

An aerial photograph of a modern urban development in West Palm Beach, Florida. The image features several tall, glass-clad skyscrapers with unique architectural designs, including curved facades and integrated greenery. In the foreground, a historic church with a red-tiled roof and a small dome is visible, contrasting with the modern architecture. The sky is blue with some light clouds.

**HOUSING AND COMMUNITY
DEVELOPMENT
PROGRAMS AUDIT
AUD21-01**

WEST PALM BEACH

INTERNAL AUDITOR'S OFFICE

**BEVERLY MAHASO ESQ., CIA, CFE
CHIEF INTERNAL AUDITOR
SEPTEMBER 23, 2026**

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OVERVIEW

The Housing and Community Development Department (HCD) is a steward of federal, state, and local funds in order to implement initiatives and programs aimed at improving housing stability and community growth. The Department drives community growth and housing stability through three core pillars: maximizing affordable housing production, providing resident-focused housing assistance, and operating a stabilization center that offers financial assistance, counseling, and homeless advocacy. HCD coordinates with city, county, state, and federal agencies to provide comprehensive care.

SUMMARY FINDINGS

- Lease records were missing, incomplete, or inaccurate leading to about \$11k in uncollected rent. These losses will increase without corrective action. Annual property inspections were not performed, and conflicting system roles were identified in the financial system.
- Lien releases were often misclassified, untimely, noncompliant, or missing required documentation.
- Real estate sales lacked bidding documentation, with one exception. However, in that exception, the property was sold for \$49k less than the bid amount. Additionally, real estate sales lacked Commissioners' resolution approval and equitable processes.
- Payroll allocations had improper segregation of duties, unsupported timesheets, and missing reviews.
- 3 of 5 programs lacked consistent evidence of eligibility and complete application documentation. Conflicts of interest were identified; however, they were not addressed.
- Expense processing of invoices lacked proper support, approvals, timeliness, and consistent segregation of duties.
- Procurement card transactions frequently lacked support, business justification, and required approvals.
- Affordable housing property inventories were inaccurate and lacked validation of CRA properties.
- Several policies and procedures were missing, outdated, or lacked approvals and staff notification.
- Sensitive documents were left unsecured in the copy room.
- Webpages contained outdated and incorrect information.

SUMMARY RECOMMENDATIONS

Strengthen Governance and Oversight

- Update and regularly review policies and procedures, document approvals, and train staff.
- Improve accuracy of lease, lien, real estate, and inventory records.
- Enforce segregation of duties and strengthen approval controls.

Improve Operational Controls

- Ensure payments, liens, P-Cards, payroll allocations, and program files are supported, timely, and compliant.
- Resolve conflicts of interest and document the results.
- Maintain complete documentation for bidding, resolutions, and eligibility.
- Reconcile and validate Oracle data, property lists, and web content.

Enhance Accountability and Transparency

- Implement ongoing monitoring, refresher training, and cross-department coordination.
- Correct historical discrepancies and notify external parties when needed.
- Keep public-facing information accurate and current.
- Retrieve documents promptly from the copy room and safeguard sensitive documents at all times.

OVERALL CONCLUSION

Systemic, department-wide control weaknesses require urgent corrective action. Strengthened internal controls, clearer documentation standards, and consistent oversight are essential to remediate findings.

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September 23, 2026

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: Housing and Community Development Programs Audit, AUD21-01

Dear Audit Committee Members:

Attached is the City of West Palm Beach's Internal Auditor's Office report on the Housing and Community Development Programs Audit.

We thank the management and staff of the Housing and Community Development Department for their time, assistance, and cooperation during this audit.

Respectfully Submitted,

Beverly Mahaso
Chief Internal Auditor

cc: Keith James, Mayor
Faye Johnson, City Administrator
Jose-Luis Rodriguez, Deputy City Administrator
Jade Greene, Housing and Community Development Director
Bridget Souffrant, Chief Financial Officer

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Background



The mission of the City of West Palm Beach Department of Housing and Community Development (HCD) is to *enhance the quality of life for its residents through the development of housing, social, and economic opportunities*.¹ This is accomplished by leveraging federal and state funding to provide housing programs. HCD focuses on empowering low-income households and neighborhoods through collaborative, sustainable programs, and public-private initiatives.

The department manages several high-impact initiatives and programs aimed at improving housing stability and community growth:

- Affordable Housing Production: HCD works to maximize housing production for low and moderate income households by offering incentives to developers, such as fee reductions, and the use of City-owned vacant land.
- Housing Assistance Programs: HCD offers programs to help residents with homeownership, rental rehabilitation, and special needs housing.
- Homelessness and Stabilization: HCD operates a "one-stop" resource center, providing counseling and referrals, financial assistance, and homeless advocacy.

To deliver services effectively, the department collaborates with numerous local and state agencies, including the West Palm Beach Housing Authority. It also has partnerships to provide direct support services such as hygiene facilities, meals, and medical referrals for the homeless population.

Statement of Scope

The scope of the audit was to review the utilization of state and federal program funds over the period of January 1, 2017, through October 31, 2024. Audit testing encompassed an assessment of policies, procedures, processes, and systems; however, system reviews were limited to components directly related to the department.

Some limitations existed, including missing records, incomplete files, staffing turnover, and system data inconsistencies within Oracle and departmental logs. These limitations are described within specific findings; however, they did not prevent us from completing the audit or achieving the audit objectives.

The HCD Department includes Code Enforcement; however, this function of HCD was deemed outside the parameters of this audit.

¹ <https://www.wpb.org/Departments/Housing-Community-Development>

Statement of Objectives

The objectives of this audit were to:

- A. Determine whether the procedures for allocating and monitoring state and federal program funds were adequate, timely, and accurate.
- B. Determine if program funds were utilized appropriately and disbursed to eligible recipients.
- C. Determine whether there was adequate oversight over applications to ensure that they were complete, accurate, and met requirements.
- D. Determine whether procurement card purchases associated with program projects were tracked and appropriate.
- E. Determine if the City's real estate property was sufficiently maintained and monitored.
- F. Determine whether the City's properties were sold in accordance with rules and regulations and whether the process was equitable.

Statement of Methodology

The methodologies used to meet the audit objectives included the following:

- Conducting interviews and inquiries of personnel in the HCD and Finance Departments.
- Reviewing relevant agreements, state laws, and internal policies and procedures.
- Evaluating and testing internal controls as related to the HCD processes,
- Conducting various analyses over key operational, financial, and compliance areas,
- Confirming our understanding of key findings with the departments,
- Drawing conclusions and developing recommendations, and
- Conducting other audit procedures as deemed necessary.

Sampling Methodology

Sampling methodologies included:

- 100% testing of the population in the following areas:
 - All P-Card transactions associated with HCD program projects during the audit period were selected due to the low number of transactions.
 - All recorded leases in the HCD Lease Inventory Listing were tested in addition to all other leases identified during supplemental procedures.
 - All Real Estate Inventories during the audit period were reviewed.
 - All HCD webpages were evaluated.
- Statistically valid samples: These samples were designed to achieve a 95% confidence level and a 5% margin of error, this sampling methodology was used in the evaluation of the Payroll Administrative Time Allocation process, Released Liens, Project Expense Payment Process, and Real Estate Sales and Conveyance testing. Results could not be extrapolated due to population integrity issues in most cases. At times, the underlying population used for sampling was incomplete, inaccurate, or not reliably defined.

- Judgmental sample: A judgmental sample of 5 programs were reviewed because they were the active programs during the audit period.

Statement of Auditing Standards

We conducted this performance 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.

Audit Conclusions and Summary of Findings

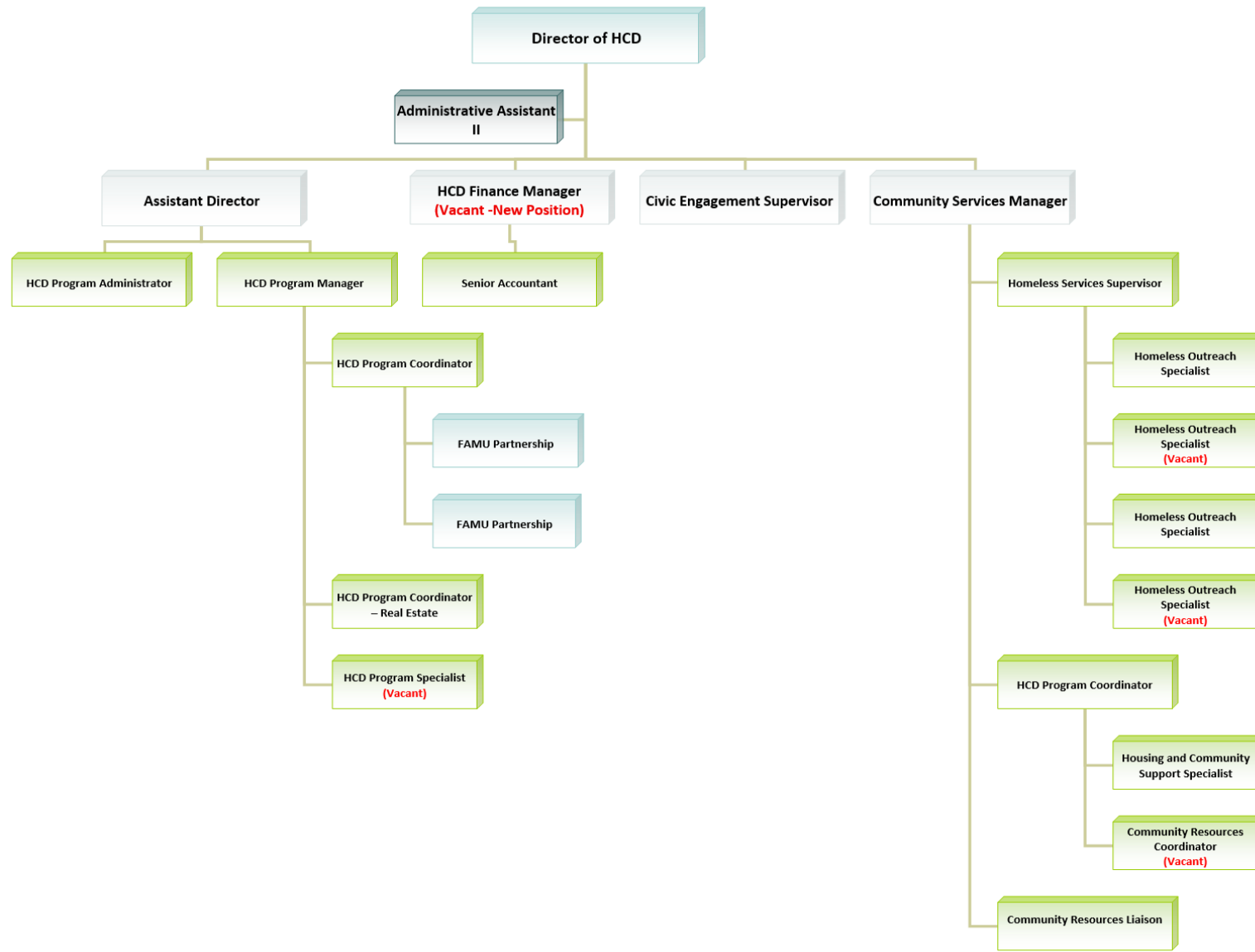
The Internal Auditor's Office has evaluated the internal controls relevant to the audit objectives that govern the HCD Department's processes to determine whether they were properly designed and implemented. We concluded that there were significant systemic control weaknesses across core operational areas, including lease management, financial processes, real estate management, program monitoring, and governance. We obtained sufficient and appropriate evidence to support the findings and conclusions in this report. Collectively, these issues impact the Department's ability to ensure compliance, safeguard assets, maintain accurate records, manage program funding, and operate programs equitably and transparently. Overall, the audit results indicated pervasive control deficiencies requiring corrective action.

