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**CITY OF SAN ANTONIO  
OFFICE OF THE CITY AUDITOR**

**NEIGHBORHOOD AND HOUSING SERVICES  
DEPARTMENT**  
AUDIT OF HOME IMPROVEMENT PROGRAMS  
PROJECT NO. AU23-027  
DECEMBER 12, 2024

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**BUDDY VARGAS, CPA, CIA, CFE  
CITY AUDITOR**



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# Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of Neighborhood and Housing Services Department (NHSD), specifically home improvement programs. The audit objective, conclusion, and recommendations follow:

**Determine if home improvement programs are managed effectively and efficiently and in compliance with established guidelines to include vendor management. Major Repair, Minor Repair, and Under 1 Roof programs were included as part of our review.**

NHSD's home improvement programs are not managed effectively, efficiently, or in compliance with established guidelines. Specific examples include:

- Projects approved despite missing required eligibility documentation.
- Denial letters to participants being created during the audit and backdated.
- Projects proceeding prior to document completion or adequate approvals.
- Contractors not having adequate insurance coverage.
- Approval not being obtained before change orders were executed.
- Amended restrictive covenants not being filed for projects with change orders.
- Payments not made in compliance with policies.

Further, participant feedback surveys are not available for review, and performance measures are not clearly defined or adequately supported. Finally, access to participant data is excessive.

These issues are attributed to a lack of internal controls and an absence of program oversight. In effect, this has created an environment vulnerable to fraud, waste, and abuse. We provided recommendations to management to develop controls and resolve identified issues. NHSD management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 12.

# Background

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NHSD’s Home Improvement Programs provide assistance to low-to-moderate income households by addressing health, safety and/or code issues. To be eligible for these programs homeowners must reside in a single-family home, establish an ownership interest, be current with property taxes & insurance coverage, have no liens on the home, and meet income limitations (e.g., gross income at or below 80% of the area medium income). The Programs are detailed below:

- **Under 1 Roof Program (U1R)** assists homeowners by replacing existing roof shingles with energy efficient shingles. U1R costs are limited to \$19,000 per project and are considered forgivable grants over a 5-year period.
- **Minor Repair Program** addresses repairs that do not involve more than one of the home’s major systems. Examples of home repairs include (but are not limited to) water heater replacement, window replacement/upgrade, and interior/exterior door replacement. Minor Repair construction costs are limited to \$25,000 per project and are considered forgivable grants over a 5-year period.
- **Major Repair Program** addresses repairs that involve significant repairs to two or more of a home’s major systems such as structural issues, full electrical upgrade, plumbing issues, and Heating, Ventilation, & Air Conditioning (HVAC) replacement. Major Repair construction costs are limited to \$130,000 for rehabilitation and \$145,000 for reconstruction projects. These awards are considered a forgivable loan over a 10–20-year period.

For FY 2023, NHSD’s goal was to complete 515 Minor Repair/U1R projects and 125 Major Repair projects. To accomplish this goal, the programs were funded by the General Fund, the FY 2022 Bond Program, and grants from the U.S. Department of Housing and Urban Development (HUD). Expenses for FY 2023 were as follows:

**Table 1 – FY 2023 NHSD Home Improvement Program Expenses**

Program	Funding Source			Totals
	COSA General Fund	COSA 22 Bond	HUD Grants	
Major	1,365,928	142,806	7,527,446	<b>9,036,180</b>
Minor	2,650,650	35,512	709,270	<b>3,395,432</b>
U1R	3,191,945	-	-	<b>3,191,945</b>
Totals	<b>7,208,523</b>	<b>178,318</b>	<b>8,236,716</b>	<b>15,623,557</b>

Source: SAP

Audit of Neighborhood and Housing Services Department  
Home Improvement Programs

To assist with the administration and execution of projects, NHSD works with Merced Housing Texas (Merced), pre-approved construction contractors, and lead consultants.

- **Merced** is tasked with managing up to 24 projects on an annual basis on behalf of NHSD. A contract agreement was executed in March 2023 in the amount of \$3 million over a three-year period.
- **Pre-Qualified Contractors** assist with the construction efforts across all program types. In April 2023, the City of San Antonio pre-qualified 19 contractors which are available to participate in the aforementioned programs.
- **Lead Consultants** assist with lead assessments and remediation where applicable. During 2022-2023, 7 contractors were approved for use on City projects.

