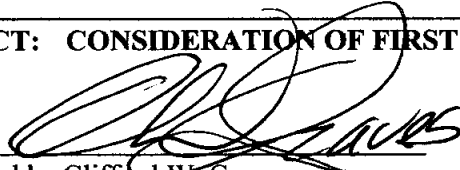


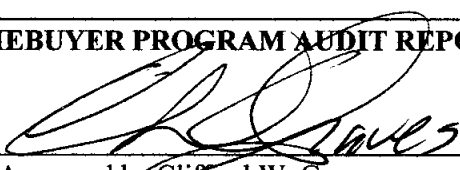


City of Carson Report to Redevelopment Agency

January 18, 2011
New Business Consent

SUBJECT: CONSIDERATION OF FIRST TIME HOMEBUYER PROGRAM AUDIT REPORT


Submitted by Clifford W. Graves
Economic Development General Manager


Approved by Clifford W. Graves
Interim Executive Director

I. SUMMARY

The Agency Board engaged the services of Mayer Hoffman McCann P.C. to perform a follow-up audit of the city's First Time Homebuyer (FTHB) program. The audit is now complete and presented for consideration (Exhibit No. 1).

II. RECOMMENDATION

RECEIVE and FILE.

III. ALTERNATIVES

TAKE another action the Agency deems appropriate.

IV. BACKGROUND

The previous audit had contained recommendations on procedures to improve accountability and conformity to the program guidelines. The auditor conducted a follow-up to ensure everything was being done correctly. The audit covered ten months of activity from October 2009 to August 2010. There were 14 cases during that time period. That review is complete, and there were no errors to report. Each of the 14 loans funded had all the necessary documents and conformed to the program guidelines.

Due to reductions in staffing, the FTHB program now reports to the Business and Employment Development Manager.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Audit report. (pgs. 3-5)

Document3

Prepared by: Barry Waite, Business and Employment Development Manager

TO:Rev122210

4

Reviewed by:

City Clerk	<u>City Treasurer</u>
<u>Administrative Services</u>	<u>Development Services</u>
<u>Economic Development Services</u>	<u>Public Services</u>

Action taken by Redevelopment Agency

Date _____ Action _____



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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the City of Carson (the "City"), solely to assist the City in determining how the records were maintained for new clients of the First Time Homebuyers Program (the "Program") for the period October 21, 2009 through August 21, 2010. The City's management is responsible for the City's records for its First Time Home Buyer Program.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

1. Obtain copies of the City of Carson First Time Homebuyer Loan Program Manual (the "Program") and Program Application Packet in order to gain an understanding from the City of Carson Economic Development Work Group's management of the participant eligibility and monitoring requirements of the Program as required per the program manual and application packet.

Results: Based on our conversations with the City of Carson Economic Development Work Group's management over the participant eligibility and monitoring requirements, management indicated that the Program was developed to provide first time homebuyers with financial assistance in home ownership. The Program is only for those individuals who wish to purchase a primary residence within the City of Carson who meet the low-income and moderate-income household limits. The properties applicable to this program are new or previously owned single-family homes, condominiums, or townhomes whose purchase price does not exceed the affordable housing cost adjusted for the family size. The maximum loan provided through the Program was \$100,000 during the period April 1, 2009 and August 21, 2010. The applicant may not have any ownership interest in a principal residence at any time within the past three years from when the loan is issued. Program applicants are required to be qualified from lenders included in the Eligible Lenders List per the Program manual and obtain preliminary loan approval and be pre-qualified for the Program by the Economic Development Work Group and the Program Administrator

CITY OF CARSON

Recommendations

(AmeriNational Community Services, Inc.). After the applicant completes the above process and is approved, the applicant may pursue a purchase of a property with the assistance of a Realtor. After a property is identified, the process of final review and approval is given by the Program Administrator and ultimately by the Economic Development Work Group for funding of the loan. The Program should be monitored during the life of the loan for timely payments, title changes, and calculations of accrued interest.

2. Obtain an understanding from the City of Carson's Economic Development Work Group, the Program Administrator, and the City of Carson's Finance Division on how the Program transactions are recorded in the financial records of the City.

Results: Based on our conversations with the City of Carson's Economic Development Work Group, the Program Administrator, and the City of Carson's Finance Division with respect to how the Program transactions are recorded in the financial records of the City, it was noted that after final approvals are given by the Program Administrator, the Economic Development Work Group gives final approval for the loan and prepares a wire transfer request for the amount of the loan. The request and the final loan recommendation with both documented approvals are transmitted to the City of Carson's City Treasurer who then performs the transfer of funds to the lending institution. The City Treasurer determines which of the bank accounts of the various Redevelopment Agency funds will be used to fund the wire transfer. Upon completion of the transfer the City Treasurer sends a copy of the confirmed wire transfer to the Economic Development Work Group to be included in the loan documents and the Program participant's file. The City Treasurer also forwards a copy of the confirmed wire transfer, wire transfer request, and the approved final loan recommendation to the Finance Division. These documents are used by the Finance Division as the basis for recording the wire transfer transaction.

The Program Administrator receives any and all payoffs for the First Time Homebuyer loans. When the Program Administrator receives the payoff funds, they will issue payment to the City of Carson and forward a copy of the check to the Economic Development Work Group to be included in the loan documents and the Program participant's file. The City Treasurer receives the check and records the revenue to a miscellaneous CRA loan payoff account. The Accounting Section of the Finance Division posts the revenues in the GL accounts of the city via the interface process between the City Treasurer's Quadrant system and IFAS.

3. Obtain accounting records used to track the activities of the Program from the Economic Development Work Group, the Program Administrator, and the Finance Division and reconcile the activity of the Program from April 1, 2009 through August 21, 2010.

Results: We obtained the First Time Homebuyer Program Loans Funded Report from the Economic Development Work Group and compared those amounts to the Closed Loans Report obtained from the Program Administrator. The First Time Homebuyer Program Loans Funded Report listing indicates every loan issued during April 1, 2009 through August 21, 2010, including the name of the applicant, address of home to be purchased, total agency loan, and escrow closing date. The Closed Loans Report includes the name of the applicant, the vendor, the total amount of the loan, and the fund account used. We noted that the comparison of these records from period April 1, 2009, through August 19, 2010, showed no variance.

CITY OF CARSON

Recommendations

4. Select all loans issued April 1, 2009 to August 21, 2010, of Program transactions and review these transactions to ascertain the legitimacy, support, and appropriateness of the accounting records and ensure the documentation maintained is in compliance with the program manual. Per management at the Economic Development Work Group's, understanding of the First Time Homebuyers Program, the following are some of the attributes to be tested:
- The maximum purchase price does not exceed the affordable housing cost.
 - The property to be purchased is a new or previously owned single-family home, condominium, or townhome located in the City of Carson.
 - The applicant meets the income housing requirements depending on household size.
 - The applicant has not had ownership interest in a principal residence at any time within the past three years ending on the date the mortgage is executed.
 - Repayment terms are in line with the Program regulations.
 - The final loan recommendation has both AmeriNational and the Housing Division of the Economic Development Work Group's approval.

Results: We tested for the attributes listed above. We noted during our testing that in the City of Carson Economic Development Work Group's loan files issued, each of the files adequately supported each of the necessary attributes.

* * * * *

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the City's First Time Home Buyer Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Carson and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

Allyson Hoffman McCann P.C.

Irvine, California
December 7, 2010