Strengthening internal controls, improving documentation practices, enforcing segregation of duties, and enhancing oversight and monitoring will be essential to ensuring compliance, financial integrity, program accountability, and equitable service delivery.

Noteworthy Accomplishments

We found knowledgeable employees who were receptive to our recommendations for improvement. Specifically, we found that the HCD Department was proactive in taking immediate corrective action concerning needed webpage updates and safeguarding personal information. In addition, they took corrective action in other areas during the course of the audit. We commend the HCD Department on their efforts at continuous improvement.

Housing and Community Development Organizational Chart



Note: The HCD Organizational Chart was provided by the Department. We excluded Code Enforcement because it was outside the scope of the audit.

Opportunities for Improvement

1. Inadequate Oversight of Leases

Summary

Our analyses found:

- 40% of identified leases were not submitting rent owed, with an estimate of about \$11k in losses as of July 2026,
- property inspections were not being performed,
- there were missing agreements and inaccurate inventories, and
- there were improper segregation of duties in Oracle.

Condition

Part A - Housing and Community Development Department (HCD)

We reviewed the City's leases and found that the City does not have a complete, accurate, or consistently maintained inventory of lease agreements. Further, the lease oversight process was siloed with no overarching oversight from a single department. This led to inconsistencies in how leases have been managed and discrepancies in data. Specifically, HCD's Lease Inventory Listing and Finance's Master Contract Revenue Schedule conflict with one another. Data is inaccurate, incomplete, or misaligned. Similar conditions existed in a previous audit, the Leases and Contract Revenues Audit (AUD16-02). At that time, management planned to form a cross-functional Real Estate Management Committee to oversee the leases. However, during this review, we found that the Committee was formed, but had not been active for years.



The below conditions demonstrate that the City's lease management process lacks effective oversight, reliable data controls, and adequate monitoring to ensure proper stewardship of City-owned real estate assets and related revenues. Our review of the 43 leases identified deficiencies in several areas. The below omissions not only highlight weaknesses in lease recordkeeping, but also increase the risk of significant financial rental income loss. As of July 2026:

- ✘ 17 (40%) had no evidence that the City collected rent, an estimated loss of about \$900,
- ✘ 5 (12%) had rent collection that was not aligned with the lease terms, an estimated loss of about \$10,300,
- ✘ 9 (21%) leases were not recorded in Oracle, with one lease absent from all listings,
- ✘ 5 (12%) lease files were missing; as a result, the potential financial impact was inconclusive,

- ✘ Zero-rent listings were unsupported or incorrect, and
 - ✘ Required annual property inspections were not performed due to staffing shortages.
- If audit recommendations are not implemented, the total losses will continue to compound.

Part B - Finance Department

We reviewed user roles in Oracle, as it relates to lease management, to determine if there were conflicting roles and found segregation of duties issues. The conflicts consisted of employees from the IT and Finance Departments. Specifically, individuals could:

- Generate invoices and approve them or process payments (8 people),
- Create, approve, and post journal entries (16 people),
- Manage configurations (e.g. approval workflows, tolerance limits) and perform transaction-level actions, such as posting payments or paying invoices (8 people), and
- Create or maintain vendor master data and approve or execute vendor payments (8 people).

An effective management oversight process is needed to help proactively identify and address potential segregation of duties risks.

Criteria

Per the Real Property Lease Management Policy, the City's leases are required to be inventoried, sufficiently monitored for compliance, and inspected annually. Any deficiencies or defaults identified are to be provided to the tenants by means of written notice and time to cure deficiencies is allotted in accordance with the lease terms.

The U.S. Department of Housing and Urban Development (HUD) mandates strict segregation of duties to prevent fraud, mismanagement, and conflicts of interest in administering federal funds. Organizations must divide three core functions across different individuals: Authorization (approving transactions), Custody (handling assets), and Recording (entering data).

Cause

The lack of centralized oversight, monitoring, and the defunct Real Estate Management Committee significantly contributed to the issues identified. Additionally, HCD did not prioritize lease management. Further, staffing shortages hindered the development of a comprehensive lease list and verification that all tenants were properly set up in Oracle. In some instances, Oracle was not configured to support segregation of duties because certain roles required a wide range of access and other roles required a secondary person to ensure operational continuity. Lastly, executed agreements were not routed back to Finance, causing staff to rely on outdated documents that lacked key provisions. These conditions weakened oversight of rent assessment, billing, collections, annual inspections, and role segregation.

Effect

Poor lease management, incomplete inventories, decentralized oversight, and inconsistent monitoring expose the City to financial, operational, legal, and safety risks. Specifically, the City experienced:

- Revenue losses due to uncollected or inaccurately assessed rent and missing records,
- A reduction in financial reporting reliability due to some leases not being recorded in Oracle, and

- Limited enforcement of lease terms stemming from missing documentation, unsupported zero-rent arrangements, and inspections that were not performed. Without improved oversight, the City faces substantial revenue losses, increased liability, reduced asset value, and potential safety hazards.

Recommendation 1

To strengthen oversight, ensure complete and accurate revenue collection, and improve the reliability of lease management, the Housing and Community Development (HCD) Department should implement the following:

- Enhance Lease Oversight: HCD should work with Administration to reinstate the Real Estate Management Committee and establish a single department to serve as the centralized owner of the City's lease management process, including maintaining an official inventory of all leases. The assigned department should:
 - Reconcile the HCD Lease Inventory Listing with the Master Contract Revenue Schedule and Oracle, correcting all missing or inaccurate data,
 - Establish standardized procedures for entering, updating, and reviewing lease information,
 - Require all departments to upload all executed leases, amendments, insurance documents, rent schedules, and inspection reports into a central repository, and
 - Implement periodic, documented lease compliance and quality control reviews, including use of audit provisions when appropriate.

Additionally, the City should consider implementing an electronic routing function, such that executed agreements are routed to the HCD and Finance Departments to ensure that all appropriate parties are aware of the active lease agreement terms.

- Establish a Maintenance Program: HCD should coordinate with Risk Management and Support Services to develop a Maintenance Strategy, resume annual inspections, establish a long-term Maintenance Plan, and maintain documented results.
- Ensure Fiscal Responsibility: HCD should work with Administration to determine a resolution for tenants who have not been paying rent (e.g. forgiveness, adjustments, proration, or recovery) and obtain the necessary approvals for the proposed actions. The department tasked with Lease Management should also work with the Finance Department to issue back invoices to any tenant that is not current with their rent, in accordance with the determined management directive.
- Provide Comprehensive Training: Provide training for staff across all relevant departments to reinforce roles, responsibilities, and required procedures for maintaining accurate lease and revenue records.

Finally, the Finance Department should implement oversight controls to monitor segregation of duties conflicts and ensure that no individual performs conflicting roles

within the same transaction. Supporting documentation should be retained to demonstrate that these controls are in place.

Management Response 1A. Housing and Community Development Department (HCD)

The Department agrees with the overall issue identified regarding the need to strengthen lease oversight and acknowledges deficiencies in the completeness and accuracy of the current Lease Inventory List. HCD concurs that improvements are necessary to ensure that all leases are properly documented, monitored, and managed consistently with City policy.

To remediate the observation and reduce the risk of future occurrences, the Department will conduct a full reconciliation of all City leases within Housing and Community Development. This includes identifying the complete population of leased properties, confirming the terms of all lease agreements, and updating the Lease Inventory List to ensure accuracy and completeness. The HCD Program Coordinator – Real Estate and Asset Management will have primary oversight of the implementation of these corrective actions. This effort will be coordinated with HCD fiscal staff, the Finance Department, and the City Attorney's Office. HCD fiscal staff and Finance will work together to ensure that Oracle contains complete, accurate, and consistent information for every lease.

As part of this process, the Department will assess tenants with rent discrepancies and determine the appropriate resolution. The Department will also develop written procedures that clearly outline roles, responsibilities, and expectations for ongoing lease oversight, monitoring, and annual updates.

Target Implementation Date: The Department anticipates completing full implementation within four quarters after the Program Coordinator – Real Estate and Asset Management position is filled, with annual monitoring and updates continuing thereafter.

Auditor's Comments:

As of August 2026, the Department advised us that the HCD Program Coordinator position for Real Estate and Asset Management had been filled.

Management Response 1B. Finance Department

To augment the existing controls, Finance will periodically run reports to confirm that no conflicting transactions have occurred.

Target Implementation Date: 12/31/2026

2. Improper Mortgage Releases: Affordability Period Expirations

Summary

- Many mortgage releases tied to expired affordability periods were late, inconsistent with policy, or recorded inaccurately.
- We found data issues and procedural errors, including premature, duplicate, or misclassified releases.

Condition

A statistically valid sample was chosen to achieve 95% confidence with a 5% margin of error. As a result, 173 lien releases were examined, representing both Satisfaction of Mortgage releases and Affordability Period expiration releases.

A mortgage can be released when the period of affordability ends in the form of a write-off. The period of affordability is defined as the number of years that a publicly assisted home purchase must remain affordable for the eligible homeowner. A total of 138 mortgages were examined that had been released following the end of the affordability period. We found that the majority were not timely or appropriate.

Release of Mortgage

Our review of 138 mortgages discharged due to the affordability period's expiration identified the following:

- 74 (54%) releases did not align with HCD terms. Specifically:
 - 60 Promissory Note terms did not match the HCD policy terms. For instance, the Promissory Note required the homeowner to occupy the property for 30 years, while HCD policy specified only a 5-year requirement.
 - 14 mortgages had loan amounts greater than \$60,000, which is the maximum assistance amount. The total amount of excess assistance provided was about \$657,000.
- 88 (64%) mortgages were released more than a year after the affordability period ended. The average processing time to release the lien was about 1,480 days (about 4 years).
- 74 (54%) releases were issued before the memo crediting the account or the payment being received in Oracle.
- 43 (31%) releases did not have the invoice in Oracle for the restrictive covenant.²
- 19 (14%) releases lacked mortgage invoices, payments/credits, releases, or Property Control Number (PCNs) in Oracle.