The NHSD Housing Team is responsible for performing eligibility review and acceptance, project execution oversight (from statement of work assessment to final inspection/closeout), and invoice approval. NHSD is also tasked with overall program management and is responsible for overseeing Merced, pre-qualified contractors, and lead consultants as applicable.

Additionally, per NHSD management, the following improvements have recently been implemented across the Home Improvement Programs:

- Creating flexibility in the application process to help more residents qualify for home improvement programs, including residents with clouded titles, modest liens, or hard-to-insure properties.
- Streamlining the application process so residents can apply online, with in-person help from non-profit organizations for support.
- Adding full-time social workers who go beyond home improvement needs and help meet the family's needs by connecting them to other services.
- Partnering with non-profits to serve more homeowners with targeted home improvement programs.
- Creating home maintenance workshops which help homeowners preserve their asset.
- Providing free heirs property services through non-profit legal partners to ensure the preserved home can be passed on to future generations.

# Audit Scope and Methodology

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The audit scope was October 2022 through August 2024. It included applicant eligibility review, statement of work (SOW) assessment, construction completion, project closeout, contractor payment, and access controls for participant data.

To gain an understanding of department operations, we interviewed NHSD personnel and performed walkthroughs over the eligibility review process, SOW assessment, construction process, and invoice review. NHSD policies and procedures were our primary criteria for this audit.

We assessed internal controls relevant to the audit objective. This included a review of policies and procedures, program files and agreements, and the Merced Subrecipient Agreement. In addition, as part of our testing procedures we examined the following areas:

- Reviewed the eligibility and acceptance requirements to determine if applicants were properly approved.
- Confirmed SOW assessments and legal documents were executed prior to the construction phase.
- Reviewed change orders to confirm projects exceeding program limits were adequately approved.
- Confirmed final inspections were performed prior to final payment.
- Determined if contractor invoices were allowable and adequately supported.
- Reviewed reported performance measures to determine if the performance measures were properly supported.
- Reviewed access controls for participant data.

We relied on computer-processed data in SAP to validate payments to contractors and other program expenses. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included confirming expenses were allowable and properly supported. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

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 Results and Recommendations

## A. Program Management

NHSD's home improvement programs are not managed effectively, efficiently, or in compliance with established guidelines. We performed a review of 29 home improvement program projects from FY 2023 (see Table 2 below). As a result of our review, we determined 27 of 29 (93%) projects were not in compliance with NHSD's policies. Noncompliance was attributed to a lack of internal controls and an absence of program oversight. In effect, this has created an environment vulnerable to fraud, waste, and abuse. The sections below provide specific examples by phase.

**Table 2 – Sample Selections**

Type	Sample Size
NHSD Managed – Major	7
NHSD Managed – Minor	7
NHSD Managed – U1R	7
Merced Managed – Major & Minor	8
<b>Total</b>	<b>29</b>

### Eligibility Review

**Projects were approved despite missing required eligibility documentation.** We reviewed project files and determined 23 of 29 (79%) projects were either missing proof of current homeowners' insurance and/or mortgage statements or they were received after the eligibility review phase. Per *NHSD's Home Rehab Policies & Procedures*, documentation (which includes proof of current homeowners' insurance and mortgage statements) should be reviewed prior to NHSD making an application determination of approval or denial. NHSD stated allowable exceptions exist (such as homes that may be uninsurable or U1R projects not meeting a risk threshold to require these documents due to lower investment levels by the City), however, the current policy does not identify these scenarios as allowable exceptions. Further, notes to this effect were not included as part of project files.

**Denial letters to participants were created during the audit and backdated.** As part of our audit, we selected a sample of 15 applicants deemed ineligible by NHSD or Merced and requested denial letters. During the course of the audit, we were notified denial letters were created during the audit and backdated. Per *NHSD's Home Rehab Policies & Procedures*, applicants should be mailed a letter notifying them of the denial and should include the reason for the decision.

