



CITY OF SAN ANTONIO

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November 16, 2022

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SUBJECT: Audit Report of the Neighborhood & Housing Services Department Minor Repair Program

Mayor and Council Members:

We are pleased to send you the final report of the Neighborhood & Housing Services Department Minor Repair Program. This audit began in February 2022 and concluded with an exit meeting with department management in August 2022. Management's verbatim response is included in Appendix B of the report. Neighborhood & Housing Services management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Neighborhood & Housing Services Department

Minor Repair Program

Project No. AU22-032

November 16, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Neighborhood & Housing Services Department, specifically the Minor Repair Program. The audit objectives, conclusions, and recommendations follow:

Determine if the Minor Repair Program is managed effectively and efficiently and in compliance with established guidelines to include vendor management.

The Minor Repair Program has key reporting obligations that assist in monitoring contractor activities. Additionally, Neighborhood & Housing Services (NHSD) has an internal compliance team that assesses contractor compliance with Housing and Urban Development regulations.

We verified NHSD completes fiscal monitoring by performing reconciliations, collecting appropriate expense support, and requiring sufficient managerial approval prior to payment.

However, there are opportunities to strengthen controls associated with the oversight of project milestones, operational assurance, and application management.

We recommend the Neighborhood & Housing Services Department Director:

- Strengthen project management to include sufficient documentation of projects to include items like anticipated repairs, project activity, and potential constraints.
- Develop policies and procedures to address inspection requirements, participant survey performance, and data confidentiality, and
- Develop policies and procedures to ensure application metrics are tracked and monitored to provide timely updates to applicants both selected and denied.

While these recommendations are based on our audit of the Minor Repair Program, management should consider a review of other NHSD programs to ensure similar controls are in place.

NHSD agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 7.

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Background

The Neighborhood & Housing Services Department is dedicated to supporting and enhancing the quality of life for residents of San Antonio. On August 13, 2020, pursuant to Ordinance No. 2020-08-13-0531, City Council approved and adopted the fiscal year 2021 United States Department of Housing and Urban Development (HUD) Action Plan and Budget which included funding for a Minor Home Repair Program.

Contractors completed a competitive process. One contractor was selected to receive funding and complete all minor repair tasks. Qualifying areas evaluated were organizational capacity, financial capacity, relevant experience, scope of work, and program design. Merced Housing Texas (Merced) was selected.

On June 15, 2021, the Minor Repair Agreement was signed with total funding not to exceed \$500,000. The program allowed for 16 owner-occupied housing units from Council Districts 1 – 5 to be selected. Each housing unit was allowed up to \$25,000 (or \$400,000 total) in minor repairs to address health and safety items such as plumbing, electrical, non-working utilities, broken windows, damaged doors, and other items in need of repair. Funding not utilized to complete direct home repairs was allocated to offset lead-based paint testing and remediation, administration expenses and other associated fees.

On average, a project takes 81 days (2.5 months), not including required time for lead-based paint remediation, to be completed. All 16 projects were to be completed by December 31, 2021. However, two extensions have been granted decreasing required projects to 14 and the completion deadline was extended to August 31, 2022. As of May 2022, 10 owner-occupied housing units have been reported as completed with \$396,760 requested for reimbursement to date. Furthermore, invoicing has only been completed for 6 of the 10 finished units.

To assure the long-term use of the property by the original qualifying applicant, a covenant is entered into that allows for repair costs to be forgiven by one-fifth (1/5) each year. Applicant obligations cannot surpass \$25,000; therefore, \$5,000 is forgiven each year the participant has the home as their principal place of residence.

Audit Scope and Methodology

The audit scope included a compliance review for the most recent contract year, 2021. Additionally, 2018 Minor Repair Program covenant compliance was verified.

We interviewed staff, conducted reviews, and gained an understanding of the grant management process. Testing criteria included City Ordinance No. 2021-01-14-0015, contractual agreements, contractor policies and procedures, City Administrative Directives, and internal compliance reviews.

We assessed internal controls relevant to the audit objective. This included a review of:

- Implemented policies and procedures relevant to program management,
- Completeness of department project files,
- Accuracy of department fiscal monitoring,
- Adequacy of citizen application management,
- Adequacy of citizen updates and feedback,
- Adequacy of department oversight of contractor,
- Implementation of data safeguards.

