



Columbus Consolidated Government

Georgia's First Consolidated Government

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COMMUNITY REINVESTMENT TRANSITIONAL INTERNAL AUDIT

September 12, 2023

AUDIT AUTHORIZATION

This transitional departmental audit was authorized by the City Council on December 10, 2019. The audit was initially delayed due to the COVID-19 pandemic. Fieldwork began in May of 2023, with the audit completed by Internal Auditor Donna McGinnis, accompanied by Forensic Auditors Jonathan Smith & Benjamin Meadow.

BACKGROUND

The Community Reinvestment Department makes community investments that activate the human, social, and economic potential of Columbus. The team is focused on delivering excellent customer service and asset management and communicates relevant program information to the Columbus Consolidated Government, and to the public. Community stakeholders are actively engaged in the decision-making process, and the team is accountable for progress in each program area. Decisions are regularly evaluated, to ensure that decisions add value and are grounded in the needs and experiences of our community.

THE TEAM

Director Robert Scott leads the department, accompanied by Assistant Director Kimberly Mitchell. The team also includes Casey Baker, Finance Manager; Kawana Hooks, CDBG Coordinator; Emma Kimbrel, Planner; Natalie Bouyett, Real Estate Specialist and Altemese Wilson, Community Reinvestment Coordinator.

AUDIT SCOPE

The Audit Scope is intended to address all material aspects of the Community Reinvestment Department. Material aspects included, but were not limited to organizational structure, policies and procedures, compliance reporting, strategic planning, payroll, budgetary control, and training.

AUDIT PROCESS

The Audit Process began with the authorization of the audit. An audit program was developed to address the material aspects of the transitional audit, followed by the entrance conference with the Deputy City Manager, Department Director, Assistant Director, and Finance Manager along with the Internal Auditor and Forensic Auditor Jonathan Smith. During the conference, those present discussed the preliminary audit program items and were invited to suggest additional areas for inclusion in audit fieldwork. It was requested that we also review the findings from their 2022 Federal HUD Monitoring visit, along with responses to date on actionable items.

The audit techniques included reviews of documents and manuals, physical verification of employees and assets, examination of reports prepared by the department and others from independent sources, reviews of policies and procedures to determine if they were achieving the desired results, reviews of strategic planning, interviews, meeting observations, independent verifications, and other techniques as appropriate. During the audit, management was briefed on findings and potential recommendations. Following the audit, a draft report is presented to department management for review and response. A final report including the departmental response is then prepared and distributed to department management, the Mayor and Council, concurrently. A presentation to Council is scheduled to address any questions or concerns that they may have and to avail it to the public. The auditor provides follow-up later to insure that agreed-to recommendations have been implemented and are properly functioning.

FIELDWORK ACTIVITIES

Payroll distributions for the periods ending May 19, 2023, June 2, 2023, and June 16, 2023, were tested against time records and payroll system reporting and no discrepancies were noted across the team. Three years of budgetary performance were reviewed and generally Community Reinvestment has managed their budget well, except for Building Maintenance & Repair. Most Building Maintenance & Repair expenses have been incurred for Legacy Terrace, and we receive reimbursement into the General Fund for this activity. It was also noted that budgeted funds for Demolition Services had not been spent in recent years and appraisal budgets were not fully utilized. Recently, budgets for Salaries & Legal Services hadn't been fully spent. In a review of Fixed Asset records, we found that the department didn't have Capital Assets recorded but had a significant portfolio of real estate assets recorded under their department. The Internal Audit Team did visit sampled asset sites across the city.

As requested, we additionally reviewed the reporting associated with the HUD Monitoring which took place August 22, 2022 – September 2, 2022. This Monitoring exercise resulted in 14 findings and 4 concerns raised by U.S. Housing & Urban Development. Comments were largely focused on the lack of written program policies & procedures for CDBG, HOME and Neighborhood Stabilization programs. HOME Program grant management, subrecipient monitoring reports, staff training, voucher support & documentation, and timely submission of quarterly performance reports were also listed as areas of concern. It was also noted that under Financial Management, the general ledger locally had not been reconciled with the HUD system reports for many years.

Additionally, each team member was briefly interviewed, with a focus on their challenges, their successes, and their hopes for the year ahead. Each team member enthusiastically shared their passion for the missional nature of the team's activities.

