audit report

Issue Date August 27, 2007
Audit Report Number 2007-PH-1012

TO: Charles E. Halm, Director, Office of Community Planning and Development, Baltimore Field Office, 3BD

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Regional Office, 3AGA

SUBJECT: The State of Maryland Did Not Always Administer Its Homeownership Assistance Program in Accordance with Federal Regulations and Written Agreements

HIGHLIGHTS

What We Audited and Why

We audited the State of Maryland's (State) HOME Investment Partnerships program (HOME) as part of our annual audit plan. Our audit objective was to determine whether the State administered its HOME-assisted single-family homeownership assistance program in accordance with federal regulations.

What We Found

The State did not always administer its HOME-assisted single-family homeownership assistance program in accordance with federal regulations and written agreements. We found no violations of conflict-of-interest and modest home provisions, and the State adequately enforced the recapture provisions by securing liens against the assisted properties through deeds of trusts. However, the State did not have adequate internal controls to effectively monitor its subrecipients' administration of the program. Specifically, the State did not adequately monitor its subrecipients' performance to ensure that (1) records to support property standard compliance were maintained, (2) hazard insurance requirements were enforced, and (3) income eligibility was properly determined. These noncompliance deficiencies occurred because the State did not have the staffing capabilities to adequately monitor its program. As a result, it awarded $73,000 in unsupported HOME funds.

What We Recommend

We recommend that the director of HUD's Office of Community Planning and Development, Baltimore Field Office, require the State to submit all supporting documentation to HUD to support the $73,000 in HOME funds awarded. Any amounts determined to be ineligible should be repaid from nonfederal funds. Also, we recommend that the State establish and implement written monitoring policies to ensure adequate monitoring of its subrecipients' compliance with all federal requirements and written agreements to include periodic in-house reviews and on-site monitoring of its subrecipients.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the draft report to the State on July 19, 2007. We discussed the report with the State at the exit conference on July 31, 2007. The State provided its written comments on August 6, 2007. The State generally agreed with the audit and stated it was actively addressing audit recommendations it had not already implemented. The complete text of the State's response, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

BACKGROUND AND OBJECTIVES

The HOME Investment Partnership Program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, and is regulated by 24 CFR [*Code of Federal Regulations*] Part 92. HOME is the largest federal block grant provided to state and local governments and is designed to create affordable housing for low-income households. Home funds are awarded annually as formula grants to participating jurisdictions. States are automatically eligible for HOME funds and receive either their formula allocation or $3 million, whichever is greater. Participating jurisdictions may choose among a broad range of eligible activities using HOME funds. These activities may include providing home purchases or rehabilitation financing assistance to eligible homebuyers, building or rehabilitating housing for rent or ownership, or obtaining property to make way for HOME-assisted developments.

As a participating jurisdiction, the State of Maryland (State) administers its HOME program through its Department of Housing and Community Development. The State received $16.8 million in HOME grants from the U.S. Department of Housing and Urban Development (HUD) over a two-year period.

Grant year	Grant amount
2004	$8,797,579[1]
2005	$8,005,956[2]
Total	**$16,803,535**

The State primarily spends its HOME funds on constructing or rehabilitating multifamily rental housing and providing assistance for homeownership opportunities and single-family rehabilitation. The State operates its single-family homeownership assistance program through its HOME Initiatives program, which is administered by subrecipients.

Our audit objective was to determine whether the State administered its program in accordance with federal requirements. To answer this audit objective, we reviewed the State's compliance in five HOME program areas. Specifically, we determined whether (1) HOME recipients were income eligible and whether the determinations were made based on adequate, reliable source documents, (2) there were safeguards over HOME funds to ensure a maximum return on recapture provisions, (3) conflict-of-interest provisions were enforced, (4) assisted properties were modest, and (5) assisted properties complied with applicable property standards.

[1] $8,797,579 includes $620,318 in American Dream Downpayment Initiative funds.
[2] $8,005,956 also includes $191,464 in American Dream Downpayment Initiative funds.

