



Issue Date June 11, 2010

Audit Report Number 2010-AT-1006

TO: José R. Rivera, Director, Community Planning and Development, San Juan Field Office, 4ND

//signed//

FROM: James D. McKay, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: The Puerto Rico Department of Housing Failed To Properly Manage Its HOME Investment Partnerships Program

HIGHLIGHTS

What We Audited and Why

We audited the Puerto Rico Department of Housing (Department) HOME Investment Partnerships Program (HOME). We selected the Department for review as part of our strategic plan. The objectives of the audit were to determine whether the Department (1) reimbursed HOME funds on terminated activities; (2) expended HOME funds within U.S. Department of Housing and Urban Development (HUD)-established timeframes; (3) administered program income, repayments, and recaptured funds in accordance with HOME requirements; (4) reported accurate and supported HOME commitments in HUD's Integrated Disbursement and Information System (information system); and (5) maintained its financial management system in compliance with HUD requirements.

What We Found

The Department did not reimburse the HOME program more than \$2 million for three activities that were terminated and did not meet HOME objectives and generate the intended benefits. In addition, it failed to reprogram and put to better use more than \$1.84 million in unexpended HOME funds assigned to one of the terminated activities. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME objectives were met.

The Department did not always comply with HUD's regulations in its disbursement of HOME funds that it drew down from its treasury account. It failed to disburse more than \$1.43 million in 2002 HOME funds within HUD-required deadlines. As a result, more than \$1.43 million in unexpended HOME funds was not recaptured in accordance with requirements.

The Department did not comply with HUD's regulations in its administration of HOME loans and repayments. It failed to collect more than \$1.26 million in overdue loans and did not return to the United States Treasury more than \$275,000 in repayments. As a result, HOME funds were not available for other eligible activities.

The Department did not monitor the accuracy of commitments and other information entered into HUD's information system. It reported to HUD more than \$6.4 million in HOME commitments without executing written agreements. As a result, HUD had no assurance that the Department met HOME objectives and commitment requirements.

The Department's financial management system did not account for more than \$991,000 in HOME receipts, did not support the allocability of more than \$301,000 in disbursements, and allowed the use of more than \$151,000 for ineligible expenditures. In addition, the Department did not deposit in its bank account more than \$137,000 in HOME receipts and failed to disburse funds in a timely manner. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes.

What We Recommend

We recommend that the Director of the San Juan Office of Community Planning and Development require the Department to repay more than \$3.58 million for ineligible expenditures associated with terminated activities, unexpended 2002 HOME funds, and unallowable administrative costs. The Director should also require the Department to collect and/or reprogram and put to better use more than \$3.62 million for HOME funds for terminated activities, uncollected loans, repayment funds not remitted to its treasury account, receipts not deposited in its bank account, and unsupported commitments. The Department should also provide all supporting documentation to demonstrate the allocability and eligibility of more than \$1.29 million in HOME disbursements.

The Director should also require the Department to develop and implement an internal control plan to ensure that the HOME program has (1) a financial management system that complies with HUD requirements and (2) controls and procedures which ensure that HOME requirements are followed and accurate information is reported to HUD. We also recommend that the Director reassess the Department's annual commitment requirement from prior years and recapture any shortfalls. In addition, the Director should impose sanctions against the

Department in accordance with HUD requirements for its continued deficient performance and increase monitoring of the Department's performance in the administration of its HOME program.

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 discussed the findings with HUD and the Department during the audit. We provided a copy of the draft report to the Department on April 27, 2010, for its comments and discussed the report with Department officials at the exit conference on May 11, 2010. The Department provided its written comments to our draft report on June 1, 2010. In its response, the Department generally disagreed with the findings and recommendations.

The complete text of the Department's response, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objectives	5
Results of Audit	
Finding 1: The Department Did Not Reimburse the HOME Program for Terminated Activities	7
Finding 2: The Department’s Controls Over the Timeliness of Its Disbursement of HOME Program Funds Were Inadequate	10
Finding 3: Controls Over the Department’s Loans and Repayments Were Inadequate	12
Finding 4: The Department Did Not Have Procedures and Controls Regarding Commitments Entered Into HUD’s Information System	15
Finding 5: The Department’s Financial Management System Did Not Comply With HUD Requirements	19
Scope and Methodology	26
Internal Controls	28
Follow-up on Prior Audits	30
Appendixes	
A. Schedule of Questioned Costs and Funds To Be Put to Better Use	31
B. Auditee Comments and OIG’s Evaluation	32
C. List of Repayments, Recaptured Funds, and Program Income Receipts Reviewed	35
D. List of Overdue CHDO Loans	36

BACKGROUND AND OBJECTIVES

The HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act as amended. The U.S. Department of Housing and Urban Development (HUD) allocates funds by formula to eligible State and local governments for the purpose of increasing the supply of decent, safe, sanitary, and affordable housing to low- and very low-income families. State and local governments that become participating jurisdictions may use HOME funds to carry out multiyear housing strategies through acquisition, rehabilitation, new housing construction, and tenant-based rental assistance.

Participating jurisdictions are required to commit HOME funds within 24 months and expend them within 5 years after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME agreement. Participant jurisdictions draw down HOME funds through HUD's Integrated Disbursement and Information System (information system). HUD's information system is also used to monitor and track HOME commitments, program income, repayments, and recaptured funds, among other things.

The Puerto Rico Department of Housing (Department) has administered the State HOME program since 1992. It is the largest participating jurisdiction in Puerto Rico administering nearly \$50 million in HOME funds as of January 2010. HUD's information system reflected expenditures exceeding \$24 million during the fiscal year ending June 30, 2009, for the following activities:

Activity type	Amount expended
Units for rental	\$11,866,058
Home-buyer	4,589,875
Community housing development organization (CHDO)	2,620,766
Planning and administration	2,487,586
Units for sale	1,902,876
Homeowner	<u>1,031,362</u>
Total	<u>\$24,498,523</u>

During the last 6 years, the Department has received the lowest overall performance ranking when compared with the other 50 State participating jurisdictions.

The Department's HOME office was responsible for administering HOME funds. Its books and records were maintained at 606 Barbosa Avenue, San Juan, PR. We audited the Department's HOME program as part of the HUD Office of Inspector General's (OIG) strategic plan. The Department was selected for review based on the amount of HUD funding provided.

