



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

VIRGINIA REMOVAL OR REHABILITATION OF DERELICT STRUCTURES FUND

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA
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AUDIT SUMMARY

Our audit of the Virginia Removal or Rehabilitation of Derelict Structures Fund administered by the Department of Housing and Community Development for the year ended June 30, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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FUND HIGHLIGHTS

Virginia Removal or Rehabilitation of Derelict Structures Fund

The Virginia Removal or Rehabilitation of Derelict Structures Fund (fund) provides grants to localities for the acquisition, demolition, removal, rehabilitation, or repair of derelict structures. Loans are also made to private developers through Virginia Community Capital (VCC). When a locality is interested in a grant, they must complete an application describing the project, location, beneficiaries, funds needed, and amount of matching funds. The Department of Housing and Community Development (DHCD) must then approve the application. Upon approval, the locality must sign a contract with DHCD agreeing to the stipulations made in the grant application. Payments made to the localities are on a reimbursement basis. For the locality to receive reimbursement funds, they must submit a progress summary of all project work completed to date and a summary of expenses incurred in the period of the reimbursement.

Since fiscal year 2012, the fund has received appropriations of \$6 million and has funded the completion of the following projects: Sawyers furniture site redevelopment, Halifax County Burlington Plant Site, George Wythe hotel redevelopment, Town of South Boston John Randolph Hotel acquisition, Staunton Ice House redevelopment, and the Wise County Wise Inn redevelopment project.

During fiscal year 2014, DHCD expensed \$1,223,769 in support of redeveloping vacant and deteriorated industrial properties across multiple cities within the Commonwealth. The cash at year end will be used to fund the program through completion of the remaining projects.

Fund Balance, July 1, 2013	\$3,348,650
Appropriation	2,000,000
Expenses	<u>(1,223,769)</u>
Cash with the Treasurer, June 30, 2014	<u>\$4,124,881</u>

Urban Public-Private Partnership Redevelopment Fund

The Code of Virginia authorized the creation of the Urban Public-Private Partnership Redevelopment Fund (fund) during fiscal year 2000 to address the problem of the lack of developable land in urban areas of the Commonwealth, and the high cost of redeveloping such land. The fund's purpose is to make grants or loans to local governments for assembling, planning, clearing, and remedying sites for promoting such sites to private developers for redevelopment. However, since its creation, the General Assembly has not appropriated any funding for this program; and therefore, it is not included in our audit.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 21, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Virginia Removal or Rehabilitation of Derelict Structures Fund** administered by the Department of Housing and Community Development (DHCD) for the year ended June 30, 2014. 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 Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of DHCD's internal controls over the fund, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

DHCD's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent

of our audit procedures. Our review encompassed controls over the Virginia Removal or Rehabilitation of Derelict Structures Fund.

We performed audit tests to determine whether DHCD's controls over the fund were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of DHCD's operations. We tested transactions and performed analytical procedures, including budgetary analysis.

Conclusions

We found that DHCD properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the fund. DHCD records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on February 5, 2015.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

AVC/alh

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