RESULTS OF AUDIT

Finding: The State's Administration of Its Homeownership Assistance Program Did Not Always Comply with Federal Regulations and Written Agreements

The State did not always administer its single-family homeownership assistance program in accordance with federal regulations and written agreements. These noncompliance issues occurred because the State did not implement an adequate monitoring program for its subrecipients' administration of HOME funds. As a result, the State awarded $73,000 in unsupported HOME funds. Consequently, both the State and HUD lacked assurance that HOME funds were used to assist very low- and low-income families and individuals in affordable homeownership opportunities, which is the primary goal of the HOME program.

The State Did Not Implement an Adequate Monitoring Program

We reviewed 39 of the 90 HOME funds awarded for homeownership assistance during the audit period and found noncompliance deficiencies with seven (18 percent) awards. The State did not always adequately ensure that (1) records were maintained to support compliance with applicable property standards, (2) homebuyers obtained appropriate hazard insurance policies, and (3) income eligibility of homebuyers was properly determined. The following table summarizes the noncompliance issues noted during the audit.

HOME recipient	HOME funds	State could not support property standard compliance	No hazard insurance policy	No documented income eligibility determinations	Unsupported costs
1	$10,000	X		X	$10,000
2	$10,000	X		X	$10,000
3	$53,000	X	X		$53,000
4	$46,250	X			
5	$24,344	X			
6	$25,150	X			
7	$19,000	X			
Totals	**$187,744**				**$73,000**

The State Did Not Always Maintain Records to Support Compliance with Property Standards

All properties assisted with HOME funds must comply with applicable property standards. Based on regulations at 24 CFR [*Code of Federal Regulations*] 92.251(a)(1) and (2), newly constructed housing must meet the model energy code published by the Council of American Building Officials, and properties acquired with HOME funds must meet all applicable state and local housing quality standards and code requirements. Regulations at 24 CFR 92.508(a)(3)(iv) require the participating jurisdiction to establish and maintain sufficient records to enable HUD to determine whether it has met this requirement.

We identified seven assisted properties for which the State and three of its subrecipients did not maintain documentation to support compliance with applicable property standards. Instead, we obtained the supporting documents from third-party sources to determine compliance with this program requirement. Specifically, we obtained certifications and checklists from the respective local governments. Although we determined that the seven properties complied with applicable property standards, the State neither maintained the required documentation nor determined this compliance when it awarded the HOME funds.

The State Did Not Always Safeguard HOME Funds as Required

The State did not ensure that three homebuyers receiving $73,000 in HOME funds obtained hazard insurance policies in accordance with its recapture provision. In one case, neither the State nor its subrecipient provided evidence of hazard insurance to support compliance with this requirement. In two other cases, the State did not ensure the hazard insurance policies on two properties assisted listed the State’s Department of Housing and Community Development (DHCD) as a loss payee, as required in its own policies. However, the State has provided updated hazard insurance policies which now lists the State’s DHCD as a loss payee.

The HOME program requires participating jurisdictions to choose either the recapture or resale provisions to ensure affordability. Regulations at 24 CFR [*Code of Federal Regulations*] 92.254(a)(5)(ii) state that the recapture provisions must ensure that the participating jurisdiction recoups all or a portion of the HOME assistance to the homebuyers if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

The supporting provision of the State's written administration agreement with its subrecipients requires evidence of hazard insurance policies which name the State as a loss/mortgagee payee. The State requires evidence of hazard insurance policies to protect the HOME investment. The State's requirement for evidence of hazard insurance polices safeguards HOME funds to ensure the recapture of the funds even if the properties are affected by fire or flood. The State also enforces the recapture provision by securing liens against the properties through deeds of trust. The State's deeds of trust with homebuyers ensure its recapture of HOME funds if the assisted properties are free of hazards from fire or flood.

