

**Summit County Executive's Office**  
*Department of Community and Economic Development*  
**1<sup>st</sup> Follow-up Preliminary Audit Report**

**Prepared for:**

**Russell M. Pry**  
**Audit Committee**

**Approved by Audit Committee**  
**September 19, 2012**

**Summit County**  
**Internal Audit Department**  
**175 South Main Street**  
**Akron, Ohio 44308**

*Lisa Skapura, Director*  
*Meredith Merry, Deputy Director*  
*Lucas Immel, Internal Auditor*  
*Jaime Vedrody, Internal Auditor*

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**Auditors:**

Lisa Skapura, Director, Meredith Merry, Deputy Director, Lucas Immel and Jaime Vedrody, Internal Auditors.

**Objectives and Methodology:**

To determine if management has implemented their management action plans as stated in the previously issued Preliminary Audit report.

We conducted this follow up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Scope:**

An overview and evaluation of policies, processes, and procedures implemented by the department/agency because of management actions stated in the management action plans during the Preliminary Audit process.

**Testing Procedures:**

The following were the major audit steps performed:

1. Review the final Preliminary report to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the Preliminary Audit.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the Preliminary Audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete the first Follow up Audit report noting the status of previously noted management actions.

**Summary:**

Of the forty-five (45) issues and the corresponding management action plans noted in the Preliminary Audit Report which required follow-up, the Department of Development fully implemented twenty-nine (29), partially implemented five (5), did not implement two (2), and nine (9) were deemed not applicable.

Based on the information above, IAD believes that the Department of Development has made a positive effort towards implementing the management action plans as stated in response to the issues identified in the Preliminary Audit. No further follow up is needed.

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Listed below is a summary of the issues noted in the Preliminary Audit Report their status. Each issue number is in reference to the Preliminary Audit report:

**Issues Fully Corrected Prior to the End of Preliminary Audit Fieldwork:**

- **Issue 39** – Upon review of the Department of Community and Economic Development website, IAD was unable to locate a copy of the NSP Grantee Submission, as required by the grant agreement as follows: “The Grantee shall at all times maintain an up-to-date copy of its Grantee Submission, including all amendments approved by HUD, on its Internet website.”

**Management Action Plans Fully Implemented:**

- **Issue 1-** Upon review of the Summit County Community and Economic Development Policies and Procedures Manual, effective July 2008, IAD noted the following:
  - There were no formal written and approved policies and procedures for many of the day-to-day functions of the department (e.g., grant administration, land development, comprehensive planning, GIS Technical Applications, etc.).
  - There were numerous written corrections throughout the manual.
  - There was information referenced in the manual that was outdated (e.g., numerous references to a bank account that is no longer utilized , security procedures regarding the Sheriff's Deputy , policies and procedures assigned to a respective job function (Administrative Assistant CDBG/HOME/Housing Rehabilitation Functions/Duties) that no longer exists, etc.).
  - Not all of the departmental procedures were incorporated into the manual (e.g., Summit County Weatherization Policy Manual, Procedures for Pay-in Home/Rehab).
  - There was information in the manual that was incorrect (incorrect file retention period).
  - The manual did not have a table of contents which made it difficult to locate respective sections.
  - The manual was never disseminated to staff.
  - There was a section (Enterprise Zones) that was primarily only State guidelines, with very minimal DOD specific functions noted.
  - Signatures required on a CDDDB sub-recipient grant agreement per the manual are outdated and do not reflect current procedures.

*Through review of the approved policies and procedures manual and discussion with department personnel, IAD confirmed that manual corrected and/or contained the above-noted items.*

- **Issue 4** - Upon review of the expenditure process and through discussion with the Executive Assistant, IAD noted an improper segregation of duties as a single employee is responsible for the ordering of goods, physically receiving the ordered goods and receiving vendor invoices.

*Through review of documentation and policies and procedures and discussion with department personnel, IAD confirmed that the duties have been properly segregated.*

- **Issue 5** - Upon review of DOD authorized signers for warrant pick-up from the Fiscal Office Accounting Department, IAD noted that some of these employees are also the same employees who work with the vendors on the respective projects which could present a conflict of interest.

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*Through confirmation with the Fiscal Office Accounting Department, IAD confirmed that authorized signors were updated and are reasonable.*

- **Issue 6** - Upon discussion with DOD personnel and through testing, IAD noted that there is currently no reconciliation process being performed for loans to ensure the following:
  - proper amendments have been filed,
  - payments have been properly recorded,
  - a complete population of loans is documented,
  - proper mortgage amounts and dates have been recorded.