The objectives of the audit were to determine whether the Department (1) reimbursed HOME funds on terminated activities; (2) expended HOME funds within HUD-established timeframes; (3) administered program income, repayments, and recaptured funds in accordance with HOME

requirements; (4) reported accurate and supported HOME commitments in HUD's information system; and (5) maintained its financial management system in compliance with HUD requirements.

RESULTS OF AUDIT

Finding 1: The Department Did Not Reimburse the HOME Program for Terminated Activities

The Department did not reimburse the HOME program more than \$2 million for three activities that were terminated and did not meet HOME objectives and generate the intended benefits. In addition, it failed to reprogram and put to better use more than \$1.84 million in unexpended HOME funds assigned to one of the terminated activities. This condition occurred because the Department did not develop and implement adequate procedures and controls to ensure compliance with HUD requirements. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME objectives were met.

HOME Objectives Not Met

HUD's regulations at 24 CFR (Code of Federal Regulations) 92.1 state that HOME funds are allocated to participating jurisdictions to strengthen public-private partnerships to expand the supply of decent, safe, sanitary, and affordable housing to very low-income and low-income families. Regulations at 24 CFR 92.205(e) also provide that a HOME-assisted activity that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible project and any HOME funds invested must be repaid to the participating jurisdiction's treasury account.

Contrary to HUD's regulations, the Department failed to ensure that three activities met HOME objectives, and it did not reimburse all of the funds to its treasury account. The Department disbursed more than \$2 million in HOME funds on three activities that were terminated between September 2005 and August 2008. According to the Department's records, the three activities were for the construction of 210 dwelling units at various sites within Puerto Rico. The following table shows the activity number, activity name, agreement date, funded and drawn amounts, and last draw date for the project developments that were terminated and the intended benefits were not provided.

Activity number	Activity name	Grant agreement date	Funded amount ¹	Drawn amount ¹	Last draw date	Comment
7775	Quintas de Coamo	June 6, 2005	\$3,247,000	\$1,403,318 ²	Mar. 12, 2007	Developer defaulted on the construction loan. Activity was declared in default in August 2008.
6295	Jardines de Ciales	Dec. 30, 2003	518,030	518,030	Dec. 29, 2004	Developer defaulted on the construction loan. Activity was declared in default in June 2006.
6290	Bello Amanecer	Feb. 19, 2004	<u>82,008</u>	<u>82,008</u>	Dec. 16, 2004	Grant recipient cancelled the activity in September 2005.
Total			<u>\$3,847,038</u>	<u>\$2,003,356</u>		

The Department did not take the appropriate measures to cancel the activities in HUD's information system. The information system reflected all three as open activities. In addition, activity number 7775 was shown as having unexpended obligations of more than \$1.84 million.

The Department could not provide a reason why it did not cancel the activities in HUD's information system or why the unexpended HOME funds were not reprogrammed. The Department did not have in place controls and procedures to properly track the status of the activities and enforce HOME requirements and the terms of grant agreements.

Conclusion

The Department failed to ensure that activities met HOME objectives and did not reimburse funds to its treasury account. This condition occurred because the Department did not develop and implement adequate procedures and controls to ensure compliance with HUD requirements. As a result, HUD had no assurance that funds were used solely for their authorized purposes and that HOME objectives were met. The Department paid more than \$2 million for projects that did not provide the intended benefits. In addition, it failed to reprogram and put to better use more than \$1.84 million in unexpended HOME obligations.

¹ Information obtained from HUD's information system as of February 9, 2010.

² The total drawn amount was more than \$1.9 million from which the Department repaid \$548,199 at the time of the review.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 1A. Require the Department to reimburse its HOME treasury account from non-Federal funds \$2,003,356 for disbursements associated with terminated activities that did not meet HOME objectives.
- 1B. Require the Department to reprogram and put to better use \$1,843,682 associated with unexpended funds for activity number 7775.
- 1C. Require the Department to update in HUD's information system the correct status of the three terminated activities.
- 1D. Require the Department to establish and implement controls and procedures for its HOME program to ensure that HUD requirements and grant agreements are enforced, ineligible funds are reimbursed to the HOME program in a timely manner, and terminated activities are cancelled in HUD's information system in a timely manner, including the timely deobligation of funds.

Finding 2: The Department’s Controls Over the Timeliness of Its Disbursement of HOME Program Funds Were Inadequate

The Department did not always comply with HUD’s regulations in its disbursement of HOME funds that it drew down from its treasury account. It failed to disburse more than \$1.43 million in 2002 HOME funds within HUD-required deadlines because it lacked procedures and controls to ensure that HUD regulations and instructions were appropriately followed. As a result, more than \$1.43 million in unexpended HOME funds was not recaptured in accordance with requirements.

\$1.43 Million in HOME Funds Not Disbursed in a Timely Manner

The Department withdrew from its treasury account \$1.86 million in fiscal year 2002 HOME funds during the months of July through September 2009. HUD regulations at 24 CFR 92.502(c)(2) state that HOME funds drawn down from a participating jurisdiction’s treasury account must be expended for eligible costs within 15 days. Any unexpended drawdowns must be returned to HUD. Requirements of the National Defense Authorization Act of 1991 (Public Law 101-510, dated November 5, 1990, codified at 31 U.S.C. §1552) state that on September 30 of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose. Therefore, unexpended 2002 HOME funds remaining after the expenditure deadline must be recaptured by the United States Treasury.

Contrary to HUD’s regulations, the Department failed to disburse drawdowns totaling more than \$1.43 million (77 percent) in HOME funds within 15 days and before the September 30, 2009, expenditure deadline. Further, it did not return any of the HOME funds to its treasury account.

The following table shows the voucher and activity number, date of drawdown, and the HOME funds for the drawdowns that were not disbursed within the established timeframes.

Voucher number	Activity number	Date of draw-down	HOME funds*	Comment
5009944	12043	Sept. 23, 2009	\$1,100,000	No grant agreement executed at the time of the drawdown
5010668	12041	Sept. 24, 2009	292,434	No grant agreement executed at the time of the drawdown
5011623	7494	Sept. 28, 2009	36,251	Duplicate drawdown
5011595	10784	Sept. 28, 2009	<u>3,638</u>	No support showing that the funds were expended
Total			<u>\$1,432,323</u>	

* As of November 30, 2009, the drawdowns had not been used for the approved activities for which the Department requested the funds.

