

AN AUDIT OF:

Affordable Housing Grant Accounting Controls

COUNTY AUDIT DEPARTMENT

REPORT #441

12/10/2025



VICTOR D. CRIST

CLERK OF CIRCUIT COURT & COMPTROLLER
HILLSBOROUGH COUNTY, FL

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VICTOR D. CRIST

CLERK OF CIRCUIT COURT & COMPTROLLER
HILLSBOROUGH COUNTY, FL

The Honorable Ken Hagan, Chair
The Honorable Chris Boles
The Honorable Donna Cameron Cepeda
The Honorable Harry Cohen
The Honorable Christine Miller
The Honorable Gwen Myers
The Honorable Joshua Wostal

December 10, 2025

Dear Commissioners:

The Audit Team conducted an audit of the Affordable Housing Grant Accounting Controls (**Audit Report #441, dated December 10, 2025**). Responses to the Audit Team's recommendations were received from County leadership and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with an independent, objective analysis, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

Heidi Pinner

Heidi Pinner, CIA CISA CFE CRMA
Chief Audit Executive, Clerk of Court & Comptroller

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Affordable Housing administers federal and state grant funding to develop effective affordable housing and community development strategies for low- and moderate-income residents. The Department must adhere to the rules and regulations established by federal and state government agencies when administering these grant funds. Federal grants for Affordable Housing are administered through the Department of Housing and Urban Development (HUD) and the State Housing Initiatives Partnership Program (SHIP) is administered through the Florida Housing Finance Corporation (FHFC). HUD and FHFC monitor grant activities and fund/reimburse the County for allowable grant expenditures. The Affordable Housing department is responsible for managing grant funds, ensuring they are spent properly, supervising staff members in performing the appropriate duties, reconciling grant funds, and ensuring any necessary accounting reconciliations are recorded properly and in a timely manner.

Affordable Housing receives the following grants: Community Development Block Grant (CDBG), Home Investment Partnership Program (HOME), Emergency Solutions Grant (ESG), and the SHIP grant. Hillsborough County and HUD have separate agreements in place for each grant, which indicate the amount of funds the County will receive. There are no formal agreements for SHIP.

Federal grants are funded on a reimbursement basis, meaning they are awarded a set amount each grant year and Affordable Housing must submit reimbursement requests (drawdowns) through an online system to receive payment. The state grant, SHIP, is not on a reimbursement basis; County Finance receives grant funds in multiple installments throughout the year on an unspecified schedule.

Each grant specifies allowable expenditures, defined as costs that are reasonable, necessary, directly related to the grant's objective, and in compliance with applicable grant terms. One of the allowable expenditures of grant funds is administrative costs, which include employee payroll. To determine the amount of wage and salary expense to record to each grant, Affordable Housing prepares a payroll allocation worksheet (Excel worksheet) each fiscal year.

OBJECTIVE

The objective of the audit is to determine whether or not certain grant accounting controls are in place, adequate, and effective.

SCOPE

The audit was conducted in accordance with the Global Internal Audit Standards. These standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the

audit objectives. County Audit believes that the evidence obtained provides a reasonable basis for the audit comments and conclusions based on the audit objectives.

The audit scope included reviews of sample event billings, drawdowns, reimbursements, monthly reconciliation reports from FY21 through FY25, and reviews of payroll allocations from FY22 through FY25. The audit team also conducted interviews with department leadership and five staff members within the Affordable Housing Department.

The audit period was extended due to several delays as both County Audit and Affordable Housing were impacted by organizational changes and a significant FY25 storm season.

OVERALL EVALUATION

PROCESS STRENGTHS AND SUCCESSES

- Segregation of duties exists for grant accounting tasks including grant setup and non-profit payment.
- The Annual Action Plan and Local Housing Assistance Plan are reviewed by multiple levels of management.
- Drawdown requests are reviewed by multiple levels of management within Affordable Housing before submission.
- The grant closeouts are segregated and performed by County Finance.

CONTROL IMPROVEMENT OPPORTUNITIES/RISKS

- A formalized policy and procedure for allocating staff time to grant projects has not been established.
- An opportunity exists to cross train management staff on payroll allocation processes.

Full testing results are included on page 7 of this Report.

OPINION



The overall control environment relative to the grant accounting processes reviewed is at a formal maturity level. This means that management has well defined controls in most cases. Controls regarding the reimbursement process including completing event billings and drawdowns are established. There is consistency even in times of change when completing the monthly reconciliations. An opportunity exists to strengthen controls by documenting payroll allocation procedures and enhancing training.

