disabilities Act (ADA) standards</p>

Table 5. Possible eligible activities for CDBG Program funding.

***The Community and Economic Development Advisory Council makes recommendations on the allocation of Community Development Block Grant (CDBG) funds.***

A portion of the CDBG funds are passed through the County to cities in the Salt Lake Urban County. The Salt Lake Urban County includes unincorporated Salt Lake County, and the cities of Alta, Bluffdale, Draper, Herriman, Holladay, Midvale, Murray, Riverton, South Jordan, and South Salt Lake. Salt Lake County is the lead agency for the Salt Lake Urban County.

Each year, Community Resources and Development issues a request for proposals seeking applications for project funding. The Community and Economic Development Advisory Council (CEDAC) reviews the applications for CDBG funds and makes recommendations on the allocation of the funds. The recommendations are sent to the County Mayor who has final approval.

For the 2004/2005 program year, 66 applications for funds, totaling \$4,778,232 were received. Thirty six agencies were funded for a total of \$1,485,500. \$1,253,500 was passed through to incorporated cities. The amount allocated for administration was \$400,000. Agencies submit a request for reimbursement for the work completed on projects or the services which they have provided for eligible individuals. There is no up-front money, in other words, they are not paid before work is completed.

Some of the CDBG funds are allocated to the Home Improvement Program. Under the Home Improvement Program, loans are made for home improvement, emergency and minor home repairs. Salt Lake County contracts with Housing Services of Utah Valley to match funds with eligible applicants. Housing Services of Utah Valley performs a needs assessment and advertises to citizens making them aware of the availability of funds. Housing Services also does the initial loan origination and processing. Housing Services screens applicants, reviews borrowers' applications, and prepares the loan documents. After the documents for the loan origination are completed, the information and documents are forwarded to Salt Lake County who then services the loans and receives payments from borrowers. The County services all CDBG Program loans even when other cities make the loan to participants.

A portion of the funds for the Home Improvement Program come from the Section 108 Revolving Loan Program. The Section 108 Revolving Loan Program is the loan guarantee provision of the CDBG Program. Section 108 provides communities with a source of financing for

economic development and housing rehabilitation. Only Salt Lake County provides loans using Section 108 money. Unlike other CDBG Program funds which are reimbursed as portions of projects are completed, the entire balance of the money is EFT wire transferred to the County when the County applies to HUD for Section 108 money. When a borrower makes payments towards a loan, this money is loaned out to a new borrower.

### **HOME Investment Partnership Program**

The Cranston-Gonzalez National Affordable Housing Act (NAHA) of 1990 was intended to address affordable housing needs by promoting the production of low-income housing through federal/local partnerships and existing HUD programs, including the Community Development Block Grant (CDBG) Program.

The centerpiece of the Act--the HOME Investment Partnerships (HOME) Program--provides grants to state and local governments to develop and support affordable rental housing and homeownership opportunities through the acquisition, construction, reconstruction or rehabilitation of affordable housing, including property acquisition, site improvement, and other expenses. HOME is designed exclusively to create affordable housing for low-income households. HOME Program funds may only be used for residential housing. There are restrictions on the use of HOME funds for properties assisted by certain other federal programs. HOME funds can be used for grants, direct loans, loan guarantees, rental assistance, or security deposits. The money is usually distributed in the form of loans. Program income from the repayment of the loans is used to help the program continue if the Federal money is discontinued.

Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses. HOME funds may be used to pay for the following types of projects or costs:

Examples of Projects That Are Eligible to Receive HOME Funding
Land Acquisition
New Construction for Rental or Owner-Occupied Housing
Rehabilitation for Rental or Owner-Occupied Housing
Relocation Costs
Tenant-Based Rental Assistance
Down Payment and Closing Costs
Some Administrative and Planning Costs (subject to limitations set forth in the federal regulations)

*Table 6. HOME Program funds are used for residential housing.*

HOME funds are awarded annually as formula grants to participating jurisdictions. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. Program funds are allocated on the basis of a formula that considers the relative inadequacy of each jurisdiction's housing supply, its incidence of poverty, its fiscal distress, and other factors. Participating jurisdictions (PJs) must match every dollar of HOME funds used (except for administrative costs) with 25 cents from non-federal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources.

Community Resources and Development uses HOME funds to expand the supply of decent, safe, and affordable housing within the County. The program provides funds to acquire, rehabilitate, or construct housing, or to provide assistance to low-income home-buyers and renters. Funds must be distributed in accordance with the needs and priorities identified in the Consolidated Plan. The Salt Lake County Housing Committee, made up of 8 people, reviews the requests for HOME Program funds. The committee's recommendations are given to the Mayor for final approval. Salt Lake County's HOME Program funds were awarded to nine projects for the 2004 program year with a total recommended funding of \$2,177,892. Salt Lake County uses the majority of its HOME funds to purchase the land for the proposed projects which are awarded funding.

HOME funds may only be used to assist households with incomes at or below 80 percent of area median income. Rental projects must primarily serve households with incomes at or below 60 percent of area median

*The Salt Lake County Housing Committee reviews the requests for HOME Investment Partnerships (HOME) Program funds.*

income. Assisted rental units must remain affordable for a period of between five and 20 years, depending on the initial amount of subsidy provided for the project.

Salt Lake County is the lead agency for the Salt Lake County Consortium, which includes the Urban County, and the cities of West Jordan, Sandy, Taylorsville, and West Valley. As the lead agency, Salt Lake County disperses the funds for Salt Lake County Consortium HOME Program cities. Additionally, the County services all HOME Program loans even when other cities make the loans to participants.

**Emergency Shelter Grant Program**

The Emergency Shelter Grant (ESG) Program provides homeless persons with basic shelter and essential supportive services. The funds can be used to assist with the operational costs of a shelter facility and for the administration of the grant. ESG also provides short-term homeless prevention assistance, such as foreclosure prevention or tenant-based rental assistance, to persons at imminent risk of losing their own housing due to eviction, foreclosure, or utility shutoffs.

Community Resources and Development receives ESG funds from HUD and makes these funds available to eligible recipients. The recipient agencies and organizations, which actually run the homeless assistance projects, apply for ESG funds from the County. Table 7, below, shows examples of activities eligible for ESG funds.

