City of Austin

AUDIT REPORT

Affordable Housing Grant Funding Audit

September 2012

A Report to the Austin City Council

Mayor
Lee Leffingwell

Mayor Pro Tem
Sheryl Cole

Council Members
Chris Riley
Mike Martinez
Kathie Tovo
Laura Morrison
Bill Spelman

Office of the City Auditor

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REPORT SUMMARY

During the planning phase of this audit, we assessed the risks related to NHCD's grant funding processes. Based on this assessment, we determined that the risks related to optimizing funding opportunities for affordable housing are being addressed and managed by the department.

AUDIT NUMBER: AU12122

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GOVERNMENT AUDITING 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.

AUDIT TEAM

Niki Raggi, CGAP, CICA, Assistant City Auditor
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Audit Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of City Auditor's (OCA) FY 2012 Strategic Audit Plan.

What We Recommend

At this time, we are not issuing any recommendations.

For more information on this or any of our reports, email oca_auditor@austintexas.gov

Mayor and Council,

I am pleased to present this audit on affordable housing grant funding.

BACKGROUND

The Neighborhood Housing and Community Development (NHCD) department receives funding to support affordable housing, community development, and economic development needs in the City from federal, state, and local sources.

In Fiscal Year (FY) 2011, NHCD received a total of $12.7 million in Community Development Block Grant (CDBG) and HOME Investment Partnership Program entitlement funding from the U.S. Housing and Urban Development (HUD). In FY 2012, a total of $10.9 million in CDBG and HOME Investment Partnership Program entitlement funding was allocated to NHCD, representing a decrease of $1.8 million. In FY 2013, NHCD is anticipating an additional reduction of $1.9 million in federal entitlement funding from the CDBG and the HOME Investment Partnerships programs.

OBJECTIVE AND SCOPE

The objective of the audit was to evaluate if the City is optimizing funding opportunities available for affordable housing, including federal funds, competitive grant funds, and leveraging of other resources.

The audit scope included a review of entitlement and grant funding information from FY 2011 through June 2012, with a focus on affordable housing-related funding.

WHAT WE FOUND

During the planning phase of this audit, we assessed the risks related to NHCD's grant funding processes. Based on this assessment, we determined that the risks related to optimizing funding opportunities for affordable housing are being addressed and managed by the department.

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

Kenneth J. Mory, City Auditor

BACKGROUND

The Neighborhood Housing and Community Development (NHCD) department receives funding to support affordable housing, community development, and economic development needs in the City from federal, state, and local sources.

In Fiscal Year (FY) 2011, NHCD received a total of $12.7 million in Community Development Block Grant (CDBG) and HOME Investment Partnership Program entitlement funding from the U.S. Housing and Urban Development (HUD). In FY 2012, a total of $10.9 million in CDBG and HOME Investment Partnership Program entitlement funding was allocated to NHCD, representing a decrease of $1.8 million. In FY 2013, NHCD is anticipating an additional reduction of $1.9 million in federal entitlement funding from the CDBG and the HOME Investment Partnerships programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Affordable Housing Funding Audit was conducted as part of the Office of City Auditor's (OCA) FY 2012 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

Objective

The objective of the audit was to evaluate if the City is optimizing funding opportunities available for affordable housing, including federal funds, competitive grant funds, and leveraging of other resources.

Scope

The audit scope included a review of entitlement and grant funding information from FY 2011 through June 2012, with a focus on affordable housing-related funding.

Methodology

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

- Reviewed and analyzed financial related documentation, including NHCD budgets, business plans, and applicable federal reports
- Reviewed NHCD applicable policies and procedures
- Interviewed NHCD and Budget Office personnel involved in the grant funding process
- Researched industry standards and best practices related to affordable housing grant funding
- Considered risks related to information technology and fraud, waste, and abuse

AUDIT RESULTS

During the planning phase of this audit, we assessed the risks related to NHCD's grant funding processes. Based on this assessment, we determined that the risks related to optimizing funding opportunities for affordable housing are being addressed and managed by the department.

Actions taken by NHCD to address these risks include:

- Applying a strategic approach to grant funding, including:
  - Prioritizing the identification and application of grants
  - Attaining agency certifications to enhance funding opportunities
  - Pursuing grant programs that would allow the department to sustain existing programs and/or provide additional resources, including staff
  - Developing partnerships with community organizations

- Establishing a departmental process to govern grant applications, including:
  - Documented policies and procedures
  - Management approval and oversight of grant applications
  - Dedicated staff resources to meet strategic approach for grant funding
  - Ongoing coordination and communication with the City's Budget Office

At this time, we are not issuing any recommendations.