

Audit Report

Home Repair Programs

December 2018



Each year, a significant amount of home repair funds were unspent and NHCD frequently missed annual home repair program goals. This represents missed opportunities to provide home repair services for eligible Austin residents. Additionally, one of NHCD's home repair programs had significant issues related to construction activities. These issues with the Homeowner Rehabilitation Loan Program resulted in increased fraud and safety risks, in addition to low participant satisfaction.

For all of NHCD's home repair programs, there appears to be well-designed processes that ensured participants met program eligibility requirements. However, there were some issues with documentation of these requirements, mostly in the two programs where outside vendors determined applicant eligibility. Lastly, while NHCD effectively coordinated the home repair programs it manages, coordination with other City departments and external stakeholders could be improved.

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Objective

The objective of this audit was to determine whether the City's home repair and weatherization programs are meeting goals and are effectively coordinated.

Background

The City of Austin's 2014 Comprehensive Housing Market Study Analysis notes that 20% of City homeowners pay more than 30% of their gross income towards housing costs. The report further notes that this cost burden is much higher for low-income residents.

The City of Austin has multiple programs aimed at assisting the City's low- to moderate-income residents with home repairs. The intent of these programs is to ensure eligible residents have homes that are safe, livable, affordable, and accessible. In most of the programs, repairs are done through grants or forgivable loans. During fiscal year 2017, the City spent approximately \$13 million on home repair programs.



The City's home repair programs are intended to help eligible residents with home rehabilitation, reconstruction, and weatherization.

Neighborhood Housing and Community Development (NHCD) was responsible for managing eight programs related to the rehabilitation and reconstruction of homes. In all of these programs, NHCD relied on outside vendors to perform the repair work. In two of the programs, NHCD also uses outside vendors to determine applicant eligibility.

Austin Energy manages three programs related to home weatherization. For all three programs, Austin Energy determined applicant eligibility and used outside vendors to perform the weatherization work.¹ Exhibit 1 shows the types of repairs covered under each department's programs.

¹ This audit only considered Austin Energy's weatherization programs in the context of coordination. The management of the weatherization programs was addressed in the [Austin Energy Low-Income Weatherization Audit](#), published October 2015.

Exhibit 1: City of Austin Home Repair Programs

<p>Austin Energy</p>  <p><u>Number of Programs</u> 3</p> <p><u>Focus</u> Weatherization Improvements</p> <p><u>Services</u></p> <ul style="list-style-type: none"> -Installing attic insulation -Installing solar screens -Repairing or replacing ducts -Sealing doors and windows -Making water efficiency improvements 	<p>Neighborhood Housing and Community Development</p>  <p><u>Number of Programs</u> 8</p> <p><u>Focus</u> Rehabilitation and Reconstruction of Homes</p> <p><u>Services</u></p> <ul style="list-style-type: none"> -Repairing foundations and roofs -Repairing kitchens and bathrooms -Repairing electrical systems -Ensuring homes are accessible and safe
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SOURCE: Analysis of the City home repair programs reports, March 2018.

What We Found

Summary

Each year, a significant amount of home repair funds were unspent and NHCD frequently missed annual home repair program goals. This represents missed opportunities to provide home repair services for eligible Austin residents. Additionally, one of NHCD’s home repair programs had significant issues related to construction activities. These issues with the Homeowner Rehabilitation Loan Program resulted in increased fraud and safety risks, in addition to low participant satisfaction.

For all of NHCD’s home repair programs, there appears to be well-designed processes that ensured participants met program eligibility requirements. However, there were some issues with documentation of these requirements, mostly in the two programs where outside vendors determined applicant eligibility. Lastly, while NHCD effectively coordinated the home repair programs it manages, coordination with other City departments and external stakeholders could be improved.

