CITY OF SAN ANTONIO

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April 05, 2021

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SUBJECT: Audit Report of Neighborhood & Housing Services Department Under One Roof Program

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Neighborhood & Housing Services Department Under One Roof Program. This audit began in May 2020 and concluded with an exit meeting with department management in January 2021. Management's verbatim response is included in Appendix B of the report. The Neighborhood & Housing Services Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

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

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Neighborhood & Housing Services Department

Under One Roof Program

Project No. AU20-022

April 5, 2021

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 & Housing Services Department (NHSD), specifically the Under One Roof Program. The audit objectives, conclusions, and recommendations follow:

Determine if the Under One Roof Program is managed effectively and efficiently and in compliance with established guidelines.

The Under One Roof Program is managed effectively and efficiently and in compliance with established guidelines. Management has established controls for the administration and accurate processing of roofing applications. NHSD actively monitors the production and funding availability for future projects. Additionally, Under One Roof Management ensures payment is issued appropriately and in accordance with approved bid proposals.

However, we observed opportunities to enhance program criteria to provide clarity to applicant eligibility and restrictive covenant requirements. In addition, we identified a need to strengthen controls with regards to logical and physical access to sensitive customer information.

We recommend that the Neighborhood and Housing Services Management:

- Should reevaluate and consider removing the four restrictive covenants if deemed irrelevant to their mission and resource intensive. Additionally, reevaluate and consider revising program policies so that they provide clarity to NHSD staff and applicants.

- Should continue to monitor, remove unauthorized users, and execute controls to ensure access to sensitive customer information is restricted. Additionally, perform a review no less than annually to ensure access is limited to the principle of least privilege.

Neighborhood and Housing Services Department Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 6.

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Background

The City of San Antonio established the Under One Roof program in Fiscal Year 2016 to provide qualified residents with new roofs. The program fully replaces worn and damaged roofs with new, energy-efficient asphalt shingle roofs for qualified homeowners. Qualification for participation include but are not limited to the following requirements: property must be solely owned and occupied by resident, less than 1700 square feet, and meet established Housing & Urban Development (HUD) income limits. Upon qualification, the owner will select from one of four approved contractors for replacement of the roof and enter into a program agreement with the contractor.

Additionally, a five-year restrictive covenant is placed on the home requiring the owner to maintain property as a homestead and continue to pay property taxes for five years from project completion. In the event the owner does not maintain compliance with the restrictive covenant, they will be required to repay the remaining balance of the replacement costs for the years not satisfied.

The program is funded by the General Fund, San Antonio Housing Trust, Private Donations, and Tax Increment Reinvestment Zones (TIRZ); specifically, Westside, Midtown, Inner City and Mission Drive-In. In fiscal year 2019, the program had an approved budget of $4.25 million and completed at total of 530 roofs. In fiscal year 2020, the program had an original approved budget of $5.5 million. However, approximately $1.2 million was reallocated from the General Fund in April 2020 to support the COVID-19 Emergency Housing Assistance Program (EHAP).

Under One Roof Adopted Budget

	FY2019	FY2020
General Fund (GF)	$2,250,000	$2,500,000
San Antonio Housing Trust (SAHT)	2,000,000	2,000,000
Tax Increment Reinvestment Zones	-	1,000,000
EHAP Reallocation		(1,212,198)
Total	**$4,250,000**	**$4,287,802**

Audit Scope and Methodology

The audit scope included Under One Roof projects and applications for fiscal years 2019 and 2020.

We interviewed staff and conducted walk-throughs to gain an understanding and identify existing controls for the review and approval of roof replacement applications. Additionally, we reviewed the process and monitoring techniques to track the production of projects and their budget.

We reviewed a sample of 25 applications to determine if applications were eligible, complete and properly approved. Additionally, we reviewed payments for completed projects to determine if they were issued in accordance with the approved bid proposals and their restrictive covenants were appropriately filed.

We also examined their production tracking spreadsheet to determine if projects were monitored to ensure the achievement of performance metrics and funding availability.

Our criteria comprised of Standard Operating Procedures and Under One Roof FAQs for the processing and eligibility of applicants. Additional criteria consisted of City Administrative Directives 7-3A Data Security and 7-8D Access Control for user access appropriateness and safeguarding of customer Personally Identifiable Information (PII).

Significant internal control components and principles include the following: review and independent verification of roof replacement applications for eligibility and approval.

