

# **AUDIT COMMITTEE MEETING**

## **SEPTEMBER 12, 2013**



**Leslie Bingham-Escareño, Chair**  
**Tom H. Gann, Member**  
**J. Mark McWatters, Member**  
**Sandy Donoho, Secretary of the Committee**

**AUDIT COMMITTEE  
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**AGENDA**

9:00 a.m.  
September 12, 2013

Capitol Extension Auditorium  
1500 North Congress, Austin, TX

**CALL TO ORDER, ROLL CALL**

Leslie Bingham-Escareño, Chair

**CERTIFICATION OF QUORUM**

Leslie Bingham-Escareño, Chair

The Audit Committee of the Governing Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

**ACTION ITEMS**

- Item 1 Presentation, Discussion, and Possible Action on the Audit Committee Meeting Minutes for July 25, 2013
- Item 2 Presentation, Discussion, and Possible Action on the Draft FY 2014 Internal Audit Work Plan
- Item 3 Presentation and Discussion on the Status of the FY 2013 Internal Audit Work Plan
- Item 4 Presentation and Discussion of Recent Internal Audit Reports:
  - a) An Internal Audit of Compliance Monitoring
- Item 5 Presentation and Discussion of the Status of External Audits
- Item 6 Presentation and Discussion of Recent External Audit Reports:
  - a) Quarterly DOE Monitoring of the Weatherization Assistance Program
  - b) Texas Workforce Commission Civil Rights Division Review of Personnel Policies and Procedural Systems
- Item 7 Presentation and Discussion of the Status of Prior Audit Issues
- Item 8 Presentation and Discussion of the Status of the Fraud, Waste, and Abuse Hotline and Other Fraud Complaints

Sandy Donoho,  
Director of Internal  
Audit

**EXECUTIVE SESSION**

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code, §2306.039.

1. Pursuant to Texas Government Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee:
  - (a) *the Director of Internal Audit*
2. Pursuant to Texas Government Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.
3. Pursuant to Texas Government Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Texas Government Code, Chapter 551.

Leslie Bingham-  
Escareño, Chair

4. Pursuant to Texas Government Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste or abuse.

**PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS. PUBLIC COMMENT MAY INCLUDE REQUESTS THAT THE COMMITTEE PLACE SPECIFIC MATTERS ON FUTURE AGENDAS FOR CONSIDERATION.**

#### **OPEN SESSION**

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

#### **ADJOURN**

*To access this agenda & details on each agenda item in the board book, please visit our website at [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us) or contact Michele Atkins, 512-475-3916 TDHCA, 221 East 11<sup>th</sup> Street, Austin, Texas 78701, and request the information.*

*Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989, at least three (3) days before the meeting so that appropriate arrangements can be made.*

*Non-English speaking individuals who require interpreters for this meeting should contact Jorge Reyes, 512-475-4577 at least three (3) days before the meeting so that appropriate arrangements can be made.*

*Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.*

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**AUDIT COMMITTEE ACTION REQUEST**

**BOARD SECRETARY**

**SEPTEMBER 12, 2013**

Presentation, Discussion, and Possible Action on the Audit Committee Meeting Minutes Summary for July 25, 2013.

**RECOMMENDED ACTION**

**RESOLVED**, that the Audit Committee Meeting Minutes Summary for July 25, 2013, are hereby approved as presented.

**AUDIT COMMITTEE  
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

9:00 a.m.  
July 25, 2013  
Capitol Extension Auditorium  
1500 N. Congress Ave.  
Austin, TX 78701

**MINUTES SUMMARY**

**CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM**

The Audit Committee of the Governing Board of the Texas Department of Housing and Community Affairs was called to order by Chair, Leslie Bingham-Escareño at 9:00 a.m. on July 25, 2013. It was held at the Capitol Extension Auditorium, 2405 1500 N. Congress Ave., Austin, TX. Roll call certified a quorum was present.

**Members Present:**

Leslie Bingham-Escareño, Chair  
Tom Gann, Member  
J. Mark McWatters, Member

**PUBLIC COMMENT**

The Committee will solicit public comment at the end of the meeting and will also provide for public comment on each agenda item after the presentation made by the Department staff and motions made by the Committee.

The Committee met to consider and possibly act on the following:

**AGENDA ITEMS**

- AGENDA ITEM 1** Presentation, Discussion, and Possible Approval of the Audit Committee Minutes for January 17, 2013  
**Motion by Tom Gann to approve the Audit Committee Minutes for January 17, 2013; duly seconded by J. Mark McWatters; motion passed.**
- AGENDA ITEM 2** Presentation, Discussion, and Possible Action on the Status of the FY2013 Internal Audit Work Plan  
**Motion by Tom Gann to approve staff's recommendation on the Status of the FY2013 Internal Audit Work Plan; duly seconded by J. Mark McWatters; motion passed.**
- AGENDA ITEM 3** Presentation and Discussion of Recent Internal Audit Reports  
**Report only. No action required.**
- AGENDA ITEM 4** Presentation and Discussion of the Status of External Audits  
**Report only. No action required.**
- AGENDA ITEM 5** Presentation and Discussion of the Status of Recent External Audit Reports  
**Report only. No action required.**
- AGENDA ITEM 6** Presentation and Discussion of the Status of Prior Audit Issues  
**Report only. No action required.**
- AGENDA ITEM 7** Presentation and Discussion of the Status of the Fraud Waste and Abuse Hotline and Other Fraud Complaints  
**Report only. No action required.**

**PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.**

No public comment.

**EXECUTIVE SESSION** No Executive Session Held.

**ADJOURN**

Since there was no further business to come before the Committee, Leslie Bingham-Escareño adjourned the meeting of the Audit Committee at 9:25 a.m. on July 25, 2013.

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Barbara Deane, Board Secretary

For a full transcript of this meeting, please visit the TDHCA website at [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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**AUDIT COMMITTEE ACTION REQUEST**

**INTERNAL AUDIT**

**SEPTEMBER 12, 2013**

Presentation, Discussion and Possible Approval of the Fiscal Year 2014 Internal Audit Work Plan.

**RECOMMENDED ACTION**

**WHEREAS**, the Texas Internal Auditing Act and audit standards require the governing board to approve an annual audit work plan that is based on an agency-wide risk assessment as well as input from the governing board and executive management, and that outlines the internal audits planned for the upcoming fiscal year,

**RESOLVED**, the internal audit work plan for fiscal year 2014 is hereby approved as presented.

**BACKGROUND**

The annual internal audit work plan is required by the Texas Internal Auditing Act and by audit standards. The plan outlines the program areas that the Internal Audit Division will audit during the 2014 fiscal year as well as outlining the other planned activities of the Internal Audit Division.

**Department of Housing and Community Affairs  
Internal Audit Division – Fiscal Year 2014 DRAFT Internal Audit Plan  
September 12, 2013**

<b>Program Area/Division</b>	<b>Audit</b>	<b>Hours (4620)</b>	<b>Comments</b>
Single Family	HOME Program	800	Scope Will Be Developed During Planning
Mfg. Housing	Titling Process	900	Scope Will Be Developed During Planning
Community Affairs	Low Income Home Energy Assistance Program (LIHEAP)	900	Scope Will Be Developed During Planning
Agency-wide	Ethics Program	180	Scope Will Be Developed During Planning
Financial Administration	Financial Administration	800	Scope Will Be Developed During Planning
Housing Trust Fund	Amy Young Barrier Removal Program	500	Scope Will Be Developed During Planning
Agency-wide	Performance Measures <sup>1</sup>	540	Contingency – 10% Set-Aside for Board Requests
<b>Program Area/Division</b>	<b>Management Assistance/ Special Projects</b>	<b>Hours (750)</b>	<b>Comments</b>
Internal Audit	Quality Assurance Self-Assessment Review	120	Required by Audit Standards
Internal Audit	Conduct Annual Risk Assessment and Prepare Fiscal Year 2015 Audit Plan	160	Required by the Texas Internal Auditing Act and by Audit Standards
Internal Audit	Annual Review and Revision of Internal Audit Charter	20	Required by Audit Standards
Internal Audit	Preparation and Submission of the Fiscal Year 2014 Annual Internal Audit Report	40	Required by the Texas Internal Auditing Act, Due Each November
Internal Audit	Coordinate with External Auditors	60	Ongoing Requirement
All Divisions	Follow-up on the Status of Prior Audit Issues	100	Required by Audit Standards
All Divisions	Tracking the Status of Prior Audit Issues	50	Required by Audit Standards
All Divisions	Tracking, Follow-up and Disposal of Fraud Complaints	200	Internal Audit is Responsible for the Fraud Hotline and for Reviewing Fraud Complaints

<sup>1</sup> 10% of available hours are set aside for special requests from the board. If no such requests are received, this project will be performed using these hours.

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**AUDIT COMMITTEE REPORT ITEM**

**INTERNAL AUDIT**

**SEPTEMBER 12, 2013**

Presentation and Discussion of the Status of the Fiscal Year 2013 Internal Audit Work Plan.

**REPORT ITEM**

The Internal Audit Work Plan for Fiscal Year 2013 was approved by the audit committee and by the Board on September 6, 2012 and revised on July 25, 2013. This presentation outlines the current status of the plan.

**BACKGROUND**

There are six audits on the plan this year. We have completed five of these audits and have released the reports. We will discuss the recent internal audit of compliance monitoring under agenda item #4. We are currently drafting the report on the loan processing audit and we will discuss that report at the next audit committee meeting. In addition, we have completed all of the non-audit activities on the plan, most of which are required by auditing standards, or by statute, except for our annual report to our oversight agencies, which is due November 1st.