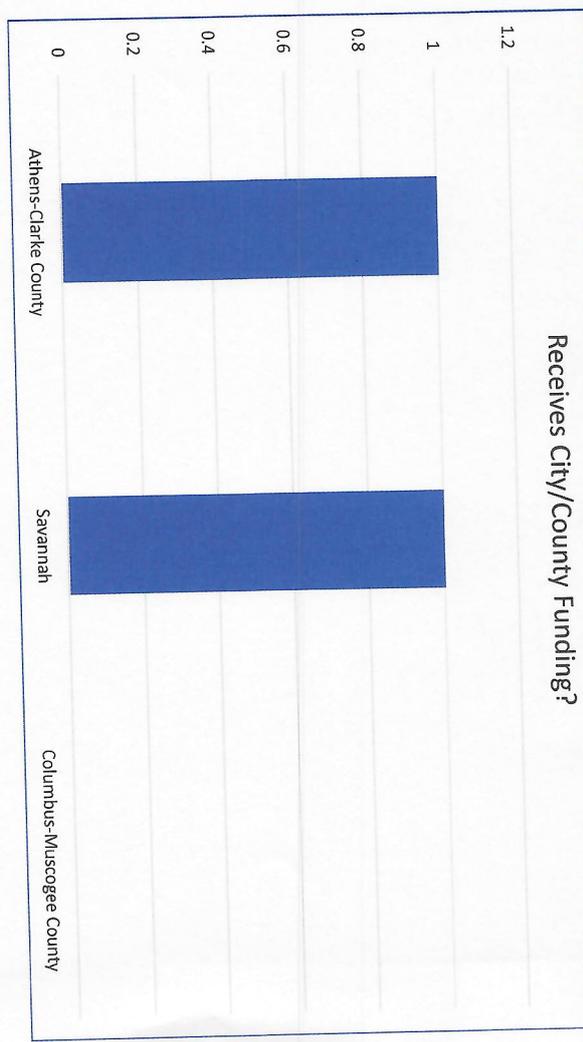
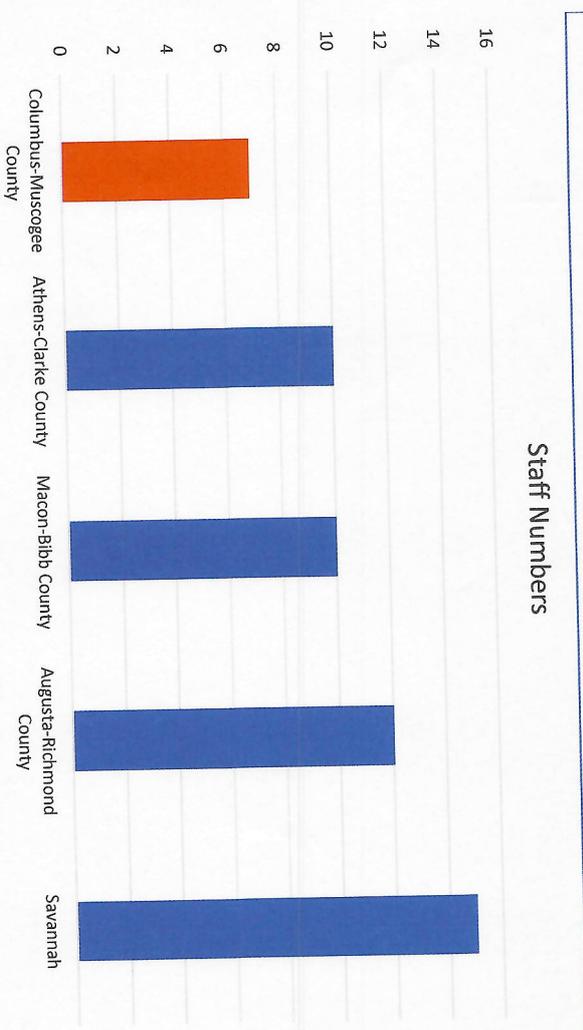
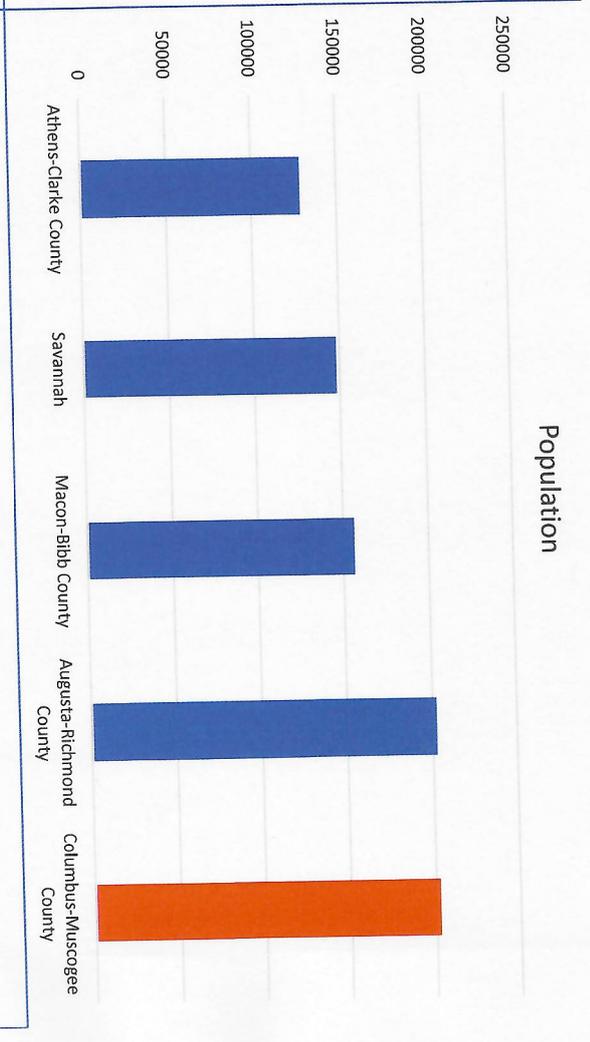
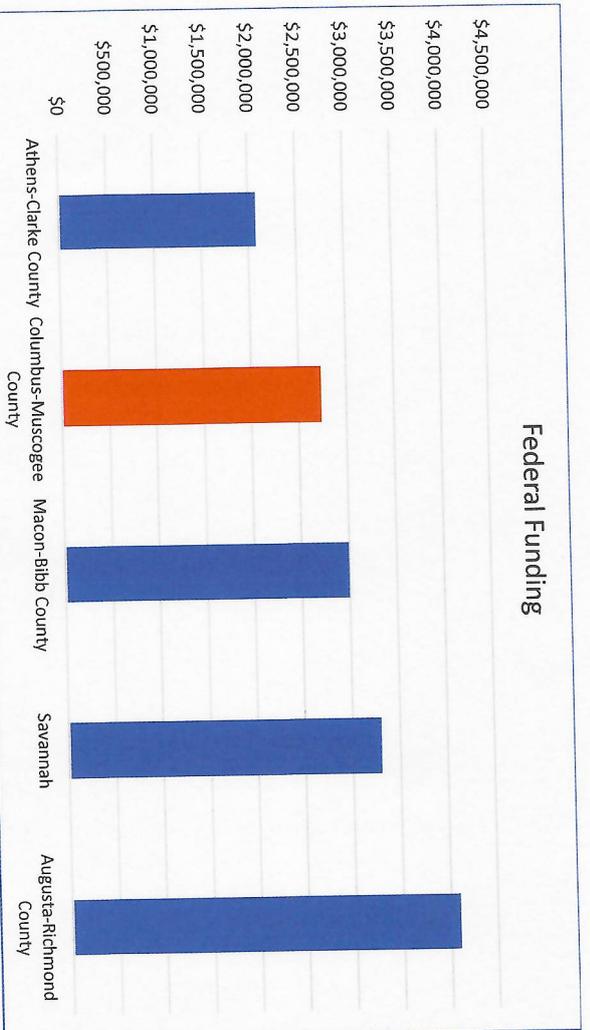
Lastly, the Internal Audit Team joined the Community Reinvestment Team for a SWOT exercise. Across the room, all the voices were heard, and there was a good bit of consensus when addressing each of the SWOT categories.