<b>Eligible Activities for the Emergency Shelter Grant Program</b>
Rehabilitation or Remodeling of a Building Used as a Shelter
Operations and Maintenance of a Shelter Facility
Case Management
Physical and Mental Health Treatment
Substance Abuse Counseling
Child Care
Homeless Prevention

*Table 7. The objectives of the ESG Program are to increase the number and quality of emergency shelters and transitional housing facilities for homeless individuals and families and to help prevent homelessness.*



Salt Lake County's ESG Program funds were awarded to four groups for the 2004/2005 program year with a total recommended funding of \$111,417. The following groups are funded:

- Traveler's Aid Homeless Shelter
- YWCA -- Battered women's shelter
- Valley Mental Health Safe Haven
- Community Action Program (CAP) Homeless Prevention Program.

Expenditures from agencies are reimbursed; there is no up-front money. Agencies submit a request for reimbursement for the services which they have provided for eligible individuals.

### **Social Services Block Grant Program**

The Social Services Block Grant (SSBG) Program is a federal grant which provides funds to government and non-profit community agencies which serve low- and moderate-income citizens in the County. The SSBG money from the Federal government is sent directly to the Utah State Department of Health and Human Services. The money to Salt Lake County is pass-through money from the State. For the 2004 program year, the State received approximately \$35 million and ten percent of that amount was passed through to local jurisdictions. Salt Lake County's allocation was \$300,000. The funds are used to assist organizations in meeting needs for social services.

As with the requests for the CDBG Program funds, Community Resources and Development issues a request for proposals seeking applications for SSBG Program funding. The Community and Economic Development Advisory Council (CEDAC) reviews the applications for SSBG funds and makes recommendations on the allocation of the funds. The recommendations are sent to the County Mayor who has final approval. Forty three applications for funds, totaling \$9,055,429.96, were received for the 2004/2005 program year. Thirteen agencies were funded for a total of \$230,000. The amount allocated for administration was \$50,000. Expenditures from agencies are reimbursed; there is no up-front money. Agencies submit a request for reimbursement for the services which they have provided for eligible individuals.

The funds for the SSBG Program are used for soft costs, such as program delivery. SSBG funds are not used for physical improvements or housing

*The Social Services Block Grant (SSBG) money is pass-through money from the Utah State Department of Health and Human Services.*

rehabilitation. The funds awarded for the 2004 program year will be allocated to the following priority areas of service:

Eligible Activities for the Social Service Block Grant Program
Case management for housing services
Day Care
Counseling
Education and training
Workplace literacy programs, enhanced survival English programs
Services for the elderly
Legal services
Services for teen parents and pregnant teens

**Table 8. SSBG Program funds are used to assist organizations in meeting needs for social services.**

The following findings were obtained from our research and review in the community planning development grant programs. We found that:

- **The community planning development grant programs were administered in accordance with applicable regulations.**
- **An application for CDBG funding was appropriately considered ineligible.**
- **Community Resources and Development had contracts in place with subrecipients receiving CDBG funds.**

**3.1 The community planning development grant programs were administered in accordance with applicable regulations.**

We reviewed the process for evaluating and scoring the applications and awarding funds for the community planning development grant programs and found that the Community Resources and Development staff have adequate knowledge of rules and procedures to administer programs in accordance with applicable regulations.

*The review of the applications requesting CDBG funding consists of scoring and ranking applications based on information in the project description.*

Community Resources and Development sends out notices for requests for applications in the fall of each year. Applicants for the funds complete an application. The applications are sent to Contracts and Procurement, then Community Resources and Development receives a copy. Staff in the Community Section review each application to determine whether the proposed activity or activities are eligible and to identify any potential problems.

The review consists of scoring and ranking applications based on information in the project description. Applicants must list the goals and outcomes of their projects, then the applications are scored and ranked according to these goals and anticipated outcomes. Projects are also ranked and scored according to the number of low- and moderate-income households or beneficiaries in a given service area, numbers of presumed benefit individuals they serve, and overall cost benefit. For the CDBG Program, points are awarded in each the following six factors:

<b>Factor</b>	<b>Total Points Possible</b>	<b>Description</b>
Benefit	100 points	Number and/or percentage of low- and moderate-income households (or individuals), beneficiaries in a given service area, numbers of presumed benefit individuals they serve and/or overall cost benefit.
Need	100 points	The need that the project will address and how the need was identified and measured.
Plan	100 points	The comprehensive planning effort and the strategy developed for meeting the identified need. The relationship between the proposed project and the community needs identified in the Salt Lake County Consolidated Plan.
Capacity	100 points	The capacity of the agency to undertake the proposed project. Prior experience in similar efforts, qualifications of personnel, and commitments of resources from partners.
Leverage	100 points	Efforts to identify and pursue the broadest range of possible funding sources in addition to CDBG funding.
Sustainability	50 points	Plan for maintaining the CDBG-supported project or related activities after CDBG funds are exhausted. Have a continuing capacity to carry out the approved program or project.

*Table 9. Applications for CDBG Program funds are given points in six factors.*

***The Citizen Economic Development Advisory Council is a ten member council appointed by the Salt Lake County Mayor.***

***The Salt Lake County Mayor has the final decision on the funding allocations for both the CDBG Program and the HOME Program funding.***

The applications are reviewed and scored by the Citizen Economic Development Advisory Council (a ten member council appointed by the Salt Lake County Mayor). The Citizen Economic Development Advisory Council (CEDAC) also makes the recommended approval for funding. CEDAC meets every Tuesday at noon from January to April to review the project proposals.

After CEDAC reviews the applications, a public hearing is held. CEDAC then meets again for final project selection. CEDAC's recommendations are given to the Mayor for final approval. Applications for the HOME Program funds are given to the Salt Lake County Housing Committee for review and recommendation of projects. The committee's recommendations are given to the Mayor for final approval. The Mayor has the final decision on the funding allocations for both the CDBG Program and the HOME Program funding.

Although we reviewed the scoring sheets for proposed CDBG Program project funding, we were unable to determine whether there were political considerations attached to any of the selected projects. However, the process is vulnerable to criticism about favoritism on the part of the County, and may be subject to more political pressure when members of the CEDAC committee have strong ties to the Mayor.