**Department of Housing and Community Affairs  
Internal Audit Division  
Status of the Fiscal Year 2013 Internal Audit Plan  
as of September 12, 2013**

<b>Program Area/Division</b>	<b>Audit</b>	<b>Hours 4160</b>	<b>Comments</b>
Asset Management	Asset Management	900	Completed
Program Services	Program Services – Quality Assurance	1000	Completed
Bond Finance	Housing Trust Fund Transfers	160	Completed
Compliance	Compliance Monitoring	1000	Completed
Agency-Wide	Loan Processing	1000	Reporting
Mfg. Housing Division	Mailroom Procedures and Processes	100	Completed
<b>Program Area/Division</b>	<b>Management Assistance/ Special Projects</b>	<b>900</b>	<b>Comments</b>
Internal Audit	Conduct Annual Risk Assessment and Prepare Fiscal Year 2014 Audit Plan	120	Completed
Internal Audit	Annual Review and Revision of Internal Audit Charter	20	Completed
Internal Audit	Review and Revise Internal Audit Policies and Procedures to Comply with New Auditing Standards	60	Completed
Internal Audit	2012 Peer Review	160	Completed
Internal Audit	Preparation and Submission of the Fiscal Year 2013 Annual Internal Audit Report	40	Due Fall 2013
Internal Audit	Coordinate with External Auditors	50	Ongoing
All Divisions	Follow-up on the Status of Prior Audit Issues	125	Ongoing
All Divisions	Tracking the Status of Prior Audit Issues	50	Ongoing
All Divisions	Tracking, Follow-up and Disposal of Fraud Complaints	275	Ongoing

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**AUDIT COMMITTEE REPORT ITEM**

**INTERNAL AUDIT**

**SEPTEMBER 12, 2013**

Presentation and Discussion of a Recent Internal Audit Report.

**REPORT ITEM**

Internal Audit recently completed an audit of compliance monitoring. This project was part of the fiscal year 2013 audit plan.

**BACKGROUND**

**An Internal Audit of Compliance Monitoring**

The Compliance Division effectively performs on-site monitoring reviews and desk reviews and correctly identifies and refers issues of noncompliance to the Administrative Penalties Committee. However, we identified opportunities for improvement in the timeliness of the compliance monitoring and inspection reports. In addition, the Compliance Division should ensure that property owners are provided with a full 90-day corrective action period to correct issues of noncompliance. Meeting this requirement is especially important because a recent change to the Department's enabling statute now mandates a full 90-day corrective action period. Management has indicated that they agree with the recommendations in this report and are working to implement them.



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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BOARD MEMBERS  
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Tom H. Gann  
Leslie Bingham-Escareño  
Robert D. Thomas  
J. Mark McWatters

Rick Perry  
GOVERNOR

August 5, 2013

*Writer's direct phone #512.475.3813*  
*Email: [sandy.donoho@tdhca.state.tx.us](mailto:sandy.donoho@tdhca.state.tx.us)*

RE: AN INTERNAL AUDIT OF COMPLIANCE MONITORING (REPORT #13-1057)

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

Attached is the Internal Audit Division's report on the Texas Department of Housing and Community Affairs (Department's) Compliance Division (Division). We found that the Division effectively performs on-site monitoring reviews and desk reviews and correctly identifies and refers noncompliance matters to the Administrative Penalties Committee. However, there are opportunities for improvement in the timeliness of the monitoring and inspection reports. In addition, the Division should increase their consistency in ensuring that property owners are provided with a full 90-day corrective action period to correct issues of noncompliance. Meeting this requirement is especially important because of recent changes to statute that now require a 90-day corrective action period. Management has indicated that they agree with the recommendations of this audit report and are working to implement them.

The objectives of this audit were to determine if monitoring reports are issued within the required timeframes, if noncompliant properties are correctly identified and referred, and if contract monitoring activities are performed in accordance with federal regulations, state rules, and the Department's policies. The audit scope was state fiscal year 2012 and 2013 through May 24, 2013. Fieldwork was conducted from June 2013 through July 2013. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance and cooperation we received from the management and staff of the Compliance Division during the course of this audit. If you have any questions about this audit report, please contact me at (512) 475-3813.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Donoho".

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

SQD/nak

cc: Tim Irvine, Executive Director  
Patricia Murphy, Chief of Compliance



## Executive Summary

The Texas Department of Housing and Community Affairs' (Department's) Compliance Division (Division) effectively performs on-site monitoring reviews and desk reviews as required in order to ensure that the Department's housing and energy assistance programs are correctly administered and funds are expended in accordance with contract provisions and applicable state rules and federal regulations. When serious non-compliance in the Tax Credit Program occurs, non-compliant properties are correctly identified and are referred to the Administrative Penalties Committee as appropriate.

However, the Division should enhance the timeliness of monitoring and inspection reports to ensure that these reports are issued within the required timeframes. Of the 120 reports tested for the Compliance Monitoring, Contract Monitoring, and Physical Inspections sections, 11 (9.2%) were not issued within the timeframes required by the Division's policies and procedures.

Of the 30 reports tested for the Community Affairs Monitoring section, 10 (33.3%) were for the Weatherization Assistance Program (WAP) which is required to issue monitoring reports within 30 days of the monitoring visit. Of those 10 WAP reports, seven (70.0%) were not issued within the timelines required by state rules or the Department of Energy's federal regulations.

In addition, the Division is not always providing property owners with a 90-day corrective action period to correct issues of noncompliance as required by state rules and Department policies. Of the 60 monitoring and inspection reports tested that would require a 90-day corrective action period, 28 (46.7%) did not include a full 90-day corrective action period. Instead, the corrective action period was generally between 86 and 89 days because some monitors count three months from the date of issue rather than 90 calendar days. This is especially important because a recent change to state law now requires the Department to ensure that property owners are given a 90-day corrective action period.

### The Compliance Division

The Compliance Division (Division) is responsible for ensuring programmatic and financial compliance with federal and state regulatory requirements. As part of their oversight and monitoring procedures, the Division conducts on-site monitoring reviews and desk reviews.

The Division consists of five different sections, four of which are responsible for monitoring activities. The four sections responsible for monitoring activities are: Compliance Monitoring, Contract Monitoring, Physical Inspections and Community Affairs Monitoring. The fifth section, Compliance Administration, is responsible for prior participation reviews, reviewing annual owner compliance reports, oversight of utility allowance appraisals, training for staff and development owners, as well as reviewing referrals to the Administrative Review Committee.

### Other Key Points

- The Compliance Division does not always maintain current records on external users of the Compliance Monitoring and Tracking System (CMTS) as required by the Department's policies. We tested 34 unique Administrator of Accounts user IDs to determine if users were still employed by the property. The Division's property administrator records are not current for 12

## *An Internal Audit of Compliance Monitoring*

of 34 (35.3%) users tested. Although they cannot delete data, these former users have the ability to submit false reports or to make unwanted changes to external property manager accounts.

- The Compliance Division does not always enter monitoring information into the various tracking systems as required by the Division's policies and procedures and the information that is entered is not always consistent with the information in the hard copy monitoring reports. Of the 120 reports tested for the three sections that utilize the various tracking systems, 81 (67.5%) had information that was either not entered into the tracking systems or had information that was not consistent with the hard copy reports that were issued. This issue is important because the dates in the various tracking systems are used by Division management to evaluate staff performance.
- The Community Affairs Monitoring section's standard operating procedures have not been completed or finalized. Without finalizing and formally communicating policies and procedures to staff, the staff may not be performing their duties consistently or in the manner intended by management. For example, we tested 30 monitoring reviews for the Community Affairs Monitoring section, of which 27 required a corrective action period. We found that the corrective action period given to the subrecipients was not consistent. Sixteen (59.3%) of the reports gave the subrecipient a 30-day corrective action period and 11 (40.7%) gave the subrecipient a 45-day corrective action period.

### **Summary of Recommendations**

The Compliance Division should:

- ensure that they are issuing reports within the timeframes required by federal regulations, state rules, and Department policies and that they are closing monitoring reviews and inspections within the timeframes required by the Division's policies and procedures.
- ensure that a 90 day corrective action period is given to the property owners as required.
- periodically verify the identity of authorized external users through measures such as user account audits as prescribed by the Department's User Accounts and Network Access Policy.
- ensure that all of the required information is entered into the various tracking systems and the information entered into the various tracking systems is consistent with the information in the hard copy reports.
- finalize the policies and procedures for the Community Affairs Monitoring section and ensure that they are communicated to staff for consistency.

### **Summary of Management Responses**

*Management generally agreed with the recommendations outlined in this report and indicated that they are taking steps to implement them.*

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## **Detailed Results**

### Chapter 1

#### **Enhance the Timeliness of Monitoring and Inspection Reports and Corrective Action Periods**

The Compliance Division (Division) is not always issuing monitoring and inspection reports within the timeframes required by federal regulations, the Department's Texas Administrative Code rules and the Division's internal policies and procedures. We tested 150 monitoring and inspection reports; 120 reports were for the Compliance Monitoring, Contract Monitoring, and Physical Inspections sections. Of these 120 reports, 11 (9.2%) were not issued within the required timeframes. Furthermore, reviews and inspections are not always closed within the timeframes required by the Division's policies and procedures. Of the 120 reports tested, 11 (9.2%) were not closed within the required timeframes. It is important for monitoring and inspection reports to be issued timely so the owners are aware of any noncompliance issues that may have been identified and can address the issues promptly.

The Community Affairs Monitoring section does not have set timeframes for issuing reports for the various programs they review, except for the Weatherization Assistance Program (WAP). Of the 30 Community Affairs reports tested, 10 (33.3%) were for WAP. Of those 10, seven (70.0%) were not issued within the timeframes required by the Department of Energy's regulations and by the Department's Texas Administrative Code rules.

In addition, the Division is not always providing property owners with a 90-day corrective action period to correct issues of noncompliance as required by the Department's rules and the Division's internal policies and procedures. Of the 60 monitoring and inspection reports tested that would require a 90-day corrective action period, 28 (46.7%) did not allow for the full 90 days to correct the issue. This is especially important because a recent change in the Department's enabling legislation specifies a 90-day corrective action period.

### Chapter 1-A

#### **Issue and Close Monitoring and Inspection Reports Within the Required Timeframes**

The Division is responsible for ensuring programmatic and financial compliance with federal and state regulatory requirements. As part of their oversight and monitoring procedures, the Division utilizes both on-site and desk reviews. The Division consists of five sections of which four of those sections are responsible for monitoring activities. The four sections responsible for monitoring activities are: Compliance Monitoring, Contract Monitoring, Physical Inspections and Community Affairs Monitoring. The fifth section, Compliance Administration, is responsible for prior participation reviews, reviewing annual owner compliance reports, oversight of utility allowance appraisals, training for staff and development owners, as well as reviewing referrals to the Administrative Review Committee.

## *An Internal Audit of Compliance Monitoring*

We tested a random sample of 150 monitoring reports and physical inspection reports from the four sections of the Division that perform monitoring activities to determine if the monitoring reports were issued and closed within the time frames required by federal regulations, the Department's rules, and the Division's internal policies and procedures.

