



CITY OF SAN ANTONIO

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October 17, 2025

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SUBJECT: Audit Report of Neighborhood Housing and Services Department Grants Monitoring and Administration Division

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Neighborhood Housing and Services Department (NHSD) Grants Monitoring and Administration Division. This audit began in December 2024 and concluded with an exit meeting with department management in September 2025. Management's verbatim response is included in Appendix B of the report. NHSD 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,

Buddy Vargas, CPA, CIA, CFE
City Auditor
City of San Antonio

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**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

NEIGHBORHOOD HOUSING AND SERVICES DEPARTMENT
AUDIT OF GRANTS MONITORING AND ADMINISTRATION
DIVISION
PROJECT NO. AU25-026
OCTOBER 17, 2025

**BUDDY VARGAS, CPA, CIA, CFE
CITY AUDITOR**



Table of Contents

Executive Summary	2
Background.....	3
Audit Scope and Methodology	5
Audit Results and Recommendations	6
A. Grant Reimbursement Requests.....	6
B. Subrecipient Performance Reporting	7
C. Single Audit Monitoring.....	7
Appendix A – Staff Acknowledgement	9
Appendix B – Management Response.....	10

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit over Neighborhood Housing and Services Department (NHSD), specifically the Grants Monitoring and Administration Division (GMA). The audit objective, conclusions, and recommendations follow:

Determine if the Grants Monitoring and Administration Division within NHSD is effectively monitoring grant programs.

GMA has effective procedures to ensure accurate reporting of program achievements to HUD, specifically, the activities report within the Consolidated Annual Performance Evaluation Report. Furthermore, GMA was in conformance with grant requirements per the most recent HUD review. GMA also effectively monitors the closeout process for grants as funds expire. Finally, GMA has adequate procedures to ensure access to applicable systems such as IDIS and Servicer3D is appropriate.

However, controls could be improved over grant reimbursement requests, subrecipient performance reporting, and single audit monitoring. Issues were identified with grant reimbursement request approvals and timeliness. In addition, subrecipient performance reports are not completed appropriately, timely, and/or approved. Lastly, a subrecipient did not fulfill the single audit requirement.

We provided recommendations to management to strengthen controls and resolve identified issues. NHSD 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 10.

Background

NHSD's GMA Division is responsible for monitoring grant funding for the Home Investment Partnerships Program (HOME) and Community Development Block Grants (CDBG) from the U.S. Department of Housing and Urban Development (HUD). GMA's monitoring efforts are carried out by four teams. The Grants team reviews and maintains all grants and manages federal dollars while creating applicable plans, reports, and budgets. The Contracts team leads the creation and close-out of contracts. The Quality Assurance team ensures the funds are utilized in accordance with program and federal compliance requirements. Finally, the Loan Servicing team documents and tracks loan payments in the Servicer3D system.

The GMA uses various documents to determine how funds will be used, to monitor subrecipients¹ and to report performance throughout the grants process. Key documents include:

- Consolidated Plan – five-year plan that obtains community and stakeholder input to identify priorities and activities that will be undertaken through the entitled HUD funding to address the needs of the community.
- Annual Action Plan – annual plan that is submitted to HUD and provides a summary of actions, activities, and resources that the City will deploy to address the needs identified in the Consolidated Plan.
- Consolidated Annual Performance Evaluation Report (CAPER) – provides a report of detailed accomplishments achieved during the program year to HUD.
- Performance Reports – are provided by the subrecipient to GMA as an update of the program's progress and expenditures.

IDIS is the reporting system for all CDBG and HOME funded programs. Additionally, it is used to track subrecipient reimbursements and request reimbursements from HUD. Servicer3D is a loan servicing management system that allows NHSD to track and manage loan data and program income. SAP is also used to track grant funding, program income, and grant expenditures. On a monthly basis, a reconciliation is performed between SAP, IDIS, and Servicer3D.