FINDINGS

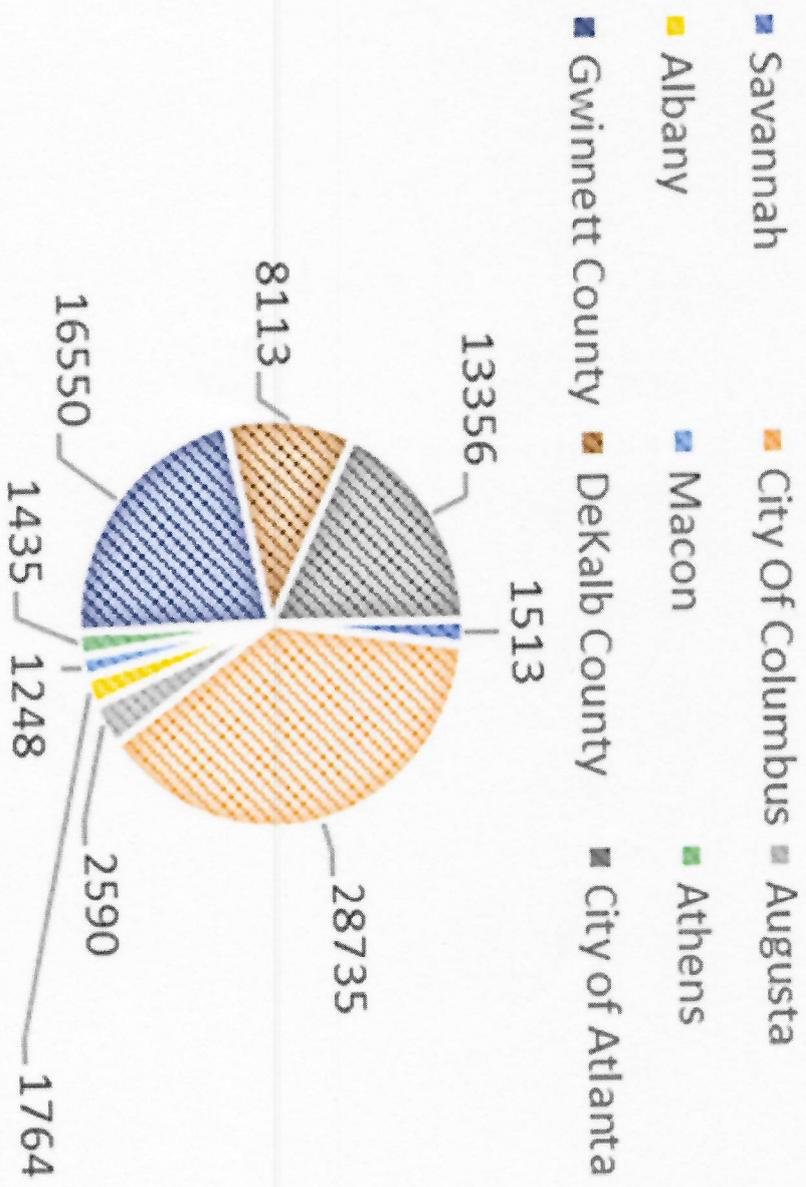
- The work culture and team collaboration are an impressive strength, allowing a relatively small team to have a significant impact on our community.
- In response to the findings and concerns raised in the HUD Monitoring Report, the team has made great progress in addressing each finding or concern with an effective response, with the lone exception of the multi-year general ledger reconciliation with Federal HUD systems. The effort will need active participation across CCG departments and possibly will need additional consulting assistance. The department has researched forensic consulting already.
- As a young team, they would benefit from additional training opportunities. The previous Community Reinvestment teams did not leave a legacy of compliance behind.
- The Director and the team are taking performance appraisal very seriously, with periodic self-assessment and director's feedback well documented.
- The Land Bank Authority appears to be underutilized thus far and could more effectively impact blighted properties in Columbus.
- As employees develop on the team, current compensation rates will likely impact retention of employees we've invested in.

RECOMMENDATIONS

- Compensation rates for several positions are below market for the respective roles. As we are developing and investing in the growth of everyone on the team, rate adjustments in the next budget cycle can improve retention of those teammates that we've developed.
- The CCG general ledger reconciliation with Federal HUD systems is a priority that must effectively be addressed, and HUD is expecting action and results in this area. With our value-added auditing approach, we've developed a reconciliation template dating back to the initial implementation of Advantage on July 1, 2006. At this point, the most immediate need would be the hiring of a CPA/Consultant who has hands on experience working in the IDIR system with U.S. HUD. Such a reconciliation project may take several months to complete. Once reconciled, with the posting of a summary reconciling entry, it will be important for Community Reinvestment and the Accounting Division of Finance to work in collaboration to keep records balanced.
- Across sister cities in Georgia, it's noted that several have somewhat larger teams serving slightly smaller cities. It is recommended that we look at the service models of Augusta, Albany & Savannah to see how we could even more effectively serve Columbus. Our team is small & mighty, but we should imagine a future roster that broadens our reach.
- The Land Bank Authority is an asset, and the Authority works closely with our Real Estate Specialist. It is recommended that we expand our activities with the Land Bank, allowing for further rehabilitation of real estate in Columbus.