The Compliance Monitoring section is responsible for ensuring long-term compliance with the various housing programs administered by the Department. Of the 150 monitoring and inspection reports we tested, 30 (20.0%) were for the on-site monitoring visits performed by the Compliance Monitoring section. Of these:

- four (13.3%) monitoring reports were not issued within 35 days of the review date as required by the Division's policies and procedures,
- four (13.3%) of the monitoring visits were not closed out within 45 days of the monitoring letter date if there were no findings, the date the corrective action documentation was received, or the corrective action due date if no response was received, as required by the Division's policies and procedures, and
- one (3.3%) on-site review was not closed as of June 13, 2013. This is 167 days after the corrective action due date and 288 days after the on-site review date.

The Physical Inspections section performs and administers inspections for developments monitored by the Division. This includes some inspections that are performed by an external contractor. Of the 150 monitoring and inspection reports we tested, 30 (20.0%) were for inspections performed or administered by the Physical Inspections section. Of these:

- six (20.0%) physical inspection reports were not issued within 40 days of the inspection date or the date of receipt of the inspection from the contractor as required by the sections policies and procedures, and
- four (13.3%) inspections were not closed within 45 days of the inspection date or the corrective action due date as required by the Division's policies and procedures.

The Community Affairs Monitoring section moved to the Division in June 2012. The Community Affairs Monitoring section is responsible for ensuring that the Low-Income Housing and Energy Assistance Program (LIHEAP), Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP) and the Homeless Housing and Services Program (HHSP) are administered and the funds are expended in accordance with contract provisions and applicable state and federal rules and regulations. Of the 150 monitoring and inspection reports we tested, 30 (20.0%) were for the Community Affairs Monitoring section. The Community Affairs Monitoring section does not currently have finalized policies and procedures that identify the required time frame for issuing monitoring reports. However, the Department of Energy (DOE), the federal funding agency for the WAP, as well as the Department's rules, require that a monitoring report is issued within 30 days.

Of the 30 monitoring reports we tested for the Community Affairs Monitoring section, 10 (33.3%) included the WAP. Of these 10 reports:

## *An Internal Audit of Compliance Monitoring*

- seven (70.0%) were not issued within 30 days of the review date as required by DOE and the Department's rules, and
- two of the seven reports not issued within 30 days had not been issued as of June 13, 2013. This was 82 days and 119 days respectively from the date of the review.

The Contract Monitoring section is responsible for ensuring that the Department's HOME, Housing Trust Fund, Neighborhood Stabilization Program, Community Development Block Grant and Emergency Solutions Block Grant programs are administered and funds expended in accordance with contract provisions and applicable state and federal rules and regulations. Of the 150 monitoring and inspection reports we tested, 30 (20.0%) were for the on-site visits and 30 (20.0%) were for the desk reviews performed by the Contract Monitoring section. We found no significant problems with the timeliness and close-out of the monitoring reports for this section.

### **Recommendation**

The Division should:

- ensure that monitoring reports are issued within the timeframe required by federal regulations, Department rules, and the Division's policies and procedures, and
- ensure that monitoring reviews and inspections are closed out within the timeframe required by the Division's policies and procedures and federal oversight agencies.

### **Management's Response**

*Management agrees that monitoring reports should be issued within the timeframe required by federal regulations, Department rules, and the Division's policies and procedures, and that monitoring reviews and inspections should be closed out within the timeframe required by the Division's policies and procedures and federal oversight agencies. The division will continue to review the timeliness of report issuance and onsite close out on a monthly basis and continue to use this as criteria in employee's evaluations. In addition, the Division will continue to follow the Department's Human Resources Policies and Procedures for employees who cannot perform as required by their job description. The management team of the Compliance Division is responsible for this. The target date for implementation is August 1, 2013.*

Chapter 1-B

### **Provide Development Owners 90 Days to Respond to Notices of Noncompliance as Required**

The Compliance Monitoring and Physical Inspections sections have policies and procedures that require that an owner be provided with a 90-day corrective action period to respond to a notice of noncompliance. We tested 60 monitoring and inspection reports for these two sections and found that 28 (46.7%) did not provide a full 90-day corrective action period. Instead, the corrective action period given was generally between 86 and 89 days. This is because some monitors and inspectors count three months from the date of the monitoring letter instead of calculating 90 calendar days. It is important that owners are provided with a 90-day corrective action period because a recent change to the Department's enabling legislation, Chapter 2306 of the Government Code, now includes this requirement in the statute.

*Texas Department of Housing and Community Affairs – Internal Audit Division  
August 2013*

*Report # 13-1057*

**Recommendation**

The Division should ensure that a full 90-day corrective action period is given to development owners as required.

**Management's Response**

*Management agrees that the Division should provide a full 90-day corrective action period to development owners as required. An excel tool has been created and provided to all employees to ensure the correct number of days are provided for a corrective action period. This was implemented on August 1, 2013. Chief of Compliance Patricia Murphy is responsible.*

Chapter 2

## **Contract Monitoring Activities are Performed as Intended**

The Contract Monitoring section performs on-site monitoring reviews and desk reviews to ensure the Department's HOME, Housing Trust Fund, Neighborhood Stabilization Program, Community Development Block Grant and Emergency Solutions Block Grant programs are administered and funds expended in accordance with contract provisions and applicable state and federal rules and regulations.

We attended and observed an on-site monitoring review and reviewed the on-site and desk review monitoring programs used by the Contract Monitoring section. We determined that the contract monitoring activities are performed in accordance with federal regulations, the Department's rules, and the Division's policies and procedures. The monitoring review programs are detailed and identify the procedure steps to be performed during an on-site or desk review as well as identifying the relevant federal regulations, rules, and policies where applicable. In addition, the Contract Monitoring section has developed various testing tools for the different types of programs they monitor. The monitoring programs and tools help ensure consistency and standardization between contract monitors.

Chapter 3

## **Properties are Correctly Identified and Referred for Administrative Penalties**

The Administrative Penalties Committee (Committee) is responsible for administering the Department's penalty enforcement authority, which includes ensuring that properties comply with federal regulations, state statutes, the Department's rules and its internal policies through assisting in the completion of corrective actions and assessing an administrative penalty, where appropriate.

We tested a random sample of 30 properties that were referred to the Committee and determined that all (100%) of the properties were identified and referred for administrative penalties in accordance with federal regulations, state rules, and the Department's policies.

We also tested a judgmental sample of 30 properties that were monitored or inspected but were not referred to the administrative penalties committee to determine if properties were identified and referred correctly.

- Twenty-nine (96.7%) of the properties we tested did not meet the necessary requirements for referral to the administrative penalties committee because the findings of noncompliance were all corrected in accordance with the Department's policies.
- One (3.3%) of the properties met the requirement for referral to the Committee. However, this property was given time to work with the Asset Management Division to try and amend its' LURA requirement. The property was eventually able to receive an amended LURA and the noncompliance finding was corrected. Therefore, the property was not referred to the Committee.

Chapter 4

## **Update and Accurately Maintain Electronic Records**

The Division does not always maintain current records on external users of the Compliance Monitoring and Tracking System (CMTS). Property owners designate an individual as the administrator of accounts for the owner's properties. The administrator is granted property administrator privileges in CMTS that allows them to submit compliance and property reports to the Department via CMTS and to assign manager accounts for each property. The manager accounts are property-specific and allow the electronic submission of compliance and property reports for each individual property. We tested 34 administrator accounts and found that the records were not current for 12 of 34 (35.3%) of the users tested.

In addition, the Division does not always consistently or correctly enter information into the various systems used to track information on monitoring reports, as well as other data related to the monitoring reviews. These systems include CMTS, TeamMate audit software, and a Microsoft ACCESS database. The Division's policies and procedures require that information is tracked in these systems. Of the 120 monitoring and inspection reports we tested that were applicable for the Compliance Monitoring, Contract Monitoring, and Physical Inspections sections, 81 (67.5%) had information that was either not entered into the tracking systems or was not consistent with the corresponding hard copy reports.

Chapter 4-A

### **Update External User Data in CMTS**

We tested a randomly selected sample of 34 unique administrator of accounts user IDs to determine if the users were still employed in some capacity by the property, such as at the property's management company or the property owner's company.

- The Division's property administrator records are not current for 12 of 34 (35.3%) users tested. One of the 12 users works for a company that is no longer related to the property. This is reflected by the CMTS records, but not the Division's database of user accounts. The other 11 users are no longer employed with the companies shown in CMTS to have relationships with the respective properties.
- We were unable to confirm the status of one of the 34 (2.9%) users because CMTS did not have a record of the user.

The Department's User Accounts and Network Access Policy requires user account administrators to perform user account audits on external accounts every two years. However, unauthorized users with property administrator privileges present a low risk from an IT security standpoint because they can only submit reports and view non-sensitive property information, but may pose a greater risk from the program's perspective due to the potential for false report submissions or unwanted changes to external manager accounts by the administrators of accounts.

## **Recommendation**

The Division should periodically verify the identity of authorized external users through measures such as user account audits as prescribed by the Department's User Accounts and Network Access Policy.

## **Management's Response**

*Management agrees that the Division should periodically verify the identity of authorized external users through measures such as user account audits as prescribed by the Department's User Accounts and Network Access Policy. An SOP has been developed and was implemented on August 1, 2013 to quarterly audit 5% of the CMTS user accounts. Stephanie Naquin, Manager of Compliance Administration is responsible for ensuring compliance with the SOP.*

Chapter 4-B

## **Consistently and Accurately Track Monitoring Data**

The Compliance Monitoring, Contract Monitoring, and Physical Inspections sections use the CMTS, TeamMate audit software, and a Microsoft ACCESS database in order to track dates and other data for their monitoring reviews and reports. Of the 150 monitoring reports tested, 120 (80.0%) are tracked utilizing one of the tracking systems noted above. As part of the monitoring report testing, we verified if the dates tracked in the various tracking systems were consistent with the dates found in the hard copy monitoring reports.