We also reviewed the applications for CDBG Program funding for the 2004/2005 program year. Although the applicants who were awarded CDBG funding met the eligibility criteria and one of the national objectives, we found it difficult, based on our examination of the applications, to determine why some projects are not funded and others are funded. We understand that the scoring of the applications is not an exact science and involves judgmental determinations and comparisons between projects.

However, it was impossible for the auditors to know the reasoning behind the scores for CDBG applications because a number was simply assigned for each factor. From looking at the score sheets and the ranking of the projects, we could not assure ourselves that the same criteria is observed for all projects.

Although some of the ranking sheets included one or two lines of comments from the Community Development staff who reviewed the application, more written documentation for decisions would improve the scoring and allow an impartial observer to verify that the evaluation of all projects is objective. Additionally, if a disagreement occurs between an

applicant and CRD concerning the way an application was ranked, or the process followed in determining the rating and ranking, more documentation, in addition to the limited staff comments, would better convey the rationale of the rankings and strengthen the evaluation process.

Many of the applications did not include a specific number of households or individuals to be served by the particular project even though the instructions on the application form state to indicate how many or what percentage will be low- and moderate-income beneficiaries (households or individuals). HUD requires that applicants provide the percentage of low and moderate income beneficiaries for all projects receiving CDBG funds. A fill-in table on the form, which applicants must complete before submitting their applications, would ensure that the information was included for each application and would improve the ability to determine the percentage of beneficiaries for each project.

The Manager of the Community Development Section stated that CRD is revising its current application form. We commend CRD for their initiative in revising the current application. To improve the assessment process, we would encourage CRD to include a fill-in table for applicants to enter the number or percentage of low- and moderate-income individuals or households which will benefit from the grant funds. An example of an application which includes a table for applicants to indicate proposed beneficiaries can be found in the CDBG Program application form for the State of Utah Department of Community and Economic Development at their website at <http://dced.utah.gov/cdbg/>.

**RECOMMENDATIONS:**

- 3.1.1** *We recommend that written documentation be included with applications to strengthen the evaluation process.*
- 3.1.2** *We recommend that the revised applications for CDBG Program funding include a fill-in table for applicants to enter the number or percentage of low- and moderate-income individuals or households who will benefit from the grant funds.*

**3.2 An application for CDBG funding was appropriately considered ineligible.**

The Code of Federal Regulations (CFR) which is the regulatory provisions for the HUD programs, state, that conflict of interest provisions apply with regard to the provision of assistance by the recipient or by its subrecipients to individuals, businesses, and other private entities. According to CFR Title 24 Sec. 570.611(b) and (c) Conflict of Interest:

*(b) Conflicts prohibited. The general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.*

*(c) Persons covered. The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent consultant, officer, or elected official or appointed official of the recipient, or any designated public agencies, or of subrecipients that are receiving funds under this part.*

***An application for CDBG Program funding was ineligible because the applicant was a former employee of Community Resources and Development.***

We reviewed the applications for CDBG Program funding for the 2004/2005 program year and found an application from an agency whose owner was a former employee of the County. Community Resources and Development staff ascertained that the application was ineligible because the applicant was a former employee of the Division. According to the staff comments which were included with the application, the applicant had been on the County committee that oversaw the CDBG activities. In his employment with the County, the applicant had been in a position to gain inside information with regard to CDBG activities and applications for CDBG funds. We commend the Division for its decision not to consider the application.

***Community Resources and Development has contracts in place with subrecipients receiving CDBG Program funds.***

**3.3 Community Resources and Development had contracts in place with subrecipients receiving CDBG funds.**

The Code of Federal Regulations (CFR), Title 24, Section 570.503, states, “*Before disbursing any CDBG funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient...*” We reviewed 15 CDBG project files and noted that each one had a signed contract or *Memorandum of Understanding* (MOU) with the subrecipient. MOUs are signed when CRD contracts with another Salt Lake County division or department. For example, two of the projects we examined were being built by Salt Lake County Public Works Division. Since the County cannot contract with itself, an MOU is entered into.

Also, CDBG files included invoices from the subrecipient’s contractors and statements of work. CDBG funds are disbursed when CRD’s Accounting Specialist receives an invoice from the contractor conducting the actual work. The invoice is taken to the project’s project manager for their review and signature. Upon approval, a check is cut and mailed to the contractor. CRD is then reimbursed by requesting a draw down from the CDBG funds allocated to them by the United States Department of Housing and Urban Development. All HUD reimbursements are executed via electronic funds transfer (EFT).

**4.0 Loan Servicing**

Community Resources and Development has community loan funds that they own and service. The funds make affordable loans available for home rehabilitation, emergency home repair, and down payment assistance for home purchases. The Community Development Block Grant Program and the HOME Program are the major funding sources for the loan funds.

We found that:

- **There was evidence in the files that a lien was placed on properties acquired or improved using grant program funds.**
- **There were no written agreements between Salt Lake County and the cities for which the County does loan servicing.**
- **Past due notices were not sent on a consistent basis.**
- **Requests for reconveyance were not timely.**

- **Documentation for amounts written off was not always evident.**

**4.1 There was evidence in the files that a lien was placed on properties acquired or improved using grant program funds.**

A lien is placed on each project property acquired or improved using grant program funds. For projects using CDBG funds, the lien is to ensure that property which is acquired or improved is used by the subrecipient to meet one of the national objectives for use of the CDBG grant money for a certain amount of time. If the property is sold or the use of the property is changed (change of use) before the specified period of time following the funding of projects with CDBG funds, the applicant must reimburse the County's CDBG Program.

If the grant program funds are used to purchase land, a 15 year lien is placed on the project. For other projects, the amount of the lien is dependent on the approved funding for the project.

- Project funding under \$100,000                      5 year lien
- Project funding \$100,000 to \$200,000            10 year lien
- Project funding over \$200,000                      15 year lien

Additionally, liens are placed on properties when grant program funds are received in the form of loans. The Trust Deed creates a valid security interest in favor of the creditor (Salt Lake County). The obligation is evidenced by the Deed of Trust and Promissory Note. The Trust Deed is assigned to Salt Lake County Economic Development or Salt Lake County Division of Economic Development and Community Resources. This assignment of the Trust Deed makes the County the beneficiary on the loans and protects the interest of Salt Lake County in properties for which the County has a financial investment under the CDBG Program or the HOME Program.