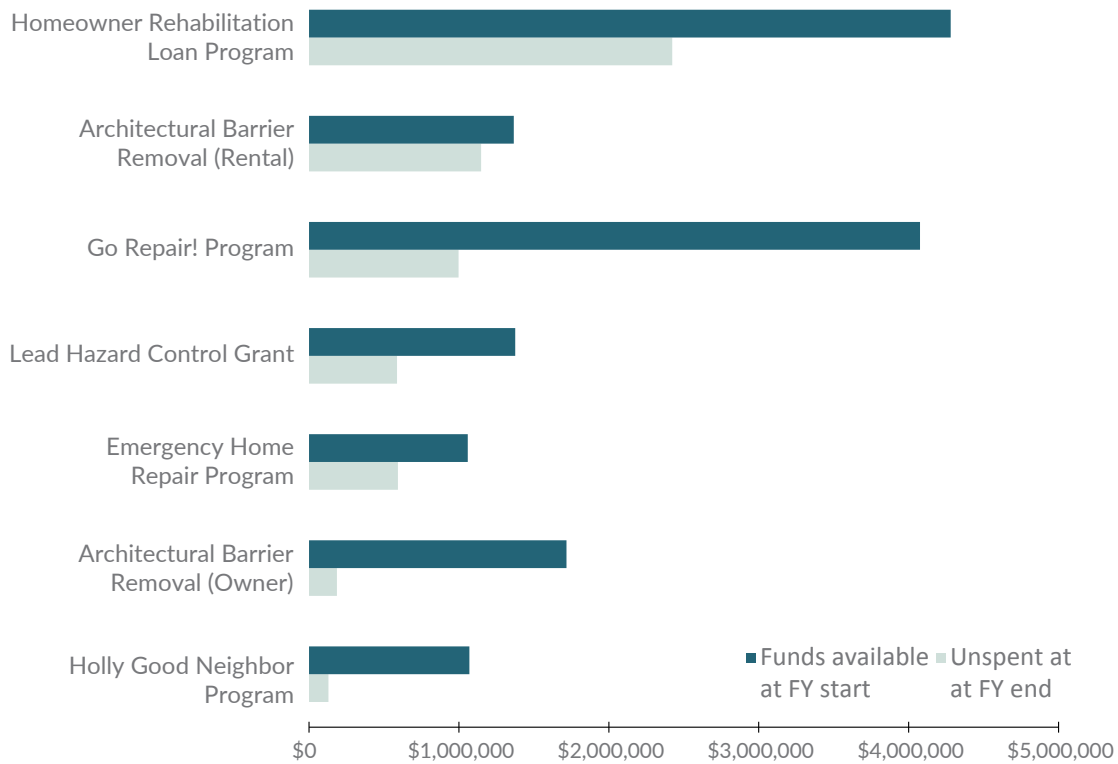
Finding 1

Home repair programs frequently ended each year with a significant amount of unspent funds and did not always attain home repair program goals.

The key objective of NHCD’s home repair programs was to ensure safe, healthy, and functional housing for eligible City residents. To achieve this objective, NHCD allocated federal and local funds, and established an expected number of home repairs for each program. Unspent funds and unmet goals represent missed opportunities to provide home repair services for eligible Austin residents.

Between fiscal years 2015 and 2017, NHCD’s home repair programs ended each year with approximately \$6 million in unspent funds. Exhibit 2 below shows the funds remaining for seven NHCD home repair programs at the end of fiscal year 2017.²

Exhibit 2: Significant amount of program funds unspent for some programs in fiscal year 2017



SOURCE: Analysis of the City home repair programs reports, March 2018.

Additionally, NHCD’s home repair programs did not consistently meet established performance goals during the same three-year period. Exhibit 3 below shows that home repair programs frequently missed performance goals between fiscal years 2015 and 2017.

² Although NHCD has two programs related to lead mitigation, funding for these programs was not tracked separately.

Exhibit 3: NHCD did not meet all home repair program performance goals

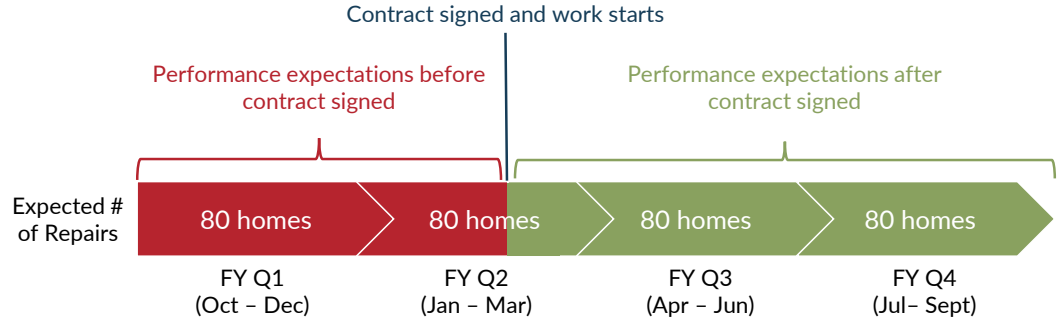
	2015	2016	2017
Holly Good Neighbor	✗	✓	✓
Lead Healthy Homes	✗	✓	✓
Lead Smart	✗	Program ended in 2015	
Architectural Barrier Removal (Owner)	✓	✓	✓
Architectural Barrier Removal (Rental)	✗	✗	✗
Homeowner Rehabilitation Loan Program	✓	✓	✗
GO Repair!	No data	✓	✗
Emergency Home Repair	✗	✗	✗

SOURCE: Analysis of NHCD performance reports, March 2018.

