
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Neighborhood and Housing Services Department

Down Payment Assistance Programs

Project No. AU19-018

July 30, 2019

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 and Housing Services Department (NHSD), specifically the Down Payment Assistance Programs. The audit objectives, conclusions, and recommendations follow:

Determine if the Down Payment Assistance Programs are managed effectively and in compliance with policies.

The Down Payment Assistance Programs are being managed effectively and in compliance with policies. NHSD is appropriately evaluating program applicants based on program qualifications and issuing the authorized funds based on program policies.

However, there are opportunities to strengthen the controls associated with recognizing when enrolled personnel separate from the City, accounting for the recoupment of unforgiven funds of separated employees, and securing electronic loan file documents.

We recommend that NHSD Director:

- Implement a process to identify when enrolled employees separate from the City and account for the repayment of unforgiven funds.
- Limit the access to electronic loan files based on the principle of least privilege and data sensitivity.

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 7.

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Background

The Neighborhood and Housing Services Department is dedicated to supporting and enhancing the quality of life for residents of San Antonio by providing effective management and delivery of City resources focused on housing, economic stimulation, reinvestment, and rehabilitation.

Included in these services are three programs focused on providing home-buying assistance to the City's employees, first responders, and the general citizens of San Antonio. These programs are:

The Homeownership Program for Employees (HOPE) provides assistance to full-time civilian employee homebuyers by making a \$5,000 or \$10,000, 0% interest, no payments second loan. This loan is forgiven over five years and can be used for any combination of the down payment required by the lender and some of the additional costs associated with purchasing a home. Only homes located in the Community Revitalization Action Group (CRAG) area or the Inner City Reinvestment/Infill Policy (ICRIP) area are eligible for this program.

The First Responders Homebuyer Assistance Program (FRHAP) provides assistance to City of San Antonio uniform police and fire employees by making a 0% interest or no payments second loan in an amount of \$15,000 for homes purchased in the CRAG area or \$7,500 for homes in the general City limits. The second loan can be used for any combination of the down payment required by a lender and some of the additional cost associated with purchasing a home.

The Homeownership Incentive Program (HIP) provides assistance to qualified homebuyers in the general public by lending between \$1,000-\$12,000 as a 0% interest / no payments second loan which can be used for the down-payment required by a lender and some of the additional costs associated with purchasing a home. 75% of the loan will be forgiven over a 10-year period. Only homes located within the city limits of San Antonio are eligible for this program.

Funding¹ for these programs is a combination of the NHSD allocated portion of the General Fund and Center City Development and Operations (CCDO) Inner City Incentive Fund (ICIF). The HIP program is also supported by federal grant funding from the U.S. Department of Housing and Urban Development (HUD) through the HOME Investment Partnerships Program which provides formula grants to states and localities to fund activities designed exclusively to create affordable housing for low-income households.

¹ For a table of budgeted funds for FY2019 for each program, see Appendix A.

Audit Scope and Methodology

The audit scope included all down payment assistance programs (HOPE, FRHAP, and HIP) for the period of October 1, 2017 to September 30, 2018.

We interviewed NHSD staff to obtain an understanding of the controls and processes in place to administer the down payment assistance programs. To establish test criteria, we reviewed respective program policies, guidelines, and procedures as well as HUD regulations. For each program, we evaluated supporting documentation including examples of a loan files, applicant databases, and financial reconciliations used to track and manage allocated funding.

We relied on computer-processed data in the SAP system to validate the existence and accuracy of related down payment assistance program funds. 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 existence and accuracy of loan payments wired to lenders and accurate reimbursement to San Antonio Housing Trust for HIP program loans. Additionally we verified that all employees and first responders currently completing the five year forgivable period are set up in SAP to receive additional quarterly withholding due to the associated tax implications. 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. Employment Status and Recoupment of Funds

NHSD does not have a process in place to recognize when enrolled personnel separate from the City. Additionally, NHSD is unable to account for the recoupment of unforgiven funds of separated employees prior to completing the mandatory five year employment period.