We reviewed 20 borrowers' files to determine if the legal documents were included in the file. All the files contained a Deed of Trust (security instrument), a Promissory Note, and a Non-Assumption Agreement. The original Promissory Note and security instruments are filed in a fireproof filing cabinet (per policy from CRD). Access to the filing cabinet is limited to the Loan Servicing Specialist and designated backup personnel. The Loan Servicing Specialist is diligent about making



*Community Resources and Development services loans for other cities. However, there were no written agreements between Salt Lake County and the cities for which CRD performs loan servicing functions.*

certain that all the legal documents are recorded, have the proper approval signatures, and are placed in the respective borrowers' files.

**4.2 There were no written agreements between Salt Lake County and the cities for which the County does loan servicing.**

The total number of loans which were serviced by Community Resources and Development was 411 with a principal balance as of July 30, 2004 of \$8,447,253. As shown in Table 10, below, Community Resources and Development services loans for several other cities. The County services CDBG and HOME Program loans even when other cities make the loan to participants. Other cities making loans with the CDBG and HOME Program funds, receive applications and qualify applicants. The loan documents (Deed of Trust, Promissory Note, Non-Assumption Agreement, Truth in Lending Disclosure Statement) are prepared by the city and then sent to Community Resources & Development.

Loans Serviced by Community Resources and Development	
Agency	Number of Loans
Salt Lake County	297
Midvale City	11
Murray City	27
Sandy City	6
South Salt Lake	54
Taylorsville City	3
West Jordan City	8

*Table 10. Community Resources and Developments services loans for other cities.*

There were no written agreements between Salt Lake County and the cities for which CRD performs loan servicing functions. Additionally, no fees were collected for servicing the loans. However, the expenses of administering the program and servicing loans should be paid for by those cities who benefit from that service. According to the management comment letter from Hansen, Barnett, and Maxwell, the auditors who

perform the independent audit of Salt lake County, the County should not provide services to outside agencies where a contract is not in place.

**RECOMMENDATIONS:**

**4.2.1** *We recommend that written agreements be executed between Salt Lake County and the cities for which CRD performs loan servicing.*

**4.2.2** *We recommend that Salt Lake County charge and collect a fee for servicing these loans.*

**4.3 Past due notices were not sent on a consistent basis.**

Community Resources and Development has developed operating procedures for the loan servicing area as of April 20, 2004. Section 3.0 of the “Loan Servicing Area Operating Procedures” describes procedures for collection of delinquent accounts. The procedures state, “Send thirty, sixty, and ninety day delinquent notices, in addition to original monthly statement from Loan Base (LB).” Loan Base is the software used for account administration. The policy for the “Standard Operating Procedure for Collection Committee” states, “After 90 days the account will be brought to the credit committee for requested action.”

*According to the Community Resources and Development Division’s internal policy, thirty, sixty, and ninety day delinquent notices are to be sent to borrowers with past due accounts.*

We obtained a Delinquent Report and noted that there were 44 accounts that were 30 days or more past due. Of these 44 accounts, 15 borrowers had made a payment within the last 30 days, even though there were still outstanding balances on their accounts which were more than 60 days old. We reviewed the files of 20 of the 44 accounts to determine whether copies of past due notices were in the files. There were a few past due notices in some of the files.

However, there was no evidence that past due notices were sent out on a consistent basis. We noted that past due notices were sent sporadically and it was not specified on the past due notice whether it was a 30-day, 60-day, or 90-day late notice. The Loan Servicing Specialist and the Fiscal Manager are currently revising the past due notices and are waiting final approval from the Division Director. The Loan Servicing Specialist stated that the past due notices will be sent to customers with delinquent accounts when the form and wording of the notices has been approved.

The Loan Servicing Specialist also stated that a monthly statement is sent to the customers with delinquent accounts. The statement indicates the past due amount and the total amount due for the account to be current. The monthly statements are not included in each borrower's file, but are instead filed by statement date (either the 1st or the 17th of the month). We reviewed the statements for the month of July 2004 to ascertain whether a statement was sent to each borrower on the delinquent report and found that copies of the statements were in the file.

Occasionally, a homeowner who has a delinquent account files bankruptcy. The filing of the bankruptcy case automatically stays certain collection and other actions against the debtor and the debtor's property. If the County attempts to collect a debt or take other action in violation of the Bankruptcy Code, it may be penalized. For the accounts where a homeowner had filed bankruptcy, the Loan Servicing Specialist was not able to mail past due notices or attempt to contact the homeowner.

While the Loan Servicing Specialist focuses on loan collection, the Foreclosure Committee makes the final decision of whether a property is foreclosed on when the loan becomes delinquent. The Collection Committee may make a recommendation to the Foreclosure Committee to start foreclosure after graduated collection activities have not brought the account current. From reviewing the documentation for the sample of loans which were delinquent, it appears that collection of delinquent loans is seen as less important to CRD, while the goal of placing funding in neighborhoods to improve the community and its housing stock is considered most important.

Community Resources and Development sees itself primarily as a community service agency and is more concerned with the dispersal of funds than with loan payments. Community Resources and Development seems to be discouraged from taking legal action on delinquent accounts because it would send the signal of government kicking low-income families out of their houses. However, sending the fiscal discipline message to staff and borrowers is critical in setting the tone for the importance of timely collection of loans. A clear course of action should be diligently followed when payments are past due.

According to "*Loan Delinquency in Community Lending Organizations*" a case study published by the Fannie Mae Foundation regarding loan delinquency in community lending organizations, "community-based lending organizations that view their lending activities as a banking business and treat loans as loans, stressing the importance of servicing

and collection, tend to have lower delinquency rates. These organizations view affordability and flexibility as functions of negotiating the terms of loans, not as factors in collections. To be effective, such an attitude must pervade staff throughout the organization. In its absence, an organization may have all the necessary collection tools and policies but not produce any long-lasting effect on the rate of past-due loans.”

The case study also stated that “a common view in low-delinquency organizations is that once a loan becomes more than 60 days delinquent, it is very difficult to return to up-to-date status. The more a past-due loan ages, the more difficult it is to bring it back current. Each organization has developed its own strategy to prevent a past-due loan from passing this critical 60-day mark. In most organizations, a second or even a third personal letter is sent, and an interview with the borrower is conducted to discuss the situation.”

