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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Neighborhood & Housing Services Department  
Risk Mitigation Fund and COVID-19 Emergency Housing Assistance  
Program

Project No. AU20-037

October 12, 2020

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

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## Executive Summary

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City Council requested we conduct an audit of the Neighborhood & Housing Services Department (NHSD), specifically the Risk Mitigation Fund (RMF) and COVID-19 Emergency Housing Assistance Program (EHAP). The audit objectives, conclusions, and recommendations follow:

**Determine if program funds are being used in accordance with federal regulations and guidelines and City policy.**

We evaluated NHSD's short-term housing assistance related programs (RMF and EHAP) and determined that NHSD has adequate controls in place to ensure funds are being spent appropriately.

NHSD approves and rejects applications according to City policies and federal rules and guidelines. Additionally, NHSD has improved the speed with which it processes applications to ensure swift payment to San Antonio citizens without sacrificing the quality of its processes. The average number of days to approve or deny an application for funds dropped significantly (about 80%) from April 2020 to August 2020, amid changes in program rules, budgets, and a significant increase in applications for assistance. We found an insignificant number of duplicate applications (2 out of more than 15,000) for which awards were made with federal funds and notified Management so that they could take appropriate action.

The Finance Department records program expenditures appropriately in the City's accounting system (SAP) and assists NHSD in monitoring actual expenditures against its budget.

Lastly, NHSD's application system maintains the information necessary to update City Council and the public with accurate information on a real-time basis.

Because we had no findings, we make no recommendations.

NHSD Management agreed with the results of the audit and has acknowledged receipt of a copy of the audit report in Appendix C on page 16.

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## Background

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 unused budget from various local funds, unused funds from existing federal CDBG (community development block grant) programs, and new federal funding via the CARES (Coronavirus Aid, Relief, & Economic Security) Act. EHAP initially followed the same guidelines as the RMF, with an expanded list of types of assistance. The rules for the program have evolved over the course of the pandemic in order to simplify processing of applications. EHAP assists with rent or mortgage payments, utility payments for water, electricity, and internet, and provides direct cash assistance. No assistance is provided unless the applicant needs rent or mortgage assistance. Assistance is only for residents of the City of San Antonio 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 are used for applicants earning above this level. The chart below shows how household size affects the definition of AMI for the San Antonio Greater Metropolitan Area:

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.

Audit of Neighborhood & Housing Services Department  
Risk Mitigation Fund and COVID-19 Emergency Housing Assistance Program

The fiscal year (FY) 2020 budget for EHAP is as follows:

<b>EHAP Phase I Funding Approved April 23, 2020</b>	
<b>Source of Funds</b>	<b>Amount</b>
San Antonio Housing Trust	\$5,000,000
CDBG Program Income and Savings	\$5,759,768
CARES Act Community Development Block Grant	\$7,707,015
Tax Increment Finance Funds	\$4,036,233
General Fund	\$2,850,000
Outside Contributions	\$200,000
<b>EHAP Phase II Funding Approved June 4, 2020</b>	
<b>Source of Funds</b>	<b>Amount</b>
Coronavirus Relief Funds	\$26,944,551
<b>Total</b>	<b>\$52,497,567</b>

Source: NHSD "9.14.20 CNSC – EHAP Phase 3\_final.ppt

This budget includes both program administration and direct assistance to applicants. Of the budgeted \$52.5 million shown above, approximately \$12 million remained as of August 30, 2020. On average, \$2.3 million is paid to applicants each week. Thus, the program will likely be out of funding by the end of September. Consequently, City Council approved a third phase of funding as part of the FY 2021 budget process on September 17, 2020.

EHAP is set to expire on December 31, 2020 unless extended administratively or by City Council action.

## Audit Scope and Methodology

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The audit scope included all paper/manual and electronic RMF and EHAP applications and supporting documents that were processed by the City from October 1, 2019 through July 31, 2020 with some reporting data extending to September 9, 2020.