² Restrictive covenants establish parameters of how the property can be utilized. Typically, they dictate the number of years a person must live in the home without selling it or otherwise transferring it. A nominal consideration amount is attached to the restrictive covenant in order to satisfy legal requirements for entering into formal agreements. An invoice should be generated to collect the amount of the nominal consideration.

- 18 (13%) invoice terms in Oracle did not match the Promissory Notes' terms. For example, the Promissory Note provided a 10-year repayment term, yet Oracle indicated that payment was due in 30 days.
- 4 (3%) releases were the result of two properties being released twice:
 - One property was released in a bulk property release and two years later it was released again through a Satisfaction of Mortgage. In addition to the duplicative releases, they were misclassified.
 - One property was released correctly as a Release of Mortgage, then it was released again as a Satisfaction of Mortgage which was a misclassification.
- 2 (2%) mortgage releases were not found, but the release for the restrictive covenant was found.
- 1 (1%) mortgage was released despite terms stating it could only be released upon sale, rental, or transfer, which had not occurred.

Criteria

The City provides down payment and closing cost assistance in the form of a 0% interest, deferred payment loan not to exceed \$60,000. For mortgages that were not paid in full and the affordability period expired, HCD's policy is to release the lien within a year of the expiration date.

According to the Department's *Mortgage Release Process*, HCD staff must:

- Obtain the recorded Mortgage, Modification, or Covenant,
- Verify whether a Restrictive Covenant exists,
- Search the County Clerk's website for any additional City mortgages tied to the listed names and obtain those documents, and
- Determine whether any additional identified documents also require release.

For staff preparing the release, they must review all documents to confirm matching names and addresses, use the correct release template, verify the Property Control Number (PCN) and address using the Palm Beach County Property Appraiser's Office website, and ensure that the PCN on the mortgage matches the Property Appraiser's website.

Cause

The issues identified were the result of:

- Insufficient oversight coupled with poor internal controls,
- Inadequate policies and procedures that were not updated to reflect current processes or statutory requirements, leading to errors and inconsistent application,
- Ineffective monitoring such that errors could not be consistently identified and resolved, and

- Breakdowns in communication between departments (HCD, Legal, and Finance) also contributed to the errors identified.

Effect

Exceeding City loan thresholds risks HUD³ non-compliance and potential fund repayment. Discrepancies between the Promissory Note, affordability terms, and Oracle records, weaken legal enforcement. Releasing liens prematurely or without proper documentation decreases the City's ability to recover funds.

A restrictive covenant release and a mortgage release constitute two separate legal actions. The release of a mortgage removes only the lender's lien and does not, by itself, extinguish any restrictions imposed through a restrictive covenant. Further, an unreleased lien creates a lasting cloud on the property title, giving the false impression that a debt or obligation remains, even if it has already been satisfied. This public record of indebtedness can jeopardize property transactions and may prevent property sales, refinances, or transfers. It may also cause unnecessary delays.

Recommendation 2

To ensure timely mortgage releases, policy compliance, and accurate data in Oracle, HCD should:

- Develop and implement clear, enforceable procedures for HCD personnel to follow.
- Establish verification processes to ensure liens are released accurately, in accordance with policy, and on time.
- Ensure that Oracle consistently reflects correct lien, payment, and term information.
- Supervise staff activities and enforce consistent application of procedures.
- Provide additional training when gaps are identified.
- Identify breakdowns between departments that drive incorrect or untimely releases and collaborate with the departments to find solutions.

Management Response 2

HCD will implement strengthened internal controls, updated procedures, and enhanced interdepartmental coordination to ensure timely, accurate, and compliant mortgage releases. Specifically, HCD will:

- Policy & Procedure Updates: Revise and formalize comprehensive standard operating procedures (SOPs) for mortgage and restrictive covenant releases, ensuring alignment between Promissory Notes, City policy, and Oracle system requirements.

³ HUD (U.S. Department of Housing and Urban Development) is an executive branch agency of the federal government responsible for national housing policy, enforcing fair housing laws, and administering community development programs.

- Verification & Quality Control: Establish a multi-step verification process, including supervisory review, to confirm affordability period eligibility, lien accuracy, supporting documentation, and Oracle reconciliation prior to release.
- Oracle System Alignment: Coordinate with Finance to ensure all lien, invoice, and payment data are accurately recorded and reconciled in Oracle before any release is processed.
- File Documentation Standards: Implement a standardized checklist requiring complete documentation (e.g. invoices, credits, PCNs, recorded documents) prior to processing releases.
- Training & Staff Oversight: Conduct mandatory staff training on updated procedures and compliance requirements, with ongoing monitoring and periodic internal file reviews to ensure consistency.
- Interdepartmental Coordination: Establish regular coordination protocols with Legal and Finance to address process gaps, improve communication, and prevent discrepancies or delays.
- Monitoring & Reporting: Implement periodic internal audits and tracking mechanisms to ensure releases are completed within required timeframes and in compliance with policy.

Target Implementation Date: June 1, 2027

3. Improper Releases of Satisfactions of Mortgage

Summary

- Mortgage releases were widely delayed, noncompliant with established policies, and inconsistently recorded across systems.
- Key loan terms and amounts often did not align with policy; and system data reliability was a significant issue.

Condition

To ensure statistical validity at a 95% confidence level and a 5% margin of error, we selected a sample of 173 lien releases. The sample included both types of releases: Satisfaction of Mortgage releases and releases issued upon the expiration of the Affordability Period. We reviewed 35 satisfied mortgage releases and found a majority of them were not timely or appropriate. A mortgage is considered satisfied once it is paid off in full, which triggers the release of the lien on the property.

Of the 35 satisfied mortgage releases that were reviewed, the following observations were made:

- 31 (89%) releases did not comply with the 60-day statutory release requirement. The average processing time to release the lien was 1,017 days.
- 25 (71%) mortgages did not align with HCD policy:
 - 21 Promissory Note terms did not match the HCD policy terms. For example, the Promissory Note terms stated that the person must reside in the home for 20 years; however, the HCD policy indicated 5 years.
 - 4 mortgages had loan amounts greater than \$60,000, which is the maximum assistance amount. The total amount of excess assistance provided was \$114,273.
- 8 (23%) Oracle invoice terms did not match the Promissory Notes' terms. For instance, the Promissory Note terms stated that payment was not due for 10 years; however, Oracle indicated that the payment was due in 30 days.
- 9 (26%) transactions had no record in Oracle of the invoice, payments, or credit memos. These consisted of 2 mortgages and 7 Restrictive Covenants.

Criteria

Once the mortgage is paid in full, FL Statute 701.04 states that the City is required to release the lien within 60 days.

The City provides down payment and closing cost assistance in the form of a 0% interest, deferred payment loan not to exceed \$60,000. HCD policies establish the residency requirements for all homebuyer housing projects. The policy specifies how long the person must reside in the home as their primary residence without selling it or otherwise transferring the property.

Per HUD, 24 CFR § 982.158, the City must maintain accurate, complete, and orderly records.

Cause

The underlying causes of these issues are consistent with those identified in the previous finding (2) regarding liens released due to the affordability period expiring. Overall, the issues stemmed from weak oversight and poor internal controls, outdated and incomplete policies and procedures, insufficient monitoring to identify errors, and poor interdepartmental communication between departments (HCD, Legal, and Finance).

Effect

A signed Promissory Note is the legal document that creates the obligation to pay. Awarding loans that exceed the City's established threshold can lead to findings of non-compliance with HUD which may trigger repayment of funds. When the Promissory Note terms do not align with the Housing Department's policies or the City's Oracle financial system, it can lead to ambiguity in enforcement. It also raises concerns related to transparency, as well as fair and equitable treatment of all applicants.

Releasing liens before recording the payment or with no records of payments in Oracle, diminishes the City's ability to collect the debt and decreases the funds available to assist other applicants.

The primary impact on the owner is that the lien remains in public records, creating the false impression that a debt is still owed. This clouds the title and can delay or prevent a sale, refinance, or transfer.

Recommendation 3

HCD should perform the following to ensure that mortgage releases are timely, align with policy, and are reflected in the Oracle financial system:

- Establish robust monitoring and validation subprocesses such that liens are released timely and Oracle accurately reflects the liens and payments made.
- Establish and enforce clear procedures for supervisors to follow.
- Monitor the staff's efforts and provide refresher training when needed.
- Identify breakdowns between departments that drive incorrect or untimely releases and collaborate with the departments to find solutions.

Management Response 3

HCD will implement the following actions to ensure timely releases, policy compliance, and accurate Oracle reporting:

- Monitoring & Timeliness: Implement a centralized tracking system with milestone controls to ensure all satisfied mortgages are released within the 60-day statutory requirement.
- Oracle Reconciliation: Require verification that all invoices, payments, and credits are accurately recorded in Oracle prior to release.
- Procedures & Oversight: Update and enforce clear SOPs aligned with HCD policy and statutory requirements, including mandatory supervisory review.

- Quality Control: Implement a standardized checklist to validate loan terms, assistance limits, and supporting documentation.
- Training: Provide staff training and ongoing monitoring to ensure consistent compliance.
- Coordination: Strengthen coordination with Legal and Finance to resolve process gaps and prevent delays.
- Corrective Review: Conduct a targeted review of prior releases to address identified discrepancies, where feasible.

Target Implementation Date: July 1, 2027

4. Insufficient HCD Real Estate Sales Process

Summary

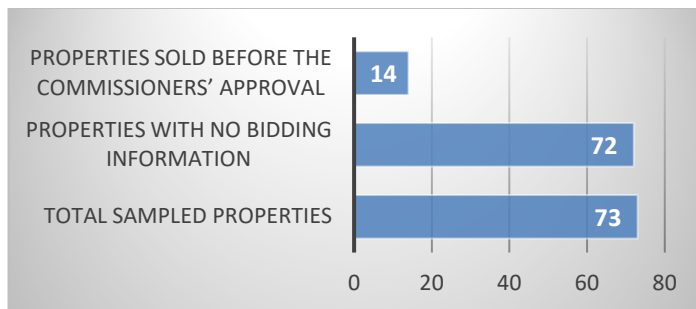
- Property sales often lacked required documentation and did not consistently follow policies that help ensure transparency.
- Processes were inequitable, with sales concentrated among a few buyers and some transactions misclassified or unclear.

Condition

We utilized a statistically valid sample from a total population of 121 property sales or conveyances that provided a 95% confidence level with a 5% margin of error. From the population, we noted that 5 (4%) properties were not sold by the City and did not belong to the City. This resulted in testing 73 (60%) transactions. We found that City properties are not consistently sold in accordance with rules and regulations; and the process is not equitable.