**RECOMMENDATION:**

**4.3.1** *We recommend that the format of the past due notices be finalized and that past due notices be consistently mailed to borrowers with delinquent accounts.*

**4.4 Requests for reconveyance were not timely.**

A review of 55 loans which were paid off in 2003 indicated that the majority of the reconveyances were filed between 100 and 180 days after the date the loan was paid off. If the process is not timely executed, the County can be held liable. According to the Utah Code, a secured lender or servicer has 90 days after receipt of the final payment of the loan to release the security interest. Utah Code Annotated 57-1-38, states, "A secured lender or servicer who fails to release the security interest on a secured loan within 90 days after receipt of the final payment of the loan is liable to another secured lender on the real property or the owner or titleholder of the real property for: (a) the greater of \$1,000.00 or treble actual damages incurred because of the failure to release the security interest, including all expenses incurred in completing a quiet title action; and (b) reasonable attorneys' fees and court costs." The reconveyances were filed within the 90-day time frame for 6 of the 55 loans we reviewed.

In addition to reconveyances for secured loans serviced by Community Resources and Development (CRD), CRD holds trust deed notes on 41

properties in West Jordan City. West Jordan City uses HOME Program and CDBG Program funds for downpayment assistance for eligible new homeowners. Up to \$5,000 of downpayment assistance can be secured per applicant. Each year 20 percent of the loan is forgiven. If the homeowner remains in the home for 5 years, the entire amount is forgiven. At the end of 5 years, a "Request for Reconveyance" must be submitted to release the trust deed and lien on the home. If the homeowner sells the home before 5 years, the Loan Servicing Specialist in CRD sends a billing to the homeowner for the balance due plus the amount for the fees for the reconveyance.

West Jordan City screens the applicants for the downpayment assistance program and processes the paperwork. When West Jordan prepares the Deed of Trust for each property receiving funds, Salt Lake County is listed as the beneficiary on the Deed. The County acquires the beneficial interest in the Deed of Trust by the assignment from West Jordan City. Because Salt Lake County is listed as the beneficiary, the County is liable if the reconveyance is not filed in a timely manner (as per Utah Code Annotated 57-1-38). Additionally, Salt Lake County must pay the fee to the title company (Invest Title or Guardian Title) when submitting the "Request for Reconveyance." However, there is no written agreement between Salt Lake County and West Jordan City for this service. If the County is going to continue to provide the service, a written agreement should be in place.

The Utah Code establishes a liability to Salt Lake County, as beneficiary, to remove a Trust Deed lien against the home or property as soon as possible after payoff. When a Trust Deed loan is paid off, a "Request for Reconveyance" is submitted. Currently, to execute the Reconveyance, or lien release, for housing rehabilitation and mortgage loans, three signatures of approval are required. Signatures are required from the Director of the Human Services Department, the Mayor or designee, and the Division Director for Community Resources and Development.

A "Request for Reconveyance" is simply a request to release a deed of trust and "convey" title to the property to the trustor (borrower). Submitting a "Request for Reconveyance" allows the trustee to prepare and record the "Deed of Full Reconveyance" at the Recorder's Office removing the lien from the property. Since the "Request for Reconveyance" is only submitted when a Trust Deed loan is paid off, there is no risk to the County and the County is not allocating funds for a loan. Therefore, the signatures of the Mayor and the Director of Human Services seem unnecessary and an inefficient use of time. (The only

***Timeliness could be improved for filing the requests for reconveyance.***

funds which are spent in the process are for the reconveyance fee paid to the title company for processing of the paperwork; either \$75.00 to Guardian Title or \$50.00 to Inwest Title.) The procedure would be more efficiently executed if the approval signature was limited to the Division Director of Community Resources and Development.

**RECOMMENDATIONS:**

- 4.4.1** *We recommend that Community Resources and Development eliminate the need for signatures from the Mayor and the Director of Human Services, and authorize the Division Director of Community Resources and Development to approve and execute "Request for Reconveyance" letters.*
- 4.4.2** *We recommend that Community Resources and Development either have a written agreement with West Jordan City (which includes fees for the services provided by the County) or require that West Jordan be listed as the beneficiary on the Deeds of Trust originated for the Downpayment Assistance Program administered by West Jordan City and the city be responsible for submitting, to the title company, the "Request for Reconveyance" letters when necessary.*
- 4.5** **Documentation for amounts written off was not always evident.**

When an account is past due and collection procedures have been exhausted, CRD's Collection Committee determines the appropriate action. We reviewed the loan servicing policy to determine how many days past due elapsed before a request is sent to the committee. The policy states, "After 90 days the account will be brought to the credit committee for requested action." When a request is sent to the Collection Committee, the Loan Servicing Specialist prepares a "Request to Collection Committee" form with information about an account including the amount past due, the interest rate and balance of the loan, the County's lien position on the loan, and any other pertinent information. The Collection Committee reviews the information and decides whether to write-off the loan. A section of the "Request to Collection Committee" form is reserved for the motion agreed upon by the committee. When the committee elects to write-off a loan as uncollectible, the information should be documented on this form and filed in the borrower's file.

The Systems Coordinator is the employee responsible for entering the information for loans that are written off (write-offs). The Systems Coordinator enters the information based on the request from the Collection Committee. From January 1, 2003 through August 15, 2004, there were 13 accounts which were written off for a total of \$130,910. We reviewed the borrower's files for 6 of the 13 accounts and found that 2 of the 6 files did not have a "Request to Collection Committee" form in the file. Without the "Request to Collection Committee" form, there is no documentation supporting the motion to write-off the account. Additionally, the signature of the person entering the write-off information into the Loan Base Software was not evident. Without a signature of the person who writes-off the amount, we cannot determine the employee who entered the information to write-off the account. Although only a few CRD employees have access rights to edit data in the write-off portion of the Loan Base Software, the person who enters the account and writes off the amount should document the adjustment with a signature.