The exit conference was held with County leadership on November 3, 2025.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Chief Audit Executive

Ben Everett, CPA, CIA, CFE, CISA, Audit Manager

Mary Bennett, CFE, Internal Auditor

AUDIT COMMENT 1: REIMBURSEMENT

**7 EVENT
BILLINGS
REVIEWED**

**10 DRAWDOWNS
REVIEWED**

**14
REIMBURSEMENT
PACKETS**

NO EXCEPTIONS

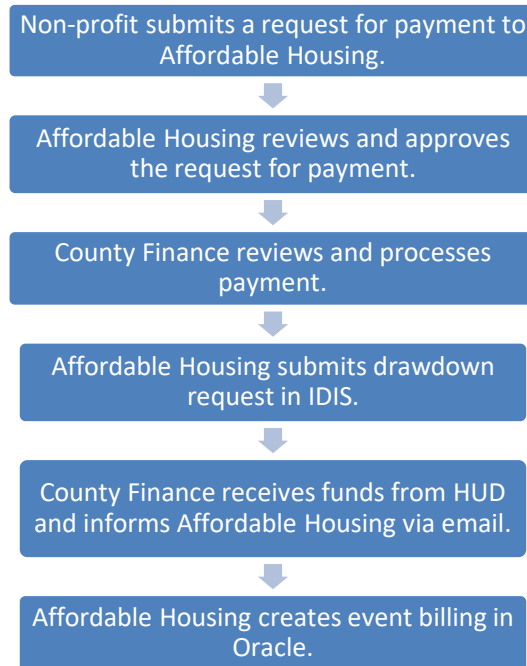
The objective was to determine whether or not there are effective controls surrounding the accounting process for payments made to Affordable Housing from federal and state agencies.

Background

Affordable Housing prepares and submits an Annual Action Plan to HUD each year. The Annual Action Plan outlines how federal grant funds will be used. Hillsborough County and the Department of Housing and Urban Development enter into separate agreements annually for each federal grant. Each grant is assigned a different fund number annually by County Finance and each fund number encompasses multiple projects. Additionally, each project is assigned a project number. Projects undergo the County's Request for Proposal process and formal agreements with selected non-profit agencies are executed upon approval from the Board of County Commissioners (BOCC). Then the non-profits administer programs to build or rehabilitate houses and apartments with their own construction contractors.

The non-profit agencies are paid on a reimbursement basis. Affordable Housing assigns a Contract Manager to each agreement. To receive payment, the non-profit must submit a request for payment and supporting documentation, known as a reimbursement packet. The reimbursement packet is reviewed by the Contract Manager & multiple people in Affordable Housing leadership. The reimbursement packet is then submitted to County Finance for validation and payment to the non-profit.

Once the non-profit has been paid, Affordable Housing prepares the drawdown for submittal to HUD. Drawdowns are submitted to HUD monthly, which includes the amounts paid to non-profits and Affordable Housing administration costs. HUD usually reimburses funds within two (2) business days. Once County Finance receives the funds from HUD, an email is sent to Affordable Housing to inform them. Affordable Housing then completes an event billing in Oracle to record the transaction; in some cases, the event billing is completed before the email.



For the State Housing Initiatives Partnership grant, Affordable Housing prepares a Local Housing Assistance Plan (LHAP) and submits it to the Florida Housing Finance Corporation (FHFC) for approval. The Director of Affordable Housing receives an email from the FHFC containing an Excel spreadsheet that includes the amount Hillsborough County will receive. Grant funds from the state are disbursed to the County at random times throughout the year. Once County Finance receives the funds from the FHFC, an email is sent to Affordable Housing to inform them. Affordable Housing then completes an event billing in Oracle.

Although there are no formal agreements for SHIP, the grant has specific requirements, known as set-asides, for how funds can be spent. Affordable Housing tracks those set-asides using an Excel worksheet. Affordable Housing is required to complete a reporting template to document how grant funds are spent and submit it annually to the FHFC.

TEST PROCEDURE

The Audit Team performed an initial review of all event billings completed by Affordable Housing and judgmentally selected a sample(s) for each grant during FY21 through FY25. The Audit Team reviewed supporting documentation for seven (7) grants, which included eight (8) event billing packets, ten (10) drawdown packets, and fourteen (14) reimbursement packets. Dates relating to event billing completions, drawdown submissions, and reimbursement payments were documented and reviewed to determine if all accounting tasks were completed in a timely manner. Drawdown amounts were compared to event billings to ensure they matched, and reimbursement packets were reviewed to verify amounts correlated with drawdown requests.

TESTING RESULTS

For all seven grants, the amounts between the event billings, drawdowns, and reimbursements had no discrepancies. The timeframes between reimbursement processing and drawdown submissions were reasonably prompt/timely. The period between County Finance's notification to Affordable Housing regarding receipt of funds and the completion of the event billing was also performed in a reasonably timely manner.

RECOMMENDATIONS

The Audit Team does not have any recommendations for corrective actions related to event billings and drawdowns.

AUDIT COMMENT 2: PAYROLL ALLOCATION TEST

**4
PAYROLL
ALLOCATIONS
REVIEWED**

**STAFF MEMBERS
INTERVIEWED**

**9 MONTHLY
RECONS TESTED**

An opportunity exists to enhance controls related to the allocation of payroll.