Conclusion

The Department did not comply with HUD's regulations when it did not disburse HOME funds drawn down from its treasury account within the required deadlines. The weaknesses regarding the Department's lack of timeliness in disbursing HOME funds occurred because the Department lacked adequate procedures and controls to ensure that it appropriately followed HUD regulations. The Department could not provide a reason why it did not disburse funds within the prescribed timeframes or why it did not return the funds to HUD. As a result, HUD lacked assurance that HOME funds were used efficiently and effectively. In addition, more than \$1.43 million in unexpended 2002 HOME funds was not returned to HUD and/or recaptured in accordance with the National Defense Authorization Act of 1991.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 2A. Require the Department to reimburse HUD from non-Federal funds \$1,432,323 for the unexpended 2002 HOME funds.
- 2B. Require the Department to implement adequate procedures and controls to ensure that it disburses HOME funds for eligible activities within HUD's established timeframes.

Finding 3: Controls Over the Department's Loans and Repayments Were Inadequate

The Department did not comply with HUD's regulations in its administration of HOME loans and repayments. It failed to collect more than \$1.26 million in overdue loans and did not return to the United States Treasury more than \$275,000 in repayments. This noncompliance occurred because the Department lacked procedures and controls to ensure that HUD's regulations were appropriately followed. As a result, HOME funds were not available for other eligible activities.

Overdue Loans Not Collected

HUD regulations at 24 CFR 92.301 state that HOME funds can be used to provide technical assistance and site control loans to community housing development organizations (CHDO) for the early stages of site development of an eligible project. The CHDOs must repay the loan to the participating jurisdiction from construction loan proceeds or other project income. The participating jurisdiction may waive the repayment of the loan if there are impediments to the project development that are reasonably beyond the control of the borrower.

Contrary to HUD requirements, the Department did not require the CHDOs to repay more than \$1.26 million in overdue loans. It awarded 18 loans to the CHDOs between 2000 and 2008. Pursuant to the loan agreements, the CHDOs were required to repay the Department the principal amount at a predetermined date. Of the 18 loans awarded, 17 (94 percent) were overdue between 36 and 2,530 days, and the Department had not collected any of the \$1.26 million in HOME funds disbursed. Appendix D contains a list of the 17 overdue loans.

The activity files did not contain information explaining why the CHDOs did not repay the loans or whether the Department had waived the loan repayments because of impediments reasonably beyond the control of the borrower. The Department did not follow HUD requirements and did not enforce the terms of the loan agreement. The lack of procedures and adequate controls also contributed to the Department's improper administration of the loans. As a result, it failed to put to a better use more than \$1.26 million in program income to be generated from the repayment of the HOME loans.

Funds Not Returned to Treasury Account

HUD regulations at 24 CFR 92.503(b) and 92.205(e) provide that HOME funds invested in housing that does not meet the affordability requirements or is terminated before completion be returned to HUD for deposit in the participating jurisdiction's treasury account.

Contrary to HOME requirements, the Department did not return to HUD more than \$275,000 in HOME repayments for activities that were terminated or did not meet HUD affordability requirements. In April and August 2009, the Department deposited into its bank account \$275,777 associated with the repayments for HOME activities that were terminated or did not meet HUD's affordability requirements. It did not provide support to show that the funds were returned to the treasury account, reprogrammed, or used for eligible activities in accordance with HOME requirements. This deficiency occurred because of the lack of procedures and adequate controls and the failure to properly monitor program receipts. As a result, the Department inappropriately retained in its bank account more than \$275,000 in HOME grants and failed to put the funds to a better use.

Conclusion

The Department did not establish and implement adequate controls and procedures to ensure compliance with HUD requirements and did not enforce the terms of the loan agreements it had with borrowers. As a result, HOME funds were not available for other eligible activities because the Department failed to collect overdue loans and return to its treasury account the program repayments.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 3A. Require the Department to collect \$1,269,032 associated with the 17 overdue loans and put the program income generated to better use in accordance with HUD requirements.

- 3B. Require the Department to remit to its treasury account and put to better use repayment funds totaling \$82,295 in accordance with HUD requirements.³
- 3C. Require the Department to develop and implement controls and procedures that permit the proper tracking and administration of program income and repayments to a level that ensures compliance with HUD regulations.

³ Total repayments of \$275,777 not remitted to the treasury account were adjusted to consider \$193,482 questioned in recommendation 1A.

Finding 4: The Department Did Not Have Procedures and Controls Regarding Commitments Entered Into HUD's Information System

The Department did not monitor the accuracy of commitments and other information entered into HUD's information system. It reported to HUD more than \$6.4 million in HOME commitments without executing written agreements. In addition, it provided HUD inaccurate information on the amount of funding awarded, the activity status, and the fund type classification. These deficiencies occurred because the Department lacked procedures and internal controls regarding the reporting of information in HUD's information system. As a result, HUD had no assurance that the Department met HOME objectives and commitments requirements.

Commitments Without Agreements

Participant jurisdictions are required by 24 CFR 92.500(d) and 92.502 to commit HOME funds within 24 months of their allocation and report commitment information in HUD's information system. HUD's regulations at 24 CFR 92.2 define "commitment" as an executed legally binding agreement with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds to produce affordable housing or provide tenant-based rental assistance or an executed written agreement reserving a specific amount of funds to a CHDO or having met the requirements to commit to a specific local project, which also requires that a written, legally binding agreement be executed with the project or property owner. HUD also requires that the signatures of all parties be dated to show the execution date.

HUD's information system reflected that the Department committed more than \$20 million in HOME funds between July 1, 2008, and September 30, 2009. We examined commitments totaling more than \$14.9 million that the Department entered into HUD's information system.

The Department reported in HUD's information system that it had committed more than \$6.4 million in HOME funds although it did not have executed agreements with the recipients. The actual commitments occurred between 14 and 232 days after the funding date, and in one of the activities, no agreement had been executed as of January 7, 2010. Therefore, the funds were not reported as committed in accordance with HUD requirements.

Activity number	Reported commitment amount in HUD's information system	Funding date in HUD's information system	Actual agreement date	Days elapsed between reporting and agreement dates
11899	\$4,328,549	Mar. 30, 2009	Nov. 17, 2009	232
11902	471,056	Apr. 13, 2009	Nov. 17, 2009	218
12041	292,434	Sept. 16, 2009	No agreement	113
12043	1,100,000	Sept. 17, 2009	Dec. 23, 2009	97
11960	126,390	May 15, 2009	July 10, 2009	56
11929	54,000	May 12, 2009	June 8, 2009	27
10943	<u>53,090</u>	Aug. 11, 2008	Aug. 25, 2008	14
Total	<u>\$6,425,519</u>			

We also found nine instances in which the Department reported in HUD's information system the commitment of \$1.27 million in HOME funds between 28 and 523 days after the grant agreement was executed.