Two Income Eligibility Determinations Were Questionable

The State awarded HOME funds totaling $20,000 to two homebuyers without ensuring that a subrecipient either followed HOME requirements to determine income eligibility or fulfilled its written administration agreement to approve HOME funds to eligible homebuyers. In this regard, the audit showed that the income requirements the State used to determine income eligibility were not proper. Regulations at 24 CFR [*Code of Federal Regulations*] 92.203(a) and (d)(2) state that the HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine each family is income eligible by determining the family's annual income. Participating jurisdictions are required to reexamine the family's income if more than six months has elapsed since the participating jurisdiction determined the family to be income eligible. The State's written agreement for the administration of HOME funds authorizes its subrecipients to approve HOME funds on its behalf to eligible homebuyers.

The State Did Not Adequately Monitor the Program

The State did not implement an adequate monitoring program to ensure that its subrecipients complied with federal regulations and written agreements. Regulations at 24 CFR [*Code of Federal Regulations*] 92.504(a) state that the participating jurisdiction is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. The performance of each contractor or subrecipient must be reviewed at least annually.

The State had general policies requiring its subrecipients to maintain documents to support program requirements such as (1) the income of HOME recipients, (2) property standards, and (3) the purchase price of properties. However, the State did not have effective internal controls to monitor its subrecipients to ensure that they complied with federal requirements and written agreements. The State believed that it performed its monitoring duties as required by reviewing the beneficiary data reported by its subrecipients for HOME eligibility determinations. However, it did not require or review documentation to verify the HOME eligibility determined by its subrecipients. In addition, the State did not perform on-site reviews of its subrecipients during the audit period.

Conclusion

The State did not administer its homeownership program in accordance with federal regulations and written agreements. Specifically, the State did not ensure (1) that records were maintained to support compliance with property standards, (2) that its requirement for hazard insurance policies were followed, and (3) the accuracy of income eligibility determinations. As a result, the State awarded $73,000 in unsupported costs. These noncompliance deficiencies occurred because the State did not implement adequate internal controls and did not adequately monitor its subrecipients' administration of its homeownership program. The State contends that this was due to a staffing shortage and that it is working to strengthen its internal controls over its homeownership program to ensure compliance with applicable requirements. Recognizing a monitoring weakness on its part, the State has taken action to improve its administration and hired a full-time HOME manager in December 2006. The current HOME manager has developed a monitoring schedule and has begun monitoring the State's subrecipients. The State also has developed a monitoring checklist to use for monitoring visits.

While the State was proactive during the audit and began to improve its monitoring, this does not negate its lack of monitoring during our audit period. In this regard, the State also needs to ensure that it fully implements the detailed recommendations contained in this report to ensure that these problems do not recur. By not adequately monitoring its subrecipients' administration of the homeownership program, the State and HUD lacked assurance that HOME funds were administered in accordance with federal requirements and written agreements. Also, the State and HUD lacked assurance that HOME funds were used to assist very low- and low-income families and individuals in obtaining affordable housing.

Recommendations

We recommend that the director of HUD's Baltimore Office of Community Planning and Development, Baltimore Field Office, require the State to

1A. Provide adequate documentation to support the $73,000 in unsupported costs or repay the funds from nonfederal funds.

1B. Determine which property standards apply in each local jurisdiction, communicate the standards to the subrecipients, and institute procedures to sample compliance periodically by conducting in-house and on-site reviews.

1C. Reiterate its policy for evidence of hazard insurance policies which name the State as a loss/mortgagee payee.

1D. Require subrecipients to follow its policy and to maintain required documents in project files.

1E. Require subrecipients to follow federal requirements to determine the income eligibility of homebuyers, ensure that the income documents used are current, and ensure that its subrecipients determine the income eligibility of HOME recipients.

1F. Review its written agreement with its subrecipients for the administration of the HOME Initiatives program to ensure that it includes all pertinent HOME requirements, such as income eligibility determinations, property standards, and recordkeeping, and that it is consistent with 24 CFR[*Code of Federal Regulations*] 92.504(c)(1) and (2).

1G. Develop and implement written oversight procedures to include training for its subrecipients, periodic in-house reviews of a sample of cases, and on-site monitoring.