**RECOMMENDATIONS:**

- 4.5.1** *We recommend that a "Request to Collection Committee" form with the committee's motion to write-off the balance of a loan be completed and filed for every loan which is written off.*
- 4.5.2** *We recommend that the employee entering the information into the Loan Base Software, to write-off the balance of a loan, document the adjustment with a signature.*

**5.0 Purchasing Cards**

During our audit of Community Resources and Development we reviewed the controls in place to monitor the use of purchasing cards and to determine whether they were in compliance with Countywide Policy #7035, "VISA Purchasing Card Program."

- **Community Resources and Development purchasing cards were generally used in compliance with Countywide Policy.**

**5.1 Community Resources and Development purchasing cards were generally used in compliance with Countywide Policy.**

Community Resources and Development have issued and authorized 13 case managers to use purchasing cards. They are authorized to use their credit cards to purchase work/job interview clothes, uniforms, books, school supplies, and tools for their clients enrolled in the YES Program. Also, CRD's Client Services Program Manager and Accounting Specialist are authorized to use purchasing cards. We reviewed each of their purchasing card files to ensure that they were in compliance with Countywide Policy #7035.

The content of each file was as follows: copies of all preauthorization forms, monthly credit card statements, original receipts, and a Salt Lake County Purchasing Card Transaction Log. However, the Client Services Program Manager is not required to obtain pre-approval before making purchases. Community Resources and Development Policy, "Dispersal of Client Support Funds," Section III, states, "*Client Services: approval rests with program manager, unless the time to be purchased is of an exceptional or unusual nature. In that instance, prior approval is required from the Direct Services Manager.*" Although generally not needing pre-approval, the Client Services Program Manager is required to complete a transaction log that is reviewed by her supervisor.

*All of the Purchasing Card Transaction Logs in our sample were reviewed and approved by the appropriate managers.*

Countywide Policy #7035, Section 4.4, states, "*The original log (Purchasing Card Transaction Log), and receipt must be signed by the cardholder's manager to indicate approval and review. Original documents will be stored and retained...*" During our audit we examined over 167 Purchasing Card Transaction Logs and noted that all of them had been reconciled to the corresponding monthly credit card statement and signed by the YES Program Manager or Direct Services Manager indicating their review and approval.

In addition, Section 4.3, states, "*In the log recorded information includes the date of the transaction, the name of the supplier, the merchandise purchased, and the dollar value of the sale.*" At the close of each month YES Case Managers and CRD's Accounting Specialist complete a Purchasing Card Transaction Log detailing all of their transactions. We noted that all transactions logs were completed properly and in their entirety.

Lastly, Countywide Policy #7035, Section 4.3, states, "*The cardholder must always obtain a receipt when using the Purchasing Card.*" **All**



(emphasis added) transactions identified on the Purchasing Card Transaction Logs had accompanying receipts. Receipts were attached to the log making it easy to verify all transaction amounts, the items purchased, and the vendor/supplier.

As an added level of security, Community Resources and Development requires YES case managers to obtain supervisory approval before making purchases with their credit cards. CRD Policy “Dispersal of Client Support Funds,” Section III, states, *“YES Program Case Managers will make requests for prior approval to the YES Program Manager.”* Case Managers must complete a Credit Card Authorization form identifying the client, service type (training or support), the vendor, and a description of the goods or services. A supervisor will review and sign the form authorizing the purchase. Consequently, case managers purchase the authorized goods and deliver them to the client. A client’s signature is also required on the authorization form. This signature provides reasonable assurance that case managers are purchasing and delivering the goods or services to the client. Following the transaction, the authorization form is placed in the case manager’s purchasing card file.

We commend Community Resources and Development management and the YES Program staff on the efforts they take to ensure that Visa purchasing cards are used in compliance with Countywide Policy #7035.

## **6.0 Fixed and Controlled Assets**

The objective of this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, “Safeguarding Property/Assets.” A fixed asset is an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year and a cost equal to or greater than \$5,000. A controlled asset is an item of property, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current \$5,000 capitalization threshold. Our review of fixed and controlled assets resulted in the following findings:

- **The controlled asset inventory reports in some cases were inaccurate.**

- **A Controlled Asset Inventory Form has not been completed for each employee.**

**6.1 The controlled asset inventory reports in some cases were inaccurate.**

Community Resources and Development have four controlled asset inventory reports. Three of the reports identify assets located at the Government Center in rooms S2021, S2100, and S2600. These reports identify the location of the asset and the individual responsible for that asset. The fourth asset inventory report identifies assets maintained at CRD’s satellite locations. This report only identifies the physical location of the asset.

All three inventory reports for the Government Center accurately reflected assets on hand. We conducted a complete inventory and found each asset listed on those inventory reports. However, the inventory report for the satellite locations was in some cases inaccurate. We have summarized our findings at the locations in Table 11, below.

LOCATION	FINDINGS
Asian Association	All assets located
Tooele ATC Building	All assets located
Mexican Civic Center	Ownership of assets were recently transferred to the Center*
Midvale Boys and Girls Club	Ownership of assets was transferred over two years ago and have not been removed from the inventory report**
Northwest Multipurpose Center	All assets located

**Table 11. Results of inventory performed at the satellite locations.**

\*See Mexican Civic Center, below

\*\*See Midvale Boys and Girls Club, below

Mexican Civic Center and New Hope Multicultural and Refugee Center

Ownership of the computer equipment at the Mexican Civic Center and New Hope Multicultural and Refugee Center (NHMRC) was transferred from CRD to Horizonte on June 11, 2004. Horizonte is an instructional organization that operates programs at both the Mexican Civic Center and the NHMRC. In conjunction with the Community Access to

Technology (CAT) Program, CRD entered into a service agreement, dated December 17, 2002, for the placement of a technology center for disadvantaged youth and families at both facilities.

The service agreement authorized CRD to transfer ownership of computer equipment to the Horizonte Training and Instructional Center after satisfactory performance of specified contractual obligations. These obligations, as stipulated in the contract, are listed below:

- Provide a secure space to house a Technology Resource Center.**
- Assume complete operational oversight and management of the computer lab.**
- Adopt curricula to teach literacy, ESL, and fundamental computer skills.**
- Provide a minimum of 780 service units per year in these skill areas.**
- Maintain adequate safeguards for patrons and equipment**
- Provide a stability of operations.**
- Provide adequate staffing to manage, supervise, and operate the center.**
- Accommodate the installation of the Internet.**

A service unit is defined as one hour of computer use and/or instruction. Service units are tracked using a computer software program called "Lab Track." Patrons of the technology center are required to establish a username and pin number when using a computer. Each time a user logs on to a computer "Lab Track" records the day and time spent on the machine. Also, the tech centers use a sign in/out sheet to monitor computer and instructional usage. The CAT Program Coordinator visits the facilities to ensure that all contractual obligations are fulfilled.