Home repair performance measures were based on work beginning at the start of the fiscal year, but contracts were not signed until several months later.

NHCD contracted with outside vendors to perform the work in all of the home repair programs. Most of the programs relied partially on federal funding, and NHCD approved the vendor contracts when federal funding became available. As a result, approval sometimes happened several months after the start of the fiscal year. However, the contracts set home repair goals for the entire fiscal year. Since contractors could not start home repairs until after NHCD approved the contract, this impacted contractors' ability to meet these goals. As shown in Exhibit 4, NHCD signed one home repair program contract almost five months after the start of the fiscal year. However, the contract specified that over 100 homes should have been repaired by that time.

Exhibit 4: Contractors held to annual performance expectations despite period with no contract



SOURCE: Analysis of NHCD performance reports and contracts, March 2018.

Finding 2

Oversight of the Homeowner Rehabilitation Loan Program did not ensure all repairs were authorized, completed in a timely manner, or high quality. This increased risks related to safety and fraud, and resulted in low participant satisfaction with the program.

One of NHCD’s home repair programs is the Homeowner Rehabilitation Loan Program. The purpose of this program is to ensure participants’ homes are safe, livable, and healthy. While outside contractors performed the repairs, NHCD staff were responsible for overseeing the contractors’ work and performance. Between fiscal year 2015 and fiscal year 2017, 34 Austin residents received home rehabilitation services through this program.³

During this audit, participant complaints and media reports indicated many potential issues with the construction activities in the Homeowner Rehabilitation Loan Program. As a result, we conducted a detailed review of these activities. Although the issues identified in this finding are specific to the Homeowner Rehabilitation Loan Program, they relate to staff oversight and the application of NHCD policies and procedures. As a result, similar issues may exist within NHCD’s other home repair programs.

Although NHCD established policies and procedures for the operation of the Homeowner Rehabilitation Loan Program, NHCD’s oversight did not ensure all repairs were authorized, completed in a timely manner, or high quality. This increased risks related to fraud and safety, and resulted in low participant satisfaction with the program.

NHCD staff did not consistently ensure all repairs and project costs were necessary and appropriate for Homeowner Rehabilitation Loan Program projects.

After NHCD staff approved an applicant for the program, NHCD staff identified issues with the home and established the project’s scope of work. NHCD staff then determined the total cost of the project using an internal system that considers the specific repairs needed. NHCD staff also established a “contingency” amount equal to 10% of the total project cost. The purpose of this contingency was to ensure funding was available for unforeseen issues with the project.

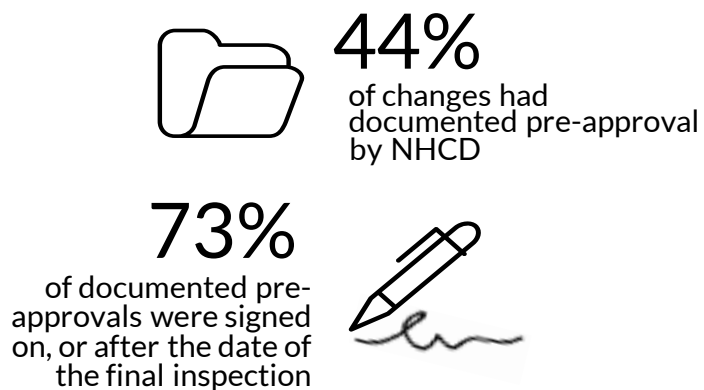
³ The Homeowner Rehabilitation Loan Program also covers the complete demolition and rebuilding of a home. Although some residents used the program this way, these types of projects were not reviewed as part of this audit.

NHCD procedures require that staff and the participant pre-approve all changes to the initial scope of work. However, NHCD staff did not consistently follow this procedure.

Between fiscal year 2015 and fiscal year 2017, there were 34 documented instances of a change to the initial scope of work.⁴ As shown in Exhibit 5 below, only 15 (44%) included documentation showing that the participant and NHCD staff had approved the change. If NHCD does not approve changes, they cannot ensure the quality or appropriateness of any new work.

Additionally, 11 of these 15 changes (73%), were signed on, or after the final inspection date. This means that the work was done without pre-approval, or done after the final inspection. If the work was done without pre-approval, it would violate NHCD policy. If it was done after the final inspection, NHCD would not inspect it again and could not ensure the work was done.

Exhibit 5: NHCD did not consistently approve or document changes to the initial scope of work



SOURCE: Analysis of the NHCD Homeowner Rehabilitation Loan Program files, March 2018.

After the final inspection on one project, a participant complained to NHCD that the contractor did not do all of the repairs. NHCD had already paid the contractor almost \$11,000 for this work. After reviewing the matter, NHCD requested a full reimbursement from the contractor. However, the contractor claimed that they had done other work during the project at the request of the participant but without NHCD's knowledge. NHCD agreed to accept a reimbursement of \$5,000.