Per program guidelines, employees are required to maintain employment for a period of five years following the receipt of loan funds through either the HOPE or FRHAP programs. Forgiveness for these loans is dispersed evenly across a five year period, with unforgiven portions repaid to the City if the employee separates prior to completing this requirement.

We determined that there are seven former employees that received funds through the HOPE program that did not meet the five year employment requirement. Additionally, NHSD was unable to provide documentation indicating that funds were recouped by the City which amounted to \$47,000.

Without notification of personnel separating from the City, NHSD is unable to effectively administer program requirements and recoup unforgiven balances, ultimately resulting in a loss of City funds.

Recommendation

The Director of NHSD should implement a process to recognize when employees separate from the City and account for the recoupment of the unforgiven loan funds.

B. Access to Program Loan Files

While NHSD sufficiently safeguards physical copies of the program loan files, access to the NHSD's network folders, where electronic copies are stored, is excessive.

Currently, 101 active users from twelve different departments have access to NHSD's network folders, including where electronic copies of the HOPE, FRHAP, and HIP program loan files are stored. These loan files contain data which is classified as confidential, sensitive personally identifiable information (PII).

According to Administrative Directive (AD) 7.3A Data Security, this type of data requires the highest level of protection. In addition, Administrative Directive 7.8D

Access Control states that access permissions will use the principal of least privilege.

Access to the program loan files that contain sensitive PII are not properly restricted to only those NHSD personnel with a legitimate business need. Unauthorized access of the data contained in these program files could result in accidental or intentional disclosure and cause damage to the City and its employees.

Recommendation

The Director of NHSD should work with ITSD to properly restrict access to documents containing sensitive data, based on the principle of least privilege.

Appendix A – Supplemental Information

Down Payment Assistance Program – FY18 Budget

Program	General Fund	Inner City Incentive Fund (ICIF)	Home Investment Partnership Grant (HOME)	Total
HOPE		100,000		\$ 100,000
FRHAP	150,000	75,000		\$ 225,000
HIP			684,018	\$ 684,018
Total	\$150,000	\$175,000	\$684,018	\$1,009,018

Appendix B – Staff Acknowledgement

Gabe Trevino, CISA, Audit Manager
Dan Kuntzelman, CIA, Auditor in Charge

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

July 19, 2019

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

RE: Management's Corrective Action Plan for Neighborhood and Housing Services Department
Down Payment Assistance Programs

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

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	Employment Status and Recoupment of Funds The Director of NHSD should implement a process to recognize when employees separate from the City and account for the recoupment of the unforgiven loan funds.	3	Accept	Barbara Ankamah Burford Neighborhood Engagement Administrator	August 30, 2019
Action plan: Pouy Divin, HR Project Manager, has coordinated with ITSD to develop a flag within the HR module of SAP. The flag will alert HR staff when an employee separates from the City and HR will inform NHSD staff of all HOPE/First Responders employee separations. If the employee has an unforgiven HOPE/First Responders loan balance, NHSD staff will issue a letter to the employee outlining the remaining amount that is owed to the City. The letter will also state that the lien on the property through the HOPE/First Responders loan will be released once the remaining balance has been paid to the City.					
2	Access to Program Loan Files The Director of NHSD should work with ITSD to properly restrict access to documents containing sensitive data, based on the principle of least privilege.	3	Accept	Barbara Ankamah Burford Neighborhood Engagement Administrator	July 9, 2019

Audit of Neighborhood and Housing Services Department
Down Payment Assistance Programs

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: A new network shared drive was created on July 9, 2019 and only Homeownership Incentive Program staff members have access to this shared drive.				

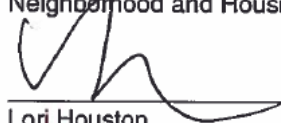
We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Verónica R. Soto
Director
Neighborhood and Housing Services Department

7.19.19
Date



Lori Houston
Assistant City Manager
City Manager's Office

7/19/19
Date