



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 6

Agenda Date: January 14, 2025

In Control: Audit Committee

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Baltazar Vargas

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor Report AU23-027 Audit of NHSD Home Improvement Programs

SUMMARY:

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

BACKGROUND INFORMATION:

Background

Neighborhood and Housing Services Department's (NHSD) 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. For FY 2023, NHSD's goal was to complete 640 projects. Expenses for FY 2023 totaled approximately \$15.6 million. 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. 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.

The NHSD Housing Team is responsible for performing eligibility review and acceptance, project execution oversight, and invoice approval. Additionally, NHSD is tasked with overall program management and is responsible for overseeing applicable contractors, to include Merced Housing Texas, who is tasked with managing a portion of projects on behalf of NHSD.

Scope & Methodology

The audit scope was October 2022 through August 2024. This included a review of 29 home improvement projects for which we confirmed applicants were properly approved; scope of work assessments and legal documents were executed prior to the construction phase; changes orders were adequately approved; final inspections were performed prior to final payments; and contractor invoices were allowable and properly supported. Additionally, we reviewed reported performance measures and access controls for participant data.

Conclusion

NHSD's home improvement programs are not managed effectively, efficiently, or in compliance with established guidelines. 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. We made recommendations to improve these areas. Management agreed with the recommendations and developed positive corrective action plans.

ISSUE:

This item is presented for acceptance by the Audit Committee.

FISCAL IMPACT:

N/A

ALTERNATIVES:

N/A

RECOMMENDATION:

Staff recommends approval of this audit report.