To establish test criteria, we used City ordinances and the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) guidance and regulations. We interviewed NHSD and Finance Department (Finance) personnel, performed walkthroughs, and reviewed policy and procedures to identify controls related to the RMF and EHAP programs.

We tested approved applications to determine if all fields were entered, the supporting documentation was complete, income levels were accurately calculated, household size was supported, whether the applicant lived within the City limits, the source of funds was appropriate, the application was approved by both reviewer and supervisor, and the total amount awarded complied with City and Federal guidance. We tested denied applications to determine if the application was denied for an appropriate reason, the reason was accurately recorded, and whether the applicant was informed of the denial. We also tested all applications with anomalous data, such as applications that indicated the applicant lived inside the City limits but listed a Council District of 0 (which indicates applicant lives outside the City limits). These anomalous applications comprised an insignificant amount of the total application population.

We also reconciled the approved applications in Mendix to the City's accounting system (SAP) to ensure that approved applications were paid, and reconciled SAP to Mendix to ensure that only approved applications were paid. We analyzed expenditures against the budget and tested whether NHSD had accurate information to communicate to City Council Committees. We also analyzed whether any applicants received duplicate benefits solely using federal funds in amounts greater than \$5,000.

NHSD and Finance personnel utilize SAP to process payments made to applicants and/or their landlords and utility companies (SAWS, CPS, and Internet providers) as well as to track the expenditure of federal funds. Controls for SAP are maintained by ITSD systems security. Mendix does not interface with any other systems and no systems rely on its information. Controls for Mendix are maintained by ITSD systems security and the contractor Kinetech.

Significant internal control components and principles include the use of an electronic system (Mendix) to capture application information, supervisory review and approval of applications, the use of a standardized and protected spreadsheet

template to calculate applicant income levels and eligibility, and Mendix/SAP reconciliations. These controls helped NHSD capture application information accurately, process applications quickly, and comply with established guidelines.

We relied on computer-processed data in the SAP system to validate actual RMF and 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.

### A. Applications are Appropriately Approved or Denied

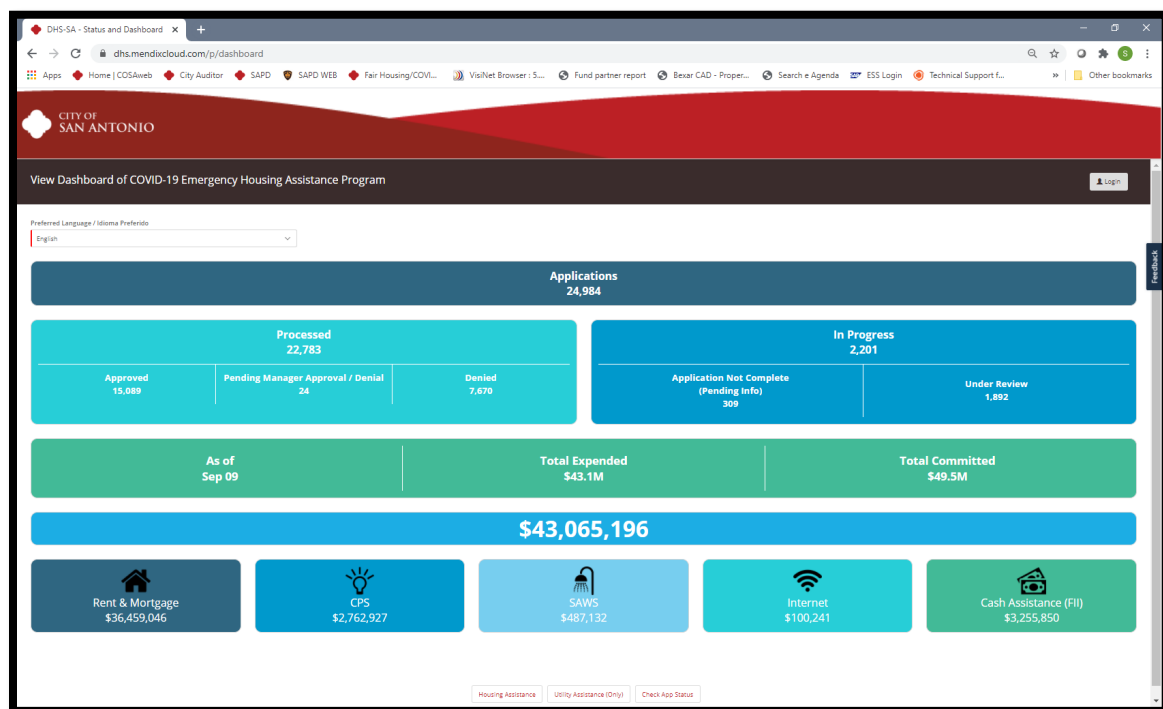
- The applications were denied for an appropriate reason.
- The reason for the denial was accurately recorded.
- The applicant was notified of the denial of their application.