Additionally, NHCD's procedures state that any costs associated with changes should be determined using the same internal system used to establish the initial cost. However, NHCD staff stated that they did not use the system and instead determined costs based on discussions with the contractor.

NHCD identified an overpayment of almost \$11,000 to a contractor but was only reimbursed \$5,000 because the contractor claimed additional work had been done without NHCD's approval.

⁴ Although 34 properties received rehabilitation services during this time, not every property had evidence of a change in the initial scope of work and some properties had more than one.

Of the 34 documented changes to the initial scope of work, 22 (65%) had additional costs that were very close to the pre-established contingency amount. This includes 10 changes that were for the exact same amount of the contingency. Since contractors knew that NHCD considered this an acceptable increase in cost, and the costs could be negotiated, this created an increased risk for fraud or abuse.

The process took a long time for Homeowner Rehabilitation Loan Program projects.

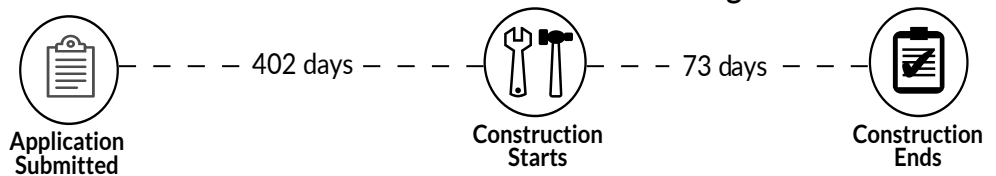
Most participants waited over a year before their home repairs were completed. Although there were no specific guidelines for how long the process should take, some participants may have continued to live in unhealthy and unsafe conditions while participating in the program. Some of the issues identified in the homes include inadequate ventilation of heating equipment, insufficient insulation, significant foundation issues, and a lack of smoke detectors.

Participants waited over a year for repairs to be completed.

Exhibit 6 shows the median length of time between various program milestones. As indicated, most of the time involved ensuring applicants were eligible for the program. NHCD management asserted a number of issues may have contributed to the length of the process. This included having to work with participants to ensure documentation was in order and relocating participants into temporary housing before construction started. Additionally, NHCD management stated that high staff turnover made it difficult to address workload backlogs.

After NHCD staff established the initial scope of work, contractors agreed to complete the work in a certain timeline. Generally, the contractors met this timeline. However, these timelines were not consistent and there was no documentation explaining how the timelines were established.

Exhibit 6: The majority of time was spent ensuring applicants were eligible for the Homeowner Rehabilitation Loan Program



SOURCE: Analysis of Homeowner Rehabilitation Loan Program files from fiscal year 2015 to fiscal year 2017 that had complete documentation, March 2018.

It is unclear if NHCD staff performed periodic inspections for Homeowner Rehabilitation Loan Program projects.

To ensure quality work, NHCD procedures required that staff periodically inspect construction work. While all files had evidence of a final inspection, only eight of the 34 files (24%) had evidence of an inspection during construction activities. As noted above, actual construction activities lasted an average of almost three months. Conducting and documenting periodic inspections is part of NHCD's process to oversee the contractors' work.

Only 24% of files had evidence that NHCD staff had performed an inspection during construction.

NHCD management asserted that staff did periodic inspections but only documented the inspection if they noted an issue. During the audit, NHCD management instructed staff to begin documenting every inspection, regardless of the results.

NHCD staff did not ensure all repairs were complete at the end of Homeowner Rehabilitation Loan Program projects.

As noted, every file had evidence of an inspection at the end of construction. The purpose of this inspection was to identify any deficiencies, which the contractor had to address before the project was closed. During this inspection, participants signed a form accepting the home in its present condition, which marked the start of the one-year warranty period. The form stated that the participant should address all warranty issues directly with the contractor and not NHCD. However, at least eight participants signed this form before the contractor appeared to have addressed identified deficiencies with the repair work. This may have created issues with the warranty period. In addition, it reduced NHCD's ability to ensure work was completed. In a survey of Homeowner Rehabilitation Loan Program participants conducted during this audit, 12 of 21 respondents (57%) indicated that there were unresolved issues with the contractors' work. At least five of these respondents noted that the issues were present before the final inspection.

NHCD had a process to collect feedback from Homeowner Rehabilitation Loan Program participants but did not appear to use this information.

After the final inspection, NHCD provided Homeowner Rehabilitation Loan Program participants a survey to collect feedback about their experience. Questions covered timelines of repairs, quality of work, and the performance of both NHCD staff and the contractor. Although NHCD procedures required this survey, there does not appear to be guidance on how NHCD should have used the feedback.