Of the 120 applicable monitoring reports, 81 (67.5%) had dates in the automated tracking systems that were inconsistent with the information in the hard copy reports. The dates entered into the tracking systems were generally off by a couple of days, earlier or later, than the dates in the report. The dates that are entered into the various tracking systems are used by Division management to ensure that staff meets the required time frames and goals for performing their monitoring reviews, issuing monitoring reports, and closing out the monitoring reviews. If the dates entered into the tracking systems are not consistent with the actual dates in the reports, management may be making incorrect assessments of staff performance.

In addition, we noted that dates that should be entered into the tracking systems are not always entered. For example, CMTS is utilized to track the date when the supporting documentation for corrective actions is received from a property and reviewed by the monitor or inspector. However, inspectors and monitors do not always enter this information and as a result, management may be unable to determine if the supporting documentation was reviewed within the required timeframe.

## **Recommendation**

The Division should ensure that all of the required information is entered into the various tracking systems and that the information entered is consistent with the information in the hard copy reports.

**Management's Response**

*Management agrees that the Division should ensure that all of the required information is entered into the various tracking systems and that the information entered is consistent with the information in the hard copy reports. To improve in this area, as monthly reports are provided to employees as feedback, management will sample 5% of the data to ensure accuracy. Wendy Quackenbush, JR Mendoza, Earnest Hunt and Stephen Jung are responsible for this. The target date for implementation is September 1, 2013.*

Chapter 5

## **Finalize and Approve the Policies and Procedures for Community Affairs Monitoring**

The Community Affairs Monitoring section's standard operating procedures have not been completed or finalized. Policies and procedures are internal controls that help ensure that management's directives are carried out. Without finalizing and formally communicating policies and procedures to staff, the staff may not be performing their duties consistently or in the manner intended by management. For example, we tested 30 monitoring reviews for the Community Affairs Monitoring section, of which 27 required a corrective action period. We found that the corrective action period given to the subrecipients was not consistent. Sixteen (59.3%) of the reports gave the subrecipient a 30-day corrective action period and 11 (40.7%) gave the subrecipient a 45-day corrective action period.

### **Recommendation**

The Division should finalize the policies and procedures for the Community Affairs Monitoring section and ensure they are communicated to staff in order to help ensure consistency.

### **Management's Response**

*Management agrees that the Division should finalize the policies and procedures for the Community Affairs Monitoring section and ensure they are communicated to staff in order to help ensure consistency. Chief of Compliance Patricia Murphy is responsible for completing these SOPs and they should be in final form by October 31, 2013.*

Chapter 6

## **Prior Audit Issue Cleared**

As part of this audit, we performed testing to determine if a prior audit issue related to compliance monitoring identified in *the Internal Audit of the Homeless Housing and Services Program (HHSP)* released in August 2012, was implemented. The finding stated:

*The Department does not have effective monitoring procedures in place to predict, identify, and prevent weaknesses at the subrecipient level. The monitoring instrument does not capture information on many of the requirements in the subrecipients contracts. In addition, the Department has not monitored three of the eight subrecipients and the other five were monitored only once since 2010.*

The Division has developed a monitoring instrument that will ensure program funds are expended in accordance with the contract provisions and applicable state and federal rules, regulations, policies, and related statutes. In addition, the Division completed a monitoring review of all HHSP subrecipients. We determined that this prior audit issue was implemented and is closed.

## **Appendix A**

### **Objectives**

The objectives of this audit were to determine if:

- monitoring reports are issued within the timeframes required by federal regulations, state rules, and Department policies,
- noncompliant properties are identified and referred for administrative penalties in accordance with federal regulations, state rules, and Department policies, and
- contract monitoring activities are performed in accordance with federal regulations, state rules, and Department policies.

### **Scope**

The scope of this audit was state fiscal years 2012 and 2013 through May 24, 2013.

### **Methodology**

A preliminary understanding of the Compliance Division was developed in order to determine the project objectives by:

- interviewing Compliance Division staff,
- reviewing background information related to the Compliance Division, and
- performing a project-level risk assessment.

The following tests were conducted to meet the audit objectives:

- Compared monitoring reviews and inspection reports to the timeframes required for issuing the reports as established by federal regulations, state rules, and Department policies.
- Performed observations of an on-site contract monitoring review to ensure that contract monitoring activities are performed in accordance with federal regulations, state rules, and Department policies.
- Reviewed the on-site and desk review monitoring programs utilized by the Contract Monitoring section to determine if they ensure that contract monitoring activities are performed in accordance with federal regulations, state rules, and Department policies.
- Tested properties that were referred to the Administrative Penalties Committee to ensure they were correctly identified and that they met the requirements to be referred.
- Tested properties that were monitored or inspected but were not referred to the Administrative Penalties Committee to ensure that the properties did not meet the criteria for referral.
- Evaluated the CMTS validations of data input.
- Compared the job functions of the Department's employees with internal CMTS roles with the employees' job functions to determine if access levels are appropriate.

## *An Internal Audit of Compliance Monitoring*

- Verified the employment of users at other state agencies assigned internal CMTS roles to determine whether they are administering programs that require CMTS access privileges.
- Tested external user accounts to determine if users assigned external CMTS roles are still employed in a position appropriate for the access levels granted to the user.

### **Criteria**

The following documents were used as criteria:

- Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter E,
- Texas Administrative Code, Title 10, Part 1, Chapter 10, Subchapter F,
- Texas Administrative Code, Title 10, Part 1, Chapter 60, Subchapter C,
- The Compliance Division's internal policies and procedures,
- Compliance Monitoring and Tracking System (CMTS) internal user guide,
- Compliance Monitoring and Tracking System (CMTS) external user guide,
- Compliance Monitoring and Tracking System (CMTS) Owner Authorization form,
- Weatherization Program Notice (WPN) 08-01, 09-1, 10-1, 11-1, and 12-1 issued by the Department of Energy, and
- Information Systems Division internal policies and procedures.
- COSO Control Activities, Technology General Controls
- COBIT Control Objective PO4.11

### **Type of Audit**

This audit was a performance audit of the Compliance Division.

### **Report Distribution**

As required by the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is distributed to the:

- Texas Department of Housing and Community Affairs' Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

### **Project Information**

We conducted audit fieldwork from June 2013 through July 2013. 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

*Texas Department of Housing and Community Affairs – Internal Audit Division  
August 2013*

*Report # 13-1057*

## *An Internal Audit of Compliance Monitoring*

conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The following staff performed this audit:

- Nicole Kludt, CFE, CICA, Project Manager
- Derrick Miller

### **Appreciation to Staff**

We would like to extend our sincere appreciation to management and staff of the Compliance Division for their cooperation and assistance during the course of this audit.

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**AUDIT COMMITTEE REPORT ITEM**

**INTERNAL AUDIT**

**September 12, 2013**

Presentation and Discussion of the Status of External Audits.

**REPORT ITEM**

There were ten (10) external audits or monitoring visits scheduled or completed during fiscal year 2013.

**BACKGROUND**

There were ten (10) external audits or monitoring visits in fiscal year 2013. We have received reports on nine (9) of these so far. We are awaiting a final report on one (1) monitoring visit that was completed in July.

We received two reports from monitoring reviews since the last audit committee meeting:

- Department of Energy - Quarterly Monitoring of the Weatherization Assistance Program.
- Texas Workforce Commission – Civil Rights Division Review of Personnel Policies and Procedural Systems.

The details of these reports will be discussed under agenda item #6.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
INTERNAL AUDIT DIVISION – STATUS OF FY 2013 EXTERNAL AUDITS  
September 12, 2013**

External Audits/Activities	Scope/Description	Stage	Comments
SAO	Annual opinion audits: <ul style="list-style-type: none"> <li>• Basic Financial Statements for the FYE August 31, 2012.</li> <li>• Revenue Bond Program Audit for the FYE August 31, 2012.</li> <li>• FY 2012 Unencumbered Fund Balances.</li> </ul>	Completed	Final reports were released in December 2012.
KPMG	KPMG audited the expenditure of federal awards as part of the State's Comprehensive Annual Financial Report for fiscal year 2012.	Completed	Final report was released in February 2013.
DPS	A review of the Section 8 Program's use of the criminal history record information to perform criminal records checks.	Completed	Final report was released in January 2013.
DOE	DOE conducted an onsite monitoring of the Weatherization Assistance Program.	Completed	Final report was released in February 2013.
TWC	The Texas Workforce Commission's Civil Rights Division conducted a review of the Department's policies and procedures for compliance with Chapter 21 of the Texas Labor Code.	Completed	Final Report was released in July 2013.
HUD	HUD conducted an annual review of the Section 8 Program and calculates an overall score based on the various measures they evaluate.	Completed	Final report was released in May 2013.
HUD	HUD conducted an on-site monitoring of the Neighborhood Stabilization Program.	Reporting	A draft report was received on July 12, 2013. An extension was requested on the management responses. Management's responses were due September 10, 2013.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
INTERNAL AUDIT DIVISION – STATUS OF FY 2013 EXTERNAL AUDITS  
September 12, 2013**

External Audits/Activities	Scope/Description	Stage	Comments
SAO	The State Auditor’s Office completed agreed-upon procedures (called a SAS 119) to verify Section 8 data prior to entering the data into HUD’s REAC system.	Completed	Final report was released in June 2013.
NeighborWorks America	NeighborWorks America conducted a remote review of 15 client files for the National Foreclosure Mitigation Counseling Program’s Round 6 Funding.	Completed	Final report was released in July 2013.
DOE	DOE conducted an onsite monitoring of the Weatherization Assistance Program.	Completed	Final Report was released in July 2013.

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**AUDIT COMMITTEE REPORT ITEM**

**INTERNAL AUDIT**

**SEPTEMBER 12, 2013**

Presentation and Discussion of Recent External Audit Reports.

**REPORT ITEM**

There have been two (2) external audit or monitoring reports received since the last audit committee meeting. The following reports will be discussed:

- a) Department of Energy (DOE) - On-Site Monitoring of the Weatherization Assistance Program.
- b) Texas Workforce Commission (TWC) – Civil Rights Division Review of Personnel Policies and Procedural Systems.

**BACKGROUND**

- a) DOE On-Site Monitoring of the Weatherization Assistance Program – There were no findings or concerns. There were three recommendations:
  - Investigate the use of the MULTEA multifamily audit for assessing small multifamily buildings.
  - Provide final inspection sheets and financial and programmatic compliance reports for the units reviewed in Dallas after final inspections and verification of work.
  - Submit the state plan for review by DOE staff as soon as possible.
- b) TWC Civil Rights Division Review of Personnel Policies and Procedural Systems - The Department was certified as “compliant”.