## B. Accounting for Funds Expended is Accurate and Appropriate

We performed reconciliations of electronic applications in Mendix with SAP and found that funds were accurately and appropriately recorded. Payments were made only to approved applicants. We also examined the budget and actual expenditures of the program and found them to be tracked appropriately by NHSD personnel.

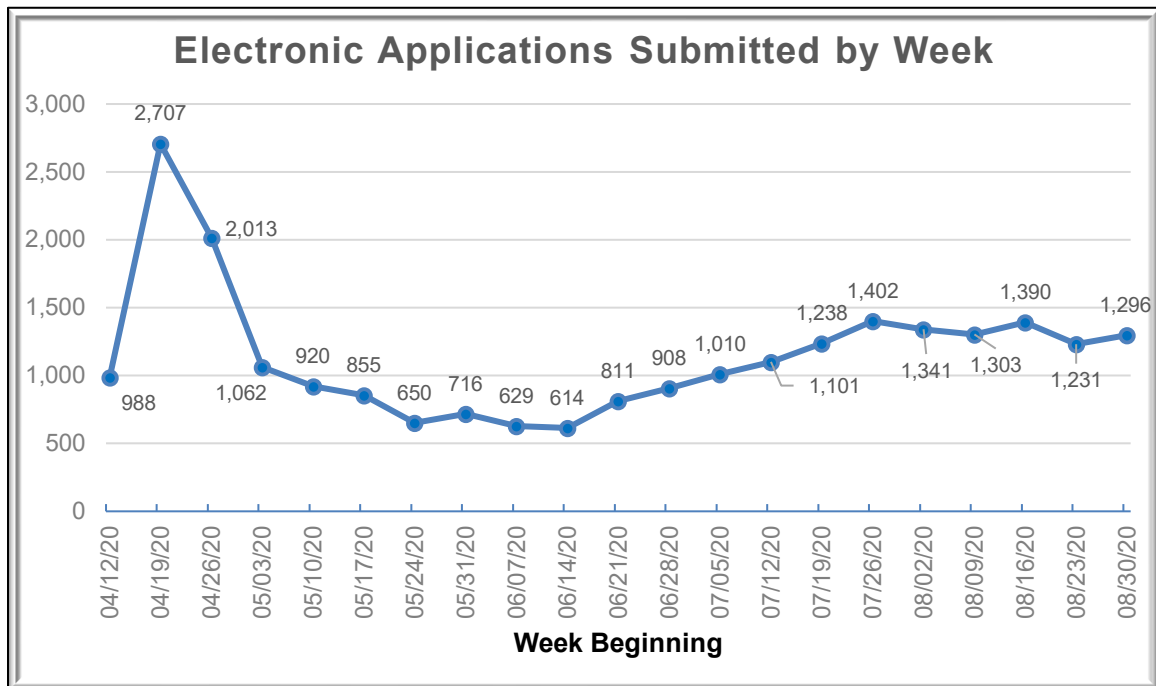
Additionally, NHSD worked with its software contractor to implement a dashboard to track the status of all applications (e.g., Incomplete/Pending information, Under Review, Pending Manager Approval/Denial, Approved, Denied). The dashboard also tracks the Total Dollars Awarded and Total Dollars Committed (the amount that would be expended if all pending applications were accepted plus the amount already awarded). The dashboard breaks down the amount awarded by the categories of assistance (Rent & Mortgage, CPS, SAWS, Internet, and Cash Assistance). We tested the dashboard and confirmed it was accurate and supported by the application data in Mendix. The dashboard is posted on NHSD's website where anyone can view it. An example of the dashboard as of September 9, 2020 is shown below:



Source: <https://dhs.mendixcloud.com/p/dashboard>

### C. Payment Times Have Decreased Significantly

NHSD has experienced a heavy volume of applications for assistance since mid-April, when the program was expanded to cover hardships due to the pandemic. For example, the total number of paper applications received was less than 650 for the entire period between October 1, 2019 through July 21, 2020, while electronic submissions of applications were at least 614 per week from April 2020 through August 2020. The chart below shows the submission rates of electronic applications by week.



Source: Auditor analysis of Mendix data

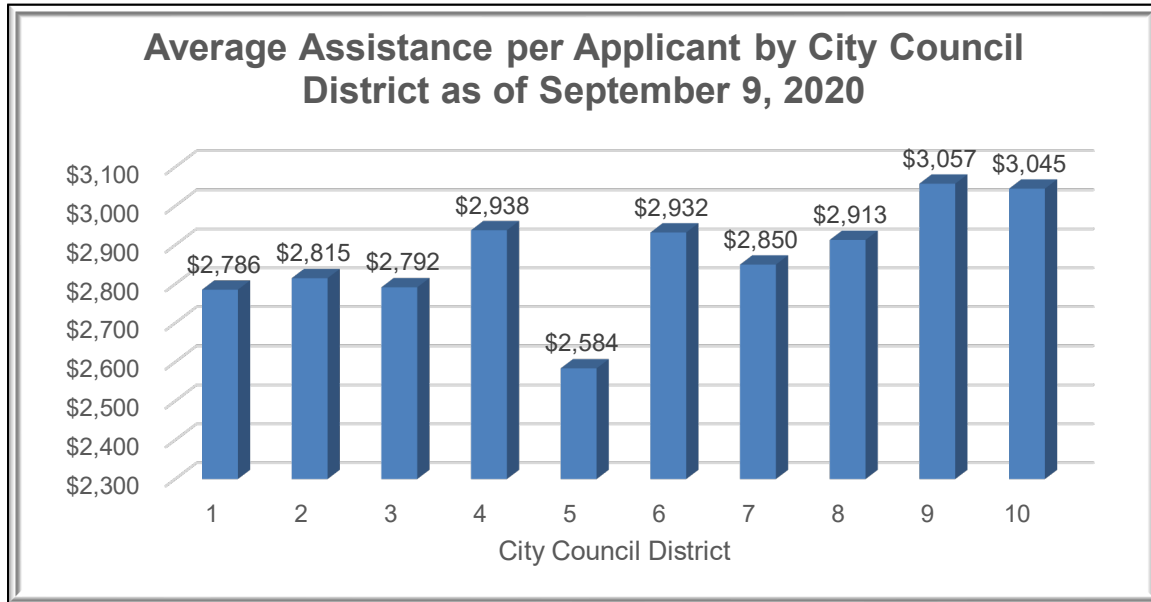
Despite the large increase in volume of applications, we found that processing times for electronically submitted applications have declined steadily to approximately 11 calendar days from submission of the application to the date of decision on the application. This is due to:

- The use of additional temporary personnel to meet the demand
- Streamlined processes
- The implementation of Mendix

The chart on the next page demonstrates the decline in application processing times.