BENEFICIARIES SERVED MOST RECENT PERFORMANCE REPORT



LAND BANK AUTHORITY

- Once a property is 12 months tax delinquent then LBA can petition the property for foreclosure.
- The process of petitioning and foreclosure is 6 months.
- Currently 343 known properties that are 5+ years tax delinquent and are eligible to be petitioned for foreclosure.
- There are even hundreds more of these properties that are 12+ months delinquent.
- The properties are only acquired by the LBA upon receipt of the disposition plan.
- For the Land Bank there are currently two properties in inventory and are on target to be sold by the end of September.
- Roughly 140K in reserves and a desire to grow more.
- The income is from selling properties and in addition 75% of tax revenue over 5 years.
- Property acquisition costs roughly \$5K with an additional incurrence of \$1.5K in maintenance.
- In the past, properties were often sold at a loss, (25-40% of FMV), but a minimum rate for sale is roughly in place now.
- In addition to property being sold it can also be exchanged.
- LBA would prefer not to use CDBG in the purchase of property.
- There are pain points surrounding CDBG funds in terms of resources of property. Largely due to the strict regulations of CDBG and the restrictions it places on property.
- An instance occurred where multiple properties were purchased under the same contract and a violation with one unit resulted in the return of all funds.
- CDBG is, however, vital and all funds received should be utilized.
- CDBG funds are being used to work on upgrading and adding new parks, improving the lighting throughout the city, improving the trail, etc.
- Unfortunately, there is currently no disposition process for properties funded by the CDBG as one needs to be designed and implemented.
- For LBA there is currently no marketing.
- Untapped potential for LBA exists, as real estate developers have expressed more interest than can currently meet our attention.
- CRD is currently working to address the marketing issue, however LBA must also acquire more property to meet the demand.
- The LBA is currently underutilized, however CRD has a vision to remedy this.



COLUMBUS, GEORGIA A CONSOLIDATED GOVERNMENT

DEPARTMENT OF COMMUNITY REINVESTMENT
P.O. BOX 1340, 420 10TH ST. COLUMBUS, GA 31901
PHONE: (706) 653-4613 FAX: (706) 653-4486

September 6, 2023

Donna L. McGinnis, CPA CFE
Internal Auditor/Compliance Officer
Columbus Consolidated Government
420 E. 10th Street, 2nd Floor
Columbus, GA 31901

RE: Internal Audit Auditee Response

Dear Ms. McGinnis:

I want to express my sincere gratitude for your dedicated efforts in highlighting the tireless work of the Community Reinvestment Department. Your thoughtful approach and patience during our discussions about both our achievements and challenges have been invaluable. Your team's seamless facilitation of the internal audit process was commendable. I truly appreciate their respect for our time, evident through their proactive scheduling of meetings and preference for email communication to minimize disruptions.

It was evident that our team established a rapport with the auditors, enabling them to provide an honest and well-balanced assessment of our department's strengths and areas for improvement. This openness was facilitated by the comfortable environment fostered by your team, allowing for candid conversations.

Being a developing organization, our commitment to enhancing our capabilities and expanding our reach is resolute. Focusing on capacity building, we have invested significantly in nurturing the skills and expertise of our staff, empowering them to effectively advance our mission. Our adaptability has been a cornerstone, as we remain flexible and receptive to change, aligning our strategies with emerging trends, opportunities, and community needs. Through a lens of continuous improvement, we are dedicated to refining our operations to achieve efficiencies synonymous with high-performing organizations.

Our endeavors have yielded notable returns, notably the creation of an economic development program that garnered national recognition as a best practice. This achievement instilled confidence within our team that excellence is attainable in every facet of our work. Moreover, our comprehensive efforts have led to quantifiable increases in public service beneficiaries, surpassing 300% year over year. These impacts are evident throughout our community, validating the strides we've made.

However, despite these achievements and our aspirations for growth, we remain cognizant of the challenges that accompany our development. Operating within limited resources, including financial capital and human assets, has posed hurdles in implementing ambitious plans and achieving swift expansion. Historical inefficiencies have also been a hurdle, as outdated processes have led to unsustainable ad-hoc solutions. Reactive decision-making, stemming from a lack of strategic planning and foresight, has resulted in increased workloads, prolonged hours, and heightened expectations.

Against this backdrop of our organization's journey and evolution, I would like to seize this opportunity to delve into the findings and recommendations detailed in the report.



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FINDING 1 - The work culture and team collaboration are an impressive strength, allowing a relatively small team to have a significant impact on our community.

RESPONSE TO FINDING 1 - I have dedicated substantial time, dedication, and energy towards nurturing the team through empowerment, thereby enabling the realization of efficiencies and surpassing historical outcomes.

FINDING 2 - In response to the findings and concerns raised in the HUD Monitoring Report, the team has made great progress in addressing each finding or concern with an effective response, with the lone exception of the multi-year general ledger reconciliation with Federal HUD systems. The effort will need active participation across CCG departments and possibly will need additional consulting assistance.

RESPONSE TO FINDING 2 - I wholeheartedly agree that further attention should be given to aligning our City's accounting system with the Federal counterpart, considering the complexity involved.

FINDING 3 - As a young team, they would benefit from additional training opportunities. The previous Community Reinvestment teams did not leave a legacy of compliance behind.

RESPONSE TO FINDING 3 - I agree that additional training opportunities will further enhance the development of the staff, the prescribed trainings have yielded and continue to yield significant results as they have allowed the department to create sustainable practices that directly dictate the external governance required to align federally funded activities into more strict regulatory compliance.

FINDING 4 - The Director and the team are taking performance appraisal very seriously, with periodic self-assessment and director's feedback well documented.

RESPONSE TO FINDING 4 - To gauge performance, we've introduced an objective tool, offering employees 360-degree feedback that aligns their goals with departmental expectations. This approach enhances performance through continuous improvement.

FINDING 5 - The Land Bank Authority appears to be underutilized thus far and could more effectively impact blighted properties in Columbus.

RESPONSE TO FINDING 5 - We have worked really hard to strengthen the Landbank through board reconstitution and the development of processes to better allow the Landbank to be leveraged as a tool to address vacant spaces and working through community partners to transform them into vibrant spaces. Currently the Land Bank Authority has achieved a significant increase in its ability to serve as a community development catalyst despite externalities that are not in consistent alignment with this achievement. Through this achievement, the landbank is postured to achieve our vision of becoming a leading entity in the realm of affordable housing development primarily, with all other opportunities being secondary to this primary objective.

FINDING 6 - As employees develop on the team, current compensation rates will likely impact retention of employees we've invested in.

RESPONSE TO FINDING 6 - I agree with this observation. The availability of skilled employees locally poses a challenge to the department's long-term viability. As we transition beyond development, attracting talent will remain crucial.