During FY 2024 through 2025, there were a total of 18 grant activities and 35 subrecipient agreements. The table on the following page provides a summary of expenditures by grant and FY.

¹ An entity that receives funding from a pass-through entity (in this case the City) to carry out part of a federal program or project.

Audit of Neighborhood Housing and Services Department
Grants Monitoring and Administration Division

Grant Expenditures for FY 2024 – 2025

Grant Type	FY 2024	FY 2025 thru 4/11/25
CDBG	\$4,658,749.92	\$1,424,806.67
HOME	\$2,326,354.79	\$4,802,436.47
Total	\$6,985,104.71	\$6,227,243.14

Source: SAP system

Audit Scope and Methodology

The audit scope was October 2023 through May 2025. It included current grant and subrecipient contracts; grants monitoring processes; grant expenditure allowability and appropriateness; and system access.

To gain an understanding of department operations, we interviewed NHSD personnel and performed walkthroughs over the GMA grants monitoring processes; IDIS, SAP, and Servicer3D systems; and program reporting and reconciliations. The Code of Federal Regulations (CFR) – Title 24 – Housing and Urban Development, grant and subrecipient contracts, and NHSD grants policies were our primary criteria for this audit.

In addition, as part of our testing procedures we examined the following areas:

- Confirmed required training is completed.
- Determined whether subrecipient contracts include all applicable provisions as required by CFR.
- Confirmed grant payments are allowable and adequately supported.
- Confirmed subrecipients are reporting results timely to NHSD and issues identified are discussed with the subrecipient.
- Verified NHSD is reporting program results timely to HUD.
- Verified program income is adequately tracked, and reconciliations are performed.
- Confirmed access to IDIS and Servicer3D is appropriate.

We relied on computer-processed data in SAP to validate grant drawdowns by NHSD from HUD, reimbursements made to subrecipients, and program income. In addition, we used IDIS to verify program income and drawdown amounts reported to HUD. Lastly, we used Servicer3D to validate and track program income reported.

Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. 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

GMA has effective procedures to ensure accurate reporting of program achievements to HUD. Furthermore, GMA was in conformance with grant requirements per the most recent HUD review. We selected 3 reported activities² from the FY 2024 CAPER and confirmed all 3 activities had documentation that accurately supported the results reported in the CAPER. In addition, we obtained the FY 2023 CDBG HUD report and reviewed the City's response to identified issues. We confirmed the single finding was appropriately addressed by the City and closed out by HUD as resolved.

Additionally, NHSD's GMA effectively monitors the closeout of grants as funds expire. We reviewed both opened and closed grants in IDIS for FY 2024 and FY 2025 and determined that all 3 grants eligible for closeout had been closed timely.

Lastly, GMA has effective procedures to ensure access to applicable systems is appropriate. We obtained the system access listings for IDIS (22 users) and Servicer3D (11 users) as of April 2025 and confirmed all users for both systems were appropriate based on employment status and job title.

However, the audit team identified areas where controls could be improved over payment requests, subrecipient reporting, and single audit monitoring.

A. Grant Reimbursement Requests

While expenditures reviewed were allowable and adequately supported, NHSD's GMA had issues with grant reimbursement request approvals and timeliness. We reviewed a sample of 60 expenditures totaling \$13,211,619 between November 2023 through April 2025 and the following issues were identified:

- 2 were missing an approval on the reimbursement request form,
- 2 did not receive approval prior to payment processing, and
- 6 were not documented in IDIS timely

Approvals must be documented on the grant reimbursement request form prior to payment processing and input into IDIS timely afterwards.

² Outcome measures submitted within the consolidated plan which evaluate performance towards housing and community development goals.

NHSD lacks execution of controls to ensure reimbursement requests have adequate approvals and payments are reported timely in IDIS. Lack of sufficient monitoring over grant programs may lead to improper use of federal funding.