### Pre-Construction

**Projects proceeded prior to document completion or adequate approvals.** We reviewed project files and determined one or more of the following applied to 14 of 29 (48%) projects:

- 1 project did not have a complete structural survey.
- 2 projects had an approved contractor bid prior to performance of a structural survey.
- 12 projects proceeded to the construction phase prior to approval of a program agreement by NHSD. This is a significant requirement as the legal document outlines the scope of work, project amount, and applicable terms and conditions for the project. These 12 program agreements received approval 44-354 days after the homeowner had signed. Further, for 9 of those projects, contractor payment was made prior to the agreement being approved by NHSD.
- 4 projects were completed and paid prior to filing of a restrictive covenant. This is a significant requirement as the legal document protects the City's investment in the home and deters the homeowner from selling the home until the forgivable loan period (10-20 years) has elapsed. Project steps should be executed in the order listed within *NHSD's Home Rehab Policies & Procedures*. Further, the project should not proceed until approvals are obtained and the required documents have been completed.

### Construction

**Contractors engaged as part of the home improvement programs did not have adequate insurance coverage.** We reviewed certificates of insurance for 11 contractors and determined 10 (91%) were missing one or more required insurance coverage types. Per their respective agreements, contractors are required to maintain insurance coverage for the duration of the contract term with appropriate amounts and types of insurance. Further, certificates of insurance should be reviewed periodically by NHSD for adequacy and the Office of Risk Management should be consulted if insurance requirements require a waiver.

**NHSD approval was not obtained before change orders were executed.** We reviewed projects with change orders and determined that for 9 of 14 (64%) projects with a change order:

- 5 projects had a change order signed by the contractor and homeowner prior to approval by NHSD Administration. Prior approval for these change orders was significant because the change order caused the project to exceed program limits. While *NHSD's Home Rehab Policies & Procedures* is vague on the approval timeline, as a best practice, NHSD Administration approval should be obtained before change orders are executed.
- 4 projects managed by Merced had change orders that were executed without NHSD approval. While the *Merced Home Rehab Program Delivery Policies & Procedures* do not reference change order requirements, as a best practice, NHSD Administration approval should be obtained before change orders are executed on behalf of NHSD.

### Project Close-Out

**Amended restrictive covenants were not filed for projects with change orders.** We reviewed 14 projects with change orders and determined 5 (36%) did not have an amended restrictive covenant filed. Per *NHSD's Home Rehab Policies & Procedures*, if change orders apply, an amendment should be prepared before final payment is processed. However, final payment had been made without confirmation an amended restrictive covenant had been filed.

**Payments were not made in compliance with policies.** We reviewed the 14 Major and Minor projects that had been paid and determined 2 (14%) projects did not have support a third-party inspection had been completed and passed prior to final payment. Per *NHSD's Home Rehab Policies & Procedures*, Major and Minor Repair projects require a walkthrough with a third-party inspector to ensure all scope of work items have been completed and appropriate inspections were conducted.

Further, one of those two projects was paid in full before construction began. Per *NHSD's Home Rehab Policies & Procedures*, payment should be made based on percentage of completion at the 33%, 66%, and 100% stages for Major Repair projects.

### **Recommendations**

NHSD Director:

- Re-evaluate home improvement program requirements and modify program policies to be comprehensive and clearly outline allowable exceptions.
- Establish internal controls and oversight, particularly as projects proceed to the next phase.
- Re-train all staff on updated program policies.
- Develop a quality assurance process to monitor adherence with updated program policies.

### **B. Participant Feedback**

Participant feedback surveys were not available for review. We requested surveys for 26 completed projects. While Merced provided surveys for all 5 of the projects they managed, we were unable to obtain completed surveys for the 21 NHSD managed projects. Although NHSD was able to provide a spreadsheet with resident responses for 18 of the 21 projects, surveys were not available for review.

Per *NHSD's Home Rehab Policies & Procedures*, homeowners of completed projects should be contacted by NHSD to understand the homeowner's experience and satisfaction with the work utilizing a survey template. As a best practice, feedback should be obtained on each completed project to improve the home improvement programs.

**Recommendation**

NHSD Director obtain signed customer satisfaction surveys after project completion and utilize feedback received to improve the home improvement programs.

**C. Performance Measures**

Performance measures are not clearly defined or adequately supported. Performance measures are defined as homes preserved through the Major Repair and Minor Repair/U1R programs. However, per discussions with NHSD, the following were counted towards the reported actuals:

- Completed projects,
- Projects in progress (in phases ranging from *pending eligibility review* to *under construction*), and
- Projects not yet selected but planned to be completed utilizing FY 2023 funding.

