

Matched Savings Account Program Audit



Objective

The objective of this audit was to determine whether the Matched Savings program is serving eligible residents and achieving program goals.

Background

The mission of the Matched Savings Account (MSA) program is to help low-income residents become financially empowered by helping them pay for education, purchase a home, or invest in their own small business.

The City currently has an 8:1 match rate for program participants, meaning that the City will match eight times the amount saved, using a combination of City and federal grant funding. The program allows a maximum match of \$4000 per person and \$8000 per household.

Recently, the federal government decided not to renew the MSA grant. The City is not accepting new applicants, but has until March 2018 to spend its remaining federal funds. NHCD is considering whether or not to continue the program using only City funds.

What We Found

The Neighborhood Housing and Community Development Department (NHCD) did not provide adequate oversight of the Matched Savings program and did not safeguard City and federal funds.

NHCD staff prioritized participant benefits over program oversight, resulting in program spending on questionable transactions and potentially ineligible participants.

- Program management stated they do not oversee some critical decisions, such as determining eligibility or the legitimacy of a purchase. NHCD also appears to have prohibited non-citizens from applying for the program due to a misunderstanding of federal law.
- Program funds were often released without management reviewing key supporting documents.
- Staff prioritized spending money over safeguarding funds, stating that it is not their job to consider whether a participant is being honest or if a purchase was appropriate.

The audit team was unable to determine if the Matched Savings program had long-term benefits for participants.

- NHCD conducts no formal follow up or tracking of participants after they exit the program.

The City did not properly review the release of program funds for participants' businesses, and may have violated federal program requirements.

- Funds were released without reasonable consideration for the viability of the business, if participants actually owned the business in question, or whether funds were used in line with program requirements.
- We could only find an online presence for 39% of participant businesses.
- The City's lax monitoring may have allowed participants to take advantage of the program.

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What We Recommend

- NHCD should ensure that proper oversight and monitoring over program activities occurs.
- NHCD should evaluate how it approves program funds and ensure payments are only sent to verified third parties for allowable goods and services.
- NHCD should take immediate action to ensure the City's credit card is being used in line with City and department policy.
- NHCD should ensure participants' businesses are thoroughly evaluated by an expert party; additionally, NHCD should ensure working capital funds are only released to a business checking account.
- If NHCD decides to continue the program using only City funds, NHCD should make a number of design changes to reduce fraud risks, including:
 - eliminating participants' businesses as an allowable use of funds or revising the way these businesses are evaluated;
 - designing performance measures and collecting data to measure program effectiveness; and
 - limiting the use of program funds to activities directly tied to savings goals, such as payments to title companies or for tuition, rather than supplemental items, such as computers and office supplies.
- NHCD should review its citizenship requirements for all programs and ensure they are based on an accurate understanding of federal law. Additionally, NHCD may want to ensure that its citizenship requirements are in line with other City departments and Council policies.