*Through testing and review of policies and procedures, IAD confirmed that a reconciliation is being performed and is accurate.*

- **Issue 7** - During testing, IAD identified 28 out of 43 instances where mortgages were not recorded in a reasonable amount of time (i.e., an average of 12 days). Mortgages that are not timely filed increase the risk of Summit County not being in the first or second lien holder position.

*Through testing and review of policies and procedures, IAD confirmed that mortgages are being timely recorded.*

- **Issue 9** - Upon review of the DOD RC-2 in regards to Economic Development, IAD noted that the RC-2 needs updating and compliance with the same.

*Through review of the updated Records Retention Schedule for the Department of Development, IAD confirmed that it has been updated to include documents relating to the functions of Economic Development.*

- **Issue 10** - Upon review of the O.R.C regarding the duties of the TIRC, IAD noted that the DOD is not documenting evidence of their review of the following:
  - Determining the increase in the true value of parcels of real property on which improvements have been undertaken as a result of the exemption for property taxes,
  - Reviewing the compliance of each recipient of a tax exemption with the nondiscriminatory hiring policies developed by the County.

*Through review of meeting minutes and policies and procedures, and confirmation from the Fiscal Office, IAD verified that increases in the true value of parcels are being presented and documented.*

- **Issue 11** - The County is not currently collecting accurate monitoring fees from businesses that are receiving tax benefits. In addition, these fees are not being monitored by the DOD for accuracy.

*Through review of the policies and procedures, confirmation with the Fiscal Office, and testing, IAD verified that the monitoring fees are being calculated and collected by the County.*

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- **Issue 12** - Upon detailed testing of a sample of monthly cash receipts reconciliations, IAD could not confirm that EZ checks were deposited on a timely basis, as mandated in O.R.C. §9.38. Because there is no process in place for the receipting of funds by date it was not possible to determine the date in which mailed checks were received into the County.

*Through review of policies and procedures and testing, IAD confirmed that Enterprise Zone checks are deposited timely.*

- **Issue 13** - IAD notes that there is an improper segregation of duties regarding the receipting of checks that are delivered via mail for the EZ.

*Through review of policies and procedures and cash receipt logs, IAD verified that duties have been segregated with regard to Enterprise Zone cash receipts.*

- **Issue 14** - Upon discussion with the Deputy Director, IAD noted that there is no supervisory review of the informational sections of the Annual Reports that are required to be filed with the state for each EZ's activity. Additionally, the annual reporting requirements as mandated by the O.R.C have not been recently reviewed.

*Through review of policies and procedures and discussion with department personnel, IAD confirmed that the Enterprise Zone annual reports are being reviewed by the Director.*

- **Issue 21** - Upon review of OEPA HH Sewage Grant expenditures and cash receipts, IAD noted that all grant funds were not expended or all expenditures had not been charged to the OEPA HH Sewage Grant fund. Per the Water Pollution Control Loan Fund Assistance Agreement §3.3, "The Borrower shall keep accurate records of the Eligible Project Costs. These records must be kept in accordance with Generally Accepted Government Accounting Standards (GAGAS)."

*Through review of policies and procedures and corresponding Banner reports, IAD confirmed that all prior errors were corrected and a monitoring process is in place for future transactions.*

- **Issue 22** - Upon discussion with the Grants Analyst and Senior Administrator, IAD noted that an advertisement was not taken out notifying citizens of the availability of the Comprehensive Annual Performance and Evaluation Report (CAPER) for review. Per the Citizen Participation Plan contained within the 2010-2014 Consolidated Plan, "All performance reports must be made available to the public for a period of review and comment. The period for review and comment must be no less than 15 days before the performance report is submitted to HUD. In order to meet this requirement, the County of Summit will publish a notice in the Akron Beacon Journal, or a comparable newspaper of general circulation, notifying the public of the availability of the performance report. The notice will appear in the newspaper a minimum of 15 days before the performance report is submitted to HUD."

*Through review policies and procedures, and public notice and CAPER documents, IAD verified that the advertisement and submission of the CAPER were completed in accordance with the Consolidated Plan.*

- **Issue 23** - Upon review of a sub-grant agreement template, IAD noted that reporting requirements (specifically beneficiary reporting) were not clearly identified for different project types.

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*Through review of sub-grant agreement templates, IAD confirmed that reporting requirements were clearly stated for each project classification.*

- **Issue 24** - Upon review of compliance with grant terms, sub-grant terms, and policies and procedures, IAD noted the following:
  - One out of four instances in which quarterly progress reports were not present in the project folder,
  - One out of ten instances where environmental review documentation was not present in the project folder,
  - One out of four instances where historic preservation documents were not present in the project folder.