SCOPE AND METHODOLOGY

To accomplish the audit objectives, we:

- Reviewed applicable federal regulations at 24 CFR [*Code of Federal Regulations*] Part 92; Building HOME; Technical Guide for Determining Income and Allowances for the HOME program; FHA Mortgage Limits and HUD Income Limits; and the State's policies relating to the administration of its HOME Initiatives program.

- Conducted interviews with officials and employees of HUD's Office of Community Planning and Development, the State, and its subrecipients of the HOME Initiatives program.

- Obtained a listing of the State's HOME awards for its homeownership assistance activities awarded between July 1, 2004, and June 30, 2006, and selected a statistical sample of 39 out of a universe of 90 awards to determine whether HOME program requirements were met.

- Requested the selected 39 homeownership project files from the respective subrecipients that administered the HOME award. We reviewed the project files to determine the HOME income eligibility of the recipients by both reviewing the adequacy of the income documents and gross annual income calculations. We then compared the recalculated incomes with HUD's income limits in the year of HOME commitment and metropolitan statistical area to ensure that they were within the limits. We also compared the purchase prices on contracts of sale or settlement statements to HUD's maximum purchase price limits for metropolitan statistical area and year of HOME commitments. We reviewed documents such as housing quality standards checklists, certificates of use and occupancy, certifications of local governments, and model energy code compliance checklists to support compliance with applicable property standards. Lastly, we reviewed hazard insurance policies to ensure that the State was listed as a loss/mortgagee payee.

- Reviewed the executed written administration agreements established between the State and its subrecipients to determine the authority to administer HOME funds, requirements to support compliance with income eligibility, property standards, hazard insurance, conflict-of-interest provisions, and recapture/resale provisions regarding the administration of the HOME Initiatives program.

We performed our on-site fieldwork between November 2006 and February 2007 at the office of the State, located at 100 Community Place, Crownsville, Maryland. The audit generally covered the period July 2004 through June 2006 but was expanded when necessary. To achieve our audit objective, we relied in part on computer-processed data within the State's database. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objective:

- Management oversight processes - Policies and controls that management has in place to reasonably ensure that its subrecipients follow HOME program requirements and written agreements.

- Monitoring of subrecipients' administration of the HOME program - Policies and procedures to ensure that adequate reviews are performed to detect noncompliance with both federal requirements and written agreements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- Lack of on-site monitoring reviews of the State's subrecipients.

- Lack of adequate controls over the administration of its HOME-assisted homeownership assistance program operated by subrecipients.

APPENDIXES

Appendix A

SCHEDULE OF UNSUPPORTED COSTS

Recommendation number	Unsupported
1A	$73,000

1/ Unsupported costs are those costs to a HUD-financed or HUD-insured program or activity when we cannot determine the eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

AUDITEE COMMENTS AND OIG's EVALUATION

Auditee Comments

DHCD
Maryland Department of Housing and Community Development

Martin O'Malley
GOVERNOR

Anthony G. Brown
LT. GOVERNOR

Raymond Skinner
SECRETARY

Clarence J. Snuggs
DEPUTY SECRETARY

August 6, 2007

Mr. John P. Buck
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Wanamaker Building
100 Penn Square East
Suite 1005
Philadelphia PA 19107

Dear Mr. Buck:

Comment 1

The purpose of this letter is to provide the response of the Maryland Department of Housing and Community Development (the Department) to the HOME Audit Report provided by your office on July 19, 2007. The Department has provided documentation for $73,495 of the $126,495 of HOME funds identified as unsupported in the audit report and anticipates being able to supply documentation for the remaining $53,000 shortly. Further, the Department has already taken a number of steps to better manage the HOME program and monitor subrecipients. While many of these improvements were in process or planned prior to the HUD audit, the Department is actively addressing those audit recommendations not already implemented.

Our response addresses each finding and recommendation.

Finding: The State did not implement an adequate monitoring program.

Recommendation 1A. Provide adequate documentation to support the $126,495 in unsupported costs or repay the funds from nonfederal funds.