We reviewed a sample of 73 transactions, and identified the following:

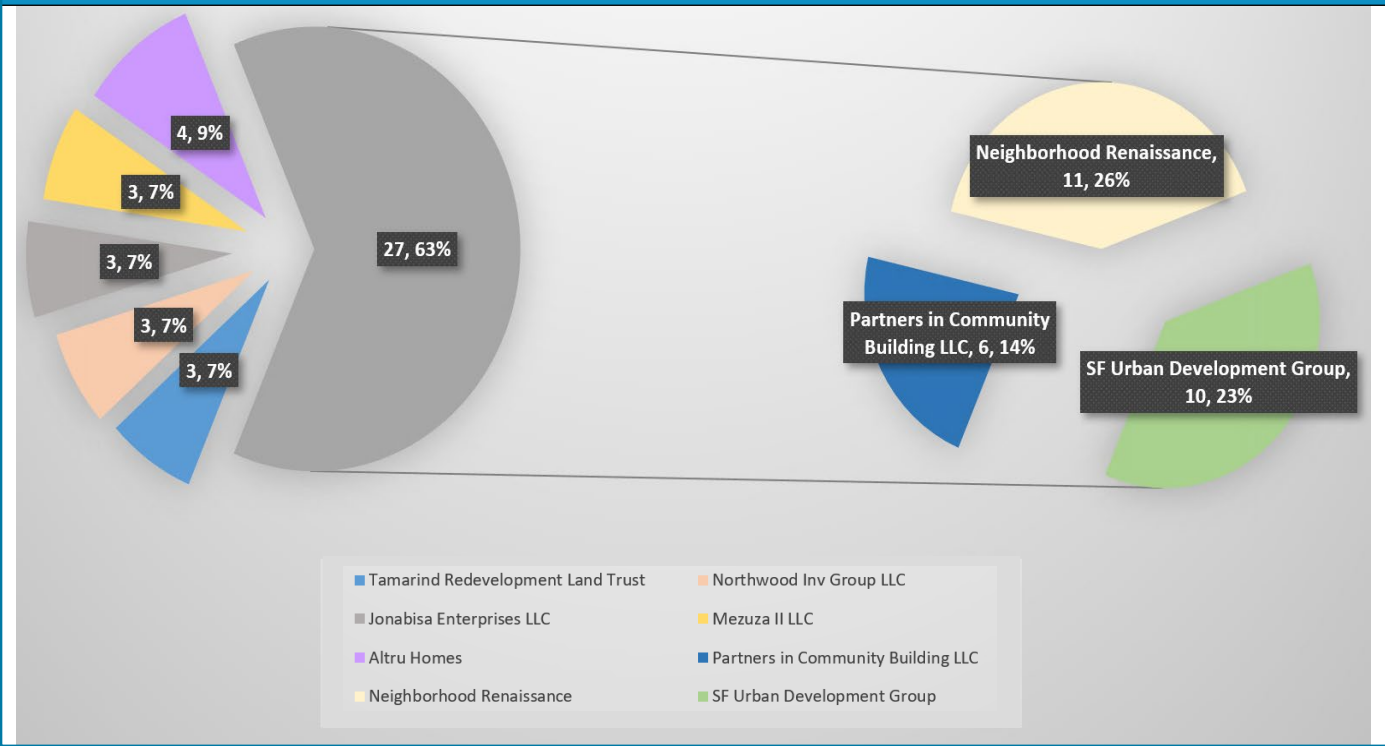
- 14 (19%) sales were made prior to Commissioners' approval of a resolution to authorize the property for purchase.
- The bidding information for 72 (99%) sales could not be found.



- HCD could not provide 10 (14%) resolutions or ordinances, which would have notified the public that the properties were available for sale.
- The HCD City Owned Sold-Conveyed Property Listing did not consistently document the Closing Date of the sales. As a result, a conclusion could not be reached regarding the timeliness of 7 (10%) sales.
- 5 (7%) properties had insufficient details to conclude on who the properties were sold to.
- 1 (1%) sale had bidding information; however, the final purchase price was less than the property's appraised value and less than the buyer's bid, which was a loss of \$49,000.
- 1 (1%) property was a duplicate entry.

Based upon the lack of support, it would be difficult to conclude that the process was executed accurately and fairly. We were able to identify the top 8 buyers, of which 3 buyers accounted for 63% of the sales.

Top Buyers



Criteria

Section 2-31(27)(b) of the City's Code of Ordinances requires that prior to the disposition of City property, the City Commission shall: (i) make a legislative finding that the City property is not needed for City purposes and declaring the property surplus; and (ii) select the method of disposition.

According to Section 166.0451, Florida Statutes, the City of West Palm Beach, is required every three years to adopt an inventory list of all real property within the City to which the City holds fee simple title that is appropriate for use as potential affordable housing. "Affordable Housing" is housing that is affordable by a person or family whose then current family income does not exceed 120% of the then-current area median gross income for the West Palm Beach and Boca Raton Metropolitan Statistical Area.

Cause

The required procedures to dispose of City-owned properties were either disregarded, bypassed, or prematurely executed before the ratification of resolutions. Further, no reconciliation was conducted between the accepted bids and the sale purchase agreements prior to selling the properties.

Breakdowns in document retention and organizational practices have left the real estate sales process without sufficient documents to support transactions.

Effect

Selling properties without proper authorization and adherence to the resolutions or ordinances could render the sales voidable, potentially exposing the City to legal challenges, financial losses, or other penalties. When property sales are conducted without required public notices, approvals, or proper documentation, transparency may be undermined and the public's trust in the City may be eroded.

Further, the process itself may be inequitable and fail to attract adequate bidding. By not validating the accepted bid to the sale agreement, the City risks losing revenue.

Recommendation 4

HCD should ensure an equitable process and compliance with regulations by:

- Documenting the bidding process executed for those properties deemed suitable for surplus or affordable housing, where applicable, and ensuring that the documentation is retained.
- Ensuring that a resolution to identify the property as surplus or affordable housing is issued prior to the sale of the property. If no resolution is referenced, the process should cease.
- Providing training to all departments involved in the Real Estate Sales process.
- Performing periodic reviews over the HCD City Owned Sold-Conveyed Property Listing for completeness and accuracy and ensuring that discrepancies are identified, investigated, and resolved promptly.

Management Response 4

Due to staffing changes over the years, inconsistent organizational practices, and gaps in document retention, the Department was unable to provide adequate supporting documentation for many of the transactions reviewed. However, based on discussions with prior staff who participated in the real estate sales process at the time these transactions occurred, the Department believes that required procedures were generally followed even though the documentation is not available to confirm each step. The Department also wishes to clarify that not all transfers of City-owned real property must be competitively bid. When the City Commission adopts a surplus resolution that identifies a method of disposition, such as direct negotiation with interested parties, the process does not require competitive bidding. Additionally, pursuant to Section 2-31(27)(g) of the City's Code of Ordinances, City property intended for the construction or rehabilitation of housing under an approved City housing program is exempt from the competitive disposition requirements in subsection (27). Therefore, certain transactions included in the review may not have required bidding based on the approved method of disposition or applicable exceptions.

To remediate the issues identified and strengthen the consistency, transparency, and compliance of the real estate disposition process going forward, the Department will develop comprehensive written procedures that outline all required steps, including verification of surplus status, confirmation of the approved method of disposition, coordination with the City Attorney's Office and fiscal staff in HCD and Finance, and the

documentation standards that must be met. The Department will create a centralized record-keeping system to ensure resolutions, ordinances, approvals, bidding documentation (when applicable), and closing materials are retained. Staff involved in the real estate sales and conveyance process will receive training to ensure they understand the applicable City Code provisions, the circumstances under which competitive bidding is required, and the documentation needed to support each transaction. The Department will also conduct periodic reviews of the HCD City-Owned Sold/Conveyed Property Listing to ensure accuracy, consistency, and proper categorization of transactions.

Target Implementation Date: The target implementation date is dependent upon the successful hiring of the vacant HCD Program Coordinator – Real Estate and Asset Management position, which will have oversight of implementing and monitoring these improvements. Once this position is filled, the Department anticipates full implementation within two quarters. Interim corrective actions, to address the future disposition of city properties will begin in Q1 2026, with the development of a Property Disposition File Checklist to ensure consistent documentation and compliance with surplus and disposition requirements.

Auditor's Comments:

The HCD Department was unable to identify which properties were eligible for competitive bidding versus properties intended for the construction or rehabilitation of housing under an approved City housing program.

We note that for the one transaction with documentation, the competitive bidding process was supported and equitable; however, the sold price was less than the accepted bid, which was also less than the property's appraised value. Therefore, we cannot confirm that procedures were generally followed and that the Management Response given would reduce the risk of the amount sold not equaling the bid or the property's value.

As of August 2026, the Department advised us that the HCD Program Coordinator position for Real Estate and Asset Management had been filled.

5. Improper Payroll Allocation Process

Summary

- There were significant segregation of duties issues, where the same person performed multiple payroll allocation steps.
- 41% of timesheets lacked support or proper approval.
- There were missing quarterly allocation files for certain periods and missing evidence of supervisory review.
- There was no evidence that a payroll allocation that went over the budget was reported to HCD Management for review.

Condition

Improper segregation of duties exist in HCD's payroll administrative hours allocation process for HUD programs, leaving calculations, entries, and submissions without review.

We utilized a statistically valid sample that provided a 95% confidence level with a 5% margin of error, which resulted in reviewing 7 quarters comprised of 71 employee timesheets to evaluate the adequacy of support, accuracy of allocations, and supervisory approval timeliness.

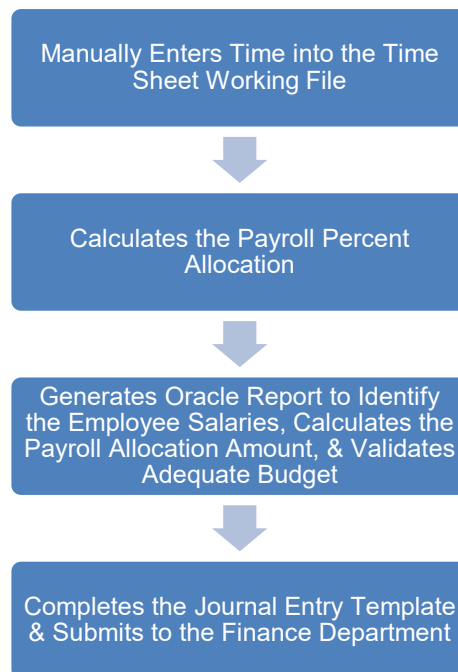
29 out of the 71 (41%) employees' time sheets that we reviewed lacked adequate support, including unauthorized and/or unsupported hours, inaccurate funding reclassifications, and unapproved time.

We could not conclude if time sheets were approved timely for 2 out of the 71 (3%) time sheets since the Supervisor did not date their approvals.

The payroll allocations for 2 of the 7 quarters in 2018 and 2019 were missing. Consequently, the evaluation focused on the five available quarters from 2020 to 2023:

- Missing Analysis and Escalation: 1 of 5 (20%) allocations lacked a budget analysis. While the remaining 4 (80%) included an analysis, there was 1 analysis that had no evidence that the HCD Director was told that allocations went over the budget.
- Lack of Oversight: None of the 5 journal entry submissions showed evidence of review and approval prior to being sent to Finance.