Upon review of project listings, the audit team was able to confirm a total of 553 projects were either completed or in progress as of January 2024 (see Table 1 below for further detail). Per NHSD, the remaining difference was attributed to planned projects. However, FY 2023 had already ended.

**Table 3 – Reported vs. Supported Performance Results**

Performance Measure	Reported Actuals	Supported Project Totals	Difference
Number of homes preserved through Major Repair	125	109	16
Number of homes preserved through Minor Repair/U1R	515	444	71
<b>Total</b>	<b>640</b>	<b>553</b>	<b>87</b>

Source: Compiled by audit team

Lack of clearly defined performance measures and adequate supporting documentation have contributed to misleading performance results. Performance results should be an accurate depiction of program performance.

**Recommendation**

NHSD Director ensure performance measures are:

- Clearly defined.
- Adequately supported by source documentation and reviewed for adequacy.

## D. Participant Data Access

Access to participant data is excessive. We reviewed the user listings for the department drive and SharePoint site that contain sensitive participant information such as copies of driver's licenses, social security cards, and income support. We determined 55 of 115 (48%) individuals had inappropriate access. Specifically,

- 7 were inactive or withdrawn from the city and
- 48 did not have a business need as they were not NHSD employees.

*Administrative Directive 7.8d Access Control* states access controls should be periodically reviewed, and access should be limited based on the principle of least privilege. Currently, NHSD lacks procedures to ensure access is revoked upon separation/transfer and a periodic access review is performed. Excessive access can result in unauthorized individuals potentially accessing and modifying sensitive participant information.

### Recommendation

NHSD Director:

- Modify access for users with excessive access.
- Establish a periodic user access review and modify access as needed.

## Appendix A – Staff Acknowledgement

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Abigail Estevez, CPA, CIA, CISA, Audit Manager

Rudy Carrasco, Auditor in Charge

Lillian Rivera, Auditor

Ty Myers, Auditor

# Appendix B – Management Response



## CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 22, 2024

Kevin Barthold  
City Auditor  
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Neighborhood and Housing Services Department Home Improvement Programs

The Neighborhood and Housing Services Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to the report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	<p><b>Program Management</b></p> <p>NHSD Director:</p> <ul style="list-style-type: none"> <li>Re-evaluate home improvement program requirements and modify program policies to be comprehensive and clearly outline allowable exceptions.</li> <li>Establish internal controls and oversight, particularly as projects proceed to the next phase.</li> <li>Re-train all staff on updated program policies.</li> <li>Develop a quality assurance process to monitor adherence with updated program policies.</li> </ul>	6	ACCEPT	Veronica Gonzalez, Assistant Director	COMPLETE

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Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b><u>Action Plan</u></b></p> <p><b><i>Re-evaluate home improvement program requirements and modify program policies to be comprehensive and clearly outline allowable exceptions.</i></b></p> <p>Department completed a comprehensive evaluation of the home rehab program requirements and policies. Some of the policy and program changes include:</p> <ul style="list-style-type: none"> <li>• Change the policies and program requirements to clarify what insurance is required by the homeowner and what phase the document should be provided.</li> <li>• Adjust the program requirements to reflect a reduction in the types of coverage needed and the actual amount of the coverage for construction contractors.</li> <li>• Change the program policies to require NHSD approval be obtained on the program agreement prior to homeowner approval, and NHSD approval be obtained in advance of change orders being executed, especially when program limits may be exceeded.</li> <li>• Enhance fiscal processes to verify agreements are fully executed and restrictive covenants are filed prior to releasing any payments.</li> </ul> <p><b><i>Establish internal controls and oversight, particularly as projects proceed to the next phase AND Develop a quality assurance process to monitor adherence with updated program policies.</i></b></p> <p>The Department reassigned a Contracts Manager to oversee and verify conformance to established documentation and contractual requirements effective November 4, 2024. In addition, the Department created a Compliance Lead Analyst position to monitor internal controls and establish processes for continuous improvement under the supervision of the Contracts Manager. Both of these supervisory positions are responsible for ensuring compliance with established procedural requirements. To further monitor adherence to program policies, the Director's Office will setup a quarterly Quality Assurance meeting to internally sample documentation at various stages of the home rehab process.</p> <p><b><i>Re-train all staff on updated program policies.</i></b></p> <p>All staff members working on home rehab projects were trained/retrained on program policies from August 19<sup>th</sup> - August 29<sup>th</sup>. Additional training was completed on October 20<sup>th</sup> - October 23<sup>rd</sup> on updated processes, procedures and checklists to clearly outline roles and program parameters.</p> <p>A detailed response to the audit project file review is attached as Exhibit A.</p>				