*Through review of policies and procedures, sub-recipient checklist, and CDBG project files, IAD confirmed that the above-noted documentation was included.*

- **Issue 26** - Upon review of the 2010-2014 Consolidated Plan that was filed with HUD, IAD noted that it contained incorrect guidelines for HOME subsidies.

*Through review of documentation and emails, IAD verified that the incorrect language was modified and submitted to HUD.*

- **Issue 27** - Detailed testing of all the 2010 FHFL files was performed to confirm that all necessary documentation was obtained during the loan process in accordance with policies and procedures and HUD regulations. The following errors were noted:
  - Two out of six files did not contain any documentation verifying that the loan applicant attended a homebuyer education class,
  - Five out of six files did not contain a property appraisal,
  - One out of six files did not contain an ASHI certified inspection,
  - Five out of six files did not contain proof of insurance.

*Through review of project files and the FHFL file checklist, IAD confirmed that the above-noted documentation is included.*

- **Issue 28** - Upon the execution of a purchase offer on a property the DOD performs a health, safety and code violation inspection. Upon review of the FHFL files it was noted that there was evidence of an inspection for every property, but there was no standard or formal documentation of the results leaving it very difficult to determine if there were any violations.

*Through discussions with department personnel and review of the inspection form, IAD confirmed that a standard form has been created and includes a signature line for inspector sign-off.*

- **Issue 29** - FHFL policies and procedures states that upon FHFL application for assistance approval, a county pre-approval letter is sent to qualified applicants, which is signed by the County Executive. All

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files tested contained a pre-approval letter but they were signed by the Community Development Coordinator and not the County Executive.

*Through testing and review of policies and procedures, IAD confirmed that the above-noted documentation was contained in the file.*

- **Issue 30** - After a transfer of property participating in the FHFL program is recorded by the county Fiscal Office, the Treasury Code in the PAWS application must be changed to “555 SC DEPT DEV LOAN.” Upon detailed testing of the parcel records from 2008 through 6/30/10, it was noted that 13 out of 17 parcels in the FHFL program did not have the correct Treasury Code. This code is an additional loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment upon property title transfer.

*Through review of policies and procedures and testing, IAD confirmed that selected parcels contained the correct treasury code.*

- **Issue 31** - Upon review of the HOME Partnership agreement between the County of Summit and NDS for PY 2008 and PY 2009 Project Revitalize it was noted that in Section 6 – Insurance and Exhibit C – Insurance Requirements the following information was either not included in the DOD contractor file or was not current:
  - Insurance Declarations Page did not list the County as additional insured and had an effective date that did not cover the entire time of the contract,
  - Copy of a Workers’ Compensation Certificate,
  - Evidence of contractor performance bonding,
  - Copies of auto insurance identification cards were in the file but they did not list coverage amounts, nor did the Declarations Page,
  - Evidence of Employers’ Liability, Ohio Stop Gap coverage,
  - Evidence of required Fidelity Bonding.

Without current copies of these documents it is not clear that the developer is in compliance with insurance and bonding requirements as detailed in the contract.

*Through review of project files, IAD confirmed that the above-noted documentation was included, when applicable.*

- **Issue 32** - ND purchased fourteen homes with PY 2008 and PY 2009 funding, of which all were selected for detail contract compliance testing. The following issues were noted:
  - One of fourteen files did not contain a copy of a property historic preservation review,
  - Twelve of fourteen files did not contain a copy of and executed property purchase agreement,
  - None of the files contained a copy of a DOD county rehab inspection, or a county final inspection,
  - Three of fourteen did not contain a copy of a Scope of Work,
  - None of the files contained a copy of the property appraisal.

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*Through review of project files and the standard checklist, IAD confirmed that the above-noted documents were included.*

- **Issue 33** - Upon detail testing of the property cards for the eight of ten properties that were sold to lower-income families, it was noted that the Treasury Code on the County property website (PAWS) did not contain the "555" Treasury Code denoting that there is a mortgage with the county. This code is an additional loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment upon property title transfer.

*Through review of policies and procedures and project files, IAD confirmed that each parcel contained the correct treasury code.*

- **Issue 34** - Upon detail compliance testing of all seven properties that were participating in the Owner Occupied Rehab program of the HOME Grant, the following issues were noted:
  - One of seven files did not contain a signed assistance approval notice,
  - Two of seven files did not contain proof of homeowner insurance,
  - Three of seven files did not contain evidence of an initial County property inspection,
  - Two of fifteen contractors within the seven properties had no evidence that their selection was made by the homeowner,
  - There was no contractor/homeowner agreements for one of fifteen rehab jobs within the seven properties,
  - Eight of twenty four contractor payments were not approved by the homeowner,
  - One of eight change orders was not approved by the homeowner,
  - Four of fifteen contractor jobs within seven properties did not have a final county inspection prior to release of final payment,
  - Lien releases were not obtained for two of fifteen contractor jobs within seven properties.Without copies of these documents it is not clear whether county policies and procedures and HUD regulations were followed.