NHCD could have used this feedback to address issues about particular projects or contractors. Based on the feedback available to NHCD, 40% of program participants indicated the professionalism of the contractor was unsatisfactory or needed improvement. NHCD could have identified the reasons for this feedback and taken appropriate action on future projects to improve satisfaction with the program.

Additionally, there was no mechanism to regularly collect feedback about the contractors' performance during the warranty period. As a result, NHCD could not evaluate how well contractors fulfilled their required duties during this time.

Many Homeowner Rehabilitation Loan Program participants were not satisfied with the quality of repairs made to their home.

In a survey of Homeowner Rehabilitation Loan Program participants conducted during this audit, many respondents reported a significant level of dissatisfaction with elements of the program. For example, 11 of 21

respondents (52%) stated that the quality of the contractors' work was unsatisfactory or needed improvement. Participants expressed concerns with the contractors' workmanship and quality of materials.

During this audit, NHCD staff surveyed residents who had recently participated in any of the department's home repair programs. The survey results indicated that overall, participants were satisfied with the home repair programs. However, since the survey was anonymous, it cannot be determined if the results reflect the experiences of recent Homeowner Rehabilitation Loan Program participants.

Finding 3

While NHCD has designed processes to ensure compliance with various program eligibility requirements, documentation and oversight could be improved.

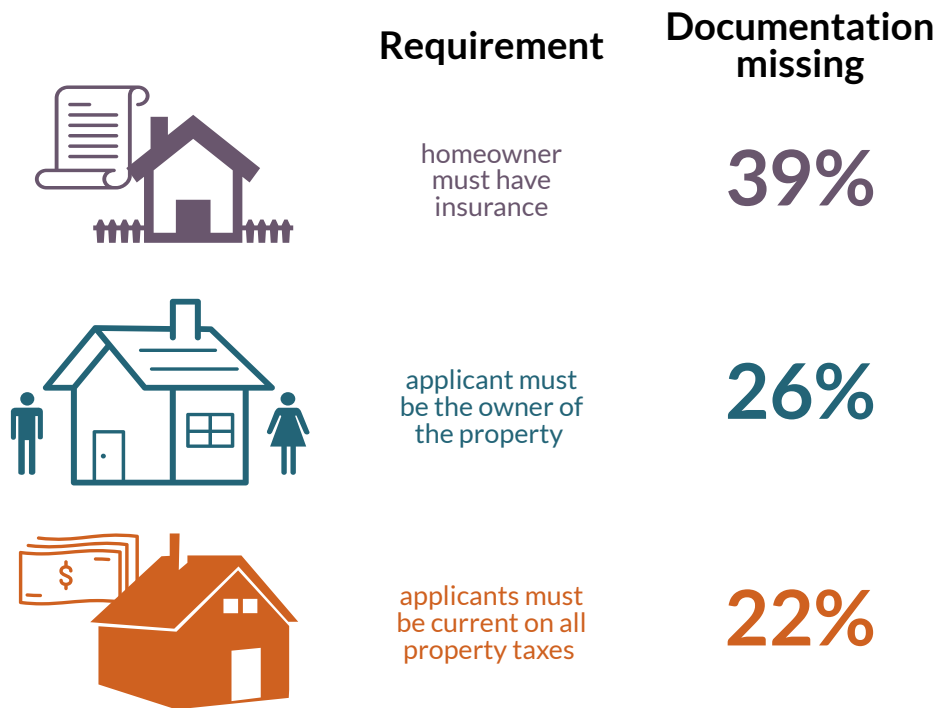
The City used various federal and local sources to fund home repair programs. Each funding source had different rules for how the program funds could be spent and who could participate in the program. These rules covered things such as participants' income level, property characteristics, allowable repairs, and the total amount of money available for each property. The City was required to ensure that all program participants met the requirements of their particular program.

NHCD has designed processes to ensure compliance with these requirements. The funding requirements appeared to be well documented and staff appeared to understand them. Additionally, NHCD clearly assigned responsibilities for determining participant eligibility. However, there were issues related to documentation of eligibility of some applicants who qualified for services. The majority of these issues involved programs where NHCD used outside vendors to determine eligibility.

In programs where NHCD determined eligibility, two of 30 files (7%) had minor documentation issues.

NHCD used outside vendors to manage the GO Repair! and Emergency Home Repair programs. As shown in Exhibit 7, there were multiple issues with the documentation in a sample of 50 GO Repair! program participant files.

Exhibit 7: Issues identified with GO Repair! Program files



SOURCE: Analysis of NHCD GO Repair! Program files, March 2018.

