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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Neighborhood & Housing Services Department

Emergency Housing Assistance Program

Project No. AU21-002

March 14, 2022

Kevin W. Barthold, CPA, CIA, CISA  
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 our second audit of the Neighborhood & Housing Services Department (NHSD) Emergency Housing Assistance Program (EHAP). The audit objectives, conclusions, and recommendations follow:

**Determine if EHAP is effective and efficient and follows Council direction and/or grantor guidelines.**

Overall, the EHAP is being operated in an efficient and effective manner. NHSD is ensuring approved applications are being paid the assistance due, that payments are made only for approved applications, and that ineligible applicants are rejected from the program in accordance with City policies, federal rules, and grant agreements. NHSD has internal controls in place to detect duplicate applications, comply with grant agreements, and record payments accurately.

However, we noted some areas for improvement regarding compliance with grant agreements and recommend that NHSD obtain written clarification of grant terms with respect to the number of months of assistance awardable from each grant and any allowable exceptions.

NHSD Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix C on page 12.

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## Background

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The Risk Mitigation Fund (RMF) was created in October 2018 to mitigate, prevent, and minimize displacement in the face of community change. It provided immediate assistance while the City addressed the root causes of displacement. Support was via relocation assistance for those displaced, emergency assistance to help households stay housed in a moment of crisis, and rental incentives to help with barriers to finding affordable housing.

In response to the COVID-19 pandemic, the Emergency Housing Assistance Program (EHAP) was created, using the remaining allocated funds from the RMF, as well as infusions of reallocated budget from various local funds, reallocated funds from the existing federal CDBG (Community Development Block Grant) programs, and new federal funding via the CARES (Coronavirus Aid, Relief, & Economic Security) Act. In fiscal year (FY) 2021, EHAP received additional federal funding via the federal Emergency Rental Assistance Program (ERAP), and through the State of Texas (Texas Emergency Rental Assistance Program (TERAP) and Bexar County (Bexar County TERAP, General Fund, and ERAP programs)). EHAP also has received General Fund money from Bexar County to aid citizens living outside of the city limits but within Bexar County.

The rules for the EHAP program have evolved over the course of the pandemic to simplify processing of applications and to accommodate new requirements imposed by outside funding sources. EHAP assists with rent or mortgage payments; utility payments for water, electricity, and internet; and provided direct cash assistance during some phases of the program. No assistance is provided unless the applicant needs rent or mortgage assistance.

The tables on the next page summarize the assistance available depending on the household income and the phase of the program. A prior audit issued by our office (Risk Mitigation Fund and COVID-19 Emergency Housing Assistance Program - AU20-037) focused on the first three phases of the program through July 31, 2020. This audit focused on the latter three phases for the period August 1, 2020 through April 30, 2021<sup>1</sup>. Assistance amounts and types are shown in the tables on the next page for the various phases and programs.

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<sup>1</sup> The first audit covered the RMF phase, as well as EHAP phase 1 and a portion of EHAP phase 2. This audit covered the remaining portion of EHAP phase 2, EHAP phase 3, and a portion of EHAP phase 4 through April 30, 2021.

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Emergency Housing Assistance Program

	Risk Mitigation Fund October 2019 – March 2020 <sup>2</sup>		EHAP Phase 1 April 2020 – June 2020	
Area Median Income (AMI)	< 80% AMI	81 - 100% AMI	< 80% AMI	81 - 100% AMI
RENT/Mortgage	Up to 3 months not to exceed \$3,500	Up to 3 months not to exceed \$2,625	Up to 3 months not to exceed \$3,500	Up to 3 months not to exceed \$2,625
CPS, SAWS, Internet	Up to \$1,500 <sup>3</sup>	Up to \$1,125 <sup>1</sup>	Up to \$1,500	Up to \$1,125
Cash Grant	\$0	\$0	Up to \$300	Up to \$300
Third Month of Rent Cash Grant	\$0	\$0	\$0	\$0

Source: NHSD Management

	EHAP Phase 2 July – September 2020	EHAP Phase 3 October 2020 - February 17, 2021	
AMI	< 100% of AMI	< 50%	51 - 80%
RENT/Mortgage	Up to \$5,000 combined and no more than 3 mos.	Up to 2 months	Up to 2 months
CPS, SAWS, Internet		Bill Amount	\$0
Cash Grant	Up to \$300	Up to \$300	\$0
Third Month of Rent Cash Grant	\$0	\$500 <sup>4</sup>	\$250 <sup>3</sup>