COMMUNITY REINVESTMENT

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RECOMMENDATIONS

COLUMBUS, GEORGIA

A CONSOLIDATED GOVERNMENT

DEPARTMENT OF COMMUNITY REINVESTMENT

P.O. BOX 1340, 420 10TH ST. COLUMBUS, GA 31901

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RECOMMENDATION 1 - Compensation rates for several positions are below market for the respective roles. As we are developing and investing in the growth of everyone on the team, rate adjustments in the next budget cycle can improve retention of those teammates that we've developed.

RESPONSE TO RECOMMENDATION 1 – I fully support this recommendation, recognizing the significance of employee retention for sustaining our successes and future objectives.

RECOMMENDATION 2 - The CCG general ledger reconciliation with Federal HUD systems is a priority that must effectively be addressed, and HUD is expecting action and results in this area. With our value-added auditing approach, we've developed a reconciliation template dating back to the initial implementation of Advantage on July 1, 2006. At this point, the most immediate need would be the hiring of a CPA/Consultant who has hands on experience working in the IDIR system with U.S. HUD. Such a reconciliation project may take several months to complete. Once reconciled, with the posting of a summary reconciling entry, it will be important for Community Reinvestment and the Accounting Division of Finance to work in collaboration to keep records balanced.

RESPONSE TO RECOMMENDATION 2 – I agree with this recommendation. Initiatives are underway in collaboration with our Finance department, aimed at aligning local and Federal accounting systems effectively. Further work is needed in this area to ensure that the desired outcome will be achieved.

RECOMMENDATION 3 - Across sister cities in Georgia, it's noted that several have somewhat larger teams serving slightly smaller cities. It is recommended that we look at the service models of Augusta, Albany & Savannah to see how we could even more effectively serve Columbus. Our team is small & mighty, but we should imagine a future roster that broadens our reach.

RESPONSE TO RECOMMENDATION 3 – I support this recommendation. Despite our small team, we've consistently achieved impressive outcomes under the current leadership. Future growth might necessitate staffing adjustments to enhance our community impact.

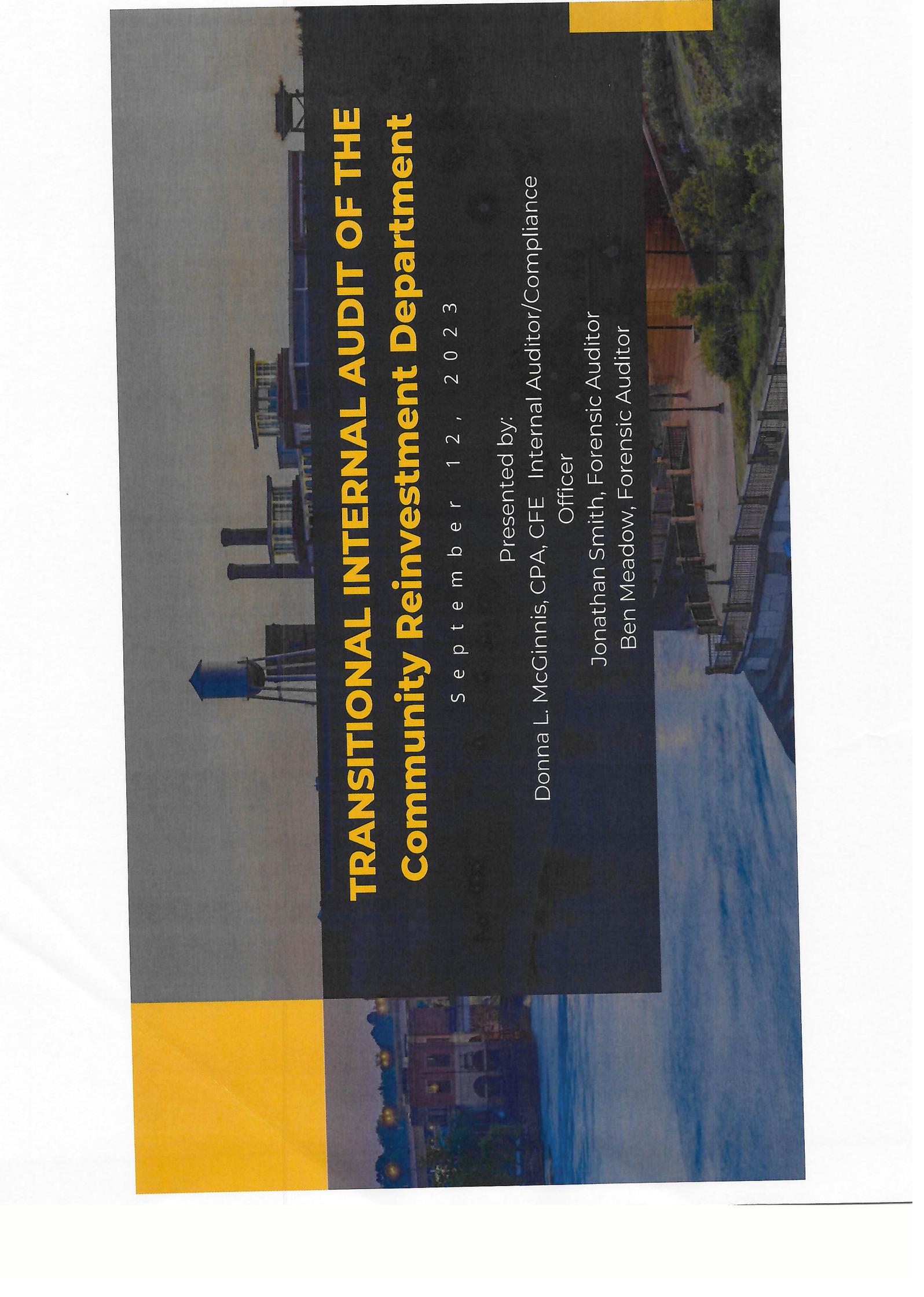
RECOMMENDATION 4 - The Land Bank Authority is an asset, and the Authority works closely with our Real Estate Specialist. It is recommended that we expand our activities with the Land Bank, allowing for further rehabilitation of real estate in Columbus.