We relied on computer-processed data from the City's financial system, SAP, to validate NHSD's reconciliation of reported contractor expenditures. 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 verifying that SAP generated reports agreed with both NHSD's and Merced's (contractor) record of expenditures. 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

Contract language outlines operational, fiscal, and regulatory requirements for the contractor, Merced Housing Texas (Merced). During March of 2022, NHSD's internal compliance team performed an on-site review to evaluate Merced's compliance with HUD. No findings were noted, and NHSD Compliance intends to conduct another review next fiscal year.

Additionally, NHSD's Grants Monitoring and Administration (GMA) team receives Monthly Performance Reports that document key project milestones and expenditures. Furthermore, reimbursement requests were accompanied by the appropriate supporting documentation and reconciled to the City's financial system.

Finally, all 16 anticipated projects were found to have the appropriate environmental and preservation requests completed prior to construction.

A. Project Management

The project management process does not sufficiently document or describe constraints affecting a project's timeline and milestones.

To determine whether program monitoring was effective, the audit team reviewed NHSD's project files. However, project files did not include documentation of anticipated repairs, project activities, or narratives as evidence of active monitoring for potential setbacks such as material requirements/shortages, supply chain issues, or permitting requirements.

The Minor Repair Program began June 15, 2021 and has required two timeline amendments due to unforeseen circumstances and delays. The amendments preserved the \$500,000 budget but decreased expectations from 16 to 14 projects and extended the completion deadline to August 31, 2022.

Insufficient documentation does not allow for the proactive identification of constraints or issue resolution beyond the creation of amendments.

Recommendation

The Neighborhood & Housing Services Department Director should strengthen project management to include sufficient documentation of projects to include items like anticipated repairs, project activity, and potential constraints.

B. Operational Assurance

B.1 Inspections

NHSD does not perform inspections of minor repairs completed by the contractor.

The Minor Repair Program obligates the contractor provide, oversee, administer, and carry out all activities and services in compliance with a specific set of performance measures. The contract also states that these obligations be completed in a manner satisfactory to the Grants Administrator of the Grants Monitoring & Administration Division. However, inspections are currently not performed by NHSD to confirm compliance.

A lack of contractor oversight does not allow for the verification of subcontractor performance or the quality and thoroughness of repairs that would ensure the contractor is appropriately representing the City.

B.2 Participant Satisfaction

NHSD does not survey participants to determine satisfaction with the contractor and Minor Repair Program.

Program goals and objectives require that Merced perform routine worksite visits, final walkthroughs that include the homeowners and associated subcontractor(s) and provide property tax counseling. However, these tasks and outcomes are not reported to or validated by NHSD.

A lack of follow-up with participating citizens and a lack of assurance that all program objectives have been completed does not allow for the verification and acknowledgment of participant satisfaction. Additionally, it does not safeguard the City's reputation or funding, and does not allow for the appropriate awareness required to ensure continuous program improvement.

B.3 Data Confidentiality

NHSD does not verify the implementation or appropriateness of confidentiality policies and procedures.

The Minor Repair Program requires the contractor maintain in confidence all information pertaining to the program. Additionally, the contractor must establish a privacy policy designed to protect its own as well as third parties' confidential information, including requiring a written confidentiality agreement of the contractor's employees.

A lack of final review of the contractor's data security policies & procedures does not allow NHSD to verify sensitive citizen information is safeguarded or that the implemented procedures are sufficient to meet City standards.

Recommendation

The Neighborhood & Housing Services Department Director should ensure policies and procedures are developed to address inspection requirements, participant survey performance, and data confidentiality.

C. Application Management

NHSD does not have procedures in place to monitor application metrics.

The audit team spoke with three participants whose homes received minor repairs during the 2021 contract year. Each shared extreme satisfaction and improved living conditions due to the Minor Repair Program. However, frustrations were expressed regarding the long period of uncertainty post application. Reported performance metrics indicated that participants waited an average of 518 days (1 year and 5 months) from application submission until actual completion of minor home repairs.

Currently, protocols do not exist for updating citizens not selected. It was also mentioned that some citizens were unaware if reapplication was required.

Without procedures in place to monitor and track applications, proper assessment of program need/desire or the identification of district areas that may lack program awareness cannot be appropriately assessed. Additionally, the lack of monitoring and data retention has not allowed for citizens to receive application updates.