Source: NHSD Management

EHAP Phase 4 On or After February 18, 2021	Program				
Assistance	TERAP <sup>5</sup>	ERAP <sup>6</sup>	CDBG	CoSA General Fund	Bexar General Fund
CPS, SAWS, Internet	No	Yes	Yes	Yes	Yes
Months of Mortgage Current, Arrears, Future, Fees	0	0	Yes	Yes	No
Months of Rent Current, Arrears, Future, Fees <sup>7</sup>	Up to 6	Up to 9	Up to 6	Up to 9	Up to 6
New Rental Units	No	No	No	No	Yes
Cash Grant	No	No	No	No	No

Source: NHSD Management

Assistance is provided only to residents that have a household income at or below 100% the area median income (AMI), as defined by the US Department of Housing and Urban Development (HUD). Assistance can be provided using federal funds if the applicant falls at or below 80% of AMI. Local funds were used for applicants earning above this level in some phases of the program. The table on the next page shows household size effect on eligible assistance by AMI category.

<sup>2</sup> The Risk Mitigation Fund was operational prior to October 2019, but the scope of our prior audit did not include reviewing transactions prior to October 1, 2019.

<sup>3</sup> Internet assistance was not part of the Risk Mitigation Program.

<sup>4</sup> Residents who received assistance prior to October 1, 2020 and who reapplied received one month of cash assistance until February 17, 2021.

<sup>5</sup> Both CoSA and Bexar TERAP require one month future rent.

<sup>6</sup> ERAP can be extended to 12 months total benefit with approval.

<sup>7</sup> TERAP and CDBG require the months of rent to be consecutive.

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Household Size	Extremely Low Income	Very Low Income (50% of Median)	Low Income (80% of Median)	General Fund Eligible (100% of Median)
1	\$ 15,150 or less	\$ 15,151 - \$ 25,200	\$ 25,201 - \$ 40,350	\$ 40,351 - \$ 50,400
2	\$ 17,300 or less	\$ 17,301 - \$ 28,800	\$ 28,801 - \$ 46,100	\$ 46,101 - \$ 57,600
3	\$ 21,720 or less	\$ 21,721 - \$ 32,400	\$ 32,401 - \$ 51,850	\$ 51,851 - \$ 64,800
4	\$ 26,200 or less	\$ 26,201 - \$ 36,000	\$ 36,001 - \$ 57,600	\$ 57,601 - \$ 72,000
5	\$ 30,680 or less	\$ 30,681 - \$ 38,900	\$ 38,901 - \$ 62,250	\$ 62,251 - \$ 77,760
6	\$ 35,160 or less	\$ 35,161 - \$ 41,800	\$ 41,801 - \$ 66,850	\$ 66,851 - \$ 83,250
7	\$ 39,640 or less	\$ 39,641 - \$ 44,650	\$ 44,651 - \$ 71,450	\$ 71,451 - \$ 89,280
8+	\$ 44,120 or less	\$ 44,121 - \$ 47,550	\$ 47,551 - \$ 76,050	\$ 76,051 - \$ 95,040

Source: U.S. Department of Housing and Urban Development

Applicants who filed electronic applications that were approved and paid since the inception of EHAP (April 2020) received assistance totaling \$93,159,415 through April 30, 2021.

Council District	Number of Applications	Total Assistance (not including cash grants)
Bexar County	528	\$2,111,160.33
1	3,240	\$8,446,465.80
2	4,515	\$11,932,725.03
3	3,795	\$10,049,724.23
4	3,047	\$8,453,018.67
5	2,573	\$6,197,867.77
6	3,395	\$9,520,511.59
7	3,710	\$10,018,525.81
8	3,821	\$10,733,654.41
9	2,442	\$7,099,173.78
10	2,956	\$8,596,587.36
<b>Grand Total</b>	<b>34,022</b>	<b>\$93,159,414.78</b>

Source: Auditor analysis of data from the City's accounting system (SAP) and Mendix (EHAP application processing system)

## Audit Scope and Methodology

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The audit scope included electronically submitted applications that were processed by the City between August 1, 2020 and April 30, 2021, and their associated payments (no matter the date). Additionally, data from the inception of the EHAP program through October 1, 2021 was used for generating background information for the report and for calculating average processing times.

