

ATTACHMENT A



A Tradition of Stewardship  
A Commitment to Service

**Napa County**  
**Department of Housing and Intergovernmental**  
**Affairs**  
**Proximity Workforce Housing Assistance Program**

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

December 7, 2010 through December 31, 2013

Issued By  
**AUDITOR-CONTROLLER**  
Compliance Audit Division  
December 8, 2014

**NAPA COUNTY  
DEPARTMENT OF HOUSING AND INTERGOVERNMENTAL AFFAIRS  
PROXIMITY WORKFORCE HOUSING ASSISTANCE PROGRAM  
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**Auditor-Controller**

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Honorable Board of Supervisors  
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### **Introduction**

We conducted an agreed-upon procedures engagement of the records of the Napa County Proximity Workforce Housing Assistance Program. These procedures were agreed to by the Director of Housing and Intergovernmental Affairs. The scope of this engagement is December 7, 2010 through December 31, 2013.

### **Background**

In an effort to assist low and moderate income households to purchase a home close to their place of work, and to reduce greenhouse gas emissions and vehicle miles traveled, the Napa County Proximity Workforce Housing Assistance Program ("Program") was established on December 7, 2010. The Program provides down payment assistance in the form of a loan for up to 10% of the purchase price of an eligible home in Napa County within a fifteen mile radius of the applicant's place of work. Recipients must be employed at least 30 hours per week or a minimum of 1,200 hours per year and have a gross household income which does not exceed one hundred twenty percent (120%) of area median income. Upon transfer of ownership or a term of 55 years (whichever is sooner), the loan recipient is required to repay to the County the original loan amount plus the "Proximity Housing Share of Appreciation". The recipient may also choose to repay the loan through a refinance of the first mortgage. The Program requirements are detailed in the Napa County Proximity Housing Assistance Guidelines.

### **Objective**

The objective of this engagement is to perform the agreed-upon procedures and issue a report of our findings as a result of those procedures.



## **Procedures with Results**

We have performed the procedures listed below with respect to the records of the Napa County Proximity Workforce Housing Assistance Program. This agreed-upon procedures engagement was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. The sufficiency of the procedures is solely the responsibility of the Director of Housing and Intergovernmental Affairs. Consequently, we make no representation regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose. Our procedures were applied to transactions occurring in the period from December 7, 2010 through December 31, 2013.

**I.A.** Obtain a detail of all recipients of loans from the Proximity Workforce Housing Assistance Program during the period from December 7, 2010 through December 31, 2013. Detail should include dollar amount of the loan.

1. Review the detailed listing for completeness by comparing the total amount loaned to the amount distributed per the general ledger.

*Results:* We obtained a detailed listing of all loans issued under the Proximity Workforce Housing Assistance Program and verified that it agreed with the amount distributed per the general ledger without exception. A chart indicating the total number and amount of loans issued by fiscal year has been included at Procedure B below.

2. Select 100% of the recipients of financial assistance and obtain the County's applicant files on each in order to perform the following procedures:
  - a. Determine if the following documents were retained in accordance with §302 of the Proximity Housing Assistance Guidelines ("Guidelines"):
    - i. All W-2 forms from the year of application or previous year
    - ii. Wage stubs
    - iii. Executed Employment Verification Form (signed by the Employer(s))
    - iv. Employer(s) name, address, telephone and dates of employment
    - v. A valid form of picture identification

If the recipient was self-employed, review the following supporting documents:

- i. A complete copy of (at the time of application) most recent tax returns, including Federal and State tax returns
- ii. Copies of all W-2s, Form 1099s, or K-1s received, if any
- iii. Copies of any paycheck stubs, or an up-to-date profit and loss statement
- iv. A copy of current business license, if applicable

*Results:* We reviewed the files for each of the 35 loans issued during the engagement period. We determined that the specified eligibility documents were either not retained or not retained in a consistent manner. Upon further review of the Housing Proximity Guidelines dated June 17, 2011, we noted that the Guidelines do not necessarily require these documents to be collected and retained in the file. Specifically, §302 of the Guidelines states "...the County should review and keep on file specific documentation which provides proof of employment and income, if applicable. The County may request any or all of the following documentation [see procedure 2.a above]."