*Through discussion with department personnel and review of documentation, IAD verified that a standard checklist was created to ensure that proper documentation is maintained in each file.*

- **Issue 35** - Upon detail testing of the property cards for the seven properties that participated in the Owner Occupied Rehab program funding of the HOME grant, it was noted that the Treasury Code on the County property website (PAWS) did not contain the "555" code denoting a mortgage with the county for all seven properties. This code is a loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment.

*Through review policies and procedures and property cards, IAD confirmed that the treasury code was corrected for each of the seven (7) errors noted in the previous audit and that the process was documented in the policies and procedures manual.*

- **Issue 37** - Upon review of HWAP weatherization files, IAD noted the following:
  - Four of the twenty files reviewed did not contain a completed Mold Assessment form,
  - Three of the twenty files reviewed did not contain an Energy Assistance Program application,

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- Eleven of the twenty files reviewed did not contain a completed Homeowner/Authorized Agent Certification,
- Six of the twenty files did not contain a Certificate of Insulation.

*Through review of policies and procedures and weatherization files, IAD confirmed that the required forms were maintained in the files.*

- **Issue 40** - Upon review of the NSP agreements between Summit County and the sub-recipients, IAD noted that it allowed five years for sub-recipient services to be performed, however, the Funding Approval and Grant Agreement between Summit County and HUD states that the Grantee shall have four years from the date of HUD's execution of this Grant Agreement to expend the NSP Grant amount.

*Through review of sub-recipient agreements, IAD confirmed that the proper time period for services to be performed was updated, in accordance with the grant agreement.*

- **Issue 44** - There is no advertising in the local newspaper indicating when County contractor meetings will be held for interested parties to attend, which limits the opportunity for all interested contractors to participate in the program.

*Through review of documentation, IAD confirmed that sufficient effort was made to notify local contractors of the contractor meeting.*

- **Issue 46** - Upon discussion with the Fiscal Officer 2, IAD noted an improper segregation of duties in the purchasing process as a single employee is responsible for the ordering and receiving of HWAP office supplies.

*Through review of policies and procedures and discussion with department personnel, IAD confirmed that duties have been properly segregated.*

**Management Action Plans Partially Implemented:**

- **Issue 3** - During detailed testing of expenditures it was noted in two instances that a Part I Request for Estimated Expenses form was submitted for payment with the voucher packet instead of Part II Request for Actual Expenses form, and was subsequently paid by the Fiscal Office Accounting Department.

*Twenty-three (23) transactions processed in 2012 were reviewed and one (1) of two (2) instances was noted where a Part I Request for Estimated Expenses was submitted for reimbursement. However, a policy was noted in the policies and procedures manual.*

- **Issue 8** - Upon review of the cash receipts and the Fiscal office pay-in, it was noted that there were 2 instances out of 45 where the deposits were not made on a timely basis.

*Five (5) cash receipts were selected from the 2012 cash receipt pay-in logs and compared to the Fiscal Office confirmations to verify timely deposits. No errors were noted. However, upon review of the logs, it was noted that the Executive Assistant was not exclusively receiving and logging checks as stated in*

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*the MAP. Per discussion with department personnel, all pay-ins for each division will be receipted by the Executive Assistant, going forward.*

- **Issue 36** - During detailed testing of ineligible Weatherization applicant files to confirm existence of required documentation, IAD noted that one out of fifteen files did not contain a copy of the denial of assistance letter.

*Fifteen (15) ineligible client files were reviewed and six (6) instances were noted where the denial of assistance letters did not contain a copy of the appeal procedure, as outlined in the HWAP Policies and Procedures Manual.*

- **Issue 42** - Upon detailed testing of completed HWAP work that required a permit, IAD noted twenty seven out of sixty six instances where a permit was not obtained by the homeowner or agent (e.g., contractor). IAD notes that it is the responsibility of the DOD to confirm that a permit has been obtained prior to the start of a project. Additionally, the cost of obtaining the applicable permits ranges from \$50-\$100, which is a revenue source for the County.