Other Inaccurate Reporting

HUD's information system contained additional inaccurate information concerning the Department's HOME activities. This information included incorrect funding amount, activity status, and fund type classification.

Incorrect funding amount - In six activities the awarded amount of HOME funds shown in HUD's information system was incorrect. This error resulted in an understatement in HOME commitments of more than \$681,000.

Activity number	Agreement amount	Funded amount according to HUD's information system	Understated amount
11960	\$770,989	\$126,390	\$644,599
12043	1,130,000	1,100,000	30,000
11902	476,010	471,056	4,954
11959	59,000	58,000	1,000
10943	54,000	53,090	910
10851	<u>55,000</u>	<u>54,672</u>	<u>328</u>
Total	<u>\$2,544,999</u>	<u>\$1,863,208</u>	<u>\$681,791</u>

Incorrect activity status - Participant jurisdictions are required to report in HUD's information system the status of each activity assisted with HOME funds. However, the Department did not always report accurate information associated

with its activities. For three activities, HUD’s information system reflected an inaccurate activity status. One activity was shown as an open activity although a prior OIG audit determined that \$1,629,085 in disbursements was ineligible and the activity was cancelled in 2004. Two other activities were shown as having been completed, although the occupancy did not take place or the activity was still in its predevelopment phase.

Incorrect fund type classification - Participant jurisdictions are also required to report in HUD’s information system the type of fund for each activity assisted with HOME funds. For six activities, HUD’s information system reflected an incorrect fund type classification. These activities included five activities, for which according to the activity files, the assistance to CHDOs was in the form of loans and not grants, and one home-buyer activity incorrectly reported as an administrative cost.

Activity number	Activity type classification according to HUD’s information system	Activity type classification according to Department’s records	Disbursed amount
6053	CHDO grant	CHDO loan	\$134,662
3404	CHDO grant	CHDO loan	\$101,340
7341	CHDO grant	CHDO loan	\$71,462
5986	CHDO grant	CHDO loan	\$28,500
7605	CHDO grant	CHDO loan	\$15,050
12060	Administrative expense	Home-buyer grant	\$50,000

Lack of Controls and Procedures

The above deficiencies occurred because the Department lacked internal controls and procedures for ensuring the accuracy of the information reported in HUD’s information system. The Department’s information system administrator indicated that commitment information was reported in HUD’s information system when information was provided to her or when a disbursement was needed and that the commitment information was not necessarily based on the executed agreement. In addition, the Department’s written procedures did not provide for controls that permitted the adequate reporting or monitoring of commitment information reported in HUD’s information system.

The Department also did not ensure that agreements were dated as required by HUD. For example, one agreement awarding more than \$1.1 million to a recipient was signed by the parties without dates. A Department official informed us that the agreement remained undated days after its signature because additional documents were required. Therefore, the lack of controls and procedures in

dating grant agreements did not provide assurance regarding compliance with HUD commitment requirements.

Conclusion

Because the Department lacked adequate procedures and did not implement adequate controls, it did not ensure the accuracy of commitments and other information entered into HUD's information system. There was no assurance that the Department met HUD commitment requirements and that program objectives were met. The inaccurate data compromised the integrity of HUD's information system and the degree of reliability HUD could place on the data for monitoring commitments and compiling national statistics on the HOME program. Management must improve its internal controls to ensure the accuracy of its reported accomplishments and that it complies with HUD requirements.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 4A. Require the Department to deobligate in HUD's information system the \$292,434 associated with an activity reported as committed but for which no agreement was executed.
- 4B. Require the Department to review all grant agreements for each activity entered into HUD's information system and correct any inaccurate information, including funding amount, activity status, and fund type classification.
- 4C. Reassess the Department's annual commitment compliance and recapture any amounts that have not been committed within HUD-established timeframes.
- 4D. Require the Department to establish and implement adequate controls and procedures to ensure that accurate commitment and activity information is reported in HUD's information system.

Finding 5: The Department's Financial Management System Did Not Comply With HUD Requirements

The Department's financial management system did not account for more than \$991,000 in HOME receipts, did not support the allocability of more than \$301,000 in disbursements, and allowed the use of more than \$151,000 for ineligible expenditures. In addition, the Department did not deposit in its bank account more than \$137,000 in HOME receipts and failed to disburse funds in a timely manner. These deficiencies occurred because the Department did not develop and implement adequate policies and procedures to ensure compliance with HUD financial requirements and lacked sufficient capacity to administer its HOME funds. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes.

Inaccurate Accounting Records

HUD requires participating jurisdictions to maintain fiscal controls and accounting procedures sufficient to permit the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The Department's accounting records were not accurate, current, and complete. The accounting records did not reflect complete financial information on HOME activities. For example, its accounting records did not include obligations of more than \$13 million in HOME grants awarded, more than \$1.26 million in accounts receivable, and \$900,000 in disbursements. The accounting records also contained several instances of incorrect ending balances, issued checks recorded as void, and transactions recorded with the incorrect amount or account. In addition, the Department's financial management system did not permit the adequate tracing of program receipts and expenditures.

The expenditures shown in the Department's accounting records for the fiscal year ending June 30, 2009, did not agree with amounts reflected in HUD's information system.

Activity type	Check register	HUD's information system	Difference
Home-buyer	\$3,719,346	\$4,589,875	\$(870,529)
Homeowner	\$927,560	\$1,031,362	\$(103,802)
CHDOs	\$2,603,437	\$2,620,766	\$(17,329)
Administration	\$2,519,821	\$2,487,586	\$32,235
Sale-rehab/new construction	\$2,618,865	\$1,902,876	\$715,989

The Department did not explain the discrepancies and could not account for \$991,660 drawn from HUD for various HOME activities.

Department officials admitted deficiencies in its HOME accounting records and attributed it to recent problems with the new accounting software and the lack of personnel. This condition was reported in a 2003 OIG audit report; however, the deficiency continued to exist. After almost 7 years, the Department continued to have problems with the accuracy and completeness of its accounting records.