We reviewed policies and procedures and grant agreements and conducted tests of approvals and denials of assistance. We tested approved applications to determine if the supporting documentation was complete, income levels were accurately calculated, household size was supported, council district (or Bexar County status) was accurate, the eviction flag was correctly set, the source of funds was appropriate, and the total amount awarded complied with City, County, State, or Federal guidelines or grant rules (as applicable). We tested denied applications to determine if the application was denied for an appropriate reason and the reason was accurately recorded. We analyzed data to determine the length of time between submission and NHSD decision dates for applications with determinations. We also reconciled approved applications to payments listed in the City's accounting system (SAP), and vice versa. Testing criteria included policies and procedures, federal rules, and grant agreements.

We assessed internal controls relevant to the audit objective. This included a review of written policies and procedures as well as tests of the approval and denial process as noted above. The prior audit of this program, covering the months from inception to July 31, 2020, also included a review of internal controls, such as managerial oversight, and relied on that information as well.

We relied on computer-processed data in the SAP system to validate actual EHAP payments. We relied on computer-processed data in the Mendix system to validate applications and approvals and denials. Our reliance was based on performing direct tests on the data rather than evaluating general and application controls. Our direct testing included verifying applicants met established criteria and payments were properly documented and appropriate. 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

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Overall, NHSD is appropriately approving and denying applications for assistance in the Emergency Housing Assistance Program (EHAP). It has ensured that program funds are appropriately spent and tracked, and that grant rules are being followed. However, we noted some areas for improvement regarding compliance with grant agreements as noted below.

### A. Approvals and Rejections of Applications

Overall, applications were awarded in accordance with federal, state, and local rules and regulations as well as policies and procedures. However, we identified some cases in which assistance for applicants was not paid from a fund for which they are eligible.

We tested a random sample of 54 approved and paid applications associated with 124 non-cancelled payments and found they were properly awarded. In order to catch specific errors likely to occur, we also tested a judgmentally selected sample of 25 approved and paid applications. We found a few non-systemic errors (due to clerical data entry errors) and communicated the results to NHSD management for correction.

Next, we tested a random sample of 44 rejected applications and found they were appropriately rejected. Finally, we tested a judgmentally selected sample of 23 rejected applications designed to catch specific errors and found no significant errors.

Thus, we determined that the program is appropriately approving and rejecting applications for assistance.

### B. Grant Compliance

We identified a small number of applications for which NHSD was not in compliance with grant agreements and policies and procedures at the time of the audit.

NHSD's controls to prevent duplicate applications are working as intended, as are its controls to prevent more than three months of advance rent assistance. However, NHSD funded more months of rent than allowed by the funding grant in some instances and occasionally paid assistance for mortgages from funds which only allowed rental assistance. NHSD management had a verbal understanding that extra months of assistance were allowable that was not reflected in the written



grant terms. These errors are easily corrected by switching the source of the funds used for the applicant and by amending the written grant agreements to reflect informal/verbal understandings of the grantors' intent.

### **Recommendation**

The NHSD Director should formally clarify with grantors the number of months of rental assistance allowed to be granted to applicants and any exceptions to those rules. If such clarification is not forthcoming or memorialized in a grant amendment, NHSD management should move the approved applicants that are not eligible for these reasons to a fund for which they are eligible (local or federal).

### **C. Financial Record Keeping**

We found inconsistencies in the payment records between the City's accounting system (SAP) and the system used to process applications (Mendix). In some cases, the source of funds differed between the two, the amounts and types of assistance paid differed, and some payments may not have been made at all.

Every month, NHSD reconciles payment transactions recorded in SAP to Mendix (and vice versa). NHSD also tracks the cashing of checks to ensure that funds disbursed are received. According to NHSD, they also perform a second check of payments made when preparing reports to the federal government.