6a



## Department of Energy

Golden Field Office  
1617 Cole Boulevard  
Golden, Colorado 80401-3393

July 16, 2013

Mr. Michael DeYoung  
Director  
Texas Department of Housing and Community Affairs  
P.O. Box 13941  
Austin, Texas 78711-3941

**Subject: DOE on-site Monitoring Report of the DOE ARRA Weatherization Assistance Program**

Dear Mr. DeYoung,

On July 8<sup>th</sup> to 11<sup>th</sup>, 2013, Paul Jiacoletti Project Officer with the United States Department of Energy Golden Field Office, conducted an on-site monitoring assessment of the DOE Weatherization Assistance Program, administered by the Texas Department of Housing and Community Affairs in the State of Texas. Attached is a report on the results of the visit.

The monitoring assessment included a review of administrative, financial and programmatic aspects of the Texas ARRA WAP. Please find enclosed the DOE Monitoring Report and on-site checklist which summarize observations and recommendations made during the monitoring visit. Please submit a response within the next 30 days indicating what follow-up actions will be taken to address the recommendations contained in the report. Please note that there were no findings cited during the visit.

Please contact Mr. Jiacoletti or myself if you have any questions or concerns about this report. We may be reached at [paul.jiacoletti@go.doe.gov](mailto:paul.jiacoletti@go.doe.gov) (720) 356-1632 and [rob.desoto@go.doe.gov](mailto:rob.desoto@go.doe.gov) (720) 356-1601 respectively.

We look forward to continued interaction with you and your staff in the effective implementation and operation of the Weatherization Assistance Program.

Thank you for the cooperation and assistance your staff provided during the visit.

Sincerely,

Robert DeSoto  
Weatherization Branch Chief

cc: Kristin Johnson, GFO  
Danela Garcia, GFO  
Paul Jiacoletti DOE



**DOE ONSITE MONITORING REPORT WEATHERIZATION ASSISTANCE  
PROGRAM STATE OF TEXAS**

**Weatherization Assistance Program On-Site Monitoring Visit Report**

**GRANTEE:** State of Texas  
PO Box 13941  
Austin TX, 787113941

**DATES:** 07/08/2013 - 07/11/2013

**GRANT:** EE0000094

**SUMMARY:**

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On 07/08/2013 - 07/11/2013, U.S. Department of Energy (DOE) Project Officer, Paul Jiacoletti, conducted an onsite monitoring assessment of State of Texas 81.042 - Weatherization Assistance for Low-Income Persons (WAP).

As part of DOE's monitoring review the following Subgrantees were visited:

- Dallas County Health & Human Services

Monitoring Assessments were identified during this visit and are included in the report. **There were no findings or concerns identified during the monitoring visit.** The report contains three recommendations. DOE requests that the Grantee respond to the recommendations. The Grantee's response should be received within 30 calendar days of the date of this report.

**PURPOSE OF REVIEW:**

---

The onsite monitoring assessment was conducted in order to fulfill monitoring and oversight requirements of the DOE Weatherization Program.

The purpose of this monitoring assessment is to:

- Assess the Grantee's adherence to their State Plan.
- Identify program strengths and areas for improvement.
- Evaluate the Grantee's monitoring and oversight of Subgrantees.
- Verify compliance with federal and state regulations, policies and procedures.
- Identify accomplishments and success stories.
- Determine what DOE can do to assist the Grantee to be more successful in its implementation of the program.

## PROCESS:

---

Paul Jiacoletti	Department of Energy	Project Officer
J.R. Mendoza	Compliance Department	Monitoring Manager
Sharon Gamble	Community Affairs	Project Manager - Planning
Patricia Murphy	Compliance Department	Chief of Compliance
Stephen Jung	Compliance Department	Manager, Physical Inspections
Tim Irvine	Community Affairs	Executive Director
Michael DeYoung	Community Affairs	Division Director
Brooke Boston	Community Affairs	Deputy Executive Director
Betsy Schwing	State Audit Department	Internal Audit- Senior Auditor
Esther Ku	Accounting Department	Accounting Manager
David Cervantes	Finance Department	Chief Financial Officer
Cathy Collingsworth	Community Affairs	Project Manager – Fiscal

*On July 8<sup>th</sup> I flew to Austin, Texas for the purpose of monitoring the ARRA award for the Texas Department of Housing and Community Affairs (TDHCA). After arriving, I met Michael DeYoung at the offices of TDHCA for the purpose of traveling to the Travis County Health and Human Services office to discuss the results of an IG audit performed by Lani Eko & Company, CPA's which was done to express an opinion on Travis County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The report from this firm contained one finding (significant deficiency) and a recommendation. The meeting with Travis County was to ascertain, that requested corrections had been done and were in effect for the Weatherization Program. I confirmed that the finding for failure to adequately document the need to ensure that no home would be weatherized that was designated for acquisition or clearance by a Federal, State or local program within 12 months from the date of weatherization had been addressed. A discussion and review of documents contained in the client files, indicates that the intake form contains this information and requires the client to provide a signed attestation that the home is not designated for clearance or acquisition by a Federal, State or local agency. Additionally, during conversations with Travis County Staff, the client files are being digitized and converted to an electronic format which will be readily reviewable. The recommendation which was downgraded from a significant deficiency by the auditor was designed to address the lack of file documentation for procurement invoices and other cost support documents. These documents will also be digitized and become a part of the client file making them readily available for review. It appears to the Project Officer that the significant deficiency and the recommendation have been addressed by the State of Texas and the Travis County staff.*

*On July 9<sup>th</sup> I met with staff from the Texas Department of Housing and Community Affairs to review programmatic, financial, administrative, Davis-Bacon, audit inputs confirm arrangements for the field review in Dallas the following day. I met with staff members who provided answers to the monitoring checklist, provided requested documents and demonstrated processes which allowed a more complete review of the administration of the ARRA Weatherization award.*

*On July 10<sup>th</sup>, I traveled to Dallas, Texas with Mr. J.R. Mendoza and Mr. Michael DeYoung to review in-progress units that were receiving Weatherization measures from the Dallas County Health and Human Services agency in that city. During the course of this visit, I met with sub-grantee staff that provided answers to the sub-grantee questions in the monitoring checklist. I also reviewed client files for a multi-family unit to ascertain the completion of required documentation and review assessed measures. In the afternoon, I performed over-the-shoulder monitoring of the State monitor, Mr. Walter Griner in ten units in several multi-family buildings.*

*On July 11<sup>th</sup>, I spent a portion of the morning reviewing the Training and Technical Assistance portion of the monitoring checklist with Training personnel to ascertain what the present Training schedule is and what classes will be presented to sub-grantees associated with the ARRA Weatherization grant. I flew back to Denver in the afternoon.*

*On the morning of July 12<sup>th</sup>, I conducted an exit briefing by telephone with Grantee Staff to review the results of the monitoring visit.*

## **PROGRAMMATIC & MANAGEMENT CHECKLIST: ASSESSMENT REVIEW**

### **COMMENDATIONS AND BEST PRACTICES:**

*During the sub-grantee interview at Dallas County Health and Human Services, questions were asked about Davis-Bacon Procedures. The Labor Standards Officer (LSO) for this sub-grantee provided a notebook which contained certified payrolls, 1413 reports, listings of contractor employees and interview information. The interview information was especially compelling in that this individual takes photographs of the individuals he is interviewing in the field and their identification. The photograph ensures that the interviewee is an employee listed on the employee list of contractors for this project. The Project Officer commends the sub-grantee LSO for his cooperation and his methodology to ensure that Davis-Bacon payroll information is accurate and contractors are complying with the Davis-Bacon requirements for the program.*

### **GRANTEE REVIEW:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

### **WAGE DETERMINATIONS AND PAYROLL:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit. The Texas Department of Housing and Community Affairs use an electronic system for submittal and review of their certified payrolls. This is considered a "best practice" by the Department of Energy.*

**FINANCIAL/ADMINISTRATIVE :**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**EQUIPMENT/INVENTORY/MATERIALS:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**ELIGIBILITY:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**RENTAL:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**POLICY ADVISORY COUNCIL:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**FEEDBACK AND REPORTING:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**ENERGY AUDITS:**

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*Section was reviewed and no findings or concerns were identified during the visit.*

*Recommendation #1: The Project Officer recommends that the Grantee investigate the use of the MULTEA multi-family audit for assessing small multi-family buildings. In multi-family units where electric services are individually metered and natural gas is master metered due to the use of a boiler system for hot-water, MULTEA will provide a more accurate assessment of needed measures. This audit should be available for use shortly and would reduce the expense associated with maintaining a more complex multi-family audit such as TREAT or EQUIP. Due to the reduction of funding for the Weatherization program, this should allow the Grantee to utilize those savings to perform weatherization in more units in the State of Texas.*

**FIELD WORK:**

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*Section was reviewed and no findings or concerns were identified during the visit.*

*Recommendation #2: The Project Officer is requesting that the final inspection sheets for the units reviewed in Dallas be forwarded with the response to this monitoring report. I also discussed sending both the financial and programmatic monitoring reports from the Compliance personnel to me for review when the final inspections are done and verified by the State of Texas.*

**HEALTH & SAFETY:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**GRANTEE MONITORING:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**TRAINING & TECHNICAL ASSISTANCE:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**SERC REGULATIONS:**

*Section was not reviewed during this visit. There is not a SERC component to this award.*

**SUBGRANTEE(S) CHECKLIST: ASSESSMENT REVIEW**

**PROGRAM OVERVIEW:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**FINANCIAL/ADMINISTRATION:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**INVENTORY:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**ENERGY AUDITS:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**QUALIFICATIONS & TRAINING:**

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**WEATHERIZATION OF UNITS:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**HEALTH & SAFETY:**

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*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**QUALITY MANAGEMENT ASSURANCE:**

---

*Section was reviewed and no findings, concerns or recommendations were identified during the visit.*

**SERC OVERVIEW:**

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*THERE IS NOT A SERC COMPONENT TO THIS AWARD.*

**TECHNICAL ASSISTANCE:**

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*Technical Assistance was provided during this visit, not all of which is included in this report. The Grantee staff asked about submission of the new 2013-2014 Weatherization Assistance State Plan with specific references to the submission requirements. The Project Officer listed the requirements and encouraged staff to submit recommended documents as well as the required documents for their State Plan Review. The process for the State Weatherization Plan review was also discussed to familiarized Grantee staff with the time frames for review and potential award of funding.*

*Recommendation #3: The Project Officer recommends that the Grantee submit their State Weatherization Plan for review by DOE staff as soon as possible. This may allow the Grantee allocation to be awarded sooner reducing the delay associated with the late release of the Funding Opportunity Announcement.*

**CLOSING:**

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I would like to extend my thanks and appreciation to Grantee staff, Compliance staff and the sub-grantee agency staff who were extremely helpful and responsive to my requests for answers and documentation during this monitoring visit. The staff at the Texas Department of Housing and Community Affairs was involved in legislative review for programs they administer, which required them to perform double duty preparing for those hearings and following up with my requests for information. I wish to express my gratitude once again for their efforts to provide me the information and documents I needed to complete my review for this monitoring visit.