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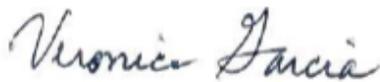
<b>Recommendation</b>					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
<b>B</b>	<p><b>Participant Feedback</b></p> <p>NHSD Director obtain signed customer satisfaction surveys after project completion and utilize feedback received to improve the home improvement programs.</p>	<b>8</b>	ACCEPT	Victoria Gonzalez-Gerlach, Administrator	COMPLETE
<p><b><u>Action Plan</u></b></p> <p><b><i>NHSD Director obtain signed customer satisfaction surveys after project completion and utilize feedback received to improve the home improvement programs.</i></b></p> <p>FY2023 was the first year NHSD conducted homeowner satisfaction surveys. Surveys were conducted by phone after rehab projects were completed. Moving forward, NHSD will request homeowners complete a satisfaction survey in person during the final walk through of the home rehab project. The homeowner survey has been updated and a physical copy is provided to homeowners in English and Spanish.</p>					
<b>C</b>	<p><b>Performance Measures</b></p> <p>NHSD Director ensure performance measures are:</p> <ul style="list-style-type: none"> <li>• Clearly defined.</li> <li>• Adequately supported by source documentation and reviewed for adequacy.</li> </ul>	<b>9</b>	ACCEPT	Veronica Garcia, Director	COMPLETE
<p><b><u>Action plan:</u></b></p> <p><b><i>NHSD Director ensure performance measures are clearly defined and adequately supported by source documentation and reviewed for adequacy.</i></b></p> <p>The FY2023 performance measures identified how many families will be assisted in each rehab program with the funding allocated in FY2023. The performance measures were not to identify how many projects would be complete in FY2023.</p> <p>Because the intent of the performance measures is to communicate how many families will be assisted with FY2023 funds it is not unusual for funds to be allocated in 2023 and the project not to be completed until 2024. The funding from FY2023 will support 640 families of which 357 projects were complete in FY2023, 196 were in progress, and 87 were pending final selection by non-profit partners. Going forward, NHSD will clearly define performance measures and ensure consistency with reporting.</p>					

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Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
D	<p><b>Participant Data Access</b></p> <p>NHSD Director:</p> <ul style="list-style-type: none"> <li>• Modify access for users with excessive access.</li> <li>• Establish a periodic user access review and modify access as needed.</li> </ul>	10	ACCEPT	Ian Benavidez, Deputy Director	COMPLETE
<p><b>Action plan:</b></p> <p><i><b>NHSD Director to modify access for users with excessive access and establish a periodic user access review and modify access as needed.</b></i></p> <p>The department has worked with ITSD to modify user access and has verified permissions are limited to essential personnel only. This was completed on October 2<sup>nd</sup>. NHSD will work with ITSD to review and modify access quarterly.</p>					

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,



Veronica Garcia  
Director  
Neighborhood and Housing Services

11/22/2024  
Date



Lori Houston  
Assistant City Manager  
City Manager's Office

11/22/2024  
Date

Audit of Neighborhood and Housing Services Department  
Home Improvement Programs