Additionally, there was no documentation showing the vendor had verified whether the applicant had previously participated in the program. The GO Repair! program sets limits on how much money participants can receive in a year. Although the vendor asserted that they verified this during the review process, it appeared to be an informal process and they did not document it.

This program does allow exceptions to some of the program requirements. For example, insurance requirements could be waived depending on the applicants' income. However, NHCD must approve any exception. Some files indicated exceptions had been granted, but files did not include documentation that NHCD had approved these exceptions.

The Emergency Home Repair program had fewer issues, although staff were unable to locate one of the 30 files selected for testing. Out of the remaining 29 files, 11 (38%) were missing documentation related to applicant income, property location, insurance, or property ownership.

Each year, NHCD identified programs that should go through an annual on-site review. This is to ensure that vendors comply with program requirements, including applicant eligibility. Between fiscal years 2015 and 2017, NHCD staff consistently identified the Emergency Home Repair program as deserving an on-site review. During this three-year period, more than 900 properties received home repairs under this program. However, NHCD staff only reviewed compliance with eligibility requirements once, in fiscal year 2016.⁵ During that review, NHCD staff only reviewed files of eight program participants. Without a more

The majority of issues were in programs where NHCD used outside vendors to determine eligibility.

Despite consistently ranking it as high-risk in an annual assessment, NHCD staff only conducted one annual on-site review of the program in a three-year period.

⁵ Although NHCD staff did conduct another review of this program in 2016, it did not include a review of applicant files for eligibility.

thorough review, NHCD could not adequately ensure that all program participants met eligibility requirements. Ineligible participants may jeopardize future funding, or result in financial penalties. Additionally, this may limit resources available to serve applicants eligible for the program.

Finding 4

While there is some coordination between involved departments and external groups, this process could be improved.

As noted earlier, the City offered several home repair programs for residents. The purpose of each program varied and there was some overlap between programs. As a result, residents may not have known which particular program was best suited for their situation. This means that effective coordination was important to best meet the needs of residents. While NHCD did appear to effectively coordinate the application process for the programs it manages and there was some coordination among City departments and external groups, this coordination could be enhanced.

NHCD was responsible for managing the majority of the City's home repair programs and had clear processes and procedures to ensure they matched applicants to the most appropriate program. For example, NHCD clearly defined the roles and responsibilities for staff at various stages of the home repair process. NHCD staff also used a single intake form to identify which NHCD home repair programs best suited an applicant.

Administering these home repair programs also required coordination among various City departments. Austin Energy managed its own home repair programs, which focused on weatherization. These departments may refer applicants to each other, although NHCD does not appear to have formally tracked referrals. As a result, it is difficult to determine if referred residents actually received services. Due to the different application requirements and program focus, it may be challenging to have one department manage both programs. Out of three peer cities that offer both home rehabilitation and weatherization programs, only one indicated that the programs were centrally managed.⁶

Only one of three peer cities that offer both home rehabilitation and weatherization programs manage both programs centrally.

Austin Water, Austin Public Health, and Austin Code could also be involved in the home repair process. Coordination among these departments could be improved as well. For example, NHCD staff asserted that they used to work with Austin Code to identify residents with code issues who may be eligible for the home repair programs. However, staff stated that this level of coordination does not currently happen.

Additionally, the City worked with external groups to coordinate home repair services and identify residents who may have been eligible to participate in a home repair program. One of the main avenues for these interactions was the Austin Housing Repair Coalition (AHRC). According to its website, the AHRC is "an inter-referral network that meets regularly and collaborates on providing home assistance to fully meet each client's need." Meeting minutes from the AHRC show that various City departments, including NHCD, participated in the meetings.

⁶ Atlanta, Philadelphia, and Fort Worth offer both rehabilitation and weatherization services. Only Fort Worth indicated the services are centralized. San Antonio and Dallas indicated that they do not offer weatherization services.

NHCD and Austin Energy staff asserted that they both make referrals to AHRC members and receive referrals from them. However, neither department appeared to formally track the outcome of these referrals. As a result, the success of this coordination effort cannot be determined.

Additional Observation

It may be possible to use local funding sources to increase funding available to home repair programs with federally established spending caps.

Federal funding sources set limits on the amount of funding that can be used on a particular property. For example, the Emergency Home Repair program sets a limit of \$5,000 per year for a property. Stakeholders noted that the funding limit may not be enough to address all the issues identified in some homes. The City-funded programs also have spending caps that mirror the federal requirements. It may be possible to use local funding sources to increase funding available to home repair programs with federally established spending caps.

Recommendations and Management Response

1

The Director of Neighborhood Housing and Community Development should review and restructure the home repair program contracting practices to ensure that NHCD minimizes the amount of home repair program funds remaining at the end of the year and that contractors meet established target performance goals.