Unsupported Program Disbursements

Regulations at 24 CFR 92.207 and 92.508(a) allow disbursements for reasonable expenditures associated with the administration and planning of the HOME program that are supported with records that enable HUD to determine that HOME requirements were met.

The Department did not provide documentation supporting the reasonableness, allowability, and allocation of more than \$301,000 charged to the HOME program, associated with administrative expenses. It did not track its employees' time by program activity or implement a cost allocation plan to distribute payroll costs among HUD and local programs. Between July 2008 and January 2010, it charged the full salary of at least seven employees to the HOME program although they performed additional functions not related to the program. The Department did not allocate payroll costs totaling more than \$268,900 based on the time spent by these employees on each of its programs. A similar deficiency was identified with another \$32,749 in administrative costs associated with office equipment and advances made to employees. Therefore, HUD lacked assurance of the reasonableness, allowability, and allocability of more than \$301,000 in administrative costs charged to the HOME program.

Ineligible Program Disbursements

Regulations at 2 CFR Part 225 (Appendix A) provide that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The Department allowed the disbursement of more than \$151,000 in HOME funds for administrative services that did not provide the intended benefits or were not related to the HOME program. On January 16, 2008, it awarded two contracts totaling \$192,000 to develop a computerized Web-based system to be used for HOME program administration. Although the Department disbursed more than \$148,000 (78 percent) of the contracted amount, the new system was not implemented. According to a contractor, the implementation of the new system did not take place because the Department did not have the required infrastructure and hardware needed for the operation of the new computerized system. Therefore, the \$148,850 in administrative costs was not an allocable expense since the disbursement of funds did not result in benefits for the administration of the HOME program.

The Department also disbursed \$2,158 in HOME funds for payroll costs of employees that performed Section 8 inspections. Consequently, \$2,158 is an ineligible cost and must be reimbursed to the HOME program.

Receipts Not Deposited in a Timely Manner

HUD regulations at 24 CFR 92.503 provide that program income, repayments, and recaptured funds received be deposited into the participant jurisdictions' HOME local account to carry out eligible activities. These receipts must be reported in HUD's information system and used before making additional HOME withdrawals from HUD.

Contrary to HUD requirements, the Department did not deposit more than \$137,000 in its bank account and did not report the proceeds in HUD's information system. Between January 2005 and December 2007, the Department received seven checks totaling \$137,684 associated with the reimbursement of previously funded HOME activities.⁴ As of November 2009, it had not deposited the checks into its bank account.

⁴ The Department did not provide documentation that could show whether the receipts were program income, repayments, or recaptured funds.

Check number	Amount	Issue date	Days elapsed up to November 30, 2009
3817536	\$9,158	Jan. 2, 2005	1,793
27262	26,710	May 25, 2005	1,650
2970	34,363	July 4, 2005	1,610
367204	22,238	Feb. 27, 2006	1,372
2050	2,885	Apr. 19, 2007	956
79932	23,132	May 22, 2007	923
563582	<u>19,198</u>	Dec. 13, 2007	718
Total	<u>\$137,684</u>		

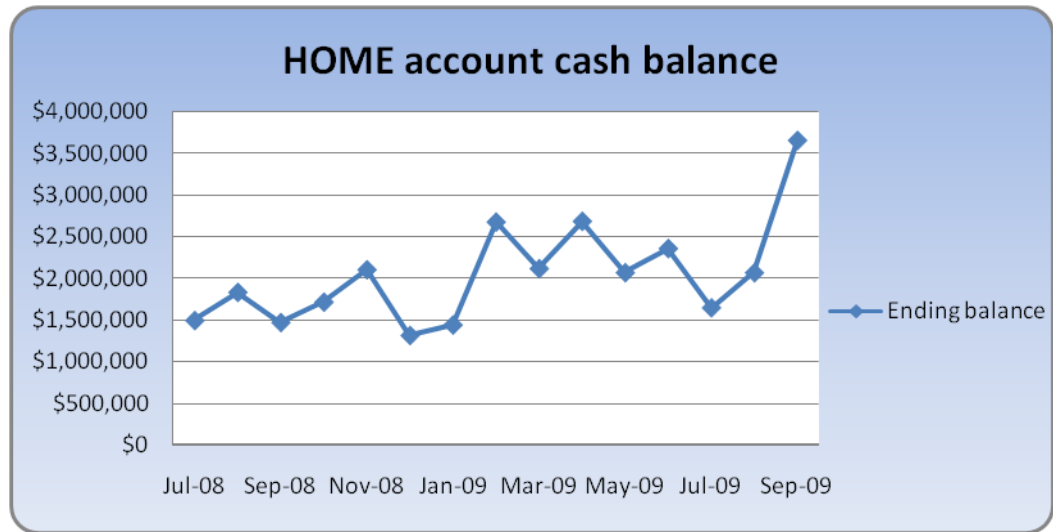
A Department official informed us that instructions from supervisors, including HOME program directors, were to keep the received checks in the vault until the term for HUD deadlines for committing and expending HOME funds passed. The Department disregarded HUD requirements, did not report the receipts in HUD's information system, and did not expend the proceeds before requesting additional grant funds from HUD.

We examined 31 additional receipts (program income, repayments, and recaptured funds) totaling more than \$1.4 million that were deposited into the Department's bank account between July 1, 2008, and September 30, 2009. The Department's records showed that it took between 6 and 1,718 days to deposit the proceeds into the bank account. Therefore, the Department did not deposit in a timely manner more than \$1.4 in HOME receipts and failed to use the funds before making additional drawdowns from HUD. Appendix C contains the list of receipts reviewed.

High Cash Balance

HUD requires that HOME funds in the participant jurisdiction's local account be disbursed before additional grant funds are requested.

Contrary to HUD requirements, the Department did not disburse HOME funds in a timely manner and consistently maintained a high cash balance in its bank account. The Department's September 2009 bank statement reflected a cash balance of more than \$3.6 million, and the Department maintained a monthly average balance of \$2 million during the 15-month period ending September 2009.