To test this process, we reconciled payments made in SAP to approved applications in Mendix. We also reconciled approved applications in Mendix to the payments in SAP to ensure that every payment was authorized, and every approved application received assistance. We found a minor number of errors that were not material and communicated them to NHSD management for correction. Thus, we have no further recommendations.

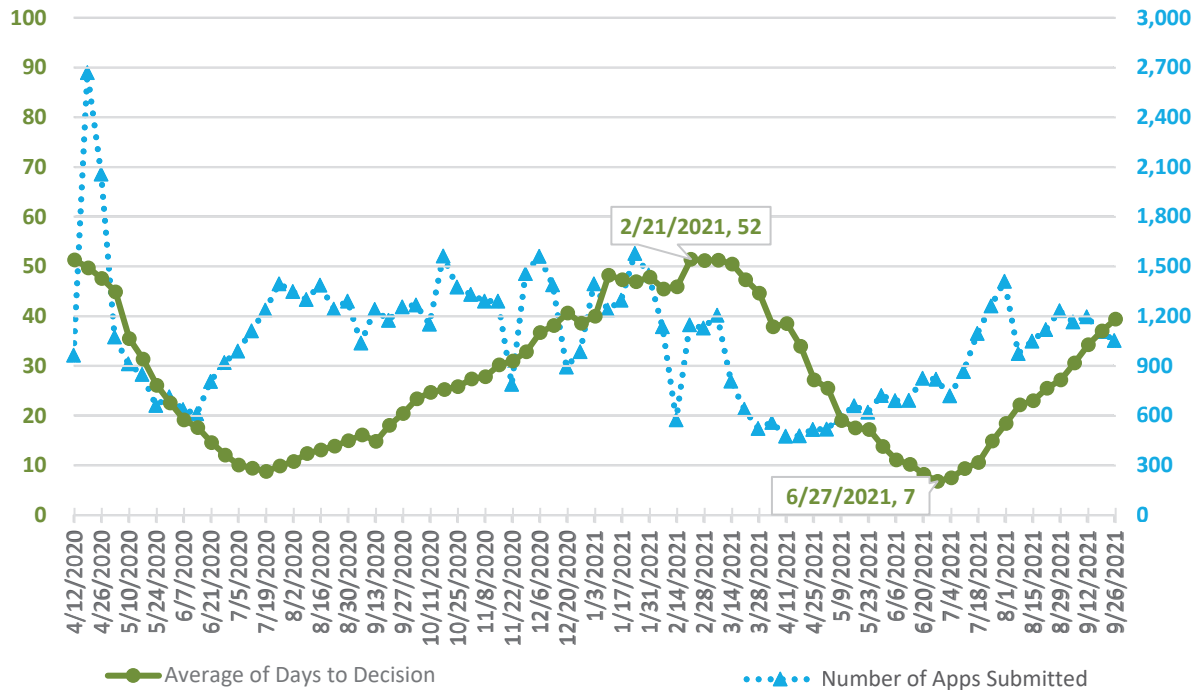
### **D. Processing Timeliness**

The average time it takes NHSD to approve or reject applications ranges between 7 and 52 days, with an average of 29 days overall. More than 76% of applications are decided within six weeks of submission.

We looked at the time it took for applications to be approved or denied for those applications submitted between April 16, 2020 and October 1, 2021 and found that the time to process an application varies, at least in part, based on the volume of applications being received in any given week. Other factors may include staff availability, complexity of the programs available in a given week, and the time it takes applicants and landlords to provide documentation. Additionally, NHSD staff

may revive applications after they have been rejected (because clients provided new information), which can increase processing times.

Number of Applications Submitted by Week Beginning and  
Average Days to Decision by Week Submitted