We relied on computer-processed data in the SAP to validate payments were issued in accordance with approved bid proposal and funding source. 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 tracing payment to journal entries and general ledger accounts. 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. Program Monitoring and Requirements

Under One Roof Program staff currently monitor 1 of 5 restrictive covenants that property owners are required to adhere to for a continuous period of 5 years to avoid repaying portions of roof replacement costs.

The 5 restrictive covenants state that:

- Owner's income must remain at or below 80% of the area median income level
- If property is vacant, the property must be occupied within 6 months of roof completion
- Owner shall allow the City to conduct an annual inspection of property
- Owner shall make property tax payments
- If property is sold within 5 years after the project is completed, reimbursement may be required

Throughout the audit, NHSD Management and audit staff agreed that the Under One Roof Program does not have the staff to actively monitor all restrictive covenants and most covenants are irrelevant and have no reason to be monitored. The one covenant that is monitored is that if the property is sold within 5 years of project completion, the owner may have to reimburse NHSD for a portion of the roof cost. Paperwork is filed with Bexar County at the completion of the project so that NHSD is notified if the property is sold within 5 years and ensure the covenant restriction is satisfied.

NHSD has created policies that are difficult and resource intensive to monitor. Additionally, program eligibility requirements are vague and can be subjective. For example, applicants with large insurance claims within the last five years may be disqualified from participation and those over 62 may qualify even if they exceed income eligibility requirements.

Recommendation

NHSD Management should reevaluate and consider removing the four restrictive covenants if deemed irrelevant to their mission and resource intensive. Additionally, reevaluate and consider revising program policies so that they provide clarity to NHSD staff and applicants.

B. Access to Application Files and Data

Access to sensitive customer information is excessive. We identified 19 of 37 users with inappropriate access to the NHSD's network folders and Access database. Inappropriate user access was limited to former or current City employees who no longer had a business need. Additionally, access to physical applicant files is not restricted.

Applicants provide information that is considered confidential, sensitive, and personally identifiable information (PII). This sensitive information is transferred to electronic data stored on the NHSD's network and Access database, while physical files are maintained within unsecured filing cabinets.

According to Administrative Directive (AD) 7.3A Data Security, this type of data requires the highest level of protection. In addition, Administrative Directive (AD) 7.8D Access Control, states that access permissions will use the principal of least privilege.

NHSD Management did not have established procedures and access controls for the review and identification of inappropriate users. However, upon discovery NHSD established controls and restricted access to sensitive customer information to users with a required business need. Specifically, NHSD developed a restricted folder within the network drive and installed locked filing cabinets to properly safeguard sensitive customer information from unauthorized use.

Recommendations

NHSD Management should continue to monitor, remove unauthorized users, and execute controls to ensure access to sensitive customer information is restricted. Additionally, perform a review no less than annually to ensure access is limited to the principle of least privilege.

Appendix A – Staff Acknowledgement

Gabriel Treviño, CISA, Audit Manager
Lawrence Garza, CFE, Auditor in Charge

Appendix B – Management Response

CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 1, 2021

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

RE: Management's Corrective Action Plan for NHSD Under One Roof Program

NHSD 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	**Program Eligibility and Requirements** NHSD Management should reevaluate and consider removing the four restrictive covenants if deemed irrelevant to their mission and resource intensive. Additionally, reevaluate and consider revising program policies so that they provide clarity to NHSD staff and applicants.	3	Accept	Edward Gonzales	3/26/2021
	Action plan: NHSD management revised the Under 1 Roof application and program information to clarify eligibility criteria. Effective March 26, 2021, all revised program documents can be accessed on the NHSD website. In coordination with the City Attorney's Office, NHSD management revised the Under One Roof Program restrictive covenant to remove irrelevant and resource intensive items.				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
2	**Access to Application Files and Data** NHSD Management should continue to monitor, remove unauthorized users, and execute controls to ensure access to sensitive customer information is restricted. Additionally, perform a review no less than annually to ensure access is limited to the principle of least privilege.	4	Accept	Edward Gonzales	01/06/2021
	Action plan: In January, ITSD restricted access to the Under One Roof electronic folders on the departmental drive to only NHSD Housing Production staff and management. NHSD staff now scans and uploads all applications and relating documents to this dedicated drive. Unscanned hard-copy applications are secured in designated locked file cabinets prior to digitizing and shredding.				

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

Sincerely,

R Soto

Verónica Soto
Director
Neighborhood & Housing Services Department

3-26-21
Date

Lori Houston
Assistant City Manager
City Manager's Office

3/28/2021
Date

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