



# Homeowner Assistance Program (HoAP)

AUDIT FINDINGS

BUDGET AND FISCAL AFFAIRS COMMITTEE

JULY 30, 2024

OFFICE OF CITY CONTROLLER CHRIS HOLLINS



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# Background and objectives

## The Homeowner Assistance Program was put in place to help Houstonians impacted by Hurricane Harvey...

- In the wake of Hurricane Harvey, the Housing and Community Development Department's (HCDD's) Homeowner Assistance Program (HoAP) assisted 731 homeowners in repairing and rebuilding damaged homes
- With a budget of more than \$69 million, HoAP was funded through a U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG)

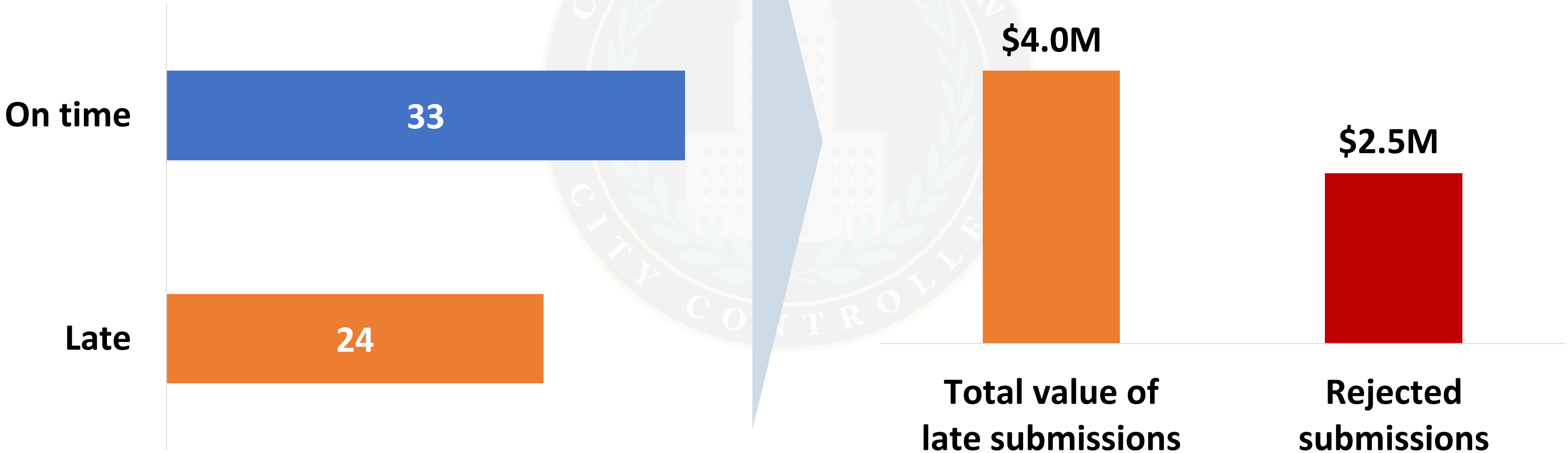
## This audit was intended to verify that HoAP funds were expended legally and had the greatest possible impact...

- Determine if HCDD-HoAP funds were expended in compliance with applicable policies, laws, and guidelines; and
- Verify internal controls related to the processing of applications and timely payments to eligible recipients

# Reimbursement requests were consistently submitted late, resulting in \$2.5 million in losses

24 out of 57 reimbursement requests (42%) were submitted after the 90-day deadline...

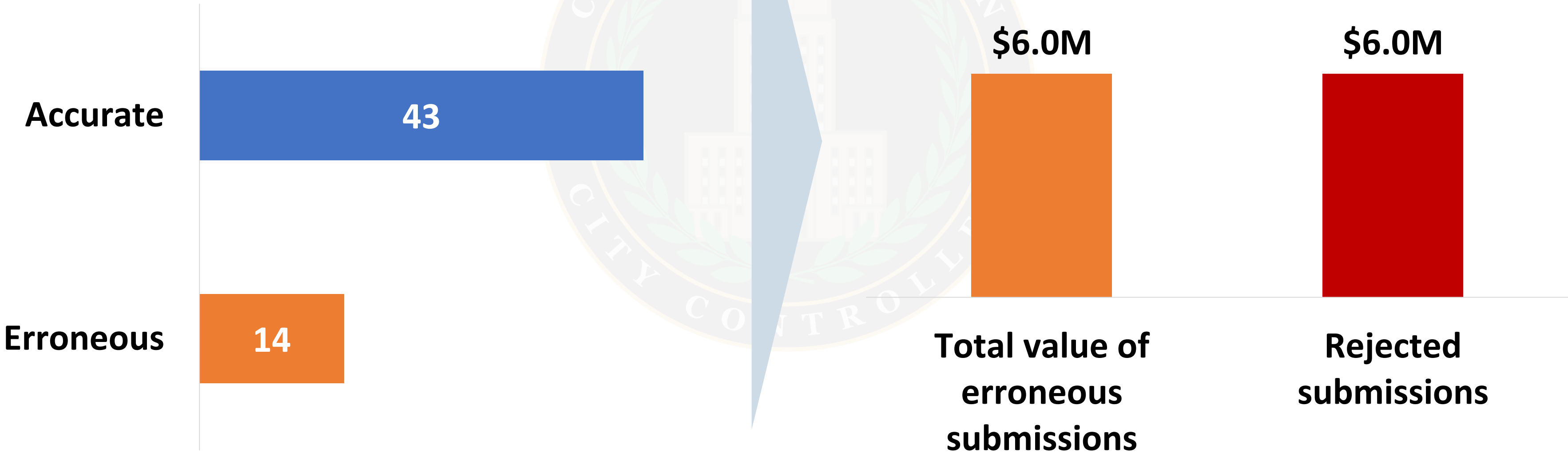
9 of the 24 late submissions were ultimately rejected, totaling more than \$2.5 million



# Reimbursement requests were also error-prone, resulting in \$6.0 million in losses

14 out of 57 reimbursement requests (25%) were submitted with errors...

Each of the erroneous submissions was either rejected or withdrawn



## Additional findings

- **There was insufficient segregation and monitoring of user access to provide adequate protection of sensitive data**
  - Most users have greater access than necessary to perform their job duties
  - No documentation that user access was terminated for users who are no longer with HCDD or the City
  
- **Insufficient internal controls for complaints and appeals may lead to noncompliance with grant funding program guidelines**
  - No process to ensure that written responses are made to complaints within 15 business days
  - No process to document reconciliation of appeals within 30 days

# Audit recommendations

1. Develop, document, and execute an action plan to **ensure timely reimbursement submissions;**
2. Develop, document, and execute an action plan to **ensure that reimbursement requests are complete and accurate;**
3. Update HCDD's User Access Policy and procedures to **ensure periodic monitoring of user access;** and
4. Develop, document, and implement a method to **track and reconcile responses to applicable complaints and appeals.**



## Continued challenges

- Despite the conclusion of the HoAP program, **these recommendations can be applied to a number of programs** where there appear to be a lack of process controls
- For example, based on internal administrative error, **HCDD missed two payments totaling nearly \$600,000** due to the U.S. Department of Housing and Urban Development (HUD) in 2023 and **another for \$200,000 in 2022**
  - Although the City was not penalized in these situations due to the fact that CDBG funds were available to cover the payments, these were technically **defaults that could result in adverse consequences** (e.g., downgrading of City's credit rating, litigation, full loans becoming due and payable immediately)
  - **Appropriate controls** (e.g., enabling the Controller's Office to handle debt service going forward) **can avoid these consequences**



