City of Austin

April 2014

Follow-Up Audit of Affordable Housing: Rental Housing Eligibility Monitoring

OBJECTIVE

The objective of the audit was to follow up on recommendations from the Affordable Housing Audit issued May 25, 2011.

AUDIT RESULTS

We verified that the City of Austin's Neighborhood Housing and Community Development (NHCD) implemented each recommendation from the original audit.

Recommendation	Verified Status
1. The NHCD Director should improve existing procedures and controls for monitoring activities in order to have an efficient and effective monitoring process and ensure that staff is trained to implement those procedures and controls.	Implemented
2. In order to support the efficiency and effectiveness of information management practices for Rental Housing Development Assistance (RHDA) projects, the NHCD Director should: ▪ Continue efforts to ensure the completeness and accuracy of project information collected and maintained in the monitoring database by the Compliance Division; and ▪ Facilitate coordination between the Project Administration and Compliance Divisions.[1]	Implemented

SOURCE: Office of the City Auditor analysis of original audit recommendations, February 2014

NHCD implemented the first recommendation by:

- implementing new long-term eligibility monitoring procedures;
- updating documents to include long-term eligibility monitoring procedures; and
- increasing training to ensure that staff is prepared to implement regulatory requirements, recommended procedures, and controls.

NHCD is working with CTM to implement AMANDA as a tool to manage their project inventory. Meanwhile, NHCD has implemented steps to improve completeness and accuracy of project information for monitoring purposes by:

- identifying and implementing process changes through a business process re-engineering project; and
- improving the department's process for transferring RHDA projects from NHCD's Real Estate & Development Division to the Monitoring Division by implementing better tracking tools and periodic meetings between the two groups.

We appreciate the cooperation and assistance of NHCD staff during this audit.

MANAGEMENT RESPONSE

Management concurs with the findings in this report. We did not issue recommendations and management is not required to provide a response.

[1] The Real Estate & Development and Monitoring Divisions now perform RHDA responsibilities previously performed by the Project Administration and Compliance Divisions, respectively.

A Report to the Austin City Council

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BACKGROUND

On May 25, 2011, the Office of the City Auditor (OCA) issued the Affordable Housing: Rental Housing and Acquisition & Development Monitoring Audit. In that audit, OCA evaluated whether the RHDA program had procedures in place to ensure NHCD compliance with U.S. Department of Housing and Urban Development (HUD) and City of Austin program guidelines for long-term eligibility monitoring. Monitoring is necessary to ensure that HUD housing policy objectives are met and to protect against fraud and misuse of public funds.

In our 2011 audit, we found that:

- Long-term eligibility monitoring was not performed consistently and timely, and did not ensure that applicable requirements are met throughout the entire affordability period.
- Information management practices needed improvement to ensure that monitoring data is complete, accurate, and reliable.

SCOPE AND METHODOLOGY

This audit was conducted as part of the OCA's Fiscal Year (FY) 2014 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

Scope

The audit scope included actions taken by NHCD from June 2011 to January 2014 to address the two recommendations made in the original audit

Methodology

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

- reviewed long-term monitoring procedure documents to compare against HUD and City ordinance requirements;
- interviewed NHCD employees responsible for long-term monitoring to determine if they are knowledgeable of and follow new procedures that address the audit recommendations; and
- reviewed documents provided by NHCD to support their reported status of recommendation.

AUDIT TEAM

Walton Persons, CPA, CICA, Assistant City Auditor
Robert Elizondo, CIA, CGAP, CRMA, CICA, Auditor-in-Charge

GOVERNMENT AUDIT STANDARDS COMPLIANCE

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.

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