Source: Auditor analysis of Mendix data

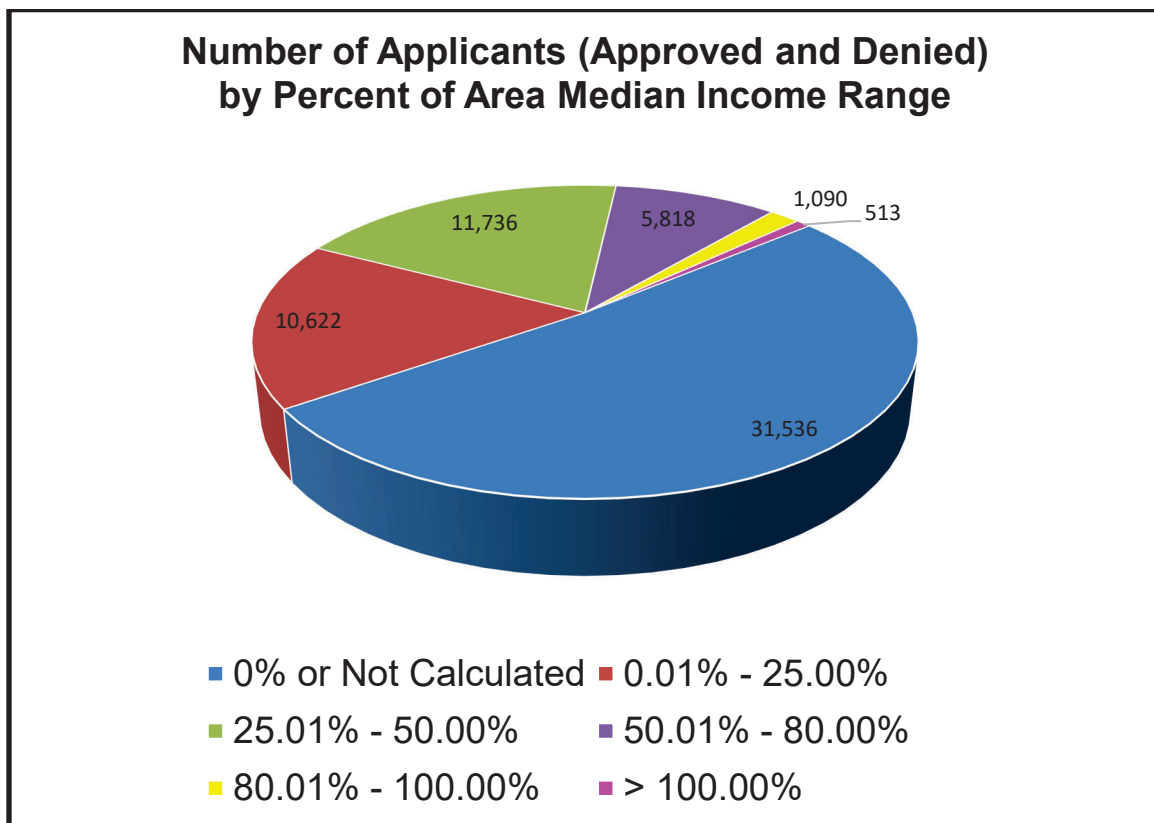
The time it takes for NHSD to process an application for assistance involves input from the applicant and the applicant's landlord or mortgage lender, as well as NHSD staff. First, applicants submit their information and supporting documentation. NHSD personnel then review this information and ask for any documentation and information that is missing from the application. When using certain sources of funding, NHSD also requests that landlords provide information and certifications as well, especially in cases where there is a risk of eviction.

Since NHSD is working closely with applicants' landlords to prevent evictions (as part of the grant programs), the risk associated with longer application processing times is low. Thus, we make no recommendation.

## Appendix A – Application Demographics

We analyzed applications against a variety of demographic attributes available from the application data. Demographic information is self-reported by applicants and reflects only the applicant, not the entire applicant household.