The CAT Program was created in 2000 and designed to bridge the "digital divide" in Salt Lake County by establishing neighborhood computer technology centers that allow economically disadvantaged residents to access and obtain skills in using computer software programs and the Internet.

When CRD started the program they obtained surplus computer equipment from various other County departments and divisions. They used the equipment to create the first technology center located at the Midvale Boys and Girls Club. In 2001, the CAT Program received a \$13,602 grant from Rotary International to purchase new computer

equipment for the Boys and Girls Club. However, the new equipment was not a donation and was subject to all contract requirements listed above.

The technology centers offer training in typing, word processing, data entry, as well as advanced computerized literacy instruction. In addition, English-as-a-second-language (ESL) instruction is offered at each technology center. Technology centers are located at the following facilities: Midvale Boys and Girls Club, Northwest Multipurpose Center, Redwood Multipurpose Center, Central City Community Center, Copperview Community Center, and Salt Lake County Youth Services.

Midvale Boys and Girls Club

The Controlled Assets Inventory Report identifies 12 National Brand computers located at the Midvale Boys and Girls Club. However, ownership of these items was transferred to the Boys and Girls Club on February 26, 2002. Countywide Policy #1125, "Safeguarding Property/Assets", Section 2.2.2, states, "*Property Managers assigned by their Administrators are responsible for the following: Accounting for all controlled assets within the organization's operational and/or physical custody.*" The CAT Program Coordinator provided us with the PM-2 transferring ownership of the computers from the CRD to the Boys and Girls Club. Obviously there was a breakdown in communication between the Property Manager and the CAT Program Coordinator. Consequently, the computers have remained on CRD's Controlled Assets Inventory Report despite the ownership transfer.

**RECOMMENDATIONS:**

- 6.1.1** *We recommend that all equipment transferred to the Horizonte and the Midvale Boys and Girls Club be removed from Community Resources and Development's Controlled Assets Inventory Report.*
- 6.1.2** *We recommend that the Controlled Assets Inventory Report be updated on a regular basis to reflect changes in ownership status and/or location of controlled assets.*

**6.2 A Controlled Asset Inventory Form has not been completed for each employee.**

Countywide Policy #1125, “Safeguarding Property/Assets” explains that in addition to the controlled assets inventory for the organization, a *Controlled Assets Inventory Form-Employee* must be completed for each employee assigned fixed or controlled assets.

*Employees have not signed the controlled assets report acknowledging acceptance of responsibility for the assets they have been assigned.*

Countywide Policy #1125, Section 4.3, states, “*The property manager shall maintain records to manage controlled assets using the following forms and procedures: Controlled Assets Inventory Form-Employee.*” CRD’s controlled asset inventory report does identify the employees responsible for specific assets. However, employees were not required to sign the report thereby acknowledging acceptance of responsibility for the assets they have been assigned.

**RECOMMENDATION:**

**6.2.1** *We recommend that the Controlled Assets Inventory Form-Employee be completed for each employee who is assigned fixed or controlled assets.*

**2003 YES BONUS SYSTEM**

**School Completion:**

Return to school for OSY - successful completion of 1st term	\$50
Attaining diploma/degree	\$100
Passing GED	\$75
Professional license/certificate	\$75

**Grade Related/Core Classes:**

Failing to passing	\$10
Increase one full grade	\$10
All classes passed w/ a "C" or above	\$20
All classes passed for school year	\$40

**GPA:**

GPA Range	
3.5 - 4.0	\$50
3.0 - 3.49	\$30
2.0 - 2.99	\$20

**Citizenship Grade:**

U to S	\$5
S to H	\$5
U to H	\$10

**Job Retention:**

Obtaining job	\$25
Retaining job (3 months)	\$100
Retaining job (6 months)	\$150
Retaining job (9 months)	\$200

**Job Shadowing:**

1st Quarter	\$25
2nd Quarter	\$50
3rd Quarter	\$75
4th Quarter	\$100
Individual job shadows	\$10

**Work-Based Learning:**

Unpaid internship stipend - 40 hours	\$150*
Unpaid internship stipend - 20 hours	\$75*

\*Maximum 2 times during calendar year for any combination of above

**Skills Attainment Goals:**

Maximum of 4 p/year @ \$30	\$120
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**School Attendance:**

\$1 p/day max \$200/school year	\$200
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**Leadership and Service Learning:**

40 hours for completion	\$150*
20 hours for completion	\$75*

\*Maximum 2 times during calendar year for any combination of above

**Individualized Youth Goals:**

Case Manager discretion w/program manager approval	\$5-\$50
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**Follow-up Contact for Hard to Reach Clients:**

\$5 @ 12 months maximum	\$60
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DIVISION'S COMMENTS ON THE PERFORMANCE AUDIT OF THE SALT LAKE  
COUNTY COMMUNITY RESOURCES AND DEVELOPMENT DIVISION

A draft copy of our audit report was presented to the Community Resources and Development Division on December 1, 2004. This Appendix contains the Division's comments to the findings and recommendations from the audit report.

1.0 Petty Cash Funds and Cash Handling

- 1.1 The custodian of the Youth Employ-Ability Services (YES) Program's petty cash fund had not expended any funds in over a year.

RECOMMENDATION:

- 1.1.1 We recommend that the custodian of the YES Program's petty cash fund close out the fund by returning the entire \$302.27 to the Auditor's Office Accounting and Operations Division.

**Action Taken:**

Recommendation 1.1.1 was completed December 6, 2004. The YES Program's petty cash fund closed and the entire \$302.27 was turned over to the Auditor's Office Accounting and Operations Division.

- 1.2 Checks were not restrictively endorsed upon receipt.

RECOMMENDATION:

- 1.2.1 We recommend that checks be restrictively endorsed immediately upon receipt.

**Action Taken:**

Recommendation 1.2.1 will be implemented immediately after the Reception Clerk is trained on the endorsement process upon receipt and logging of checks.

