

## DEFINITIONS

**At-Risk** – persons whose living conditions/arrangements, or economic circumstances are such that they are in imminent danger of becoming homeless

**Audit** – a detailed examination of the financial statements and financial records of organization. Audits provide a review of specific transactions and systems. Auditors use various sampling techniques to determine the frequency of errors and the size errors. If the level of errors is unacceptable, the auditor works with the organization to improve its internal control systems. The auditor then prepares a letter, referred to as the ***management letter***, and sends it to the Board of Directors of the organization discussing its internal control weaknesses. Audits determine if the accounting procedures used by the organization conform with the generally acceptable accounting principles (GAAP). These principles ensure that the accounting of the organization is objective, fair, complete, and accurate

**Audit Findings** – Pertinent statements of fact. Audit findings emerge by a process of comparing what should be with what is

**Audit Opinion Letter** – A signed representation by an auditor as to the reliability and fairness of a set of financial statements. It is usually presented at the beginning of an audit report

**Audit Report** – A signed, written document which presents the purpose, scope, and results of the audit. Results of the audit may include findings, conclusions (opinions), and recommendations

**Barrier-Free Housing** – refers to housing units/facilities which are accessible and functional for ingress, egress, and internal movement for persons in wheelchairs and/or persons with mobility impairments

**Borrower** – person, individual, family, household or organization that will receive, or has received assistance through the Prince William County CDBG Program

**Congregate Housing** – a building or facility with a central food preparation and eating area which houses persons who share a need for a supervised living environment including elderly and disabled persons, but do not require medical treatment or institutional care

**Developmentally Disabled** – persons with a mental disability or disabilities, wherein such condition(s) existed at birth or occurred prior to age 23

**Emergency** – conditions which developed or became critical within the 18-month period preceding the application deadline and no other funding available to address the problem

**Extremely-Low-Income** – persons whose incomes are 0% to 30% of the Area Median Family Income as established by the U. S. Department of Housing and Urban Development (HUD) based on family size

**Family** – same meaning given the term in 24 CFR 5.403. Family includes but is not limited to:  
(1) A family with or without children (the temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size);

(2) An elderly family;

(3) A near-elderly family;

(4) A disabled family;

(5) A displaced family;

(6) The remaining member of a tenant family; and

(7) A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family.

**For-Profit** – an organization that provides goods and/or services, usually on a competitive basis, with the intent of receiving a profit as a result of business activities; said profits are distributed to individuals associated with the business

**Governmental Agency** – includes incorporated towns, County agencies and regional governmental entities. Entities are only eligible as a sponsor when all activities occur in County.

**Homeless (HUD Definition)** – People who are living in a place not meant for human habitation, in emergency shelter, in transitional housing, or are exiting an institution where they temporarily resided

People who are losing their primary nighttime residence, which may include a motel or hotel or a doubled-up situation, within 14 days and lack resources or support networks to remain in housing

Families with children or unaccompanied youth who are unstably housed and likely to continue in that state

People who are fleeing or attempting to flee domestic violence, have no other residence, and lack the resources or support networks to obtain other permanent housing

**Household** – all the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements

**Internal Control Weakness** – A defect in the design or operation of internal controls. A material weakness is a reportable condition that does not reduce to a relatively low level the risk that employees in the normal course of their duties would not detect material errors or fraud in a timely manner

**Internal Controls** – Policies and procedures designed to provide reasonable assurance that specific entity objectives will be achieved. It consists of the control environment, risk assessment, control activities, information and communications, and monitoring

**LMI** – “Low and moderate-income”

**Low-Income** – persons whose incomes are 31% to 50% of the Area Median Family Income, as established by the U. S. Department of Housing and Urban Development (HUD), based on family size

**Management Letter** – is a detailed letter from the auditors that is usually addressed to the board of directors or its audit committee. It presents weaknesses identified during the audit and offers recommendations to address them. It is customary for the auditor to obtain management's responses to a draft of the management letter, and to consider these responses before preparing the final document.

The board and management of the organization should discuss the comments provided by the auditor in the management letter and develop an action plan after reviewing the recommendations.

Even a well-run organization will inevitably have several areas where, by accident or design, standard controls and procedures are not followed. The fact that the management letter contains several observations and recommendations does not necessarily mean that financial management is weak or that the control system is in a dangerous state. Rather, readers must appraise the significance of each item.

The management of the organization sometimes has sound business reasons for departing from controls or procedures that are standard in other businesses. Management, boards, and donors should give serious consideration to the contents of the auditor's management letter-but they should never automatically assume that every recommendation must be implemented.

Organizations should be encouraged by donor agencies to share their management letters with donors, prospective donors, investors, or significantly interested parties. They should feel confident that their responses to the items noted in the letter would demonstrate their control over the internal control environment in their organization. It is rare that an organization would not receive a management letter, as improvements can always be made, but it is up to the organizations management to implement prudent recommendations. It is not a requirement that the organization implement the recommendations, although subsequent management letters will indicate the status of previously noted items.