Recommendation

The Director of the Neighborhood & Housing Services Department should develop policies and procedures to ensure application metrics are tracked and monitored to provide timely updates to applicants both selected and denied.

Appendix A – Staff Acknowledgement

Gabriel Trevino, CISA, Audit Manager
Denise Trejo, Auditor in Charge

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 21, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the Neighborhood & Housing Services Department Minor Repair Program.

The Neighborhood & Housing Services Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

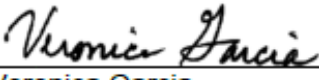
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	Project Management The Neighborhood & Housing Services Department Director should strengthen project management to include sufficient documentation of projects to include items like anticipated repairs, project activity, and potential constraints.	3	Accept	Ann Eaton, Housing Production Administrator	November 30, 2022
Action plan NHSD has established project management expectations to include project milestones for completion, regular project check-ins with Merced, a SharePoint site to securely share a project management tracking document, project files and applicant information, and defining the project lifecycle to understand project status in a manner consistent with NHSD staff's internal project management tracking. Defining and establishing shared goals and project status definitions ensures consistency across all entities providing home rehab services. Merced will keep the City's project management document updated as it moves through the various stages. In addition, Merced now utilizes third party project management software to manage the entire project timeline. Anticipated repairs and potential constraints of the project will be reflected in the Scope of Work mutually agreed upon by all parties. Additionally, frequent check-ins will ensure NHSD staff and Merced are in constant communication with rehab status and can better support one another to bring projects to fruition.					

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
2	<p>Operational Assurance</p> <p>The Neighborhood & Housing Services Department Director should ensure policies and procedures are developed to address inspection requirements, participant survey performance, and data confidentiality.</p>	4	Accept	Ann Eaton, Housing Production Administrator	December 31, 2022
<p>Action plan: NHSD will collaborate with Merced to develop and implement policies and procedures to document inspection requirements and rehab requirements, develop a survey tool to understand the homeowner's experience, and develop policies related to data confidentiality. These items are further described below.</p> <ol style="list-style-type: none"> 1. Inspection Requirements – Projects are required to comply with City policies and local government rules and regulations regarding residential building permits and inspections to ensure the final project was built to the City's adopted codes, which provides some assurance of work quality. To provide additional oversight, NHSD and Merced will collaborate to develop an inspection form to document the home's issues and justification for construction scope of work. NHSD will also develop policies and procedures to list the construction process steps based on inspection findings, plus document final project inspections upon completion. 2. Participant Experience – NHSD is developing a survey tool to understand the homeowner's experience, which will be implemented by January 31, 2023. Staff will work with Merced to include their projects as part of the survey implementation. 3. Data Confidentiality –NHSD will create a SharePoint site for Merced and staff to securely share files and applicant's personal information to align with Data Gov principles, which will be implemented by October 30, 2022. In addition to project management utility, a SharePoint site provides both parties an opportunity to seamlessly and confidentially share applicant information. 					
3	<p>Application Management</p> <p>The Director of the Neighborhood & Housing Services Department should develop policies and procedures to ensure application metrics are tracked and monitored to provide timely updates to applicants both selected and denied.</p>	5	Accept	Ann Eaton, Housing Production Administrator	December 31, 2022

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan:</p> <p>The applicants selected in the audit review were a part of the FY 2021 application. Since that time, a pro-active communication plan was implemented in the FY 2022 home rehab application. These measures included sending all applicants a letter of their selection status, and monthly updates to all selected applicants to keep them informed of their status as projects moved into production.</p> <p>Additionally, the applicants selected to participate in the Merced contract approved by Council in June 2022 are being mailed a letter of our partnership noting expectations and listing contacts for both parties. The shared project management document will also ensure staff is aware of applicants denied for not meeting eligibility. In these cases, staff will require Merced send a letter to the homeowner within 14 days.</p> <p>NHSD will develop policies and procedures to document the homeowner notification process for City projects as well as subcontractor's projects.</p>				

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


Sincerely,



 Veronica Garcia
 Interim Director
 Neighborhood & Housing Services

9-21-22

 Date



 Lori Houston
 Assistant City Manager
 City Manager's Office

09/21/2022

 Date