Duties Performed By One Person:



Criteria

To comply with HUD regulations, agencies must establish proper segregation of duties, ensuring that the preparer is not the reviewer/approver. Personnel costs are reimbursable only for time spent on approved HUD activities; and exclusive assignment to a program does not guarantee that 100% of staff time is reimbursable by HUD.

HUD Timekeeping and Cost Allocation Expectations:

- Prorate Time: Staff time must reflect actual effort benefiting the HUD grant.
- Effective Tracking: Use a time-recording system that distinguishes program categories for reporting and complies with administrative cost caps.⁴
- Retention and Approval: Retain documentation. Additionally, all timesheets must be signed by employees and supervisors to verify accuracy, with all payroll documents retained.

Administrative Cost Caps:

- CDBG: 20%
- HOME: 10%
- HOPWA: 3%
- SHIP: 10%

Any costs above these limits must be paid from the Department's general fund.

Cause

Insufficient oversight, resulting from staff shortages and poor segregation of duties, created operational risks, including inadequate record retention, premature time sheet approvals, and a lack of final review processes. Furthermore, the limited urgency shown in addressing timely approval of timesheets suggests that the operational guidelines may not be clear enough or enforced consistently.

Effect

Inadequate timesheet approvals, poor segregation of duties, and weak documentation pose significant risks and inefficiencies. Untimely and/or missing evidence of time sheet approvals may create rework due to outdated information. Additionally, without proper segregation of duties, errors and mistakes can go unnoticed, leading to payroll administrative time allocation inaccuracies, misused administrative funds, and potential recoupments of funds by HUD.

Recommendation 5

HCD Management should ensure that it fosters a culture of accountability and oversight by:

- Coaching supervisors on time sheet review and approval expectations and guidelines,

⁴ Administrative cost caps are the maximum percentages of each funding source that can be used for administrative expenses.

- Defining and documenting clear roles and responsibilities over the employee time sheets and payroll allocation process such that proper segregation of duties is established,
- Training a person to calculate the payroll allocations and having a separate person review and approve the work performed, and
- Retaining the time sheets and approval documents in accordance with the City's record retention policy.

Management should also identify all additional Time Sheet Working Files where hours were not supported by the timesheets that impact HUD grant fund accounts, determine the overall variances by fund account, complete the journal entries adjustments, and notify HUD of possible impacts.

Management Response 5

We concur with the auditor's observations and recommendations regarding the payroll allocation process and the need for internal controls. To address these findings, the Housing and Community Development Department will implement revised procedures to ensure proper segregation of duties and oversight. Specifically, the preparation of payroll allocation calculations and journal entries will be performed by the Senior Accountant and undergo an independent review and approval by their supervisor prior to submission to the Finance Department, thereby separating the roles of preparer and reviewer.

In addition, HCD will develop a comprehensive Timesheet Policy and Procedure that clearly defines HUD requirements for timekeeping, delineates staff and management responsibilities, and outlines accounting and allocation protocols. To strengthen documentation integrity, we will introduce a standardized Timesheet Change Form to be used whenever adjustments are necessary. The original timesheet will remain in the centralized repository, and the change form – signed and dated by both the employee and the supervisor/manager – will include a detailed explanation of the modification and will be attached to the original timesheet to create a complete audit trail.

Supervisors and staff involved in timekeeping, payroll allocations, and journal entry preparation and review will be issued a copy of the policy and receive training and coaching on the procedures. All timesheets, approvals, payroll allocation support, journal entry documentation, and change forms will be retained in accordance with the City's official record retention policy and applicable HUD recordkeeping requirements.

These corrective actions will establish clear accountability, improve documentation standards, and ensure compliance with HUD requirements. By formalizing procedures and implementing proper review controls, the Department will reduce the risk of errors and strengthen the integrity of the payroll allocation process going forward.

Target Implementation Date: April 2026 for the second quarterly allocation journal entry in FY25/26.

6. Insufficient Case File Reviews

Summary

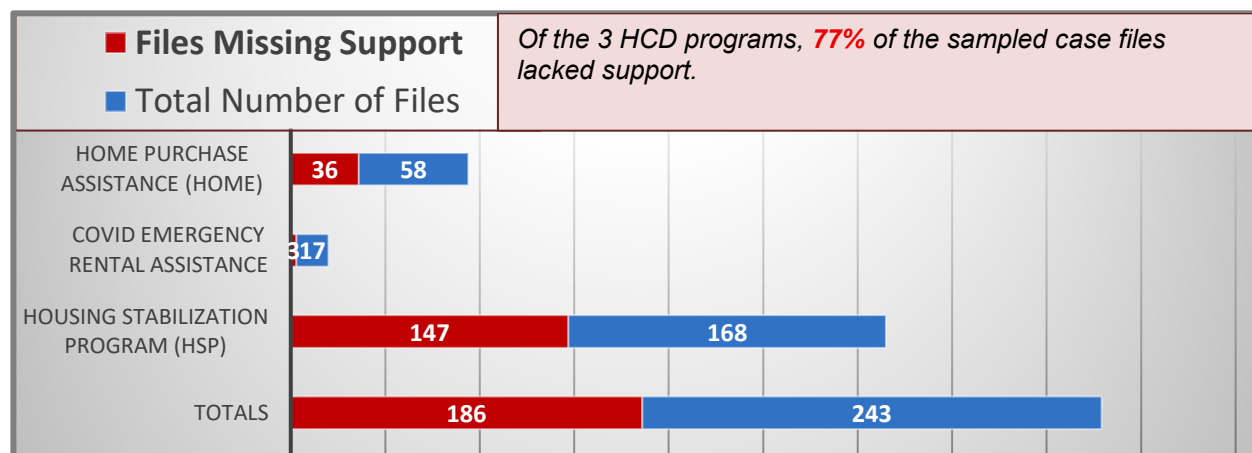
- Several housing programs lacked consistent documentation to confirm complete applications, eligibility, and timely management review.
- Significant gaps in records, eligibility verification, and approval processes were found across multiple programs.
- Additional exceptions showed missing files, insufficient documentation, policy-limit issues, conflicts of interest noted by the applicant without review, and unverified or inappropriate award amounts.
- No evidence was provided that a perceived conflict of interest between a former HCD Director and their immediate relative, who served as the realtor, was disclosed, documented, or assessed by the City.

Condition

We analyzed a judgmental sample of 5 Housing programs, because they were operating during the audit period, to determine if sufficient records were obtained to ensure that applications were complete, accurate, met eligibility requirements, and were reviewed by management timely. We found that 3 of the 5 (60%) programs did not have consistent documentation showing that:

- a) applicant submissions were complete and accurate,
- b) applicants were eligible for assistance, and
- c) management reviews were timely.

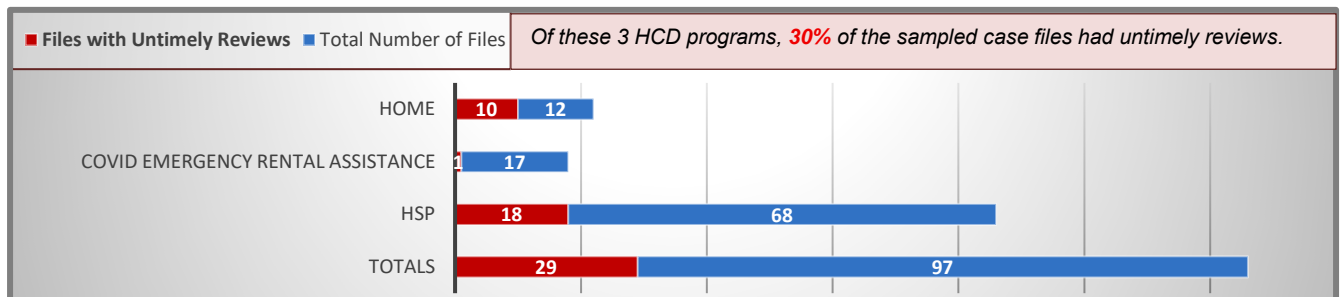
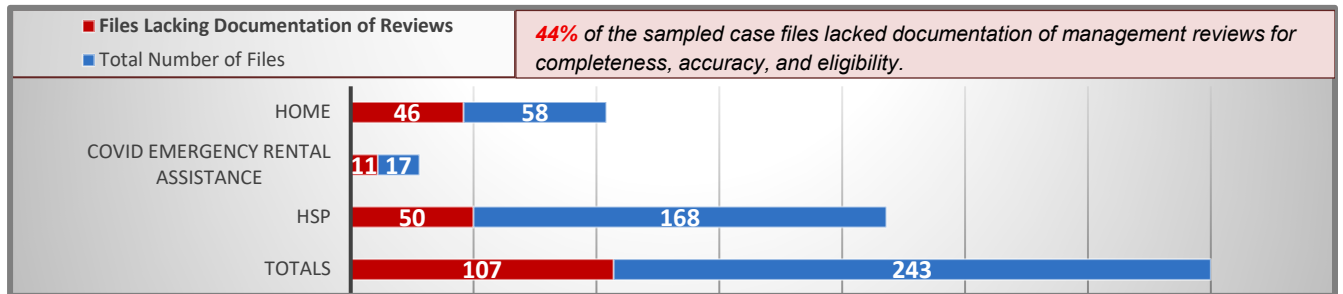
These included the Housing Stabilization Program (HSP),⁵ the COVID Emergency Rental Assistance Program (Rent Assist),⁶ and the Home Purchase Assistance Program (HOME).⁷



⁵ The Housing Stabilization Program is designed to provide one-time financial assistance to families and individuals in the City, who are either homeless or residents who need stable housing.

⁶ Beginning on April 1, 2020, the COVID Rental Eviction Prevention Program provided one-time rental assistance to eligible City residents who experienced loss of income, reduction in hours, or unemployment due to the COVID pandemic.

⁷ The Home Purchase Assistance Program was designed to aid qualified applicants to purchase eligible housing units located within the City of West Palm Beach by providing down payment assistance for the purchase price and closing costs of housing units.



Additional Exceptions

Program	Results	Exceptions	Total Files	Percent
HSP	Case Files Not Provided	100	168	60%
HOME	Unable to confirm that the down payment assistance amount was approved or that it was consistent with the Closing Disclosure due to insufficient documentation	16	58	28%
	Conflicts of Interest disclosed by applicant with no documentation of management's review and justification for eligibility	2		3%
	Unsubstantiated differences between the approved down payment assistance amount and the final amount paid	2		3%
	Amount Awarded Exceeded Policy Limitations	2		3%
	Untimely Payment Approval	1		2%
HSP	Ineligible applicants, due to a Debt-to-Income ratio greater than 60%, received funds	10	68	15%
	Conflicts of Interest disclosed by applicant with no documentation of management's review and justification for eligibility	6		9%
	Funds were provided in advance without justification	1 – Inconclusive ⁸		2%

⁸ Inconclusive due to the amount of missing documentation.