Comment 1

The audit identified certain subrecipient files with insufficient documentation to support compliance with federal regulations and written agreements. As discussed during the exit conference, the auditors did not find any instances when HOME funds were awarded or disbursed inappropriately by the Department or its subrecipients. Documentation to support eligible awards, however, was not always maintained by the subrecipients. As stated above, the Department expects to be able provide the missing documentation for all of the costs identified as unsupported by the auditors.

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Page 2

The Department had identified the need for additional HOME monitoring prior to the start of the HUD audit and had taken steps to remedy the problem by hiring a full-time HOME Program Manager tasked with improving the procedures and monitoring of the Department's HOME program. Details of the improvements that have been made – or are in the process of being made – to ensure that procedures are followed and documentation is maintained are outlined in the responses to the remaining findings and recommendations.

Finding: The State did not always maintain records to support compliance with property standards.

Recommendation 1B: Determine which property standards apply in each local jurisdiction, communicate the standards to the subrecipients and institute procedures to sample compliance periodically by conducting in-house and on-site reviews.

Comment 2

While seven properties assisted by three subrecipients were identified as having no documentation of compliance with property standards, the documentation did exist and was subsequently obtained. In all cases where information to support property standards compliance was not in the file, the auditors were able to acquire satisfactory evidence to support that the units did indeed comply with State and local codes and the Council of American Building Officials model energy code.

The Department is taking steps to ensure that subrecipient files contain adequate documentation of property standards compliance. As an interim measure, the Department has sent each subrecipient a letter reiterating their responsibility to ensure that properties meet the applicable standards and that appropriate documentation is maintained in the file. The Department is further revising its HOME Initiatives Policies and Procedures to require property standards compliance review and documentation.

The Department has also implemented a HOME Monitoring Plan, which includes procedures for periodic in-house reviews and on-site monitoring of documentation. The Department's property inspectors will also be conducting documentation reviews and property inspections to verify the accuracy and adequacy of subrecipient documentation, particularly for rehabilitation projects.

Finding: The State did not always safeguard HOME funds as required.

Recommendation 1C. Reiterate its policy for evidence of hazard insurance policies which name the State as loss/mortgagee payee.

Recommendation 1D. Require subrecipients to follow its policy and to maintain required documents in project files.

Comment 3

Documentation of insurance is not a federal requirement. The Department has, however, chosen to require hazard insurance as part of its recapture provisions and has included that provision in its agreements with the subrecipients. Therefore, the auditors found the subrecipients in violation of their written agreements in regards to hazard insurance.

In two of the three cases where hazard insurance was not documented, copies of the insurance certificate were obtained and provided to the auditor at the exit conference. In both cases the Department's requirement for hazard loss insurance had been met, but the documentation was not appropriately filed in the subrecipient's records. The Department anticipates receiving hazard loss insurance documentation for the third property shortly.

The two properties where documentation of the hazard insurance existed but the subrecipient failed to have DHCD listed as loss payee have been corrected and copies of the current insurance certificate have been supplied to the auditors.

The Department has reiterated its requirement for hazard loss insurance naming the Department as a loss payee in a letter to all HOME subrecipients. Additionally, the Department's HOME Initiatives Policies and Procedures are being revised to remind subrecipients of the insurance policy requirements incorporated in the written agreements.

Finding: Two income eligibility determinations were questionable.

Recommendation 1E: Require subrecipients to follow federal requirements to determine the income eligibility of homebuyers, ensure that the income documents used are current, and ensure that its subrecipients determine the income eligibility of HOME recipients.

Comment 4

The auditors confirmed that the two homebuyers met the income eligibility requirements and that the issue was the subrecipient's failure to independently obtain, examine and document verification of income. The Department agrees that the HOME subrecipient relied on third party information and failed to verify the income under the HOME requirements and to document the files accordingly.

Two homebuyers participating in the USDA Mutual Self Help Program were provided assistance with HOME dollars. Buyer incomes were verified by USDA as being at or below 80 percent of median as a condition of acceptance into the program. Verification of income forms was obtained from USDA, indicating both buyers were within income guidelines.