RESPONSE TO RECOMMENDATION 4 - I concur with this recommendation. The Landbank's rejuvenation efforts align with our goal of affordable housing development and community enhancement.

Thank you again for your facilitation of the internal audit process. I truly appreciate this process.

Robert Scott

Community Reinvestment Director



TRANSITIONAL INTERNAL AUDIT OF THE Community Reinvestment Department

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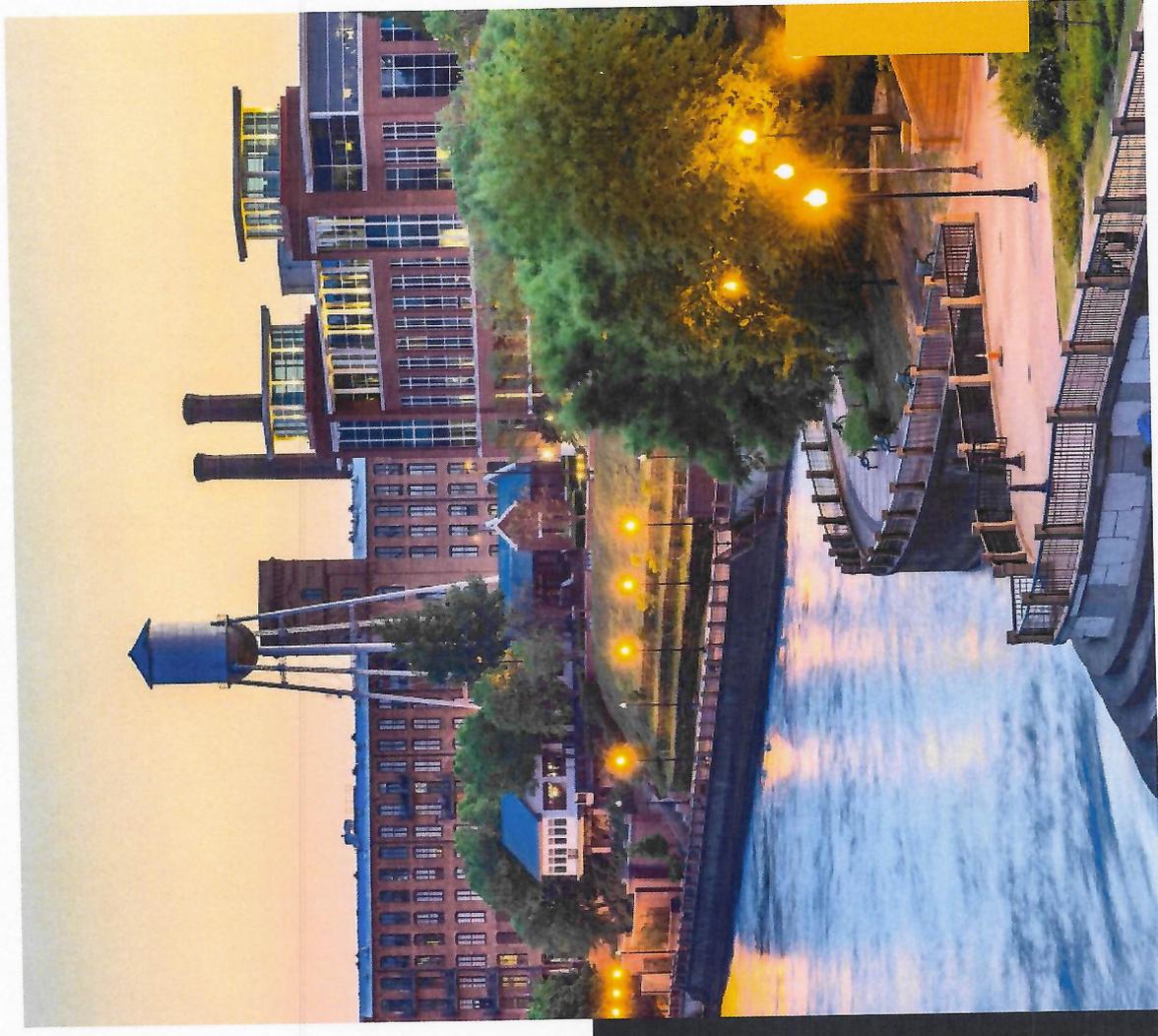
Presented by:

Donna L. McGinnis, CPA, CFE Internal Auditor/Compliance
Officer

Jonathan Smith, Forensic Auditor
Ben Meadow, Forensic Auditor

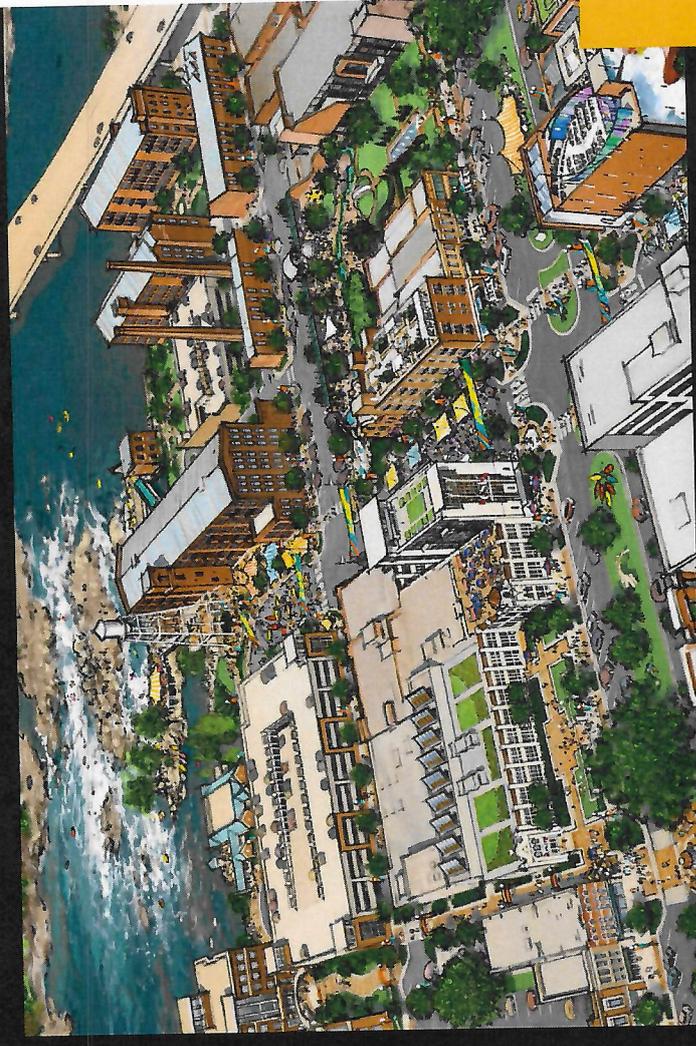
AUDIT AUTHORIZATION

The audit was
authorized by City
Council on
December 10, 2019.



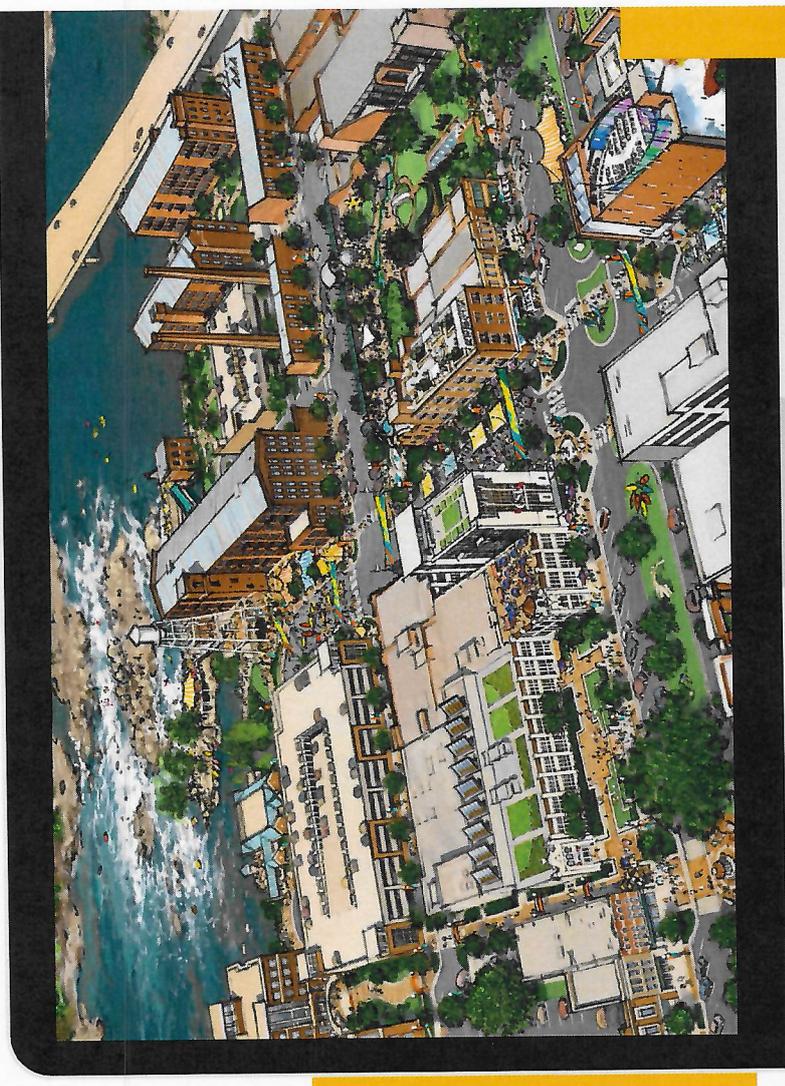
AUDIT PROCESS

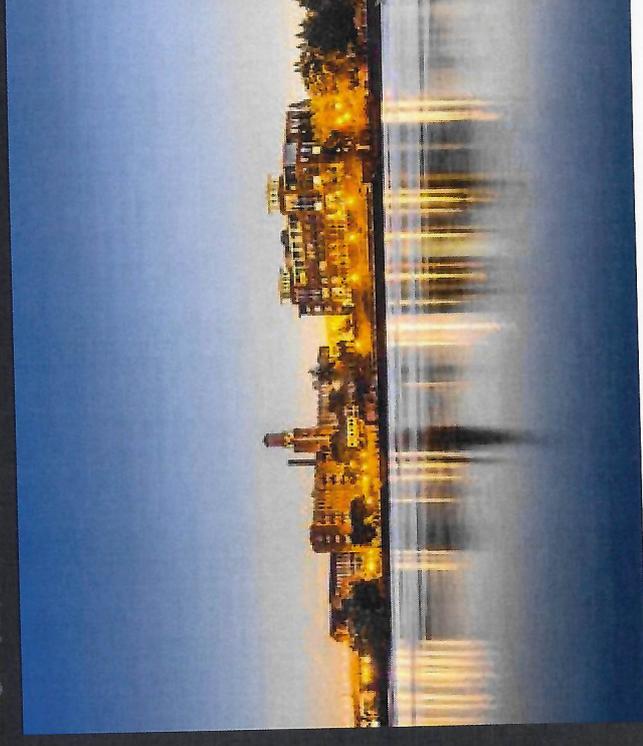
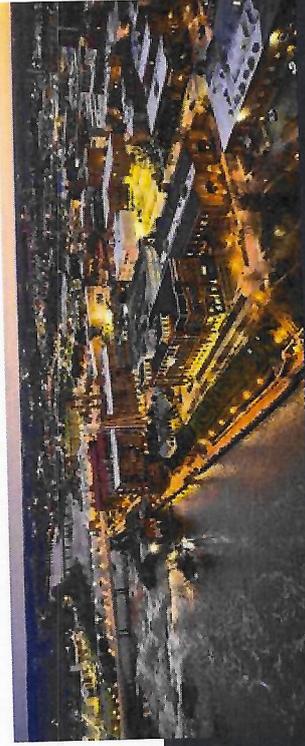
01. Authorization of Audit
02. Development of Audit Program
03. Entrance Conference with Auditee
04. Conduct of Fieldwork