Finally, a Home Purchase Assistance Program transaction showed that a former HCD Director's immediate relative was the realtor, and the realtor later deleted their name from the HUD Sales Package. No evidence was provided to demonstrate that the perceived conflict of interest was disclosed or documented, nor that the City evaluated the associated risks and determined them to be low for the relative to proceed with the handling of the sale.

Criteria

24 CFR 200.300 states that pass-through entities must manage and administer the federal award in a manner that ensures that funds are utilized, and programs implemented, in accordance with applicable regulations. At the time of our review, the Housing programs each had distinct requirements:

- COVID Emergency Rental Assistance applicants had to live within City limits, owed rent from April 1, 2020, going forward, and had to show a loss of income due to the pandemic.
- The Housing Stabilization Program required financial counseling, a debt-to-income ratio below 60%, property inspections, extensive documentation, and participation restrictions if conflicts of interest existed.
- The Home Purchase Assistance required buyers to complete 8 hours of HUD approved home buyer education, maintain the home as their primary residence, meet asset limits, undergo property inspections, and provide specific pre-closing and post-closing documents to the City.

24 CFR 570.611 prohibits officials or their close relatives from participating in decisions where they stand to gain financially.

Cause

Weak management oversight led to significant gaps in document retention, overall information management, and perceived conflicts of interest. As a result, eligibility determinations were often based on verbal discussions rather than documented reviews of calculations or checks for potential conflicts of interest. Policies and procedures also lacked clear contribution limits and did not provide sufficient guidance on assessing conflicts of interest or documenting management's review for completeness, accuracy, and eligibility.

Insufficient reviews of payment requests, including adequate scrutiny and verification of applicable support, were not consistently performed. This may have contributed to the untimely payment approvals and the unsubstantiated differences between the approved payment amounts and the actual payments.

Effect

Oversight and documentation deficiencies create an environment where missing files and inconsistent reviews increase the risk that ineligible applicants receive assistance. Without proper disclosure and documentation, the City is exposed to reputational, ethical, and operational risks. Such conditions heighten the likelihood of waste, recoupments, or even termination of funding due to inadequate controls. The inability to produce complete

files may also expose the program to legal challenges regarding the fairness and integrity of its award decisions.

Without proper validation and risk assessment, conflicts of interests may go undetected, and the program may inadvertently provide aid to individuals who are not eligible. The lack of defined contribution limitations and monitoring for conflict of interests, as well as insufficient staff guidance on conflicts of interest, undermine transparency, accountability, and public trust in the City's decision-making processes. Similarly, the absence of detailed calculation reviews increases the chance that applicants exceeding income limits receive funds, resulting in disallowed costs that the City may be required to repay.

Recommendation 6

HCD should ensure fair and equitable oversight over the Housing Programs by:

- Updating Policies and Procedures to create comprehensive guidance and expectations that reflect current processes and expectations.
- Establishing a document retention process that aligns with the City's retention policies to include obtaining and retaining all required documents, including documentation of approvals.
- Training staff on the updates and expectations.
- Enhancing the File Checklist to capture HCD Management's review for completeness, accuracy, eligibility, and key elements such as conflicts of interest and the debt-to-income ratio calculation.
- Creating subprocesses to detect, document, monitor, and manage possible conflicts of interest, including, but not limited to, City employees, relatives, realtors, and all other parties.
- Ensuring that all relevant notices are timely provided to the appropriate party.
- Certifying that case files are reviewed and approved prior to issuing aid.

Management Response 6

Management is committed to strengthening oversight, improving documentation integrity, and ensuring full compliance with all regulatory and City requirements. These corrective actions are designed not only to remediate the current findings but to establish sustainable controls that support transparency, accountability, and program effectiveness going forward.

- Updating Policies and Procedures: Establish comprehensive, standardized guidance that clearly defines eligibility criteria, documentation requirements, approval thresholds, and conflict of interest protocols in alignment with current practices and regulatory requirements.
- Implementing Document Retention Standards: Establish and enforce a centralized document retention process consistent with City policies to ensure all required application materials, supporting documentation, and approval records are complete and maintained.

- Enhancing File Review Controls: Implement a standardized file checklist requiring documented verification of completeness, accuracy, eligibility, and key compliance elements (including debt-to-income calculations and conflict of interest disclosures), with evidence of management review.
- Formalizing Conflict of Interest Procedures: Develop and implement a defined subprocess for identification, review, documentation, and approval of any disclosed or potential conflicts of interest.
- Ensuring Timely Communication: Establish procedures to ensure all required notices and communications are issued timely to applicants and relevant parties.
- Strengthening Pre-Disbursement Controls: Require certification that all case files have been fully reviewed, validated, and approved prior to the issuance of funds.
- Providing Staff Training: Conduct ongoing training to ensure staff understand updated policies, procedures, and compliance expectations.

Target Implementation Date: May 1, 2027, for full implementation.

7. Insufficient and Inaccurate HCD Project Invoice Processing

Summary

- Several payments lacked required support, approvals, or confirmation of eligibility.
- Some payments were issued late, issued before required attestations, or had segregation of duties concerns.
- Documentation gaps and policy compliance issues affected the accuracy and reliability of payment processing.

Condition

We reviewed HCD's expense payments and identified 221 vendors within the audit scope. From this population, we selected a statistically valid sample at a 95% confidence level and a 5% margin of error, resulting in a review of 141 vendors, testing one payment per vendor. Our review identified issues related to supporting documentation, approval of payments, eligibility for reimbursement, and payment timeliness. Specifically, we found:

- The City issued a payment prior to the Department attesting that the payment complied with the funding source guidelines and the City's Procurement Policy. (\$163,000)
- 9 (6%) payments were not timely. Payments were, on average, 47 days after the invoice due date.
- 8 (6%) payments were not properly supported. (\$32,000)
- Evidence of approval was missing for 4 (3%) transactions. Two payment requests lacked the required City Administrator and Chief Financial Officer approvals (\$30,000). For the other two, only invoices were available; the payment request forms were missing. (\$40,000)

Additionally, for 18 (13%) payments, the same person who prepared the payment request was the same person who approved the payment. While we identified other segregation of duties issues elsewhere, we noted that these types of segregation of duties issues occurred between 2017 and 2020 (not with the current staff).

Criteria

24 CFR 200.300 states that pass-through entities must manage and administer the federal award in a manner that ensures that funds are utilized, and programs implemented, in accordance with applicable regulations. Additionally, according to the City's policy, invoices are paid within 30 days after delivery of the requested goods or services.

Cause

Several factors led to the above conditions including:

- Incomplete policies and procedures for determining eligible activities and funding sources,
- No requirement to submit packing slips or proof of goods or services received,

- Inconsistent review and verification of payment support,
- Policy changes were made without sufficient staff training, and
- Payments were approved despite incorrect information entered into Oracle, likely due to poor attention to detail.

Effect

Persistent noncompliance can jeopardize the City's federal funding eligibility and heighten the risk of fraud or the misappropriation of funds. Misclassified expenses or improper fund handling can result in reduced or terminated funding, repayment obligations, and increased oversight. Underpaying benefits harms vulnerable residents and undermines public trust.

Recommendation 7

HCD should strengthen its payment processes by implementing the following:

- Ensure payments are accurate and timely by updating policies, training staff, and providing periodic refresher training,
- Monitor staff to ensure that payments are accurate, properly supported, eligible, and timely, and
- Continue to keep proper segregation of duties where one person submits the payment request and a different person approves it.

Management Response 7

HCD remains committed to addressing these root causes through the following management action plan:

HCD will enhance written procedures to provide clearer guidance regarding required supporting documentation, approval requirements, and verification of receipt of goods and services prior to payment processing. Regarding payment timeliness and consistency, HCD follows the Florida Prompt Payment Act. If an invoice is determined to be improper or incomplete, HCD will implement a procedure that vendors be notified in writing of deficiencies and any corrective action required before payment processing can proceed. HCD will strengthen supervisory review expectations and implement standardized documentation and review tools to improve consistency and accountability. HCD will also provide staff training and periodic refresher training to reinforce documentation standards and invoice processing requirements. HCD will reinforce segregation of duties by ensuring payment requests are prepared by one staff member and reviewed and approved by a separate authorized individual. HCD will formalize internal procedures to ensure required approvals are obtained prior to submission for payment processing and that incomplete or unsupported payment requests are corrected before processing.

Target Implementation Date: HCD will implement strengthened segregation of duties and enhanced supervisory review of invoices immediately. Updates to written policies and procedures, along with staff training on updated requirements, will be completed by the end of Q2 2026.

8. Insufficient Monitoring of Program Purchases on P-Cards

Summary

- Procurement Card transactions often lacked valid business justification, proper documentation, or required approvals.
- Several purchases were abnormal, outside spending limits, or inconsistent with City requirements, indicating weak oversight and record keeping.

Condition

We found that at times, Procurement Card (P-Card) expenses associated with program projects are not tracked, are inappropriate, are not within spending limits, or are outside other City requirements. All 60 P-Card transactions associated with HCD funded projects that occurred during the audit period were reviewed. There were 4 of 60 (7%) transactions where the receipts could not be retrieved due to document retention rules (e.g. documents prior to October 2020 were eligible for disposal). Of the remaining 56 transactions:

- 49 (88%) transactions did not have a valid business reason. Of which:
 - 25 transactions were made by other City employees (Fire Department).
 - 13 HCD employees did not have the internal P-Card Reconciliation Sheet attached.⁹
- 25 (45%) transactions, totaling about \$17,000, were not attested that those transactions were valid and supported.
- There were 7 (13%) food purchases made for a program that was operated during COVID that had no evidence of prior approval by the City Administration. Two of the 7 (29%) expenses were not within the approved spending limit and in comparison, were excessive. Specifically, the average food cost was \$280, whereas these two expenses averaged \$4,000 for each transaction.
- 2 (4%) transactions did not have a receipt.
- 1 (2%) transaction did not relate to the declared business reason.
- 1 (2%) bank statement had a discrepancy with the attached support that was not resolved prior to approval. An invoice was attached which was for the correct vendor; however, it did not match the transaction amount, and the order was made by a different P-Card holder.

Criteria

Per the City's Procurement Card Policy, Cardholders must use the card:

- Exclusively for legitimate expenses for City business, related to a Public Purpose,

⁹ The P-Card Reconciliation Sheet is an internal HCD Department document. Currently, other department employees using their P-Cards to pay for funded program projects are not required to complete the P-Card Reconciliation Sheet. All 25 transactions were made by Fire Department employees; therefore, they would not have used a P-Card Reconciliation Sheet.

- Within the set budget for single and monthly card spending thresholds, and
- In compliance with all City policies and directives.

According to the City's Procurement policy, cardholders are required to obtain prior authorization before incurring food expenses on their P-Card. In extenuating circumstances, prior approval by the City Administration is required. Further, cardholders must obtain prior approval from the Chief Information Officer for all computer hardware and software purchases.