**Exhibit A: Project Management**

Audit Team	Management Response
<b>Eligibility Review</b>	
Projects approved despite missing documentation at time of eligibility, including proof of homeowners insurance and/or mortgage statements (23 of 29 files)	<p>Of the 29 project files reviewed, 6 files satisfied mortgage and insurance requirements, and the remaining 23 files had homeowners insurance and/or mortgage statements provided after the eligibility review phase. Of the 23 files, 11 files obtained insurance prior to construction, 1 home was uninsurable and the homeowner obtained Builders Risk coverage prior to construction, 2 files obtained insurance shortly after project completion, and 5 files were for Under 1 Roof projects which did not meet the risk threshold to require insurance. The remaining 4 files were for minor repair projects which did not have adequate documentation showing homeowner was current on their mortgage.</p> <p>The program policy will be modified to reflect that homeowners insurance can be obtained after application review. While the program agreement references the risk threshold for insurance, the program policy will also be amended to reflect this threshold. Finally, the program policy will also be updated to reflect allowable exceptions for mortgage balances.</p>
Denial letters to participants were created during the audit and backdated	The process to send denial letters has been automated and letters will be sent through an online portal and dated the date of the denial.
<b>Pre-Construction</b>	
Projects proceeded prior to document completion (14 of 29 files)	
1 project missing structural survey	Structural surveys are not completed for roof-only projects. Policy will be updated to reflect exceptions
2 projects with approved contractor bid prior to structural survey	Policy will be updated to reflect that structural surveys be completed prior to final contractor bid, to ensure scope is as accurate as possible and minimize change orders
12 projects had proceeded to construction prior to NHSD signing program agreement	Policy will be updated to require NHSD approval on program agreements prior to homeowner approval
4 projects completed prior to filing restrictive covenant	Policy will be updated to ensure restrictive covenant is recorded prior to releasing contractor payments
<b>Construction</b>	
Contractors did not have adequate insurance (10 of 11 project files)	The amount of the insurance coverages required were cost-prohibitive for a residential contractor and several administrative exceptions were made to move projects forward. Additionally, after further review by Risk Management, 3 of the 15 types of insurance were not necessary for the type of work being performed by contractors. These changes impact 7 of the 10 contractors. Although staff provided administrative exceptions for projects to move forward with missing coverage or lower limits, they were not allowable in the program requirements

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	at the time. Moving forward, waivers for insurance coverage types will be coordinated with Risk Management.
NHSD approval not obtained before change orders were executed (9 out of 14 projects)	Nine projects had a change order approved by homeowner prior to NHSD approval. Of the 9 projects, 5 projects had NHSD approval prior to contractors receiving payment for the additional work. The remaining 4 projects were managed by a non-profit partner and did not require prior approval from NHSD for change orders. The program policy will be updated to clarify the process for approving change orders.
<b>Project Close-Out</b>	
Amended restrictive covenants not filed for change orders (5 out of 14 projects)	Each project has a contract which includes an amount that reflects the project's scope and cost estimate at the time of the contract, and all projects reviewed had a restrictive covenant filed for the original contract amount. If the contract amount increases or decreases, it requires a contract amendment and a new restrictive covenant be filed with the County. Each process takes time and requires new signatures. Contract documents have now been standardized to minimize the need to file multiple amendments on a single project. Where possible, agreements have been updated to include a not to exceed amount to account for project change orders.
Payments not made in compliance with policies (2 out of 14 projects)	<p>The Audit Team identified 2 projects that did not have the third party inspections completed prior to final payment. All projects had appropriate permits pulled and City inspections completed. As an added quality assurance measure, NHSD utilizes third-party inspectors to provide additional verification that work is properly completed. One project had the third-party inspection completed after the payment was released, and one project was a roof shingle replacement, which did not require a third-party inspection. All projects have a one-year warranty to address issues that may arise post-completion.</p> <p>Audit team identified one project paid in full before construction began. The department processes over 750 payments for Home Rehab projects annually. One project had an advance payment to the contractor, which is against department policies. The work was started 12 days after the advance payment and the project was completed within 22 days.</p>

Audit of Neighborhood and Housing Services Department  
Home Improvement Programs



TO: Kevin Barthold, City Auditor  
FROM: Veronica Garcia, NHSD Director  
SUBJECT: Management Response to NHSD Home Improvement Programs Audit  
DATE: November 22, 2024

The NHSD Home Improvement Programs Audit identified the need to strengthen our policies and fiscal internal controls to reflect the addition of new funding and services and the scale of our programs today. The Audit did not identify any fraud.

The 2022-2027 Affordable Housing Bond included \$45 million for Home Improvement Programs. As a result of this influx of funding, NHSD manages more Home Improvement Program projects and all the programs have scaled over the past 3 years. In FY2021, a total of 339 households were served with major and minor rehab programs. More than 600 households were served in FY2024 across all home rehab programs. In addition to managing more projects, NHSD has implemented several improvements to the home rehab programs, creating flexibility to serve vulnerable populations and reach more households. Improvements include streamlined, online application process, social workers who connect families to other services, home maintenance workshops to help homeowners preserve their home, and free legal services to help address title issues and ensure homes can be passed on to future generations. NHSD also provides funding to support several non-profit partners who provide home rehab services to vulnerable households.

All the items identified in the audit have been addressed and corrective actions have been taken. NHSD is appreciative of the audit team and their help to implement the recommendations.