*Twenty-four (24) weatherization files were reviewed and eight (8) instances were identified where the proper permits were not obtained. A policy for this process was noted in the policy and procedure manual.*

- **Issue 45** - The rotational list for set pricing jobs was not consistently utilized to ensure the equitable distribution of work for the selection of insulating contractors. Furthermore, upon comparison of the work assigned to a specific contractor per the rotation listing to the actual jobs performed, IAD noted the following exceptions:
  - Seven out of one hundred and seventy instances where the job was not completed by the contractor assigned per the rotational listing and no explanation was documented,
  - Thirteen out of one hundred and ninety instances where the job completed was not included on the rotational listing.

*Three (3) job files were reviewed where a contractor appeared to have been overlooked and IAD was unable to locate supporting documentation on why the contractor was not selected. Therefore, forty-nine (49) additional files were reviewed to confirm that contractors were properly assigned, in accordance with contractor rotation. One (1) instance was noted where a completed job was not included on the rotation list and four (4) instances where contractors were reassigned with no supporting documentation contained in the file.*

**Management Action Plans Not Implemented:**

- **Issue 2** - Eight out of twenty-five expenditures selected for detailed testing had a vendor invoice date that was prior to the purchase order date.

*Five (5) expenditures processed in 2012 were reviewed and four (4) instances were noted where an invoice was received prior to the money being encumbered. Upon discussion with department personnel and confirmation in Banner, it was noted that the invoices were not paid until a purchase order was in place. Additionally, it was noted that in several instances, the invoice was in relation to a prepayment.*

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- **Issue 43** - There are several instances where there is no documentation indicating why a contractor was not utilized on a particular contract to ensure the equitable distribution of work.

*Three (3) weatherization job files were reviewed where a contractor appeared to have been overlooked on the rotation list and IAD was unable to locate supporting documentation in the files.*

**Management Action Plans Not Applicable:**

- **Issue 15**- Upon comparison of CDBG-R transactions per Banner to the Auditor of State Stimulus Tracker, IAD noted that not all transactions had been reported to the Auditor of State, however, IAD noted that the transactions had been reported to the Federal reporting site.

*Through review of documentation, the program end date was confirmed as September 30, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 16** - Upon review of sub-recipient project folders, IAD noted 6 of 7 folders that did not contain appropriate documentation demonstrating compliance with the requirements of Section 106 of the National Historic Preservation Act as required by the EECBG Programmatic Agreement.

*Through review of documentation, the program end date was confirmed as October 18, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 17** - Upon review of EECBG expenditures, IAD noted 2 out of 11 instances where the invoice date was prior to the purchase order date.

*Through review of documentation, the program end date was confirmed as October 18, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 18** - Upon review of payroll expenditures being charged to EECBG grant funds, IAD noted 1 of 11 instances where a payroll expenditure was charged to the EECBG grant without the proper supporting documentation. Per 10 CFR 600.220(b)(6), "Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc."

*Through review of documentation, the program end date was confirmed as October 18, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 19** - Upon review of the Auditor of State ARRA Stimulus Tracker web site and comparison to the EECBG transactions in Banner, IAD noted the amounts reported on the ARRA stimulus tracker did not agree with transaction amounts in Banner.

*Through review of documentation, the program end date was confirmed as October 18, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 20** - Upon review of the Federal Recovery.gov web site and comparison to the EECBG transactions in Banner, IAD noted that reported amounts did not agree with amounts in Banner. Per the

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Senior Administrator, the difference was a result of miscommunication between DOD and the Department of Finance and Budget (DFB).

*Through review of documentation, the program end date was confirmed as October 18, 2012. Due to the short period of time remaining for this program and funding, IAD passes on further review.*

- **Issue 25** - Upon testing of the Waiver Demolition payment requests, IAD noted that the payment requests are not approved by the DOD Director. Upon discussion with the Director, all payment requests should be presented to the Director for approval.

*Through review of documentation, it was noted that funds are no longer being allocated to the Waiver Demolition Program, effective 2010. Additionally, elimination of the program was documented in the policies and procedures manual. Therefore, IAD passes on further review.*

- **Issue 38** - Upon review of the Auditor of State ARRA Stimulus Tracker web site and HWAP cash transactions per Banner, IAD noted that reported amounts did not agree with amounts per Banner.

*Due to the fact that the online Stimulus Tracker was rescinded, effective September 30, 2011, IAD reviewed Banner transactions and noted nothing significant processed in 2012. Additionally, confirmation was obtained from department personnel that the HWAP program is no longer utilizing ARRA funds. Therefore, IAD passes on further review.*

- **Issue 41** - During testing of seven initial grant expenditures, IAD noted a request for payment that was approved by DOD prior to receiving a signed grant agreement.

*Through review of the grant document, it was noted that the same grant is still in place from the previous audit. Therefore, IAD passes on further review.*