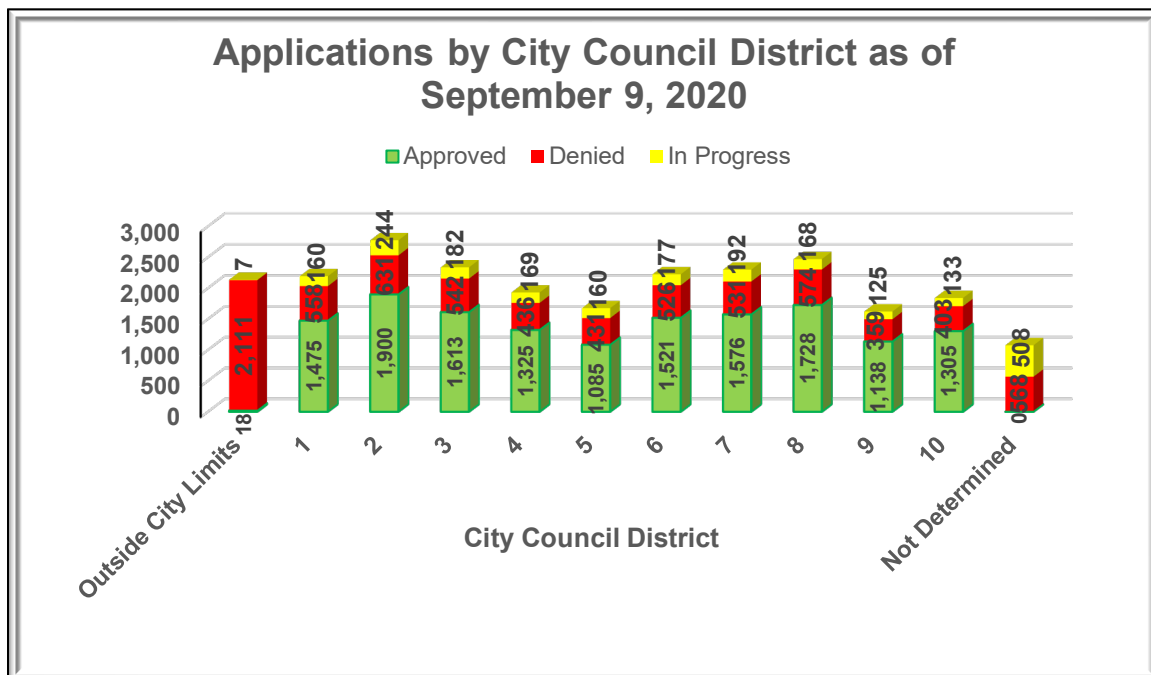


Source: Auditor analysis of Mendix data

For additional demographic information, please see Appendix A.

#### F. Applications are Denied for a Variety of Reasons

About one out of every three applications was denied. See the chart below for the total number of approved, denied, and in progress applications by city council district.



Source: Auditor analysis of Mendix data

The most common reason applications are denied (32.6%) is that the applicant lives outside of the city limits. The next most common reason (31.8%) is that the applicant is unresponsive when asked to provide additional information to support their application. For example, they didn't provide rental agreements, utility bills, or proof of household size, etc. Another 16.4% are denied because the applicant has submitted more than one application. Only 2.7% of applications are denied because the applicant earns more than 100% of AMI.

Lastly, 16.5% of applications are denied for some other reason. These reasons typically include: 1) the applicant has voluntarily withdrawn the application because assistance is no longer needed; 2) the applicant moved prior to the assistance being provided; 3) the applicant did not need rent or mortgage assistance but wanted other types of assistance; or 4) the applicant was already homeless when the application was submitted.

Whenever possible, NHSD refers rejected applicants to other sources of assistance, such as Bexar County ([www.habctx.org/TRAM](http://www.habctx.org/TRAM)), the San Antonio Community Resource Directory ([www.sacrd.org/directory](http://www.sacrd.org/directory)), the City's Department of Human Services (for utility only assistance), or one of several sources of assistance for homelessness (<https://www.sarahomeless.org/coordinated-entry/>, Homeless Hotline 210-207-1799, and the hotline for those at-risk of eviction and needing legal aid 210-570-6135).