Cause

The current expense reporting document does not have space to capture the business reason nor prompts to attach additional required support such as approvals from City Administration or the Chief Information Officer. There is no process in place to ensure that other department employees use the P-Cards for valid business reasons. Additionally, insufficient or incomplete reviews of expense reports and employees' lack of understanding of City procurement policies resulted in the breakdowns identified, such as, expense report discrepancies, lack of support, policy and procedure violations, and processing expense reports without approval.

Effect

P-Card usage, while offering efficiency and convenience for business purchases, introduces significant risks. The lack of detail on the reporting document and insufficient management oversight can make it easier for employees to misuse these cards or commit fraudulent acts, which may result in financial losses and reputational damage to the City.

Recommendation 8

HCD should ensure adequate oversight over its purchases by:

- Requiring staff to provide a business reason for outlier transactions that do not appear to be in the normal scope of their operations,
- Ensuring that additional supporting documents (i.e. approvals and names of recipients) are attached when warranted per the City's policy, and
- Establishing a process to ensure that purchases made by other department employees have a valid business reason, are properly supported, are within their approved spending limits, and are approved.

Missing support or discrepancies should be resolved prior to supervisors attesting to the validity and completeness of the bank statements and supporting receipts.

Management Response 8

HCD agrees that improvements were needed in prior P-Card documentation, reconciliation, and oversight practices, particularly related to emergency program operations and purchases made by non-HCD personnel utilizing HCD program cards.

To address the recommendation, HCD has implemented and/or will implement the following corrective actions:

- Require documented business justification for all transactions, particularly outlier or non-routine purchases.
- Require reconciliation packets to include all applicable supporting documentation, approvals, receipts, and required authorizations in accordance with City policy.
- Implement enhanced supervisory review and attestation procedures prior to approval of monthly statements.
- Establish additional controls and approval requirements for purchases made by non-HCD employees using HCD program P-Cards.
- Provide refresher training on City P-Card policies, allowable expenditures, documentation standards, and approval requirements.
- Improve centralized electronic retention of supporting documentation and conduct periodic internal spot reviews for compliance.

HCD agrees that strengthened oversight and standardized reconciliation procedures are necessary to reduce the risk of unsupported or noncompliant expenditures.

Target Implementation Date: June 1, 2026 and supervisory oversight ongoing.

9. Inaccuracies in Real Estate Inventories

Summary

- HCD lacks a process to verify the accuracy of Community Redevelopment Agency (CRA) properties listed as surplus for affordable housing.
- As a result, most CRA properties listed in the resolution, webpage, and inventory could not be verified; and some properties were misclassified.

Condition

On October 2, 2023, a public hearing was held, and a resolution was made to declare “that certain city and community redevelopment agency owned properties are suitable for affordable housing as required by the Florida statute” (Resolution No. 244-23). The inventory of parcels deemed suitable for affordable housing purposes was included as Exhibit A in the resolution.

HCD took over the management and monitoring of these parcels and maintains an Excel Property Inventory list. Additionally, HCD posted on its webpage the Surplus Property for Affordable Housing Property list. We reviewed all three sources, and they collectively served as the population, as each included surplus properties managed by both HCD and the West Palm Beach CRA. Our assessment focused on verifying consistency and completeness across these documents. As such, we tested 100% of the population.

HCD does not manage CRA-owned properties; however, we were unable to identify any process or control in place for HCD to verify the accuracy of CRA property information posted on HCD’s Surplus Property for Affordable Housing Purposes webpage. As a result, there were discrepancies related to CRA properties:

- 21 of 22 (95%) CRA properties were listed in the Resolution’s Exhibit A, but not in the HCD Property Inventory Listing,
- 36 of 42 (86%) CRA properties were listed on the HCD Property Inventory Listing, but not on the HCD webpage, and
- 8 of 13 (62%) CRA properties were listed in the HCD Property Inventory Listing, but not in the Resolution’s Exhibit A.

We also noted that one property was listed as CRA inventory, but it should have been listed as inventory for the City. Another City property was listed as sold, but it still belonged to the City.

In the absence of a validation process, HCD risks publishing incorrect, outdated, or misleading property information. Although the CRA maintains responsibility for its properties, HCD is responsible for ensuring the accuracy and completeness of information publicly posted on HCD’s webpages.

Criteria

Florida Statute 166.0451 mandates that the City creates an inventory of real property within its jurisdiction every three years, including vacant parcels, and to make the inventory publicly available to encourage potential development. The list must include

the address and legal description of each real property and specify whether the property is vacant or improved. The first required inventory list was prepared on October 1, 2023. Further, a public hearing is required, and the City is to adopt a resolution that includes the inventory list.

Cause

Periodic reconciliations, updates, and verifications were not performed between Exhibit A in the Resolution, the HCD webpage, and the Property Inventory List.

Effect

The Department risks misaligning with their overall mission in enhancing the quality of life for its residents through the development of housing. Inaccurate data on property holdings, utilization, and conditions hinders effective decision-making and increases the risk of potential financial losses. Further, there could be missed opportunities for a member of the public to acquire a property and transform it into something beneficial to the community, such as affordable housing.

Recommendation 9

HCD should ensure transparency and the accuracy of records by performing periodic reconciliations and working with the CRA to ensure accurate updating of the various property lists prior to disseminating the information online or in the statutorily required exhibit. Additionally, verification procedures should be performed to confirm the accuracy of the information.

Management Response 9

Exhibit A included in Resolution No. 244-23 was developed collaboratively between the Housing and Community Development Department (HCD) and the Community Redevelopment Agency (CRA), consistent with the requirements of Florida Statute 166.0451. Prior to the preparation of the Exhibit, HCD emailed the CRA summarizing the statute's requirements and formally requested that the CRA advise whether any properties in its inventory could or would be utilized for affordable housing purposes. Because HCD does not manage CRA-owned assets, there is no statutory or operational requirement for HCD to validate CRA properties, and the CRA properties listed in Exhibit A were provided by the CRA for inclusion. HCD does not maintain, monitor, or update CRA property records, and therefore any CRA parcels that appeared on the Property Inventory List were not maintained by HCD and are not the department's responsibility.

The same communication to the CRA also directed HCD staff to review the City-owned properties within HCD's existing inventory to determine which might be set aside for affordable housing purposes. While HCD currently performs periodic reconciliations of the City's property inventory list, these reconciliations can be made more consistent and comprehensive. Moving forward, HCD will strengthen its internal process by implementing a structured reconciliation schedule that will include a list of resolutions declaring properties surplus, along with the status of those properties. These steps will enhance accuracy, improve transparency, and mitigate the risk of inconsistencies in future reporting.

Target Implementation Date: Quarterly reconciliations of the Property Inventory List and updating of the surplus property listings on the City's webpage for both City and CRA-owned properties will begin upon onboarding of the Program Coordinator for real estate and asset management, a position that is currently vacant. Initial implementation of the revised reconciliation process is expected by June 30, 2026, with full implementation of all enhanced procedures completed by October 1, 2026, when the next inventory list is required to be adopted and posted on the City's website.

Auditor's Comments:

As of August 2026, the Department advised us that the HCD Program Coordinator position for Real Estate and Asset Management had been filled.

10. Inaccurate Released Liens Report

Summary

- The Released Liens Report was incomplete and inaccurate, including frequent misclassifications and missing or incorrect supporting information.
- Policies lacked clear definitions and requirements for processing lien releases.

Condition

To determine if leases were released timely and accurately, we reviewed the HCD Released Lien Report and found that it was incomplete and inaccurate. We selected a statistically valid sample¹⁰ designed to achieve a 95% confidence level with a 5% margin of error. This resulted in a total of 173 lien releases being reviewed, representing the two types of releases (Satisfaction of Mortgage release and Release of Mortgage due to the expiration of the Affordability Period).¹¹ We identified 53 of 173 (31%) released liens that were misclassified.¹²

Satisfaction of Mortgage Release Misclassifications

A review of 42 transactions found that 30 (71%) were misclassified and should have been recorded as a “Release of Mortgage”.

Release of Mortgage Misclassifications

A review of 131 samples found that 23 (18%) were misclassified and should have been recorded as a “Satisfaction of Mortgage”.

Not only were the aforementioned releases misclassified, but they were also processed incorrectly based on the established procedures for the given release type. Additionally, the report had 3 incorrect addresses and 2 releases that were not recorded.

Criteria

For staff preparing the release, they must review all documents to confirm matching names and addresses, use the correct release template, verify the Parcel Control Number (PCN) and address using the Palm Beach County Property Appraiser's Office (PAPA) site, and ensure that the PCN on the mortgage matches PAPA.

A Palm Beach County Clerk and Comptroller Transmittal Form and executed release from the City Clerk's Office are required to record the release in the Public Records.

¹⁰ We note that sample selections were made based on the Release Lien Population Report for the audit period (1/1/2017-10/31/2024).

¹¹ The period of affordability is defined as the number of years that a publicly assisted home purchase must remain affordable for the eligible homeowner.

¹² We note that for those releases that were misclassified, they were incorporated into the applicable release type's testing. The results of the testing can be found in previous findings.

Cause

We identified the following causes for the condition:

- Policies and procedures have not been updated to capture the current processes and do not define:
 - The two types of released liens,
 - How staff are to process the liens, and
 - Monitoring procedures for releasing liens.
- Liens were not monitored sufficiently.
- Breakdowns in communication between the Housing, Legal, and Finance Departments contributed to the conditions.

Effect

When the Released Liens Report includes misclassified lien types, incorrect data fields, or incomplete records, it compromises the accuracy and overall reliability of the report. As a result, management cannot rely on the report to effectively monitor or evaluate the lien release process. These issues limit management's ability to detect processing errors, verify that releases are completed properly, or track the status of outstanding items. In addition, the absence of complete and accurate information makes it difficult to ensure that all releases comply with established policies, regulatory requirements, and program guidelines. Overall, these deficiencies weaken internal controls and reduce transparency in the lien release process.

Recommendation 10

HCD should ensure that records are accurate and processes are enforced consistently by:

- Updating Policies and Procedures to create comprehensive guidance and expectations that reflect current processes. This includes topics such as defining the types of releases, description clarification, the applicable release document to use, the monitoring process, and validation of Oracle subprocesses.
- Verifying data and documents to ensure that records match internally and externally and establishing procedures to correct errors.
- Conducting periodic reviews to ensure that procedures are followed consistently.
- Training staff on the updates and providing refresher training when needed.
- Notifying the Legal and Finance Departments whenever issues or discrepancies arise.

