

Internal Audit Department
NeighborWorks® America

Audit Review of
The
Project Reinvest: Grants Allocations

Project Number: NW.NI.GRNTDISBMT.2019

Audit Review of the Project Reinvest: Grants Allocations

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April 9, 2019

To: NeighborWorks America Audit Committee

Subject: **Audit Review of Project Reinvest: Grants Allocations**

Attached is our draft audit report for the Project Reinvest: Grants Allocations review. Please contact me with any questions you might have.

Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: M. Rodriguez
S. Rice
R. Bond
R. Simmons

**Function Responsibility and Internal Control Assessment
Audit Review of Project Reinvest: Grants Allocations**

Business Function Responsibility	Report Date	Period Covered
National Initiatives	April 9, 2019	Project Reinvest grants awarded and disbursed to organizations as of December 11, 2018.
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations	Generally Effective¹	
Reliability of Financial Reporting	Not Applicable	
Compliance with Applicable Laws and Regulations	Not Applicable	

This report was reissued February 15, 2024 in accordance with a recommendation by the Government Accountability Office (GAO-23-105944, June 14, 2023).

¹ **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>There are no observations to report with this review.</p> <p>Risk Rating: N/A</p>	N/A	N/A	N/A	N/A	N/A	N/A

Risk Rating Legend

Risk Rating: High

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

Risk Rating: Moderate

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

Risk Rating: Low

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

Management Responses to The Audit Review of: Project Reinvest: Grants Allocations		
# Of Responses	Response	Recommendation #
0	Agreement with the recommendation(s)	0
	Disagreement with the recommendation(s)	

Background

Following the collapse of the housing bubble, the Department of Justice (DOJ) initiated lawsuits against certain banks for fraudulent conduct regarding secondary market mortgage backed securities. As a result of the United States Department of Justice settlement with Bank of America, NeighborWorks America (NWA) received 122.5 million for the purpose of “providing housing counseling, neighborhood stabilization, foreclosure prevention or similar programs”. In February 2016, NeighborWorks America received this funding, and began working to implement Project Reinvest. Project Reinvest is an internally branded name provided by the Corporation for the work being done to manage the program assets and the distribution of the funds distributed to NWA from the 2014 Bank of America settlement agreement.

Three one-time open and competitive funding opportunities Homeownership, Neighborhoods, and Financial Capability were developed for Project Reinvest. The objective of the Homeownership opportunity was to assist low to moderate income people to build assets through the purchase of homes while at the same time contributing to the local economy and stabilizing distressed communities. Down payment assistance per loan was \$10,500. The Neighborhoods opportunity objective was to promote stabilization and revitalization in areas hit hard by the foreclosure crisis through placed-based efforts that resulted in physical improvements, rebuild markets, and created more resilient neighborhoods. The Financial Capability objective was to assist individuals at risk of foreclosure, recovering from a foreclosure or residents in distressed communities rebuilding after the foreclosure crisis to stabilize their finances, rebuild credit, and establish savings. The awards for the three funding opportunities were announced in 2017. Per the documentation reviewed, the last grant close date was February 2019. As of December 11, 2018, the total amount disbursed for all three funding opportunities was \$105,098,376 and the total number of organizations that received funding was 139². Of this amount, \$45,240,000 was disbursed for Homeownership, \$27,750,000 was disbursed for Neighborhoods, and \$32,108,376 was disbursed for Financial Capability.

Objective

The objective of this review was to obtain reasonable assurance:

- That grant disbursements are conducted in compliance with Corporate and Project Reinvest policies and procedures
- That proper and relevant supporting documentation consistent with policy is being maintained for grant allocations and disbursements.

Scope

Project Reinvest grants awarded and disbursed to organizations as of December 11, 2018. The review does not include the application or award phases of the grants.

² This information was derived using the figures included with the population of grantees submitted to Internal Audit on December 11, 2018 by National Initiatives

Methodology

Internal Audit met with National Initiatives to obtain an understanding of the process flow of Project Reinvest grant allocations and the three funding opportunities that fall under the program. Internal Audit obtained and reviewed numerous documents related to Project Reinvest, including the funding announcements, corporate memos, and the Project Reinvest Handbook which provided an overview of the oversight and management of the program post award phase.

