



City must repay over \$500k in federal funds connected to HOME program under Dupree Administration

Hub City residents owe more than half a million dollars to repay Uncle Sam for federal monies that the City of Hattiesburg administered improperly through its HOME program, which is designed to help low- and very-low income residents become home owners or find affordable housing.

That hit to local pockets was announced following an September 2018 audit report of the city's use of almost \$1.2 million it received from the U.S. Department of Housing and Urban Development (HUD) from 2013-17. HUD's Office of the Inspector General (OIG) audited the HOME program at the request of Mayor Toby Barker.

The city's HOME Program operated for several years as part of the city's Department of Federal and State Programs. It returned to the Department of Urban Development when Mayor Barker took office and combined the two departments. Almost half of the \$1.2 million Hattiesburg received during the four-year audit program, \$506,000, must be repaid by the city from non-federal funds, according to the OIG's recommendations to HUD. Here's the breakdown on that:

1. \$441,202 is for unsupported costs, which refers to costs that are charged to the program but are not supported with the proper documentation.
2. \$33,258 is for ineligible costs, meaning they are not allowed by law, contract, or policies or rules of federal, state and/or local government. In this case, the City distributed the funds before there were executed written agreements.
3. \$32,019 is for funds that were not committed within the 24-month deadline set by federal statute. This falls under a category called funds that could be put to better use and can refer to anything from reductions in outlays to avoiding unnecessary expenditures. In this case, the OIG recommends that HUD recapture and de-obligate this amount in 2015 funds that were not committed on time.

THE OIG WANTS MORE THAN MONEY, THOUGH

The OIG recommends that the City develop procedures and train employees to ensure that financial commitments are entered into IDIS accurately to maintain data integrity and that the HOME Program is managed according to requirements set by HUD and by the City.

Also, the OIG recommends that HUD have the City verify that there is proper documentation to support the 14 financial commitments remaining from the audit period (January 1, 2013, through December 31, 2017), as well as that those commitments are accurately entered into IDIS (Integrated Disbursement and Information System). IDIS is a national data that tracks allocated HUD funds and provides the agency with current information on the status of HOME Program activities. HUD uses the information in its reports to Congress and in monitoring grantees; grantees use IDIS to enter financial commitments, draw down HOME funding and report on how the funding is used.

A CLOSER LOOK

Specific findings of the OIG Audit are:

1. The City did not always provide the necessary documentation for its financial commitments or commit funds within the time-frame required by HUD.
2. The City's written agreements did not always meet HUD's requirements. For example, many were not signed or not signed completely.
3. The City's financial commitments for HOME were not always entered HUD's computerized tracking system in a timely manner.
4. The City did not always take care that its allocations met its own affordability period requirements. This, the OIG states, occurred because the staff was not fully aware of the requirements set by HUD and by the City, and because the City lacked sufficient procedures to ensure that its financial commitments complied with HUD timing requirements.

Those above four findings resulted in the following administrative failings in the HOME Program:

1. The City used \$441,000 in funding inappropriately.
2. The City threw \$32,000 away by not committing funds within the deadline period.
3. The City disbursed more than \$33,000 in funding before any written agreements were executed.
4. There was no confidence at HUD or the City that the HOME Program was administered according to requirements set by HUD and the City.
5. The City compromised the integrity of the data in IDIS and reduced HUD's ability to rely on that data.

The City's response to a draft copy of the audit, from Urban Development Director Andrew Ellard, explains events surrounding many of the HOME Program administrative irregularities and asks that several of the findings – and amounts due back – be dropped from the report. However, the OIG's response to that letter denied those requests, primarily based on HUD regulations, requirements and procedures.

Mayor Dupree's former campaign manager and close friend, Kenneth Fairley, was convicted of fraud related to the HOME program. He is due to be released this March where he will serve six months in a halfway house.