Management Response 10

The Housing and Community Development (HCD) Department agrees with the audit findings and will implement corrective actions to ensure the accuracy, completeness, and

reliability of the Released Liens Report, as well as compliance with applicable statutory and procedural requirements. Specifically, HCD will:

- Policy & Procedure Enhancements: Update and formalize comprehensive standard operating procedures (SOPs) to clearly define “Release of Mortgage” and “Satisfaction of Mortgage,” including criteria for each, required documentation, applicable templates, and compliance with Florida Statute 701.04 timelines.
- Data Verification & Reconciliation: Establish a formal reconciliation process between internal records, Oracle, and recorded documents from the Palm Beach County Clerk to ensure all lien releases are accurately classified, recorded, and supported by complete documentation.
- Quality Control Measures: Implement a standardized checklist and multi-level review process, including supervisory approval, to verify correct classification, property information (PCN and address), and supporting documentation prior to recording and reporting.
- Report Accuracy & Monitoring: Redesign the Released Liens Report to include validation controls and tracking fields, and implement routine reviews to ensure completeness, accuracy, and timely recording of all lien releases.
- Error Correction Protocol: Develop and implement procedures to promptly identify, correct, and document any discrepancies or misclassifications identified in reporting or recorded documents.
- Training & Staff Accountability: Provide mandatory training to all relevant staff on updated procedures, classification standards, and statutory requirements, with periodic refresher trainings and ongoing performance monitoring.
- Interdepartmental Coordination: Strengthen coordination protocols with Legal, Finance, and the City Clerk’s Office to ensure consistent communication, accurate processing, and timely recording of lien releases.

These actions will improve internal controls, ensure consistent application of procedures, and enhance the Department’s ability to maintain accurate records and meet statutory requirements.

Target Implementation Date: July 1, 2027

11. Insufficient Policies and Procedures

Summary

- Some policies were missing and many lacked required reviews, updates, or communication to staff.

Condition

All HCD policies and procedures were considered as in scope for this review, as well as key topics such as Conflicts of Interest and Duplication of Benefits Prevention. This resulted in 27 policies and procedures. Of the 27 applicable policies and procedures, 5 (19%) were not provided. Among the 22 received:

- 11 (50%) lacked evidence of review or approval,
- 5 (23%) were outdated or missing key requirements, and
- 4 (18%) had no documentation showing that training or updates were communicated to staff.

Criteria

Policies and procedures must be comprehensive to ensure regulatory compliance. Under 24 CFR 200.300, pass-through entities must administer federal awards in accordance with applicable regulations and communicate requirements to recipients and subrecipients. HUD requires policies and procedures that:

- Provide clear staff guidance,
- Prevent duplication of benefits,
- Establish appropriate segregation of duties, and
- Under 24 CFR 570.611 address and manage conflicts of interest.

Cause

Policies and procedures are not being consistently reviewed to ensure that they remain current, accurate, and comprehensive. Competing operational priorities took precedence over updating policies and procedures.

Effect

These issues increase the likelihood that staff may carry out program activities incorrectly, as noted in findings throughout this report. Some examples included misclassifying expenses, failing to maintain proper segregation of duties, issuing ineligible benefits, and providing beneficiaries with less assistance than they qualify for. They also elevate fraud risk.

Recommendation 11

HCD should implement a regular, documented review process to ensure all policies and procedures are current, complete, and accurate. Mandatory policies, including those related to preventing duplication of benefits, should be established, and existing policies updated to reflect regulatory requirements and operational expectations. Staff should

receive training when major updates occur, or a memo should be issued for minor revisions.

Management Response 11

To remediate this observation, HCD will implement a comprehensive, phased approach to strengthen and update departmental policies and procedures. The Department will begin by developing a standardized structure that organizes all policies and procedures into areas including department-wide policies that apply across grants and programs, funding source specific policies, and program level procedures. Using this structure, HCD will conduct a systematic review of existing policies, identify gaps, and update outdated information. Policies will be prioritized based on mandatory regulatory requirements and operational needs to ensure the most critical areas are addressed first.

Updated policies and procedures will be compiled into a consolidated electronic Policies & Procedures Manual housed in a central location and documented review and approval dates. Updated policies will be rolled out to all staff through structured communication, acknowledgments, and targeted training sessions, if necessary. To ensure long-term integrity and compliance, HCD will also implement an annual review cycle, supplemented by interim updates triggered by regulatory changes, audit findings, or operational improvements.

Target Implementation Date: The Department will establish the policy framework and complete the full inventory of existing policies by Q2 2026. High-priority or mandatory updates will be completed by Q4 2026. The consolidated electronic Policies & Procedures Manual will be developed on a rolling basis, with sections added as policies are finalized and approved. Staff communication and training will also occur on an ongoing basis as each policy is finalized. The formal annual review cycle will begin at the start of each calendar year, beginning in 2027, with continuous updates thereafter.

12. Insufficient Safeguarding of Personal Information

Summary

- Sensitive client information was not consistently safeguarded at the Eva Mack Community Center.

Condition

During the audit, we conducted an initial site visit to the Eva Mack Community Center. At that time, all desks were cleared of applications and other documents that would have Personally Identifiable Information (PII) on them. Per inquiry with HCD Management, staff have been coached on the importance of safeguarding PII.

We returned on several occasions to conduct other fieldwork and found that the copy room is not in a secure area and is easily accessible. Further, we found that personal information is not consistently safeguarded in the copy room. During our visits, we noted copies of clients' bank statements, social security numbers, and licenses were left on the printer or on the table in the copy room. No HCD employee came to promptly retrieve the documentation. At times, when we inquired with staff if they left something in the copy room, no one claimed the documents. On one occasion, we saw a client follow an HCD employee up to the doorway of the copy room where personally identifiable information was in sight. Per inquiry, clients are not allowed in the copy room.

Criteria

The U.S Department of Housing and Urban Development (HUD) has strict security requirements to protect sensitive information from unauthorized access, use, or disclosure. Per the Privacy Act of 1974, "agencies should establish administrative, technical, and physical safeguards to protect Personally Identifiable Information commensurate with the risk and magnitude of the harm that would result from its unauthorized access, use, modification, loss, destruction, dissemination, or disclosure."

HUD expects the City, that collects, uses, maintains, and/or disseminates PII, to protect the privacy of that information. Specifically, documents containing personally identifiable information are not to be left in open areas unattended.

Cause

It was clear that staff were well trained in protecting Personally Identifiable Information at their desks; however, they were not as vigilant with sensitive information in the copy room. There may be a perception that the restriction on client access to the copy room reduces the need to apply the same safeguards for sensitive information in the copy room as those required for employee desks. Since the copy room is not a secure area, it is possible for clients to walk into the copy room even though they are not allowed in there.

Effect

Failure to adequately protect Personally Identifiable Information can have severe consequences for both the residents that provide their information and the City. Compromised sensitive information such as Social Security numbers, bank account details, and addresses can be used to commit identity theft and financial fraud. Breaches

can severely damage the City's reputation and erode residents' trust. The City may also face legal and regulatory consequences.

Recommendation 12

The Housing and Community Development Department should utilize the newly installed secured printers such that print jobs are not released until the employee enters their employee number and releases the print job. Further, documents should not be left unattended on or near the copier. Finally, HCD management should coach staff and reiterate the importance of safeguarding Personally Identifiable Information including in the copy room. HCD should consider keeping the copy room locked and installing badge access.

Management Response 12

HCD acknowledges the concern and has taken corrective action to ensure the consistent safeguarding of Personally Identifiable Information (PII) in the copy room and other shared areas. One known incident of exposed personal information was immediately addressed, and all staff were notified by email regarding the importance of always retrieving printed documents promptly and safeguarding client information. Since then, a new secure copier system has been implemented that requires employees to enter their employee ID number before documents are released. This upgrade significantly reduces the risk of unattended documents and enhances protection of sensitive information. Ongoing monitoring is in place to ensure continued compliance with HUD, HIPAA, and City privacy requirements.

Additionally, staff have been reminded that clients are not permitted in the copy room. This restriction is strictly enforced. To further reduce the risk of future occurrences, HCD will post visible signage in the copy room reminding staff to retrieve documents immediately and prohibiting client entry. Supervisors will also conduct random walk-throughs of the copy room, shared areas, and workspaces to ensure compliance and reinforce accountability. Finally, PII-handling expectations and copy-room procedures will be incorporated into new employee onboarding so that all staff understand these requirements from the outset.

Target Implementation Date: The observation was immediately remediated, and the additional measures described above will be ongoing.

13. Outdated Website

Summary

- Several webpage items were incomplete, outdated, or incorrect, including missing program references and broken or inaccurate links.
- Some property and program details were not accurately displayed or maintained.

Condition

We reviewed HCD's webpage to determine if the information provided was complete and accurate. At the time of our review, we found that:

- The Pathway to Independence Rapid Rehousing Program was 1 of 3 open referral programs, where the application is through Community Partners. This program was not referenced on the HCD's Community Partners webpage, but the other 2 programs were on the webpage.
- The Florida Housing Coalition link on the *Closing The Gap* section did not work. We received a "can't reach this page" error message.
- The "1400 in 8"¹³ section had an interactive map that allows you to click on the various home icons to display all the housing projects developed as part of the "1400 in 8" initiative. One home icon did not display the associated housing project details.
- There were three links to contact someone for City or CRA owned properties; of which, one link did not work because the contact no longer worked for the City.
- The link to the Career Source Palm Beach County webpage was incorrect and opened to the West Palm Beach Housing Authority webpage.
- At the time of our review, the latest Homeless Engagement Annual Report available was from 2023.

We found other missing information on the webpage related to posting accurate information about affordable housing properties; however, we discussed those issues in detail in finding 9 - Inaccuracies in Real Estate Inventories.

Criteria

Per HCD's website, the mission of the department is: "to enhance the quality of life for its residents through the development of housing, social, and economic opportunities. The Department is committed to high standards of customer service in the administration and delivery of programs that are collaborative, innovative, and sustainable."

¹³ "1,400 in 8" Initiative: Established by Mayor Keith A. James, this goal aims to create at least 1,400 affordable or workforce housing units by April 2027.

A component of good customer service is ensuring that information is provided timely and accurately.

Cause

HCD advised that they were aware that the webpage had not been updated. This occurred due to staffing shortages and competing priorities.

Effect

Residents and businesses may not be aware of impactful programs that may be helpful in their time of need.

Recommendation 13

HCD should ensure that residents have access to critical housing information by updating their webpage and reviewing it periodically to ensure that information posted is complete, accurate, and readily available.

Management Response 13

To remediate the risk of future occurrences, HCD will implement a quarterly website content review process to ensure all information remains accurate, up to date, and aligned with current program operations. A designated staff member will be responsible for coordinating this review and will work directly with program leads to verify the relevance and appropriateness of content before updates are published. This process will establish ongoing oversight, strengthen accountability, and help prevent outdated or incorrect information from appearing on the department's webpage.

Target Implementation Date: All identified website updates have been completed, except for adding information about the Pathway to Independence Program. This program was administered under a grant from Palm Beach County that ended on November 30, 2025, and the program is now closed. Because the grant period has concluded and the program is no longer active, no information will be posted on the HCD webpage. No further action is required to remediate this observation.