The population was divided into the three subsets based on the three funding opportunities (Homeownership, Neighborhoods, and Financial Capability). The amount funded for each subset was reviewed and compared to the project reinvest handbook for reasonableness. A sample was randomly selected from each subset group using the excel number generator. For each sample selected, Internal Audit reviewed the grant agreement, requirements, approvals, and other supporting documentation to determine if disbursements were made in accordance with the Settlement terms, Grant Agreement and policies and procedures (program and corporate).

Observations and Recommendations

Based on the review conducted by Internal Audit, there are no significant observations to report at this time.

Conclusion

The audit review of the Project Reinvest grants allocations found that documentation to support disbursements are being maintained in Grants Portal (Fluxx)³. Internal Audit finds that the Project Reinvest grants allocation process for the period in review, appears to have been carried out according to policies and procedures and in accordance with the grant agreements. Internal Audit noted no discrepancies regarding disbursements made to organizations that were selected in the sample. Our interactions with National Initiatives team were collaborative and productive. We would like to extend our thanks to the Senior Vice-President and team for their cooperation and assistance during this review.

³ Internal audit had conducted an earlier review of the Fluxx Grants application as part of a Project Reinvest audit (3/19/2018)

Addendum

Program Timeline

HOMEOWNERSHIP	NEIGHBORHOODS	FINANCIAL CAPABILITY
Public Comm. Close July 1, 2016	Public Comm. Close August 25, 2016	Public Comm. Close September 30, 2016
Application Live October 3, 2016	Application Live November 28, 2016	Application Live January 19, 2017
Application Close November 15, 2016	Application Close January 17, 2017	Application Close March 13, 2017
Awards Announced February 17, 2017	Awards Announced May 19, 2017	Awards Announced June 30, 2017
Performance Period March 1- February 28, 2019	Performance Period May 19-November 30, 2018	Performance Period June 1-November 30, 2018

The three funding opportunities include:

HOMEOWNERSHIP

Objective: Assist approximately 4,000 low- to moderate-income people to build assets through the purchase of homes while at the same time contributing to the local economy and stabilizing distressed communities. Down payment assistance per loan will be \$10,500.

Eligible Organizations: Non-profit, Community Development Financial Institutions (CDFIs) certified by the Department of Treasury with minimum level of demonstrated residential lending over a three-year period and that meet or exceed minimum prudent standards (MPS).

Targeting: CDFI target market impacted by foreclosure to provide down payment assistance to borrowers at 100% AMI or less.

No. of Grantees: 19

Total Awarded Amount: \$48,000,000

Grant Close Date: February 2019

NEIGHBORHOODS

Objective: Promote stabilization and revitalization in areas hit hard by the foreclosure crisis

through place-based efforts that result in physical improvements, rebuild markets, and create more resilient neighborhoods.

Eligible Organizations: Non-profit community-based organizations

Targeting: Census tract level data being used to target communities in areas hard hit by foreclosure. Methodology consider indicators such as foreclosure, vacancy rates, and negative equity, among others

No. of Grantees: 55

Total Awarded Amount: \$27,500,000

Grant Close Date: November 2018

FINANCIAL CAPABILITY

Objective: Assist individuals at risk of foreclosure, recovering from a foreclosure or residents in distressed communities rebuilding after the foreclosure crisis to stabilize their finances, rebuild credit, and establish savings.

Eligible Organizations: HUD Approved Counseling Intermediaries, NeighborWorks Organizations, State Housing Finance Agencies or Financial Capability Intermediaries meeting a minimum set of standards

Targeting: Minimum of 75% of funds awarded in distressed communities identified at the Metropolitan Statistical Area (MSA) level and in Rural Areas of States using a methodology similar to NFMC's Areas of Greatest/Extraordinary Need.

No. of Grantees: 65

Total Awarded Amount: \$31,580,000

Grant Close Date: November 2018

Source: Project Reinvest Handbook Version 1.2 as of 11/8/2018