The objective was to determine whether or not wages and salary expenses are properly charged to grants worked on and monthly reconciliations are mathematically accurate.

Background

Each grant allows a specific portion of time to be charged to administration. Administrative costs to run the grant programs include wages and salaries paid to Affordable Housing staff who work on the grants. Affordable Housing completes a payroll allocation worksheet annually which indicates the percentage of time each staff member is estimated to spend on a particular grant. The payroll allocation worksheet is prepared by the Director of Affordable Housing, with input from department managers. The payroll allocation worksheet details the percentage of each employee's time charged to the applicable grants, with allocations required to equal 100%.

Affordable Housing completes reconciliations monthly for each grant, separately, to reconcile the sub-ledger to the general ledger. The reconciliation is completed after Affordable Housing receives notification from County Finance that the general ledger is closed. The reconciliation is an Excel spreadsheet composed of reports generated in Oracle for all active fund numbers associated with each grant. For example, the reconciliation for CDBG could include fund numbers from multiple fiscal years if the grants are still active or funded, since each grant gets a new fund number each year.

The general ledger, journal lines, payroll journals, and the sub-ledger are common reports included in the reconciliation for each fund number. Differences between the subledger and general ledger are manually calculated by Affordable Housing on the journal lines report. Most reconciliations include an internal template created by Affordable Housing, which outlines monthly and year-to-date differences between the general ledger and subledger. This template is known as the recon. Discrepancies

between the general ledger and sub-ledger are corrected by posting a miscellaneous batch to align the balances.

TEST PROCEDURE

The Audit Team reviewed four (4) payroll allocation worksheets (FY22, FY23, FY24, and FY25). Staff employment dates were documented and reviewed to ensure time was allocated only to active employees. Grant allocation amounts by staff were summed to verify percentages equaled 100%. Fund numbers were reviewed to confirm their allocations fell within the applicable grant period. Five (5) Affordable Housing staff members were interviewed to gain an insight into the time spent on grants. The Audit Team re-performed nine (9) monthly reconciliations by regenerating the reports in Oracle and recalculating the variances between the general ledger and subledger to verify mathematical accuracy.

TESTING RESULTS

Payroll Allocations:

For the four (4) payroll allocation worksheets reviewed, the following were found:

- All fund numbers allocated were within the corresponding grant period.
- All employee allocations totaled 100%.
- All allocations were only for current employees and updates are made every fiscal year to reflect terminations/resignations.
- The Audit Team observed unusual allocation percentages (ex. 1%, 13%, 19%) for FY22 and FY23 that could not be explained by Affordable Housing staff as they were not aware of the methodology used to complete the payroll allocation worksheet.

There are no documented procedures or guidance outlining the allocation methodology to prepare the allocation spreadsheet each year, and staff have not been cross trained to prepare the payroll allocation worksheet. Reliance on specific staff without adequate cross-training or documentation creates vulnerability in the event of turnover or role changes. Affordable Housing acknowledged there should be documented procedures of the allocation process.

Staff interview responses regarding the grants they each worked on were closely aligned with the payroll allocation worksheets. However, three (3) out of five (5) staff members interviewed indicated they currently work on Emergency Solutions Grants but there was no percentage allocated to that grant on the four (4) allocation worksheets reviewed for those employees. Emergency Solutions Grants are relatively small compared to the other grants and therefore have relatively few administrative costs.

Monthly Reconciliations:

Four (4) reconciliations reviewed by the Audit Team had no differences noted. The Audit Team found the following discrepancies for the remaining five (5) reconciliations:

- ESG – February 2024: Two amounts indicated on the recon differed from the actual period activity indicated on the journal lines report.

- CDBG - April 2024: The recon and journal lines report contained clerical errors, and an accrual was reconciled incorrectly.
- ESG – November 2024: Four out of fourteen figures were miscalculated on the journal lines report.
- CDBG – December 2024: There was a discrepancy between the accounting string on the recon compared to the journal lines report.
- CDBG – January 2025: Calculations on the journal lines report were omitted in error.

Errors identified did not materially affect the completion of the reconciliations.

RECOMMENDATIONS

Affordable Housing should prepare documented procedures and guidance outlining the payroll allocation methodology and cross-train management staff on the process and methodology used to complete the payroll allocation worksheet. Although mathematical errors in the reconciliations were immaterial, discussions regarding the errors made with Affordable Housing indicate a need to standardize the monthly reconciliation processes to ensure accounting reconciliations are consistent throughout the department.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

We acknowledge receipt of the audit from the Clerk of Court Internal Auditor's Office and will develop and submit a formal corrective action plan by February 27, 2026. This timeframe will allow for the Director's return and ensure their relevant and necessary input is incorporated into the development of the appropriate next steps. We also welcome any recommendations from the Clerk's Office on ways to address this matter in a timely and appropriate manner.

TARGET COMPLETION DATE:

February 27, 2026.