Management Response: Agree

Proposed Implementation Plan: In spring 2019, AHFC will launch a new solicitation for a Job Order Contract (JOC). The JOC will replace the current Master Repair contract (PA 120000001) that has been in place since 2011. The current Master Repair contractors are operating under an amendment that will end March 2019 unless extended.

The current contract has presented challenges that have made it difficult to properly respond with our current processes and legal contract documents. The new JOC presents an opportunity to make necessary improvements to our documents and processes.

The JOC will address a variety of challenges including:

- customer satisfaction issues
- timelines/turnaround times
- performance measures
- recourse for non-performance
- compliance requirements
- recourse for non-compliance
- signatures for payments
- Inspection logs
- Documenting change orders and draw requests
- Standard letters and notifications

New contractors, as well as existing contractors, will be able to submit a proposal to compete for construction work through the JOC for ABR, HRLP, and other AHFC programs.

Proposed Implementation Date: September 30, 2018

2

The Director of Neighborhood Housing and Community Development should update current department policies and procedures for the Homeowner Rehabilitation Loan Program to ensure the program operates effectively. Updates include, but are not limited to:

- a) specifying the frequency of progress inspections,
- b) monitoring and acting on participant feedback, and
- c) developing measures for timeliness for the various stages of the process.

Management Response: Agree

Proposed Implementation Plan: Staff has updated program guidelines and Standard Operating Procedures for all home repair programs. Updates include guidance on progress inspections, participant feedback, and timeliness. Program Guidelines and SOPs are currently being finalized and will be operational by March 31, 2019. All staff – including the new team of Construction Coordinators – will utilize the same, standardized guidelines and SOPs. As noted in the Home Repair Audit, several processes have already been incorporated into staff practices and procedures, including inspection logs and improved client feedback.

Proposed Implementation Date: March 31, 2019

3 | The Director of Neighborhood Housing and Community Development should ensure that staff follow all established policies and procedures for managing construction activities in the Homeowner Rehabilitation Loan Program.

Management Response: Agree

Proposed Implementation Plan: Staff has updated program guidelines and Standard Operating Procedures for all home repair programs. Updates include guidance on progress inspections, participant feedback, and timeliness. Program Guidelines and SOPs are currently being finalized and will be operational by March 31, 2019. All staff – including the new team of Construction Coordinators – will utilize the same, standardized guidelines and SOPs. As noted in the Home Repair Audit, several processes have already been incorporated into staff practices and procedures, including inspection logs and improved client feedback.

Proposed Implementation Date: March 31, 2019

4 | The Director of Neighborhood Housing and Community Development should ensure that responsible staff collect and review sufficient documentation to demonstrate compliance with all applicable home repair program eligibility requirements.

Management Response: Agree

Proposed Implementation Plan: As noted in the Home Repair Audit, in programs in which NHCD determined eligibility, there were only minor documentation issues. NHCD has taken note of those issues and will work with staff to minimize any errors in the future. With respect to programs in which NHCD used outside vendors (e.g., subrecipients) to determine eligibility, NHCD has instituted a new Subrecipient Management process, which provides additional oversight over outside vendors, such as the Minor Home Repair (formerly Emergency Home Repair) and GO Repair programs. In the new process, NHCD Contract Managers will visit subrecipients onsite three times per year to review client files. This will provide an opportunity for Contract Managers to visit face to face with outside vendors, provide comprehensive file review, and provide thorough technical assistance and guidance. File review will include applicant income verification, property location, insurance, and ownership, as noted in the Home Repair Audit. With more standardized and consistent review (accompanied by onsite technical assistance), NHCD will work with outside vendors to maximize contract compliance.

Proposed Implementation Date: November 30, 2018

5

The Director of Neighborhood Housing and Community Development should work with various stakeholders to identify and implement ways to improve coordination of the City's home repair programs.

Management Response: Agree

Proposed Implementation Plan: Inter-departmental coordination and alignment of home repair programs is a challenge because of unique and restrictive funding streams. For example, Austin Energy's Weatherization program is restricted to clients at or below 200% of the Poverty Level versus the Austin Water Utility P-LAT program, which is restricted to clients at or below 100% Median Family Income versus NHCD's various home repair programs, which are restricted to clients at or below 80% Median Family Income. NHCD has coordinated with Austin Water Utility to administer the P-LAT program and is currently in the process of expanding that program to include eligible plumbing repairs in addition to the P-LAT program. In addition, NHCD is currently working with Austin Energy on a pilot project in which both weatherization and home repair services could be offered through a single application portal. NHCD and Austin Energy staff had a preliminary meeting in November 2018 and plan to continue the discussion in December 2018. The pilot project will be scoped in the first quarter of 2019 and launched in the third quarter of 2019. Additionally, NHCD will continue to seek coordinating opportunities with other City departments, such as Code, to help identify potential participants and leverage program marketing opportunities and NHCD will continue to participate in the Austin Housing Repair Coalition monthly meetings which provides an opportunity for referral and coordination amongst nonprofit and affiliated entities.