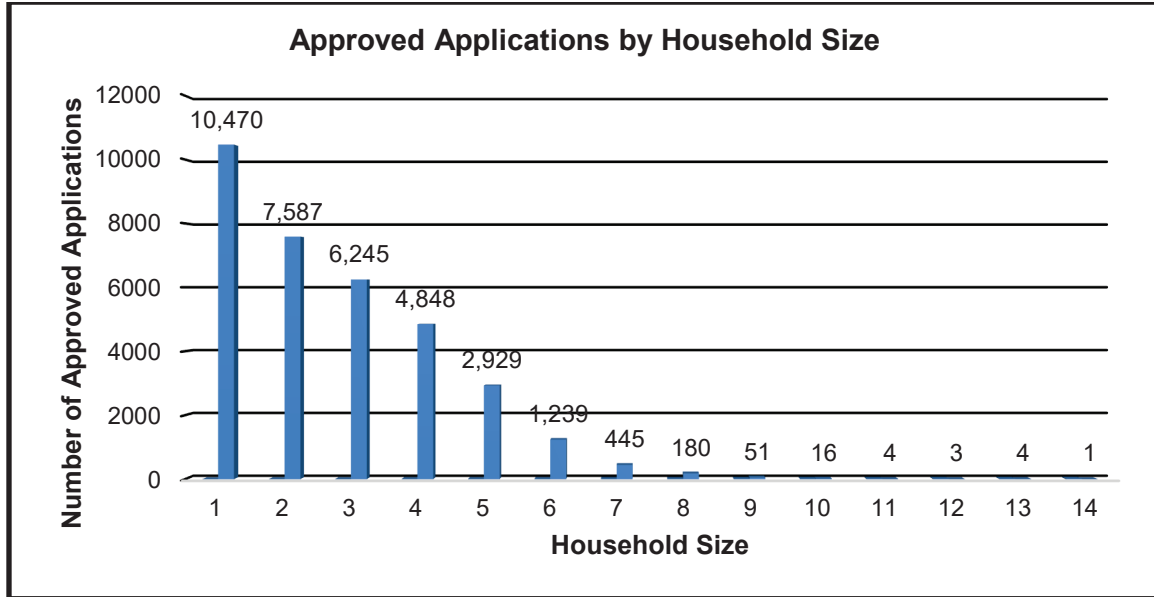
The exception to this rule is the attribute “percent of area median income” (%AMI). NHSD calculates the applicant household’s annual income from supporting documents provided by the applicant and determines the household’s %AMI level. The breakdown of all applicants by %AMI level is shown below.



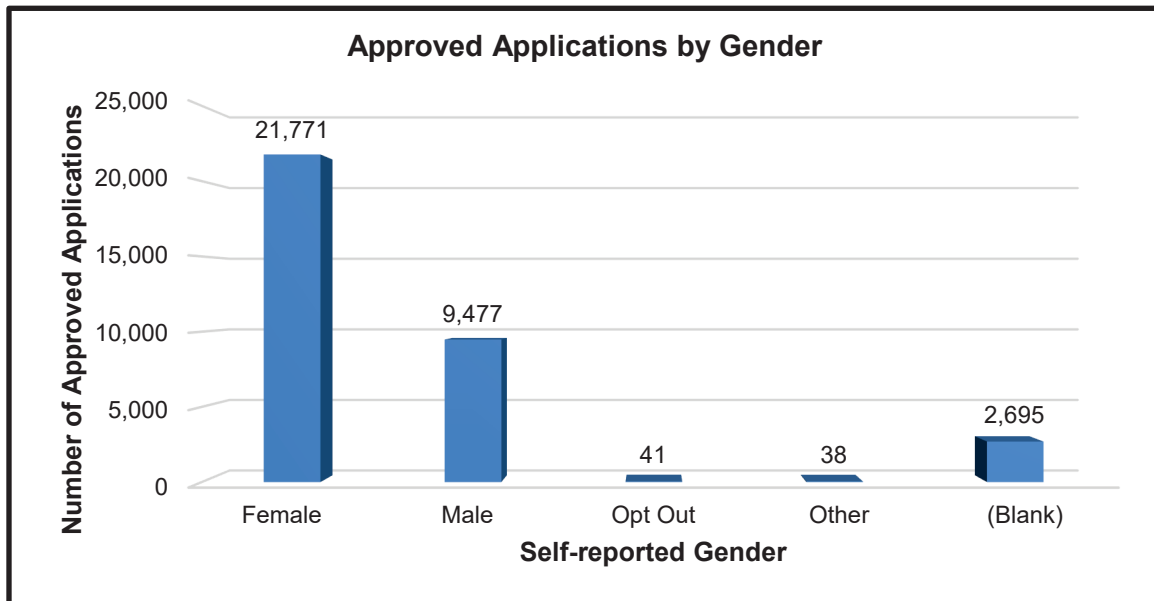
Source: Auditor analysis of Mendix data (Submitted from April 16, 2020 through April 30, 2021)

## Appendix A – Application Demographics (cont.)

The largest category of approved applicants are single and female as shown in the next two charts.