Recommendation

NHSD Director ensure controls are executed to appropriately monitor grant reimbursement requests.

B. Subrecipient Performance Reporting

NHSD is not ensuring subrecipient performance reports are completed appropriately, timely, and/or approved. We reviewed a sample of 20 performance reports across 10 subrecipients and determined:

- 4 of 20 performance reports were not completed appropriately (i.e., missing fields or incorrectly documenting the same amount of funds used in two separate months),
- 5 of 20 were turned in between 9-109 days late, and
- 2 of 20 were not reviewed by an NHSD representative.

Per each subrecipient contract, subrecipients are expected to provide accurate and complete monthly performance reports to the GMA before the 15th day of the following month. Information documented within these reports includes funding used and project status along with any anticipated delays. Currently, NHSD lacks sufficient monitoring over subrecipient performance reports which may lead to inaccurate reporting.

Recommendation

NHSD Director ensure current monitoring procedures over subrecipient performance reports are performed as intended.

C. Single Audit Reporting

A subrecipient did not fulfill the single audit requirement. We identified two subrecipients that expensed more than \$750,000 of HUD funds during FY 2023 and confirmed one of the subrecipients did not have a single audit performed. Per the CFR, an entity that expended \$750,000 or more during that fiscal year in federal awards required completion of a single audit. Single audits serve as a significant control mechanism as they are performed by an independent accounting firm and are used to provide assurance over the management and use of federal funds by non-federal entities.

Audit of Neighborhood Housing and Services Department
Grants Monitoring and Administration Division

While NHSD has been in communication with the subrecipient regarding completion of their FY 2023 single audit report, NHSD's procedures are not adequate to ensure single audits are completed by applicable subrecipients. Not having adequate procedures in place for this requirement increases the risk of improper use of federal funds issued by the City.

Recommendation

NHSD Director modify procedures to ensure single audit reports are completed by applicable subrecipients and submitted to the GMA timely.

Appendix A – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager
Loretta Faxlanger, CFE, Auditor in Charge
Sabrina Saldaña, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

October 10, 2025

Buddy Vargas, CPA, CIA, CFE
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of NHSD Grants Monitoring and Administration Division

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

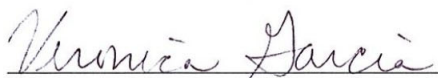
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	Grant Reimbursement Requests Recommendation: NHSD Director ensure controls are executed to appropriately monitor grant reimbursement requests.	7	ACCEPT	Gloria Alvarado, NHSD Fiscal Administrator	January 2026
	Action plan: NHSD existing policy and procedures for IDIS Drawdowns will be updated to emphasize grant reimbursement draw frequencies, process for exceptions and signature authorities. As part of the update to the policy and procedures for IDIS Drawdowns, training will be implemented annually for NHSD staff involved in the drawdown request and approval process.				
B	Subrecipient Performance Reporting Recommendation: NHSD Director ensure current monitoring procedures over subrecipient performance reports are performed as intended.	7	ACCEPT	Samantha Diaz, NHSD Grants Administrator	January 2026

Audit of Neighborhood Housing and Services Department
Grants Monitoring and Administration Division

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: NHSD will develop a standard operating procedure (SOP) for subrecipient performance reports that outline report completion, deadlines and review process. Staff training will be implemented for subrecipient performance reports annually. NHSD will emphasize report completion requirements through GMA contract orientations, beginning in FY2026.				
C	Single Audit Reporting Recommendation: NHSD Director modify procedures to ensure single audit reports are completed by applicable subrecipients and submitted to the GMA timely.	8	ACCEPT	Samantha Diaz, NHSD Grants Administrator	January 2026
	Action plan: NHSD will adopt a policy to include required areas of review, deadlines and compliance for subrecipient audits.				

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,


Name
Veronica Garcia
Director

10-9-25
Date


Name
John Peterek, Assistant City Manager
City Manager's Office

10/9/25
Date