Proposed Implementation Date: 9/30/2019

Management Response



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director, Neighborhood Housing and Community Development Department

DATE: November 30, 2018

SUBJECT: Audit Report on Home Repair Programs

Thank you for the opportunity to respond to the December 2018 Home Repair Programs audit report, which is being presented to the Audit and Finance Committee on December 5, 2018. As you may know, the City of Austin's Neighborhood Housing and Community Development (NHCD) department has administered a variety of home repair programs during the past two decades. The programs provide critical funding to ensure that low- and moderate-income homeowners are able to live in decent, safe, and habitable homes. Home repair programs are one of our essential tools to mitigate displacement of low- and moderate-income households and to ensure that Austin remains a community for people at all income levels.

Over the years, NHCD has provided home repairs to hundreds of low- and moderate-income households. Prior to the initiation of the Office of the City Auditor's audit on home repairs, NHCD staff was working internally on overhauling our processes and procedures related to home repair programs. Our department-wide focus on "internal controls" – coupled with retirement and turnover amongst our construction staff – presented us with a perfect opportunity to evaluate how our real life practices matched our written procedures. As a result of this internal evaluation, we are in the process of finalizing current and comprehensive Program Guidelines and Standard Operating Procedures (SOPs) for each of our direct service programs, including the Home Repair Loan Program (HRLP), the Architectural Barrier Removal Programs (ABR Owner and ABR Renter), as well as the Private Lateral Program. The new Guidelines and SOPs are well-timed, as we have a completely new construction team (consisting of three Construction Coordinators) who are in the process of undergoing rigorous internal and external training.

NHCD takes customer satisfaction very seriously. In spring 2018, NHCD launched a survey of 122 clients who completed home repairs within the previous year. The resulting responses demonstrated a high level of satisfaction in most areas. NHCD created a team from both the Client Services and Construction divisions to meet with the dissatisfied clients to work through their identified issues. At this point, several clients remain in the process of having their repairs completed to their satisfaction. NHCD will continue to work with them and their contractors to ensure that the home repairs are completed thoroughly and professionally. In addition, as

The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.

Management Response

detailed in the Management Response, NHCD is in the process of issuing a new solicitation for general contractors. The current Master Solicitation has been in effect since 2011 (operating under multiple contract extensions). A new solicitation will enable staff to better address multiple issues, including client satisfaction and timeliness.

Home repair programs are essential to mitigating displacement of low- and moderate-income households in the City of Austin. Home repair programs are identified as essential strategies to increase affordability and combat gentrification in multiple reports, including the recently-released Anti-Displacement Task Force and *Uprooted: Residential Displacement in Austin's Gentrifying Neighborhoods and What Can Be Done About It*. In addition, the *Strategic Housing Blueprint* calls for a goal of 600 home repairs per year. With a fully-staffed Construction Division, supported by improved processes and procedures, NHCD is looking forward to meeting the community's home repair needs.

If you have any further questions, please feel free to contact me at (512) 974-3064.

Sincerely,



Rosie Truelove, Director
Neighborhood Housing and Community Development Department

cc: Spencer Cronk, City Manager
Joe Pantalone, Interim Assistant City Manager

Scope

The audit's scope included City activities related to home repair programs between fiscal year 2015 and fiscal year 2017.

Methodology

To accomplish our audit objectives, we performed the following steps:

- interviewed Neighborhood Housing and Community Development staff;
- interviewed home repair program vendors;
- reviewed policies and procedures for home repair programs;
- analyzed contracts with the home repair program vendors;
- reviewed program participant files and related supporting documentation to determine if the homes that received program services met all applicant and property eligibility requirements;
- selected a judgmental sample of 110 participant files and reviewed supporting documentation for applicant and property eligibility requirements;
- reviewed supporting documentation related to monitoring and administration for the 34 Homeowner Rehabilitation Loan Program projects completed between fiscal year 2015 and fiscal year 2017;
- researched best practices for contract monitoring and administration;
- conducted a survey of selected cities on the structure of their low-income home rehabilitation and weatherization programs and compared them to Austin;
- reviewed Homeowner Rehabilitation Loan Program construction files;
- conducted a survey of the Homeowner Rehabilitation Loan Program participants;
- evaluated the risk of fraud, waste, and abuse regarding activities related to home repair programs; and
- evaluated internal controls related to administering and monitoring of home repair programs.

Audit Standards

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.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

Audit Team

Andrew Keegan, Audit Manager
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