The following is a summary of the number of files where we verified the applicable document was retained:

Document Type	Number of Files
W-2 Forms	25
Wage Stubs	28
Employment Verification	3
Employer Information	35
Picture Identification	4

Self-employment Documentation guidelines applied to two (2) of the 35 loans issued:

Document Type	Number of Files
Tax Returns	2
W-2 Forms, 1099's or K-1s	2
Paycheck Stubs or Profit and Loss	2
Current Business License	0

We further noted six (6) instances where a file did not contain either W-2 Forms or Wage Stubs for income verification purposes.

- b. Ensure recipient had at least one member of their household certified as a member of the Proximity Workforce at the time of execution of the purchase in accordance with §301 of the Guidelines.

*Results:* We noted that two (2) of 35 files were missing signed "Proximity Housing Assistance Program Certifications" in which the recipient certifies that he/she qualifies as a member of the Proximity Workforce at the time of execution of the purchase.

- c. 1. Ensure recipient certified that Owner's gross income does not exceed 120% of the Area Median Income in accordance with §301 of the Guidelines.

*Results:* We noted that two (2) of 35 files were missing signed "Proximity Housing Assistance Program Certifications" in which the recipient certifies that his/her gross income does not exceed 120% of the Area Median Income.

2. Review W-2s to ensure gross income does not exceed this threshold.

*Results:* As a result of our review of the loan files, we determined that W-2s are not sufficient evidence that a participant met Proximity Housing Assistance Program eligibility requirements. Specifically, W-2s do not substantiate total household income for participants with more than one job or income contributed by other members of the proximity household (such as a spouse). Further, the Proximity Housing Assistance Program Guidelines do not require that a W-2 be retained (see procedure 2.a above). Of the 35 files reviewed, 10 did not include a W-2. Therefore, we were unable to determine whether an applicant met the income eligibility requirements using the W-2s retained in the files.



- d. Ensure that the loan amount did not exceed 10% of the purchase price of the home in accordance with §201.

*Results:* No exceptions noted.

- e. Ensure home is located within a 15 mile radius of the place of employment of the member of the household who qualifies as a Proximity Workforce Member.

*Results:* The Proximity Housing Assistance Guidelines specify that the “Proximity Housing Market Area” is the area in the County that is within a fifteen (15) mile radius “as the crow flies” of the proposed property to be purchased. We reviewed the mileage for the 35 recipients’ homes noting that each was located within an “as the crow flies” fifteen (15) mile radius of the place of employment of the member of the household who qualified as a Proximity Workforce Member. Two (2) recipients exceeded the fifteen (15) mile radius when evaluated based on actual miles driven.

- f. Ensure the first mortgage on the home does not exceed 86.5% of the value of the purchased home (purchase price) in accordance with §201.

*Results:* Eleven (11) first mortgages exceeded 86.5% of the value of the home purchased primarily due to the addition of closing costs and mortgage insurance at the end of the loan process.

- g. Review executed promissory note and ensure the terms as required by §404 (which includes provisions for maintenance, insurance, and refinancing) are included.

*Results:* The terms of the promissory note do not include provisions for maintenance, homeowner’s insurance and refinancing. However, the Second Mortgage Agreement between Napa County and the Borrower does include these terms. We further noted that one (1) file did not include a promissory note.

**B. Prepare a summary schedule; include the following:**

1. Total amount loaned through the Proximity Workforce Housing Assistance Program during the period from December 7, 2010 through December 31, 2013.
2. Total number of recipients of financial assistance through the Proximity Workforce Housing Assistance Program during the period from December 7, 2010 through December 31, 2013.

*Results:* The following chart indicates the total number and amount of loans issued by fiscal year:

Fiscal Year	Number of Loans Issued	Aggregate Loan Amount
2010-11	0	\$ -
2011-12	14	401,930
2012-13	13	380,200
6 Months Ended 12/31/13	8	243,400
<b>Total</b>	<b>35</b>	<b>\$ 1,025,530</b>

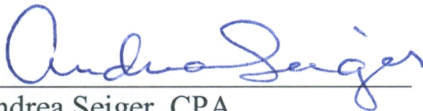
## Conclusion

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Napa County Board of Supervisors and the Director of Housing and Intergovernmental Affairs and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze  
Auditor-Controller

By



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December 8, 2014