AUDIT PROCESS

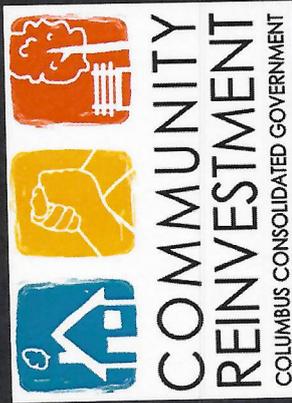
05. Preparation of Draft Audit Report
06. Exit Conference with Auditee
07. Auditee Response
08. Preparation of Final Audit Report





AUDIT SCOPE

01. Organizational Structure of the Community Reinvestment Department
02. Policies and Procedures
03. Compliance Reporting
04. Strategic Planning
05. Payroll
06. Budgetary Control
07. Training



AUDIT RECOMMENDATIONS

- 01 Recommend compensation rate adjustments for below market positions in the FY25 Budget, in order to facilitate retention of the team.
- 02 Recommend engagement of a forensic consultant with a U.S. HUD background to complete the necessary multi-year reconciliation of the CCG general ledger and Federal HUD systems. Going forward, Community Reinvestment and the Accounting Division of Finance will collaborate to keep records balanced.

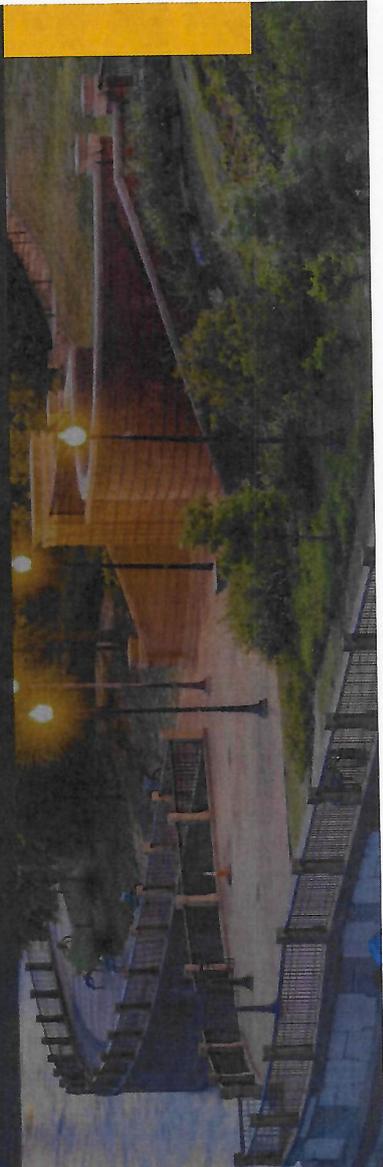


**COMMUNITY
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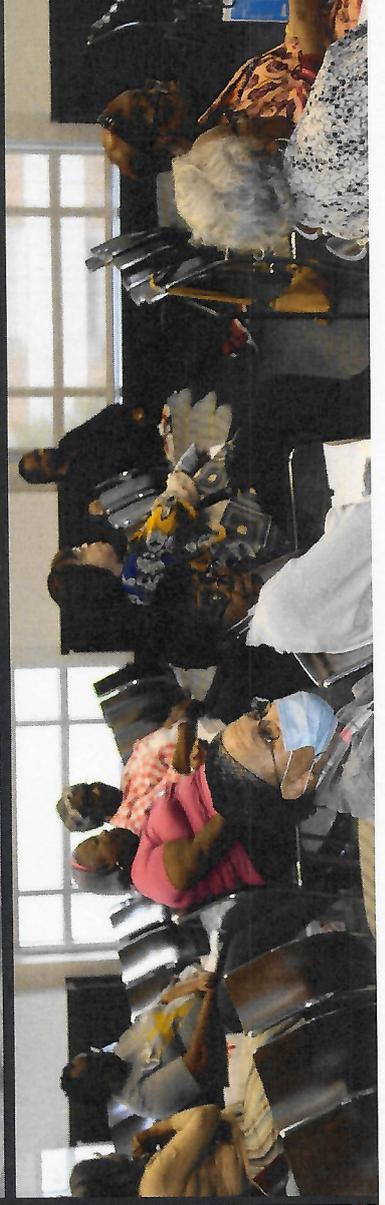
AUDIT RECOMMENDATIONS

- 03 Recommend a review of the service delivery models in Albany, Augusta and Savannah as they are slightly smaller, but operate somewhat larger teams-imagine the possibilities. Additional details are provided by Jonathan Smith, Forensic Auditor.
- 04 Recommend expanded activities with the Land Bank Authority, allowing for further reduction of blight and rehabilitation of real estate in Columbus. Additional details are provided by Ben Meadow, Forensic Auditor.

THE IMPACT



COMMUNITY ENGAGEMENT



COMMUNITY ENGAGEMENT



AFFORDABLE HOUSING



LAND BANK



Glenwood
Transformation

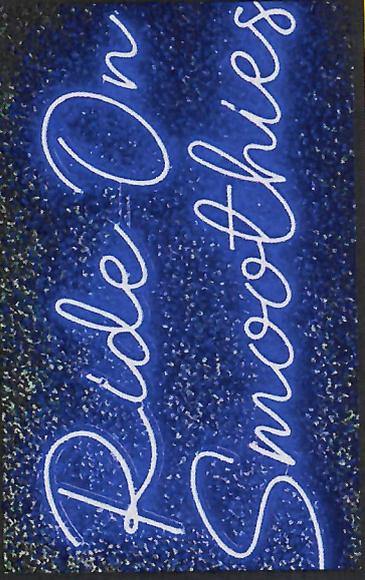


LAND BANK AUTHORITY
LOTS OF GOOD USE



LAND BANK AUTHORITY
LOTS OF GOOD USE

NCDA AUDREY NELSON AWARD



CDBG-CV SMALL BUSINESS PROGRAM OUTCOMES

27 Businesses Served
61 Jobs Created /
Retained

QUESTIONS?