**Management Response Letter** – A letter addressed to the auditor, signed by the client's chief executive officer and chief financial officer. During an audit, management makes many representations to the auditor. Written representations from management in the letter confirm oral representations given to the auditor, document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding

**Market Value** – current value of the property at the time of resale or repayment of the loan due to refinance of the first loan. Market value will be the greater of the contract sales price, or the value as determined by a licensed appraiser at the expense of the borrower which is acceptable to the County.

**Material Weakness** – A condition in which internal controls do not reduce to a relatively low level the risk that material errors or fraud may occur and not be detected in a timely period by employees in the normal course of their duties

**Memorandum of Agreement** – the formal CDBG project document which will be executed between governmental agencies and Office of Housing and Community Development (OHCD) which shall set forth terms, conditions, and approved activities

**Middle-Income** – persons whose incomes are 81% - 95% of the Area Median Family Income, as established by HUD, based on family size

**Moderate-Income** – persons whose incomes are 51% - 80% of the Area Median Family Income, as established by HUD, based on family size

### **National Objectives**

**Low - and Moderate-Income Persons** – individuals with household income less than 80% of the median family income for Prince William County

**Slum and Blight Areas** – areas with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement of design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use or absolute layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community

**Urgent Community Development Need** – conditions which pose a serious and immediate threat to the health and welfare of the community where other financial resources are not available to meet such needs

**Non-profit** – shall refer to organizations which have attained 501 (c) (3) tax-exempt status

**Project Sponsor** - shall refer to any non-profit, for-profit organization/business, governmental agency, or public service authority

**Public Service Activities** - To utilize CDBG funds for a public service, the service must be either:

- A new service; or
- A quantifiable increase in the level of an existing service which has been provided by the state or another entity on its behalf through state or local government funds in the 12 months preceding the submission of the state's Consolidated Plan Annual Action Plan to HUD

**Public Service - Single Service Delivery Agencies** refers to those agencies that only provide one service. This would include assistance such as a home or emergency repair program (single service). To be eligible the activity must be an increased quantifiable level of service. Any public service or single service delivery project must be a new or expanded public service. To qualify as a new service this is a public service that does not currently exist and will be established using CDBG Funds, an expanded service, applicants must demonstrate that there has been a quantifiable increase in the level of service than was delivered in the 12 months prior to the grantees latest action plan. (Example, a Meals on Wheels program served 20 household in 2022, with CDBG funds the agency will expand its service to 30 households for a quantifiable increase of 10 households in 2023)

**Share of Market Appreciation** – amount of funds the borrower must pay the County, in addition to the principal balance of the Loan, due to increased market value of the property at the time of re-sale, or repayment of the Loan prior to the end of the loan. Market value will be the greater of the contract sales price, or the value as determined by a licensed appraiser at the expense of the borrower which is acceptable to the County. The County's share of the market appreciation of the property will be calculated prior to deductions for real estate

fees/commissions, settlement fees, judgments, liens or considerations for home improvements made by the Borrower and will equal the product of the market value at the time of sale or refinance, minus the original total acquisition cost multiplied by a fraction, the numerator of which is the principal sum of the CDBG Loan and the denominator is the property's original total acquisition cost.

Example:      Market Value at time of sale:                      \$300,000  
                  Original Total Acquisition cost:                      -\$200,000  
                  Amount of Market Appreciation:                      \$100,000  
                  Principal Sum of CDBG Loan                      \$75,000  
                  Fraction:               $\$75,000/\$200,000=.38$  or 38%  
                  **County Share of Market Appreciation:**               $\$100,000 \times .38=\$38,000$   
                  **Borrower Share of Market Appreciation:**               $\$100,000 \times .62=\$62,000$

**Single Room Occupancy (SRO)** - shall refer to permanent facilities for the homeless, consisting of a single room housing unit with either private or shared bath facilities with the optional provision of kitchen facilities

**Special Needs Population** - shall mean persons with disabilities (mental, physical, developmental), the elderly, and persons with AIDS

**Subrecipient** - an entity that expends awards received from a pass-through entity to carry out a project. As defined by OMB Circular A-133, a Subrecipient relationship exists when funding from a pass-through entity is provided to perform a portion of the scope of work or objectives of the pass-through entity's award agreement with the...awarding agency. A pass-through entity is an entity that provides an award to a Subrecipient to carry out a project

**Supportive Living Arrangement** - shall refer to any situation wherein paid, or volunteer staff is provided to assist a resident with the responsibilities associated with independent living so as to assure a safe and healthful home environment

**Total Market Appreciation** – difference between the greater of the contract sales price or the value as determined by a licensed appraiser and the original total acquisition cost (original purchase price plus allowable closing costs). The appraisal will be at the expense of the Borrower and must be acceptable to the County

**Transitional Housing** - shall mean living units (housing) provided on a short-term basis (up to 18 or 24 month) for homeless persons/families, along with supportive services, which assists them in preparing for and securing permanent housing