Lack of Controls and Procedures

The lack of program controls and procedures also contributed to the Department's improper administration of receipts that were not deposited in a timely manner. Controls and procedures implemented by the Department were not sufficient and adequate to provide HUD assurance that these receipts were properly tracked, collected, deposited, reported, and used in accordance with HUD requirements. For example, the Department did not maintain a system that permits the tracking of HOME-assisted participants that may result in the payment of program income or recaptured funds.⁵ The Department did not maintain sufficient records to identify the source of the proceeds, the propriety of the amount, and the date on which the proceeds were received. In addition, the Department's written procedures associated with the administration of receipts were general and did not clearly establish responsibilities among the Department's personnel to ensure a proper segregation of duties. Management must revise and implement its controls and procedures to permit the proper administration of these receipts.

Insufficient Capacity

The Department administers nearly \$50 million in HOME funds. It must commit nearly \$13 million by August 2010 and expend more than \$7 million by September 2010. In addition, the Department did not have sufficient personnel to administer its HOME program. Its records showed that in October 2009, it was administering the program with 33 employees. However, since January 2010, its personnel had been reduced to 10 employees. Also, as discussed throughout the

⁵ Recaptured funds and program income may result from the resale and recapture requirements imposed by HUD and the Department to the participants to ensure affordability during predetermined periods depending on the assistance amount provided.

report, the Department did not implement effective controls over its HOME program to ensure compliance with applicable regulations. Therefore, the significant amount of funds under the Department's management, the restrictive HOME deadlines, the reduction in personnel, and the Department's inability to comply with HUD requirements raise concern regarding the Department's capacity to administer HOME funds in an economical, efficient, and effective manner and achieve program goals.

Conclusion

Because the Department did not implement adequate controls and lacked sufficient capacity to administer the HOME program, it did not account for receipts, did not support the allocability of disbursements, allowed the use of funds for ineligible expenditures, and did not deposit and use proceeds in a timely manner. The lack of adequate oversight and capacity by the Department to ensure that HUD funds were managed in an economical, efficient, and effective manner is a major concern. Management must improve its internal controls to ensure that HUD requirements are met and it achieves HOME program goals.

Recommendations

We recommend that the Director of the San Juan Office of Community Planning and Development

- 5A. Require the Department to submit all supporting documentation showing the eligibility and propriety of \$991,660 drawn from HUD or reimburse the HOME program from non-Federal funds.
- 5B. Require the Department to submit supporting documentation showing the allocability and allowability of \$301,676 charged to the HOME program for administrative costs or reimburse the program from non-Federal funds.
- 5C. Require the Department to reimburse the HOME program from non-Federal funds \$151,008 paid for administrative costs that did not provide the intended benefits or were not related to the program.
- 5D. Require the Department to deposit into its bank account and put to better use in accordance with HUD requirements receipts collected totaling \$137,684.

- 5E. Require the Department to update its accounting records and ensure that receipts and expenditures are properly accounted for, reconciled with HUD's information system, and comply with HUD requirements.
- 5F. Require the Department to develop and implement a financial management system that permits the tracing of HOME funds to a level which ensures that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes and funds in the local account have been used before requesting additional grant funds.
- 5G. Impose sanctions against the Department in accordance with 24 CFR 92.551 for its continued deficient performance and disregard of HUD requirements, including changing the method of payment to a reimbursement basis, until it can demonstrate capacity, accountability and compliance with HUD requirements.
- 5H. Increase monitoring of the Department's performance in the administration of its HOME program.

SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether the Department (1) reimbursed HOME funds on terminated activities; (2) expended HOME funds within HUD-established timeframes; (3) administered program income, repayments, and recaptured funds in accordance with HOME requirements; (4) reported accurate and supported HOME commitments in HUD's information system; and (5) maintained its financial management system in compliance with HUD requirements.

To accomplish our objectives, we

- Reviewed applicable HUD laws, regulations, and other HUD program requirements;
- Reviewed the Department's controls and procedures as they related to our objectives;
- Interviewed HUD, Department, and contractor officials;
- Reviewed monitoring, internal review, and independent public accountant reports;
- Reviewed the Department's files and records, including activity files and accounting records; and
- Traced information reported in HUD's information system to the Department's records, including accounting records and executed agreements.

The Department deposited into its bank account between July 1, 2008, and September 01, 2009, more than \$1.48 million associated with 31 receipts pertaining to program income, repayments, and recaptured funds. We reviewed all these receipts to determine whether the Department administered these proceeds in accordance with HOME requirements. In addition, we reviewed CHDO loans the Department granted between January 2000 and December 2008 for which HOME funds were disbursed. According to the Department's records, it granted more than \$1.9 million in loans associated with 17 activities. We reviewed all the activities to determine whether the loan repayments were made consistent with the terms of the agreements. We also reviewed three terminated activities with HOME disbursements totaling more than \$2 million to determine whether HOME funds were reimbursed to the treasury account.

The Department drew down from HUD between July 1, 2008, and September 01, 2009, more than \$31 million in HOME funds. We selected and reviewed all 2002 HOME funds withdrawn between July and September 2009; resulting in 10 withdrawals totaling more than \$1.86 million. We also reviewed withdrawals greater than or equal to \$50,000 made during September 2009, which resulted in 22 additional withdrawals totaling more than \$1.76 million. We reviewed selected withdrawals to determine whether the Department expended grant funds in accordance with HUD requirements.

HUD's information system reflected that the Department committed more than \$20 million in HOME funds between July 1, 2008, and September 30, 2009. We selected for review a sample of commitments equal to or greater than \$50,000, which resulted in more than \$14.99 million in commitments associated with 36 activities. We reviewed these activities to determine whether the commitments reported to HUD were accurate and supported.

The Department's records reflected that it disbursed between July 1, 2008, and September 1, 2009, more than \$2.95 million for planning and administrative costs. We selected for review 47 disbursements totaling more than \$1.92 million based on the vendor's name and/or purpose of the payment. We also reviewed 12 additional disbursements totaling \$470,459 that were made before July 1, 2008, or after September 1, 2009. We reviewed the expenditures and the related supporting documents to determine whether the payments met HOME requirements, including allowability and allocability of the costs.

To achieve our audit objectives, we relied in part on computer-processed data contained in the Department's database and HUD's information system. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data adequate for our purposes. The results of the audit apply only to the items selected and cannot be projected to the universe or population.

The audit generally covered the period July 1, 2008, through September 3, 2009, and we extended the period as needed to accomplish our objectives. We conducted our fieldwork from October 2009 through March 2010 at the Department's offices in San Juan, PR.

We conducted the 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.