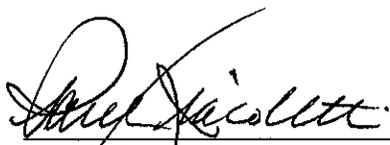
**CERTIFICATION:**

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I have conducted this monitoring visit in accordance with DOE standard procedures using the appropriate monitoring checklists for the purpose of forming an opinion on the general administration of your Weatherization grants.

This is not an audit, and therefore all areas examined were only examined for purposes of obtaining an assessment of compliance with program requirements.

Report Prepared by:

  
Paul Giacoletti  
Project Officer

07/15/2013  
Date

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81.042 - Weatherization Assistance for Low-Income Persons – U.S. Department of Energy

<b>Checklist Name: Programmatic &amp; Management/Subgrantee</b>
<b>Grant Number: EE0000094</b>
<b>Program: WAP</b>
<b>Monitor Name: Paul Jiacoletti</b>
<b>Period: 07/08/2013 - 07/11/2013</b>
<b>Checklist Status: Submitted</b>

**PRE-MONITORING PROGRAM MATERIALS**

**Pre-Monitoring Program Materials:**

**\* Grantee Program Materials to have available:**

Answers:

- Grantee and Subgrantee most recently amended agreements
- Completed Monitoring Reports (that were sent to the Subgrantees)
- Monitoring Tool or Instrument
- Procedural Manuals for Program Implementation (with technical reports)
- Most recent Grantee support contract/training entities or other contracted activities (Also will need procurement documentation related to the agreements)
- Inventory Tracking and Records

Selected Answer(s): Grantee and Subgrantee most recently amended agreements | Completed Monitoring Reports (that were sent to the Subgrantees) | Monitoring Tool or Instrument | Procedural Manuals for Program Implementation (with technical reports) | Most recent Grantee support contract/training entities or other contracted activities (Also will need procurement documentation related to the agreements) | Inventory Tracking and Records

**\* Subgrantee Program Materials to have available:**

Answers:

- Grantee State Plan (most recent version)
- Amended Award with the Grantee (most recent version)
- Grantee's Weatherization Policies and Procedures Manual
- Copies of files of the homes to be visited

Inventory Tracking Materials (if applicable)

Contracts with subcontractors

Procurement documents to verify competition

Most recent documentation of grantee monitoring visit

Costs and Fixed Price Lists [Materials, Services (Audits, Inspections, etc.)]

Selected Answer(s): Grantee State Plan (most recent version) | Amended Award with the Grantee (most recent version) | Grantee's Weatherization Policies and Procedures Manual | Copies of files of the homes to be visited | Inventory Tracking Materials (if applicable) | Contracts with subcontractors | Procurement documents to verify competition | Most recent documentation of grantee monitoring visit | Costs and Fixed Price Lists [Materials, Services (Audits, Inspections, etc.)]

## GRANTEE REVIEW (1-6)

### Question 1

**\* 1. How is the Grantee staffing consistent with the staff plan identified in State Plan? For example, are the Grantee's key personnel performing the duties originally proposed within the State Plan or grant application? Also, identify the changes and updates to Grantee staffing.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

### **Response and how was the response verified (documentation):**

The Grantee staffing levels for individuals identified in the state plan has changed. The reason for this is that the Grantee had closed out the award and reduced staff to achieve a smaller footprint required by funding levels. The new staffing requirements are a reduction in administrative staff and changes with the Program Managers. Cathy Collingsworth has assumed the duties of project management for finance, Sharon Gamble is no the Program Manager for planning, Stephen Jung was in charge of the Training group a position held by Marco Cruz previously. Mr. Cruz is now a training instructor and Mr. Jung as become the manager of the compliance section which has the responsibility for monitoring of all programs not just the WAP. The compliance section is not a part of TDHCA, but is instead a state

department with overall responsibility for all programs in the state. Mr. Mycue is no longer employed by TDHCA and as such is not involved with this award. In addition, J.R. Mendoza is the supervisor of the Program Monitors in the compliance section. Previously he was a Project Officer (Monitor) for the ARRA award. The monitors listed continue to work for TDHCA, however they have moved either into compliance or the Training and Technical Assistance section. TDHCA no longer has a QA officer charged with specific quality assurance under the ARRA award and the dedicated Historic Preservation officer is gone. She continues to work in the State Historic office, however the Grantee is not compensating her with ARRA funding for Historic Preservation. The State pays her salary. The Grantee has only three sub-grantees performing weatherization under the ARRA award. They are, Dallas County Health and Human Services, Sheltering Arms in Houston and the Alamo Area Council of Governments in San Antonio. These agencies are weatherizing multi-family units primarily to assure full expenditure of the remaining grant balance for this award. Due to the reduced workload the number of grant staff assigned to this award appears to be sufficient.

## Question 2

**\* 2. How is the Grantee tracking and verifying that employees are charging their time properly and appropriately (e.g. splitting time between ARRA and Regular DOE funding)?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The ARRA award and the Annual DOE award time sheets are coded differently with different numbers. Time sheets reflect ACTUAL time spent on each award. The amount of time spent is reviewed by payroll/financial staff prior to approval and should align with expected job assignments and job duties as defined by award requirements. Odd time sheets are questioned and explanations are required prior to approval.

## Question 3

**\* 3. Has the Grantee's organizational structure changed since the State Plan was submitted or amended?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee submitted an amendment some time ago which identified the replacement of Michael Gerber with Timothy Irvine as Executive Director of the agency which is charged with responsibility for both the ARRA and the Annual DOE award. This change took place in June of 2011 and has been noted in previous monitoring checklists and reports. Other organization changes include the following: Cathy Collingsworth is now a Project Manager for financial aspects of WAP awards and other grants. Stephen Jung is now a manager in the compliance section which is responsible for the monitoring of the program. Alfredo MyCue left TDHCA. Marco Cruz works in training as a training and technical assistance employee rather than supervising this group. The other T&TA personnel are: Laura Saintey, Kevin Gleinke, Doug Meisenheimer and Laura White. Sharon Gamble is no longer the EA Manager. Sharon is now a Program Manager for planning. David Johnson is still responsible for 1512 reporting. Cate Taylor is still responsible for submission of the PAGE quarterly/monthly reports for this and other WAP awards. Finance staff and audit staff has not changed. There has been some reduction in administrative staff. This is in response to the end of ARRA. (\*Note: This award was closed out once - it was re-issued to allow the Grantee to spend the remaining ARRA balance.)

**Question 4**

**\* 4. How does the Grantee's Subgrantees and subcontractors align with what was approved in the State Plan? (e.g. incorporating subcontractors and any new organizations, training centers, etc.). Is the Grantee planning to submit an amendment to their State Plan to incorporate any new subcontractors/Subgrantees?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Plan which is in place contains all the sub-grantees for this award which were historically associated with it prior to the first closeout. The only sub-grantee agencies presently contracted with TDHCA for this WAP award are: Dallas County Health and Human Services, Sheltering Arms in Houston and Alamo Area Council of Governments in San Antonio. The Grantee felt that these three agencies had sufficient resources to complete the ARRA WAP grant and fully expend the remaining funding. All other agencies are on a smaller footing and incapable of administering this award due to reductions in staff. It appears the Grantee will fully expend remaining funding for this award by the end of the period of performance September 30th of 2013. Grantee has committed to modification of the plan and budget before the end of the period of performance to assure there is alignment with expenditures in Program Operations, Training and Technical Assistance and Administration. The modification will be submitted to DOE for approval shortly.

**Question 5**

**\* 5. What system does the Grantee have in place to ensure the Subgrantees have access to all the relevant materials needed to effectively carry out the Weatherization Assistance Program activities?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

All sub-grantees have access to the Texas Department of Housing and Community Affairs web-site which is updated daily with relevant guidance, policy and procedural changes. The policy and procedures manual is available on-line at the TDHCA website. All sub-grantee agencies are monitored consistently with approved State plan requirements. Monitoring reports which identify outstanding deficiencies discovered at sub-grantee agencies are addressed with Training and Technical Assistance efforts

immediately and when requested or required by monitoring results. The monitoring effort includes a review of existing inventories for all equipment and vehicles in addition to weatherization materials which will be used for units which have been assessed and are scheduled to receive weatherization from the agency being monitored. The Training and Technical Assistance group is flexible enough to travel to sub-grantee service areas to provide requested or required training for sub-grantee staff and contractors. The theory is that when findings are discovered through the monitoring effort and Technical assistance or training is required, TDHCA will provide the requested T&TA to ensure that the deficiencies are addressed

## Question 6

**6. Has the Grantee executed their Subgrantee awards consistently? Or what issues have developed to cause significant delays for awards to be executed?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee has executed their awards based on a formulaic determination which is designed to determine the dollar amount for each area served by the sub-grantee provider. The terms and conditions of sub-grantee contracts are consistent across the State of Texas. The funding amounts are provided initially during the public hearing in the annual portion of the State Plan. The funding amounts are also listed in the contracts signed by both parties. The contracts include the required time frame for completion and reporting of those units. The contracts contain necessary "flow-down" requirements. At present there are no issues which would contribute to significant delays for this award. Project Officer has reviewed the sub-grantee contract for Dallas Health and Human Services as part of the monitoring visit.