Action has been taken to ensure that this subrecipient understands the income eligibility and recordkeeping requirements. A monitoring visit to the subrecipient has been made and technical assistance has been provided, including providing and reviewing the HUD Technical Guide for Determining Income and Allowances for the HOME Program (the Guide). Any future requests for HOME funds by this subrecipient will be reviewed especially carefully by the Department to ensure compliance prior to the release of any payments.

In addition, the HOME Program Manager has provided guidance to all HOME Initiatives subrecipients on the use of the Part 5 definition in determining income via e-mail in April 2007 and during a training session in June 2007, where the Guide was distributed to all

Comment 5

participants. Further training is planned for fall 2007, where this topic will again be covered.

Finding: The State did not adequately monitor the program.

Recommendation 1F: Review its written agreement with its subrecipients for the administration of the HOME initiatives program to ensure that it includes all pertinent HOME requirements, such as income eligibility determinations, property standards, and recordkeeping and that it is consistent with 24 CFR 92.504 c (1) and (2).

Recommendation 1G: Develop and implement written oversight procedures to include training for its subrecipients, periodic in-house reviews of a sample of cases, and on-site monitoring.

The Department's Office of the Attorney General is currently reviewing the applicable legal documents to ensure that all the pertinent HOME requirements are included.

The Department identified the need for additional HOME monitoring prior to the start of the HUD audit and took steps to remedy the problem by hiring a full-time HOME Program Manager. During 2007, a HOME Monitoring Plan has been implemented, including in-house reviews, on-site monitoring of subrecipients, monitoring checklists and semi-annual training. The 2007 Monitoring Schedule identifies subrecipients already monitored and those to be monitored in the coming months. Initial monitoring focused on subrecipients identified to have process or documentation weaknesses.

The Department is in the process of revising its HOME Initiatives Policies and Procedures to incorporate guidance on issues raised by the HUD audit, including file documentation checklists to be used by subrecipients. Since the audit findings related primarily to documentation issues, the Department will also ask subrecipients to use the checklists to perform a self-audit of their files and confirm in writing that they are complete.

Thank you for your cooperation and that of your staff throughout the audit. If you have questions or need additional information, please contact Tonna Phelps, Director, Single Family Housing at (410) 514-7509.

Sincerely,

Frank B. Coakley
Assistant Secretary

OIG Evaluation of Auditee Comments

Comment 1 We adjusted the unsupported costs from $126,495 to $73,000 in the final audit report based on additional documentation the State provided after the audit. The State will need to provide further documentation to support the remaining $73,000 in unsupported costs or repay the funds from nonfederal funds. We are encouraged that the State has replied that it is actively addressing the audit recommendations it has not yet implemented.

Comment 2 We are encouraged by the interim measures the State has instituted to comply with HOME program requirements. The State should also ensure both its HOME monitoring plan and HOME Initiatives Policies are approved by HUD.

Comment 3 While the documentation of hazard insurance is not a federal requirement, the State instituted this requirement in its own policies and agreements with the homebuyers receiving HOME funds. As a result, the State is required to follow written agreements as required in 24 Code of Federal Regulations (CFR), Part 92.504(a). Further, we believe the State's requirement for evidence of hazard insurance is an added safeguard to further protect HOME funds. We are encouraged that the State has taken steps to reiterate to its sub-recipients via both correspondence and in its revised HOME Initiatives Policies and Procedures of its hazard insurance requirement.

Comment 4 The audit showed and the State agreed that the income requirements used to determine income eligibility were not proper. As a result, the State needs to support that these two homebuyers were income eligible when it qualified them for HOME funds with current income documentation at the time. We are encouraged by the actions the State is taking to address federal HOME requirements regarding determining income eligibility.

Comment 5 We acknowledge the State has taken steps to remedy its monitoring deficiencies by hiring a full-time HOME manager. We are encouraged by the State's actions to ensure it complies with its oversight responsibilities as a participating jurisdiction. The State should obtain HUD's approval of its HOME Monitoring Plan and its HOME Initiatives Policies and Procedures to ensure it complies with program requirements.