INTERNAL CONTROLS

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

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

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

- Program operations - Controls over program operations include policies and procedures that the audited entity has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Relevance and reliability of information - Controls over the relevance and reliability of information include policies, procedures, and practices that officials of the audited entity have implemented to provide themselves with reasonable assurance that operational and financial information they use for decision making and reporting externally is relevant and reliable and fairly disclosed in reports.
- Compliance with applicable laws and regulations and provisions of contracts or grant agreements - Controls over compliance include policies and procedures that the audited entity has implemented to provide reasonable assurance that program implementation is in accordance with laws, regulations, and provisions of contracts or grant agreements.
- Safeguarding of assets and resources - Controls over the safeguarding of assets and resources include policies and procedures that the audited entity has implemented to reasonably prevent or promptly detect unauthorized acquisition, use, or disposition of assets and resources.

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 that the following items are significant weaknesses:

- The Department failed to ensure that HOME activities met program objectives and did not reimburse funds to its treasury account because it did not develop and implement adequate procedures and controls to ensure compliance with HUD requirements (see finding 1).
- The Department did not develop and implement adequate controls and procedures to ensure that HOME funds were disbursed for eligible activities within HUD's established timeframes (see finding 2).
- The Department did not establish and implement adequate controls and procedures to enforce HUD requirements and the terms of the loan agreements it had with borrowers (see finding 3).
- The Department did not develop and implement controls and procedures to ensure that accurate information on HOME activities was reported to HUD (see finding 4).
- The Department did not develop and implement a financial management system that complied with HUD requirements (see finding 5).

FOLLOW-UP ON PRIOR AUDITS

**Puerto Rico Department of
Housing State HOME
Investment Partnerships
Program – Audit Report 2003-
AT-1006**

OIG issued an audit report on July 30, 2003, on the Department's administration of the HOME program. The objectives were to assess the Department's progress in correcting deficiencies identified in HUD's monitoring report, dated August 31, 2001, and review selected projects to determine whether they were carried out in accordance with HOME requirements. Among the deficiencies found, the Department's accounting system was inadequate and did not properly account for or report on HOME activities. Consequently, the HOME grants were unauditible. The Department also incurred \$29,313 for ineligible costs not allocable to the HOME program and additional costs totaling more than \$2.2 million for ineligible and unsupported costs associated with development activities.

Among other recommendations, OIG recommended that HUD

- Suspend disbursements of HOME funds for any further HOME awards, pursuant to 24 CFR 92.551, until it could demonstrate accountability and compliance for all HOME grants.
- Require an independent audit of the HOME program annually until all grants were properly accounted for or recovered.
- Establish and implement policies and procedures for its HOME program to ensure compliance with 24 CFR Part 92 and other HUD requirements. At a minimum, the policies and procedures should ensure that (1) fiscal controls and accounting procedures were sufficient to permit the tracing of funds to a level which ensured that such funds were not used in violation of the restrictions and prohibition of applicable statutes, (2) HOME funds were used in accordance with all program requirements and written agreements, and (3) appropriate action was taken when performance problems arose.

All audit recommendations included in the report were closed between May 2004 and December 2005. However, similar deficiencies were found during this second audit as discussed throughout this report.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$2,003,356		
1B			\$1,843,682
2A	1,432,323		
3A			1,269,032
3B			82,295
4A			292,434
5A		\$991,660	
5B		301,676	
5C	151,008		
5D			137,684
Total	<u>\$3,586,687</u>	<u>\$1,293,336</u>	<u>\$3,625,127</u>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the 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.

3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Department implements recommendation 1B, funds improperly committed for activities that were terminated will be available for other eligible activities consistent with HOME requirements. By implementing recommendations 3A, 3B, 4A, and 5D, the Department will ensure that HUD requirements and agreements are followed and that funds are put to better use for the benefit of HOME program participants.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



June 1, 2010

James D. McKay
Regional Inspector General for Audit
US Department of Housing and Urban Development
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303

Re: Draft Audit Report on the Puerto Rico Department of Housing HOME Program ("Draft Audit")

Dear Mr. McKay:

This is in response to the Draft Audit which was transmitted to the Puerto Rico Department of Housing ("Department") on April 27, 2010 for comment prior to publication. We appreciate the opportunity to provide our initial response to the Draft Audit and look forward to resolving any outstanding issues. We are aware that the Department has had some problems in the administration of the HOME program, but have been in the process of changing its procedures and accounting to better administer the program and look forward to working with HUD on the resolution of such problems. With respect to the specific findings in the Draft Audit, we generally do not agree with the specific findings and recommendations in the Draft Audit and will be providing more specific responses to such findings and recommendations. Our initial responses are below.

Finding 1

Comment 1

We agree that the three projects in question are in default, but believe that the facts will show that such defaults were beyond the control of the Department and that therefore the Department should not be required to reimburse any funds to its HOME Treasury account. We will be providing a fuller explanation to HUD with respect to the circumstances surrounding the three projects and the Department's plans reprogramming the funding for Activity Number 7775.

Finding 2

Comment 2

Under this finding, the Draft Audit states that the Department needed to expend the \$1.4 million of its 2002 HOME funds before September 30, 2009. On September 23 through September 28, 2009, the Department drew down the funds from its Treasury account. The Department has had in the past difficulty with obligating HOME funds, but believes that the \$1.4 million was drawn

606 Barbosa Avenue, Juan C. Cordero Building, Río Piedras, PR • PO Box 21365 San Juan, PR 00928-1365

Ref to OIG Evaluation

Auditee Comments

- 2 -

Comment 3

down in order to fund eligible activities. We will in the future provide further explanation with respect to the use of the funds.

Finding 3

The finding concerns the failure of the Department to obtain loan repayments from certain community housing development organizations ("CHDOs"). As the Draft Audit states, the Department does not need to collect payment on the loans if there were impediments to project development that were beyond the control of the CHDOs. The Department will provide further information to HUD with respect to the circumstances of these particular CHDO loans and any necessary reprogramming of HOME funds.

Finding 4 and Finding 5

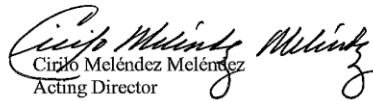
Comment 4

These findings generally relate to the overall concerns raised in the Draft Audit with respect to the Department's procedures and controls over the HOME program, and especially in providing the correct information in the HUD system with respect to the obligations of funds through a legally binding commitment. As indicated above, we understand that there have been some problems in the Department's administration of the HOME program and are working diligently to correct any such problems. However, we believe that some of the specific findings raised in the Draft Audit were based on incorrect information reviewed and that we will be able to demonstrate that in fact the Department's accounts reconcile with what is in the HUD system, in particular with respect to the fact that the funds that were drawn down by the Department were spent on eligible activities.