Source: Auditor analysis of Mendix data (Submitted from April 16, 2020 through April 30, 2021)

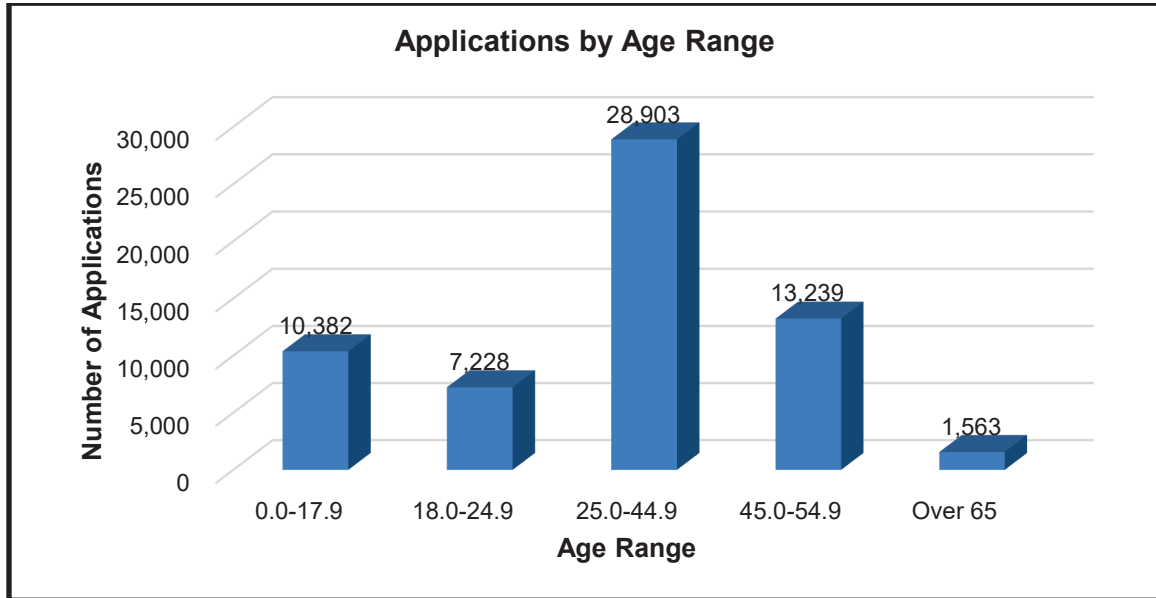


Source: Auditor analysis of Mendix data (Submitted from April 16, 2020 through April 30, 2021)

## Appendix A – Application Demographics (cont.)

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Applicants represent all age ranges but are predominantly working age adults.



Source: Auditor analysis of Mendix data (Submitted from April 16, 2020 through April 30, 2021)

## **Appendix B – Staff Acknowledgement**

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Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager  
Susan C. Van Hoozer, CIA, CISA, Auditor in Charge  
Douglas Francis, CIA, Auditor  
Michael Gutierrez, Auditor

## Appendix C – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 1, 2022

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

RE: Management's Corrective Action Plan for Audit of Neighborhood & Housing Services Department  
Emergency Housing Assistance Program (EHAP)

The Neighborhood & Housing Services Department (NHSD) 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	<b>Grant Compliance</b>  The NHSD Director should formally clarify with grantors the number of months of rental assistance allowed to be granted to applicants and any exceptions to those rules. If such clarification is not forthcoming or memorialized in a grant amendment, NHSD management should move the approved applicants that are not eligible for these reasons to a fund for which they are eligible (local or federal).	6	Accept	Veronica Gonzalez, Administrator	2/28/22

## Appendix C – Management Response (continued)

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<u>Action plan:</u>  NHSD management has strengthened monitoring procedures with regular meetings and conducts accurate reconciliation between eligibility requirements and applicable funding sources. This includes a monthly review of federal, state, and local reports to ensure applications meet the requirements of the qualified funding source. For applications that do not clearly meet grantor guidelines, the applicant is moved to an alternative state or federal fund for which they are eligible to receive assistance.				

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

Sincerely,



Verónica R. Soto, FAICP  
Neighborhood & Housing Services Department

3-1-22

Date



Lori Houston  
Assistant City Manager  
City Manager's Office

3-7-22

Date