## WAGE DETERMINATIONS AND PAYROLL (7-10)

### Question 7

**7. How has the Grantee documented and filed any awarded or amended Subgrantee Agreements that include the most recent wage determinations? Has the Grantee gone through the Conformance**

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process? If yes, have the Subgrantee agreement been updated to reflect the conformance decision?

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The grantee has not changed the contract provisions with the subgrantee. The contract contains the most recent wage determinations. Based on discussions with Eva Auman the wage determinations for the State of Texas have not changed. It has not been necessary to submit a conformance request and as such there has been no identified requirement to amend contracts.

**Question 8**

**\* 8. Does the Grantee have in its records a copy of each Subgrantees' Form 1413 AND copies of Form 1413 for each Subgrantee's contractors?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Project Officer reviewed Davis-Bacon documentation during this visit. Each sub-grantee has a current copy of the required 1413 for the sub-grantee staff and their sub-grantee contractors.

## Question 9

**\* 9. What system does the Grantee use to collect and review weekly Certified Payroll records from their Subgrantees? Does the Grantee complete the review within the required timeframe?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

### **Response and how was the response verified (documentation):**

The sub-grantee submits their weekly Davis-Bacon payrolls on-line to the Program Services personnel who are charged with the responsibility to review Davis-Bacon certified payrolls. This is done in-house at the Grantee office and entails in-house reviewers who are charged with entering the payroll information which has been submitted in an ACCESS data base designed to capture this information and review the accuracy of the submittal against the stored information for each sub-grantee agency, work classification and supporting documentation for deductions such as garnishments, loan payments, etc. The individuals on the certified payrolls are compared by the system to the list of names which comprise the contractor staff. The payrolls which require correction are listed in an Outlook database and letters requiring corrections and re-submittal of corrected payrolls are generated and mailed to the sub-grantee agency or contractor. The Outlook system maintains a "tickler" file which notifies reviewers that time frames for re-submittal of requested payrolls has elapsed. This results in a 2nd letter of notification and a visit from the labor officer. Payrolls which have been corrected and re-submitted are re-reviewed by D-B reviewers and if correct are processed. The Grantee is meeting the required time frame for review. This process was reviewed during the monitoring trip and verified by the Project Officer. I reviewed weekly payrolls from sub-grantees in the State of Texas. The accuracy of the payrolls was reviewed, the payrolls were reviewed for required certification signatures, proper hourly rates of pay, etc. Ms. Brenda Hull, supervisor of the Davis-Bacon group for TDHCA demonstrated the process for reviewing payrolls and demonstrated their system of review and the checks and balances which are contained in the ACCESS system they use to enter Davis-Bacon payroll information. The process appears to be comprehensive in terms of the review process, appears capable of identifying errors and deficiencies in certified payroll information and appears to accurately track payments for contractors in the State of Texas.

## Question 10

**\* 10. How has the Grantee monitored the payrolls to ensure compliance with Davis-Bacon requirements (employee interviews, verification of employees, etc.). In addition, has the Grantee submitted or met the requirements for their Davis-Bacon semi-annual reporting?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee has submitted their 1413 semi-annual enforcement reports on time. The review for Davis-Bacon payrolls was described in the previous question, however.... The Department has in-house reviewers who are charged with reviewing payrolls, entering data into an ACCESS data-base for verification of proper pay rates and checks on calculation of the proper amount of pay after all deductions. The ACCESS system checks the math and the calculations for the required deductions and the rate of pay based on the wage determinations. When errors are discovered either through the ACCESS process or by the reviewing personnel, they are addressed in the following manner. The reviewers are responsible for identifying errors in payroll, issuing letters to the submitters to have them provide corrected payrolls and ensuring that the proper payments are made each week as required by the legislation. Errors and omissions are captured by two methods. The first is the review performed by the Davis-Bacon payroll technician and the second is performed to verify payrolls by the ACCESS system which contains the proper wage determinations, deduction information and can perform and check the math associated with the hourly rate and the number of hours associated with that certified payroll (including overtime.) Any errors or omissions are flagged and a "tickler file" is generated to remind the technician to issue a letter for correction of the submittal within the time frame outlined in the reminder. If payroll reminders are not responded to within the allotted time frame the labor officer follows up with the issuer to ensure that corrected payrolls are submitted. Hard copies of all documentation are kept on file at the Grantee office

**FINANCIAL/ADMINISTRATIVE (11-19)**

**Question 11**

**11. What are the Grantee's policies with regard to its Subgrantees paying contractors, procurement of contractors, establishing fixed price costs (for either materials or services)?**

Answers:

- Finding
- Concern
- Recommendation
- Commendation
- Best Practice
- Satisfies Requirements
- Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantees policies for payment of contractors by sub-grantee agencies are found in their Standard Operating Procedure manual. The procedures require sub-grantees to review and determine the allowability of costs PRIOR to payment of sub-contract invoices for goods or services. The Texas Administrative Code, Section 5.10 outlines the procedures for procurement of goods and services. This section of the code references the procedures found in the Cost Principles. It refers specifically to the OMB circulars A-87, A-102, A-110 and A-122 which drive procurement for the Federal Process. The process requires the use of sealed bids which are graded by a panel which determines how well specifications are addressed and which bids provide low fixed costs for goods or services. The sub-grantees are subject to these requirements as outlined in their contracts with the state and are monitored by the state to ensure that they are complying with those requirements. The payment of contractor's invoices requires a review by sub-grantee staff to determine the allowability and reasonableness of charges incurred by the contractor. The review process requires agency staff to review on two levels with approvals for payments given only after sufficient review documentation is provided which justifies payment of the invoiced costs. Completed units are required to have an inspection PRIOR to being reported and paid for. The inspection is required to be documented in client files. Payment processes and payments are monitored by the state monitors during visits to the sub-grantee during the financial/administrative portion of the monitoring process. This has not changed since the previous monitoring visit for this award.

**Question 12**

**\* 12. If leveraged funds are identified within the approved State Plan, how is the Grantee properly accounting and reporting the leveraged funds?**

Answers:

- Finding
- Concern
- Recommendation
- Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Leveraged funds are not identified in the state plan and are not used for this award.

**Question 13**

**13. What type of system (database, spreadsheet, etc.) is used by the Grantee's Subgrantee to account for multiple funding sources for Weatherization and/or SERC activities?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Texas uses a Contract Review system which identifies multiple funding sources used by the sub-grantee agencies for multiple types of grant awards statewide. The Contract review system identifies the funding stream and compares invoiced costs to paid vouchers to assure that contractual amounts for weatherization are not exceeded in any category or that funds are comingled from other awards.

**Question 14**

**\* 14. How does the Grantee track capped categories (e.g. administration, T&TA, Health & Safety, etc.)? What is the Grantee's frequency for review?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee tracks expenditures for each object class category mentioned above through the use of a Monthly Expenditure Report which tracks: Subgrantee Administrative costs, Subgrantee Training and Technical Assistance expenditures, Program Operations expenditures, Grantee Administrative expenditures and Grantee T&TA expenditures. Comparisons between budgeted amounts and the draws or expenditures are done and the balances are tracked based on this comparison. In addition the finance department has ledger accounts for both the ARRA award and the Annual DOE award and these ledger accounts are reconciled monthly and the expenditures compared to the budgeted costs when the spreadsheet mentioned previously is updated. The accounts are tracked and reconciled quarterly for reporting purposes and audited by the state.

**Question 15**

**\* 15. How does the Grantee confirm Subgrantees (and contractors) have Liability Insurance?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee ensures that sub-grantee agencies and their contractors have current liability insurance policies during the monitoring trips which are done during the year. Additionally, monitors are charged with reviewing the reasonableness of the costs for the insurance and the amount of WAP coverage. (\*Note: Sub-grantees in Texas are required by contract to obtain Pollution Control Insurance - this rider is also checked during monitoring visits by the State.) The monitors check to ensure the policies cover

personal injury and property damage as well as lead contamination. Failure to carry liability insurance is a "finding" by the State and will result in sanctions including de-obligation of funds or cost reimbursement until the finding is satisfactorily resolved.

### Question 16

**\* 16. How does the Grantee's monitoring tool address and record the Subgrantee's receipt of funds from more than one funding source for weatherization activities?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

#### **Response and how was the response verified (documentation):**

The Monitoring Guidelines manual outlines the requirements and expectations for sub-grantees receipt of funds from various sources. The guidelines state "the scope of these visits include the review and evaluation of the accounting system and records...". Also - "During these visits, all sections of the WAP Monitoring Instrument checklist are completed." The checklist is found in Section "C" of the monitoring guide and the first section requires the completion of information for this question on the review. The checklists become part of the monitoring record and can be referred to while writing monitoring reports or performing exit briefing with the sub-grantee at the conclusion of the monitoring visit. Additionally, the Grantee requires the Program Officers who perform the monitoring function of the agency to complete a pre-monitoring form to ensure they are fully briefed on what they need to review at the agency office. This includes all financial data on a comprehensive monitoring visit. The monitoring would include a review of accounting systems, reports, ledger amounts, periods for reconciliation and flow of funds between ledger accounts identified by separate ID numbers to segregate the flow of funds from different financial sources.

### Question 17

**\* 17. Describe the Grantee's process for paying Subgrantees and subcontractors (if applicable for Grantee support services).**

Answers:

Finding  
Concern  
Recommendation  
Commendation  
Best Practice  
Satisfies Requirements  
Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Sub-grantees report for expenses in the Contract system at the State of Texas. These requests for payment are reviewed initially at the Programmatic level by the Program Group review team, secondly at the financial level by the Financial group with final approval required from the Senior Accountant. This approval allows the expense to be reimbursed through the draw down from the ASAP system. The Senior Accountant will also approve a voucher release to pay the invoiced cost(s). If the Senior Accountant does not approve and release the invoice for payment, it WILL NOT be paid. On certain occasions, corrections are necessary or additional documentation is required PRIOR to approval. This responsibility vests with the sub-grantee and must be submitted and included in the review process to determine that costs are allowable, allocable and reasonable.

**Question 18**

**18. Describe the Grantee's process for validating Subgrantee invoices for allowable costs and ensuring Regular DOE and/or SERC units are completed prior to drawing down funds.**

Answers:

Finding  
Concern  
Recommendation  
Commendation  
Best Practice  
Satisfies Requirements  
Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

See the answer to the previous question. Also the completion of units requires an inspection PRIOR to

payment and completed (dated and signed) inspection sheets are required to be submitted as part of the paperwork process for payment of invoices associated with ARRA units. (There are no SERC units in Texas).