- 1.3 Segregation of duties was lacking in some areas.

RECOMMENDATION:

- 1.3.1 We recommend that the individuals who have access to the accounting records have no duties with regard to cashiering and custody of funds, or alternatively that the deposit and accounting records be reviewed by a second employee to verify that all transactions are posted properly and completely.

**Action Taken:**

The Auditor's alternative recommendation is in operation in which a second employee (the Assistant Fiscal Manager) is currently verifying that all transactions are posted properly and completely. However, to further strengthen internal controls, the daily deposit duty was assigned to another staff independent of the Loan accounting system.

2.0 Youth Employ-Ability Services Program

2.1 Community Resources and Development operates the Youth Employ-Ability Services (YES) Program in conjunction with the Utah Department of Workforce Services.

No Recommendation

2.2 The YES program provides supportive service funds, and/or training funds, and bonus funds to clients enrolled in the program.

No Recommendation

2.3 The Community Resources and Development System Administrator has developed a database that helps Case Managers monitor support service and training expended on their clients.

No Recommendation

2.4 Community Resources and Development utilizes a voucher system to disburse YES program funds.

No Recommendation

2.5 Youth must meet eligibility requirements to enroll in the YES program.

No Recommendation

3.0 Community Planning Development Grant Programs

3.1 The community planning development grant programs were administered in accordance with applicable regulations.



## RECOMMENDATIONS:

- 3.1.1 We recommend that written documentation be included with applications to strengthen the evaluation process.

### Action Taken:

The Standard Operating Procedures (SOP) will be amended requiring individual scoring, including written comments when applicable, by the Community and Economic Development Advisory Committee (CEDAC) members. The proposed amended SOP is to be approved by the Mayor for the upcoming 2005 Program Year funding allocation process by January 2005.

- 3.1.2 We recommend that the revised applications for CDBG Program funding include a fill-in table for applicants to enter the number or percentage of low- and moderate-income individuals or households who will benefit from the grant funds.

### Action Taken:

The applications have been revised for the 2005 Program Year fund allocation process prior to receiving the Auditor's recommendation, thus this recommendation will need to be revised for the next year's application process. In lieu of this recommendation, the number of low to moderate income individuals or households to benefit from CDBG funding will be required to be included on the successful applicant's contract goals and or logic model.

- 3.2 An application for CDBG funding was appropriately considered ineligible.

No Recommendation

- 3.3 Community Resources and Development had contracts in place with subrecipients receiving CDBG funds.

No Recommendation

## 4.0 Loan Servicing

- 4.1 There was evidence in the files that a lien was placed on properties acquired or improved using grants program funds.

No Recommendation

- 4.2 There were no written agreements between Salt Lake County and the cities for which the County does loan servicing.

RECOMMENDATIONS:

- 4.2.1 We recommend that written agreements be executed between Salt Lake County and the cities for which Community Resources and Development performs loan servicing.
- 4.2.2 We recommend that Salt Lake County charge and collect a fee for servicing these loans.

Action Taken:

We agree with recommendation 4.2.1 and will work in conjunction with the Attorney's Office to pursue implementation. Recommendation 4.2.2, will be researched further to determine if charging a fee would be in compliance with HUD regulations, and if the County's Accounting System would accommodate for proper recording and classification.

- 4.3 Past due notices were not sent on a consistent basis.

RECOMMENDATION:

- 4.3.1 We recommend that the format of the past due notices be finalized and that past due notices be consistently mailed to borrowers with delinquent accounts.

Action Taken:

We agree with recommendation 4.3.1. The format of the past due notices have been finalized with the Attorney's Office. Upon some system modification, past due notices be consistently mailed to borrowers with delinquent accounts.

- 4.4 Requests for reconveyance were not timely.

RECOMMENDATIONS:

- 4.4.1 We recommend that Community Resources and Development eliminate the need for signatures from the Mayor and the Director of Human Services, and authorize the Division Director of Community Resources and Development to approve and execute "Request for Reconveyance" letters.

- 4.4.2 We recommend that Community Resources and Development either have a written agreement with West Jordan City (which includes fees for the services provided by the County) or require that West Jordan be listed as the beneficiary on the Deeds of Trust originated for the Down payment Assistance Program administered by West Jordan City and the city be responsible for submitting, to the title company, the "Request for Reconveyance" letters when necessary.

Action Taken:

We agree with recommendation 4.4.1 and 4.4.2 and will work in conjunction with the Attorney's Office to determine the feasibility for implementing the recommendations.

- 4.5 Documentation for amounts written off was not always evident.

RECOMMENDATIONS:

- 4.5.1 We recommend that a "Request to Collection Committee" form with the committee's motion to write-off the balance of a loan be completed and filed for every loan which is written off.
- 4.5.2 We recommend that the employee entering the information into the Loan Base Software, to write-off the balance of a loan, document the adjustment with a signature.

Action Taken:

A HOME Improvement Program (HIP) Committee was formed in September to review and approve all loan transactions conducted by CRD. Recommendation 4.5.1 is already included in the HIP Committee process and would require that such approval come from the lender whose loans are serviced in CRD. Recommendation 4.5.2, the documenting of the adjustment, is automatically done in the Loan Base System under the operators' initials.

5.0 Purchasing

- 5.1 Community Resources and Development purchasing cards were generally used in compliance with Countywide policy.

No Recommendation

6.0 Fixed and Controlled Assets

- 6.1 The controlled asset inventory reports in some cases were inaccurate.

RECOMMENDATIONS:

- 6.1.1 We recommend that all equipment transferred to the Horizonte and the Midvale Boys and Girls Club be removed from Community Resources and Development's Controlled Assets Inventory Report.
- 6.1.2 We recommend that the Controlled Assets Inventory Report be updated on a regular basis to reflect changes in ownership status and/or location of controlled assets.
- 6.2 A Controlled Asset Inventory Form has not been completed for each employee.

RECOMMENDATION:

- 6.2.1 We recommend that the Controlled Assets Inventory Form-Employee be completed for each employee who is assigned fixed or controlled assets.

**Action Taken:**

**A revised Operating Procedures for Inventory Control (fixed and controlled assets) was implemented on December 1, 2004. All audit recommendations surrounding Fixed and Controlled Assets are addressed in the new procedures.**