**Approved Applications by Household Size**

Household Size	# Applications
1	4,472
2	3,243
3	2,719
4	2,107
5	1,295
6	551
7	191
8	75
9	22
10	5
11	2
12	1
13	1

A bar chart titled "Approved Applications by Gender" displays the number of approved applications for four categories: Female, Male, Opt Out, and Other. The y-axis, labeled "# Applications", ranges from 0 to 12,000 in increments of 2,000. The x-axis is labeled "Gender". The bars are blue. The values for each category are: Female (9,967), Male (4,691), Opt Out (9), and Other (17).

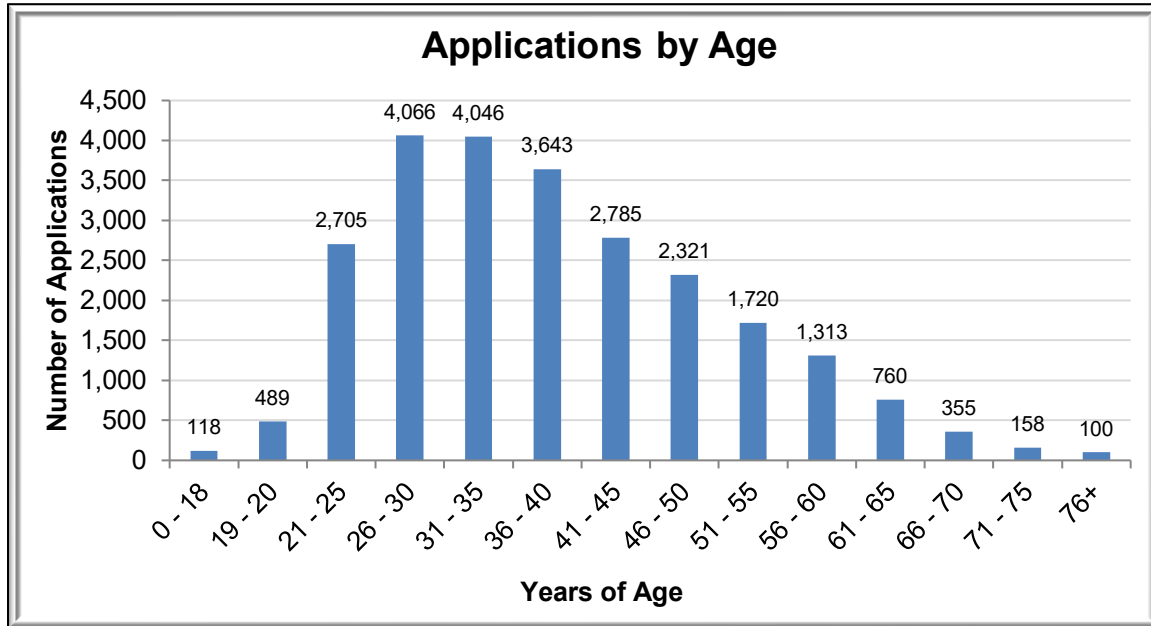
Gender	# Applications
Female	9,967
Male	4,691
Opt Out	9
Other	17

13



## Appendix A – Application Demographics (cont.)

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




Source: Auditor analysis of Mendix data

## **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  
Dan Kuntzelman, CIA, CISA, IT Auditor

## Appendix C – Management Acknowledgement



**CITY OF SAN ANTONIO**  
SAN ANTONIO TEXAS 78283-3966

October 01, 2020

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

RE: Management's Acknowledgement of its Review of Audit of Neighborhood & Housing Services Department, Risk Mitigation Fund and Emergency Housing Assistance Program


The Neighborhood & Housing Services Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Neighborhood & Housing Services Department:

☒ Fully Agrees


☐ Does Not Agree (provide detailed comments)

Sincerely,



\_\_\_\_\_  
Veronica R. Soto  
Director  
Neighborhood & Housing Services Department

10/01/2020  
\_\_\_\_\_  
Date



\_\_\_\_\_  
Lori Houston  
Assistant City Manager  
City Manager's Office

10/01/2020  
\_\_\_\_\_  
Date