

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	April 2, 2018
Department:	Community Services/Housing & Community Development Division
Subject:	Housing Rehabilitation Program
Lead Auditor:	Karen Newman, Sr Internal Auditor

OBJECTIVE

The objective of this follow-up review was to determine whether the Housing & Community Development Division has effectively implemented the action plans presented in their response to our February 2017 audit.

SCOPE & METHODOLOGY

To accomplish our objective, we reviewed Housing and Community Development policies and procedures, interviewed staff, and reviewed project documentation from Homeowners Rehabilitation projects (under the Housing Rehabilitation Program) completed from January 2017 to January 2018.

BACKGROUND

On February 23, 2017 we issued a report on our audit of the Housing Rehabilitation Program. The objective of the audit was to determine whether adequate controls are in place to ensure compliance with Housing Rehabilitation Program requirements for eligibility, procurement, and expenditures. The report included two recommendations, summarized as follows:






1. Exceptions to program requirements should be documented and approved by the Rehab Committee. Additionally, the "Housing Rehabilitation Program Checklist" should include a step to ensure that the project file includes documentation for exceptions granted.
2. Required signatures should be obtained for all change orders before work proceeds.

Housing & Community Development Division management agreed with all recommendations and submitted action plans.

CONCLUSION

While some process improvements have been realized, exceptions were still found during the follow-up testing. We are recommending that management's implementation efforts continue. We plan to conduct another follow-up review in approximately 9 months. A complete list of the original corrective action plans, along with detailed information regarding their implementation status, is presented in the attached Appendix.

APPENDIX

 = Implemented  = In Progress  = Not Implemented		
<u>Issue and Action Plan</u>		<u>Implementation Status</u>
IAP#1: Exceptions to Program Requirements Not Documented		
<p>Recommendation 1: Housing Services should implement more effective internal controls to ensure that exceptions to program requirements are documented in the project files. For example, the "Housing Rehabilitation Program Checklist" should be revised to include a step to ensure all exceptions are documented as required.</p> <p>Management Response: More effective internal controls have already been implemented as demonstrated on the updated Housing Rehabilitation Program Checklist.</p> <p>Estimated Completion Date: January 2017</p>		<p>In Progress –</p> <p>The Housing Rehabilitation Program Checklist was updated and a process was implemented to ensure exceptions to program requirements are approved by the Rehab Committee, but the process was not always followed. Therefore, the checklist was not an effective control to mitigate the risk that exceptions could occur without proper documentation and approval.</p> 
<u>Issue and Action Plan</u>		<u>Implementation Status</u>
IAP#2: Required Signatures Not Obtained for Change Orders		
<p>Recommendation 2: Required signatures should be obtained for all change orders before work proceeds. Or, if appropriate, management should re-evaluate the change order process and related risks, and update the Administrative Plan to reflect current practices.</p> <p>Management Response: The Administrative Plan was updated July 1, 2016 to state change order approval from the homeowner is required before work proceeds.</p> <p>The following new protocol ensures that internal controls are put in place to effectively utilize these tools.</p> <p>Change Orders</p> <p>Coordination of all Change Orders will be handled by the Housing Rehab Specialist for all projects.</p> <p>Prior to any work being performed, all Change Orders will be submitted to the Housing Rehab Specialist.</p>		<p>In Progress –</p> <p>The protocol implemented for change orders did not ensure that all change orders were approved by the homeowner prior to the work being completed.</p> <p>We continue to recommend that management re-evaluate the change order process; and, if preapproval is not always a viable option, update the Administrative Plan to allow for an alternative process to be followed under those specific circumstances.</p> 

<p>The Housing Rehab Specialist will ensure:</p> <ol style="list-style-type: none">1. The requirements for submission have been met.2. If not already performed, a site inspection will be performed to verify the necessity of the Change Order.3. The proper documentation will be attached (including the site inspection verification).4. City approval (budget & scope) must be approved by: a). the Inspector; b). the Housing Rehab Specialist; and c). Program Supervisor.5. After the Program Supervisor has approved, the Homeowner must also approve.6. After Step #5, the Housing Rehab Specialist will issue the Notice to Proceed (signed by the Housing Rehab Specialist and the Program Supervisor) on the Change Order with copies to the Homeowner. <p>Notes: Step #4 – The Inspector signature verifies the necessity & the scope/budget; the Housing Rehab Specialist signature verifies the project file, process and documentation are in place and that all steps are performed correctly; the Program Supervisor signature provides the Ok to proceed.</p> <p>This protocol has two separate check & balances by the Housing Rehab Specialist & Program Supervisor ensuring system success.</p> <p>Estimated Completion Date: November 2016</p>		
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