



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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April 24, 2014

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RE: AN INTERNAL AUDIT OF THE AMY YOUNG BARRIER REMOVAL PROGRAM (REPORT # 14-1058)

To: The Audit Committee and the Governing Board of the Texas Department of Housing and Community Affairs

The Internal Audit Division has completed its audit of the Texas Department of Housing and Community Affairs' (Department's) Amy Young Barrier Removal Program (program.) This program is funded through the Housing Trust Fund, which consists of state funds appropriated by the Texas Legislature. (See text box for additional program information.) We determined that overall, the program is providing services as intended and in accordance with the Department's policies.

The program consists of five defined stages: the contract administrator set-up stage, the activity set-up stage, the work write-up stage, the construction contract stage, and the construction completion and draw request stage. Each stage has specific requirements and timeframes that must be met prior to receiving approval for the next stage. The activity set-up stage, the work write-up stage, and the construction contract stage are allowed a one-time extension of 30 days at the discretion of the Department.

We tested a judgmental sample of 30 activities from the activity set-up stage through the construction completion and draw request stage. For the 30 activities we tested:

- The total amount expended was \$485,841.97. Of this \$448,388.53 was for project costs and \$37,453.44 was for direct delivery costs.

The Amy Young Barrier Removal Program

The Amy Young Barrier Removal Program (program) provides one-time grants of up to \$20,000 to persons with disabilities who need modifications to increase accessibility and eliminate hazardous conditions in their home.

During fiscal years 2012 and 2013, a total of \$5.2 million was committed and expended for the program. As of April 2, 2014, there were 306 homes completed with two additional homes still in progress. Twenty-eight contract administrators participated in the program.

The program allows no more than 25% of the projects funds to be used for health and safety costs. For fiscal years 2012 and 2013, a total of \$1.2 million could be spent on health and safety. Only \$382,600 (8.2%) was actually spent on health and safety costs.

(Source: Unaudited data provided by program staff.)

- The total amount allowed for health and safety costs was \$112,097.13 (25% of the project costs). The actual amount of health and safety costs expended was \$42,238.89 (9.4%) of the project costs.
- The total administrative costs were \$48,584 (10.0%) of the total expended amount.

Activity Set-Up Stage

The activity stage is when a contract administrator submits a reservation to commit funds to an eligible household. The Housing Contract System (HCS) is the automated system used to process the activities submitted. The program reviews each activity set-up for adherence to the program guidelines. Each activity set-up receives a first and second-level review. Of the 30 activities we tested:

- All 30 activities (100%) had a completed activity set-up review checklist signed by the first and second-level reviewer.
- All 30 activities (100%) had the required supporting documentation on file. All documents were completed and signed as required.
- There were 10 activities (33.3%) that had deficiencies on the original activity set-up submission. These deficiencies were later resolved.

However, we noted that both the first level and second-level review is performed by program staff and each staff has two separate log-ins in the HCS so that they can act as both a first and second-level reviewer. This creates a risk that one individual could review a file and then approve their own work. However, we did not note any instances of this happening in the files we tested.

Recommendation

The program should ensure that individuals who perform the first-level review of the activity set-ups are not also performing the second-level review of those same activity set-ups.

Management's Response

Management concurs with Internal Audit's recommendations regarding reviews. Currently SOPs already prohibit the same staff member conducting both first and second reviews of any reservation system transaction. To enhance oversight of compliance with current SOPs, management will generate a quarterly report that summarizes all reservation system transactions and the staff approvals associated with them. The report will be reviewed to confirm that no instances of review and approval by the same staff member are occurring.

Person Responsible: Homero Cabello

Target Date for Implementation: May 30, 2014

Work Write-Up Stage

The work write-up stage happens when the contract administrator submits the initial inspection, work write-up, cost estimate and “before” photos of the unit for review. Program staff review these documents to ensure the scope of the work meets the specifications and that the estimate is reasonable. Of the 30 activities we tested:

- 23 activities (76.7%) had the work write-up received within 30 days of the activity set-up approval.
- Seven activities (23.3%) did not receive the work write-up within 30 days of the activity set-up approval. However, one of the seven received an extension, and the remaining six were allowed extra time because the due date for the original submission fell on a weekend or holiday.
- All 30 activities (100%) had the initial inspection, work write-up and cost estimate review checklist completed, dated, and signed by staff.
- All 30 activities (100%) had the required supporting documentation on file. All documents were completed and signed as required.
- The average time between the activity set-up stage and the work write-up stage was 22.9 days.

Construction Contract Stage

During the construction contract stage, the contract administrator submits the bid package for the unit for review. Staff reviews the bid package to ensure that all of the requirements are met at which point the contract administrator is permitted to release the bid package so that a contractor can be selected to perform the modifications. Of the 30 activities we tested:

- For 19 activities (63.3%) the construction contract was received within 30 days of the approval of the work write-up. Eleven activities (36.7%) did not provide the construction contract within 30 days of the work write-up approval. Four of these were granted a 30-day extension. The remaining seven were allowed extra time because the original due date fell on a weekend or holiday.
- 29 activities (96.7%) had the construction contract review checklist completed, signed and dated by staff. There was one contract administrator that did not submit the construction contract for approval prior to beginning the construction work. Therefore, the Department was unable to review and approve the contract. However, program staff addressed this issue with the contract administrator.
- 29 activities (96.7%) had the required supporting documentation on file. All documents were completed and signed as required.
- 28 activities (96.7%) had cost estimates within the required 75%/25% construction cost to health and safety cost ratio. One activity (3.3%) was not within the 25% health and safety cost limit, but was granted a waiver for this requirement.
- The average time between the work write-up approval and the construction contract receipt date was 26.7 days.

Construction Completion and Draw Request Stage

Contract administrators have 120 calendar days to complete construction and submit the project and administrative draw request, along with the final inspection, invoice and “after” pictures. The program

staff performs a first level review of the draw request and other supporting documents and approves the draw in the HCS. The draw is then reviewed and approved by the Program Services Division, then reviewed and approved by accounting staff prior to payment. Of the 30 activities we tested:

- For all 30 activities (100%), the construction was completed and payment requested within 120 days of the construction contract approval date, or an extension was requested and granted.
- For all 30 activities (100%), the project completion and draw review checklist was completed, dated, and signed by staff.
- All 30 activities (100%) had the required supporting documentation on file. All documents were completed and signed as required.
- 11 activities (36.7%) requested change orders to the construction contract during the construction phase. All 11 (100%) received the necessary approval from the Department for the change order.
- The average time between the construction contract approval and the completed construction and draw submission was 70.3 days.

The program does not have a mechanism in place to determine if an individual or property was previously assisted. However, the program requires “before” pictures to be submitted prior to the property receiving assistance. The review of these pictures and the limited number of staff and projects involved in this program should enable the staff to identify any properties that were previously assisted.

The objective of this audit was to determine if the Amy Young Barrier Removal Program is providing services as intended and in accordance with the Department’s policies. The scope of our fieldwork was fiscal years 2012 and 2013. Our methodology consisted of interviewing responsible individuals, reviewing documentation and testing the activities submitted by the contract administrators.

This audit was conducted as part of our fiscal year 2014 internal audit plan. We conducted our fieldwork in April 2014. 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. This audit was also conducted in conformance with the *International Standards for the professional Practice of Internal Auditing*.

We would like to extend our sincere thanks to the management and staff of the Amy Young Barrier Removal Program for their cooperation and assistance during the course of this audit.

Sincerely,

Sandra Q. Donoho, CISA, CIA, CFE, CICA
Director of Internal Audit

Sqd/nak

cc:

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