Finally, we are confident that the Department will be able to implement a reasonable plan for the obligation and expenditure of HOME funds by the necessary deadlines.

We thank you for the opportunity to make this preliminary response to the Draft Audit.

Sincerely,


Cirilo Meléndez Meléndez
Acting Director
Program HOME

13019678.1

OIG Evaluation of Auditee Comments

Comment 1 The Department stated that the projects that went into default were beyond its control and that it should not be required to reimburse HOME funds.

The Department is responsible for managing the day to day operations of the HOME program, ensuring that HOME funds were used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arose. We therefore maintain our recommendation that HUD require the Department to repay more than \$2 million for ineligible expenditures associated with terminated activities.

Comment 2 The Department indicated that it believes that \$1.4 million in HOME funds were drawn to fund eligible activities. However, it did not provide us additional support that could demonstrate that HOME funds were expended within 15 days and before the September 30, 2009, expenditure deadline.

Comment 3 The Department stated it will provide further information to HUD with respect to the circumstances of CHDO loans, and any necessary reprogramming of HOME funds.

The Department will need to provide documentation to establish why the CHDOs did not repay the loans or whether the Department had waived the loan repayments because of impediments reasonably beyond the control of the borrower. We therefore did not modify the report finding and recommendations.

Comment 4 The Department believes that some of the specific findings were based on incorrect information reviewed.

The findings were supported by source documents and accounting records the Department provided during the review, which demonstrated that its financial management system did not comply with HUD requirements. Accordingly, we did not modify the report findings and recommendations.

Appendix C

LIST OF REPAYMENTS, RECAPTURED FUNDS, AND PROGRAM INCOME RECEIPTS REVIEWED

Check amount	Check date	Deposit date	Days elapsed between check date and deposit date
\$20,000.00	July 6, 2004	Mar. 20, 2009	1,718
37,472.76	Feb. 16, 2005	Sept. 4, 2009	1,661
23,151.66	Feb. 3, 2005	Feb. 18, 2009	1,476
24,979.65	Jan. 31, 2005	Feb. 9, 2009	1,470
23,334.64	Mar. 11, 2005	Mar. 20, 2009	1,470
24,715.26	May 2, 2005	Feb. 26, 2009	1,396
30,467.96	May 9, 2005	Feb. 18, 2009	1,381
54,766.67	May 24, 2005	Mar. 4, 2009	1,380
54,266.67	May 24, 2005	Mar. 4, 2009	1,380
20,000.00	Sept. 7, 2005	Feb. 26, 2009	1,268
3,953.62	Nov. 30, 2005	Mar. 20, 2009	1,206
89.00	Dec. 2, 2005	Mar. 20, 2009	1,204
24,482.12	Nov. 2, 2005	Feb. 9, 2009	1,195
35,228.35	Oct. 28, 2005	Dec. 29, 2008	1,158
82,295.38	Feb. 12, 2007	Aug. 13, 2009	913
14,781.25	Sept. 11, 2007	Feb. 9, 2009	517
1,450.00	Apr. 28, 2008	Oct. 21, 2008	176
12,814.80	Oct. 10, 2008	Feb. 11, 2009	124
18,975.02	June 12, 2008	Sept. 15, 2008	95
27,722.45	Nov. 25, 2008	Dec. 29, 2008	34
193,482.00	Mar. 13, 2009	Apr. 1, 2009	19
16,556.50	Oct. 17, 2008	Nov. 5, 2008	19
8,736.19	Oct. 2, 2008	Oct. 21, 2008	19
225,779.00	May 21, 2009	June 4, 2009	14
322,470.00	Nov. 25, 2008	Dec. 9, 2008	14
39,511.42	Feb. 27, 2009	Mar. 10, 2009	11
17,162.04	Dec. 18, 2008	Dec. 29, 2008	11
39,070.67	Jan. 26, 2009	Feb. 3, 2009	8
29,314.87	Feb. 6, 2009	Feb. 12, 2009	6
28,822.97	Jan. 23, 2009	Jan. 29, 2009	6
<u>24,826.80</u>	Oct. 15, 2008	Oct. 21, 2008	6
<u>\$1,480,679.72</u>			

Appendix D

LIST OF OVERDUE CHDO LOANS

Activity number	Project name	Agreement number	Agreement amount	Disbursed amount	Loan due date	Days overdue*
3404	Alturas de San Rafael	00-1202	\$101,340	\$101,340	Jan. 27, 2003	2530
5986	Villas de Ceiba	2003-389	73,847	28,500	Jan. 31, 2005	1795
7341	Colinas de Bello Monte	2005-414	280,546	182,758	Nov. 4, 2006	1153
7342	OBRAS	2005-464	229,444	163,594	Nov. 21, 2006	1136
7121	Estancias de la Costa	2005-413	64,100	64,100	Nov. 4, 2007	788
9224	Municipality of Villalba	2008-227	43,363	24,300	Nov. 4, 2007	788
9227	Municipality of Jayuya	2008-251	21,500	14,300	Nov. 4, 2007	788
8925	Hogar La Piedad II	2008-255	9,400	6,450	Nov. 15, 2007	777
8926	Villas del Peregrino III	2008-254	37,000	12,500	Nov. 15, 2007	777
7913	Esperanza Village	2005-525	19,150	7,660	Dec. 12, 2007	750
8225	Gardenia Apartments	2007-545	191,585	45,950	Jan. 25, 2008	706
9633	Estancias de la Costa	2007-889	92,600	84,600	Apr. 4, 2008	636
6053	Villas del Paraiso II	2003-391	151,718	134,662	June 10, 2008	569
7605	Villas del Paraiso II	2005-1035	17,055	15,050	June 10, 2008	569
10909	Aires de Manantial and Aires de la Colina	2009-196	124,800	124,800	Sept. 10, 2008	477
10913	Torre de Añasco	2009-077	141,768	140,568	July 28, 2009	156
7341	Colinas de Bello Monte	2009-652	<u>220,150</u>	<u>117,900</u>	Nov. 25, 2009	36
Total			<u>\$1,819,366</u>	<u>\$1,269,032</u>		

* As of December 31, 2009