### Question 19

**\* 19. Does the Grantee provide advances to their Subgrantees? If yes, how does the Grantee reconcile the advances?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee does provide advances to its' subgrantee's. The review for advances is done through the Contract system and process. Advances which equate to greater than 30 days raise questions and may be disallowed. The need for advances is based on the Grantee knowledge of the agency personnel, their service territory, the requirements and typical measures they have in that territory and historic expenditures. The advances are reconciled in the Contract System to ensure they are repaid and that sub-grantees who are requesting an advance demonstrate real need. If a sub-grantee has funding left over from an advance they will be denied further advances. Advanced funds are reconciled to overall contract amounts and included in the sub-grantee allocation for the contract period.

## EQUIPMENT/INVENTORY/MATERIALS (20-22)

### Question 20

**\* 20. How is the Grantee verifying the Grantee's vehicles, equipment, and tools are being used in an appropriate and adequate manner to ensure cost-effective delivery of services?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee has no vehicles, equipment or tools purchased with this award and does not maintain inventories. Program monitoring is done through the Compliance Division so it is not necessary for the Grantee to maintain these items to ensure cost-effective delivery of services.

**Question 21**

**\* 21. How is the Grantee verifying the Subgrantee's vehicles, equipment, and tools are being used in an appropriate and adequate manner to ensure cost-effective delivery of services?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee has issued a monitoring guide for their Program Officers who monitor sub-grantee agencies. The Program Guide and the employees responsible for the monitoring effort are REQUIRED to validate inventory against the inventory lists, issue findings if inventory does not match the inventories on site at the sub-grantee office and dis-allow costs if necessary. Their monitors perform reviews of houses in the process of weatherization and completed units. They are able to observe if all tools, equipment and vehicles are being used in a cost effective manner to deliver program services. Some of the observations include the following: Randomly review dates of travel and check those against work records to see if vehicles are being used appropriately Review activity logs and maintenance logs Review the mileage inventory report and compare it to what has been approved.

## Question 22

**22. How does the Grantee monitor inventory and warehouses of its Subgrantees? Property records must include: (a.Description; b.Serial Number; c.Source; d.Title; e.Acquisition Date; f.Percent of Federal Participation; g.Location; h.Use; i.Condition; j.Ultimate Disposition;) If there is no inventory system, have the Grantee describe/demonstrate the procurement requirements/policies for the Subgrantees.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

### **Response and how was the response verified (documentation):**

Grantee monitors on-site inventories, warehouses, etc during monitoring trips. Monitoring trips for the ARRA award will ensure that all sub-grantee agencies are visited during the remainder of the ARRA period. Many of the sub-grantees which perform under the ARRA award are the same sub-grantees under the Annual DOE award. As a result, they are receiving a minimum of two or more visits during which property records, inventories and equipment are monitored, audited or reviewed. Based on the agencies visited by the Project Officer in Texas, all sub-grantees have (and are required to have under the terms and conditions of their contracts) an inventory system in place to track all vehicles, equipment, tools, etc. The Monitoring guidelines manual states that the monitor must review the inventory sheets provided by TDHCA to ensure that inventory materials exist in the quantities on the inventory list, are adequately secured, that materials used in an individual home can be tracked back to the point of purchase, that a physical inventory be conducted at least once a year by an employee who does not have day-to-day responsibilities for maintaining the physical inventory, inventory record-keeping or reconciliation responsibilities and that inventory counts be reconciled to the general ledger inventory account(s) by an employee who does not possess the authority to modify the inventory system. Inventory duties must be adequately segregated to maintain checks and balances and avoid fraud, waste and abuse. All vehicles must be inventoried. Subrecipients are required to submit an annual inventory listing for all federally owned vehicles. An inventory of these vehicles must be conducted on-site by agency staff a minimum of once a year. This must be done by agency staff who do not have the authority or ability to modify the inventory lists. If differences exist another employee must make the necessary adjustments to the inventory system and general ledger. All inventory inspections must reconcile to the inventory spreadsheets and general ledger. The procurement that the sub-grantees do for purchases is outlined in the Texas Administrative Code, Sections 5.10, 5.11 and 5.12. It very closely follows the DOE cost and procurement principles found in 10CFR600.236(e).

## ELIGIBILITY (23-26)

### Question 23

**\* 23. Describe the Grantee's tracking process to ensure homes are accurately identified as eligible for re-weatherization by their Subgrantees (confirming the new date, etc.)?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee has on file a listing of all homes weatherized throughout the State of Texas since 1983. This listing is available for reference by the sub-grantee agencies on the TDHCA intranet which can be accessed statewide. It can be used during the eligibility determination phase to ascertain whether a home has already received weatherization services or not.

### Question 24

**\* 24. Explain how the Grantee assures Subgrantees comply with income eligibility requirements. Identify what procedures the Subgrantees must follow.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee requires all sub-grantees to verify income prior to any other part of weatherization service(s) taking place. This is done by having the applicant submit an application which provides initial information regarding their income sources and their utility payments. The applicant is also required to sign a release which allows the agency to obtain utility billing records and income records for evaluation of their eligibility. The agency is required to review the information; annualize (if necessary) the income and check it against the poverty guidelines provided by the program in the guidance documents and the Texas Administrative Code. The agency must document in the client file their review of the income, provide copies of pay stubs, SSI letters of confirmation, etc. or a notarized statement of self-certification complete with documented attempts for income eligibility under the program. This process is reviewed by state monitoring personnel during monitoring trips and the income calculations are performed again to ensure that they were done correctly and accurately reflect eligibility. Lack of documentation regarding program eligibility for whatever reason results in disallowed costs for the unit in question.

**Question 25**

**\* 25. How does the Grantee ensure compliance with the priority criteria for serving eligible applicants (identified in the approved State Plan)? Specific examples include: (a.High Energy Users; b.High Energy Burden; c.Elderly; d.Disabled; e.Households with Children; f.Other State-Identified Priorities;)**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee tracks utility data in client files and reviews this data during monitoring trips. In addition the Grantee reviews the reports from sub-grantee agencies regarding the types of units weatherized during the reporting period and the priorities assigned to that unit based on utility information, income information and application information provided during the intake portion of the process.

## Question 26

**\* 26. Does the Grantee have any Subgrantees performing weatherization services for ineligible recipients (e.g., for-profit subsidiary, utility-based programs, HUD)? If yes, how does the Grantee ensure Weatherization equipment and material is properly accounted for.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee does not have any sub-grantee agencies who run a "for-profit" program in the State of Texas. Additionally, TDHCA does not have access to utility funding in the state.

## RENTAL (27-29)

### Question 27

**\* 27. How does the Grantee confirm the process outlined for rental units being followed, as specified in the State Plan?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee has a rental agreement which lists the program requirements in the guidance, regulations and state plan. The rental agreement is required (as part of a monitoring checklist of items to be placed in the client file) to be placed in the client file and is subject to review by State monitoring personnel. Failure to place the form and follow the requirements outlined in the contract for rentals and identified on the form constitutes grounds for a finding by State monitors. This finding must be addressed and corrected within 30 days. The rental agreement must be signed by the owner of the property and the requirements for undue enhancement, rent increases and evictions are checked by the sub-grantee agency prior to weatherizing the unit. Use of the form is documented and reviewed during monitoring trips by the state.

**Question 28**

**\* 28. How does the Grantee ensure that undue enhancement of rental properties is not taking place?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee monitors and reviews Building Work Records and units on-site. Installation of "measures" which might be typically associated with undue enhancement such as motorized retractable awnings, new walks, excessive painting, etc. designed to add value to the property and which are NOT associated with the WAP program rules and requirements would be catalogued and those costs disallowed with a requirement for reimbursement to the program by the agency. Monitoring reports from previous trips to agencies are reviewed prior to new monitoring trips to identify any findings, concerns, etc. which may trigger a closer review of installed measures or units which had been disallowed to ensure the behavior is not continuing

**Question 29**

**\* 29. Is there a standard rental agreement template (with a Landlord signature area) in place at the**

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**Grantee for use statewide? If not, are there individual local Subgrantee agreements in place?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The State of Texas has developed and uses a Standard Rental Agreement for use statewide. The agreement requires a signature from the landlord or owner of the building, allows the opportunity to have the landlord/owner contribute to the costs of weatherization, disallows rent increases based on the improvements realized from weatherization, disallows evictions by the landlord for reasons other than failure to comply with the lease agreement and states that any enhancement accrues to the tenants not the owner. Additionally vacant units that are weatherized must be rented to eligible tenants.

**POLICY ADVISORY COUNCIL (PAC) (30-32)**

**Question 30**

**\* 30. Has the composition of the Grantee's PAC (as identified in the regulations) changed since approval of the State Plan? If the PAC has changed, provide details on why the change happened.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

CHECK THIS The PAC has not changed since the approval of the state plan. The PAC is broadly representative of organizations and agencies, including consumer groups that represent low-income persons, particularly elderly and handicapped low-income persons and low-income Native Americans in the state.

**Question 31**

**\* 31. Describe the established procedure for the PAC to review and provide input into the State Plan?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Public Meetings are held and all members of the PAC are invited to attend. Their attendance provides the opportunity for any member of the PAC panel to comment on the state plan or any amendments which may be required as a result of a change in scope of the plan for this grantee. The PAC also may review and comment from time to time on changes to procedure's to ensure that those procedures fairly and adequately continue to fairly provide access to the WAP services the program was designed to provide, that any represented individual has the right to appeal through an established process and that all of the citizens of the State of Texas who are eligible for the program can receive those services if they so desire

**Question 32**

**\* 32. Within the past year, what major policy decisions has the PAC been involved in?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The PAC has reviewed the new submittal of the DOE Annual WAP plan for Program Year 2013. They had no comments during their scheduled meeting for presentation of this Weatherization plan.

**FEEDBACK AND REPORTING (33-35)**

**Question 33**

**\* 33. How often does the Grantee hold regular meetings with the Subgrantees?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee holds regular quarterly meetings (TAACA) with their sub-grantee network of providers. During these meetings agenda items which have been identified for discussion are discussed including any federal issues such as guidance documents, etc. Meetings are also held once per month by teleconference, on-site visits are made outside of monitoring visits in addition to TAACA meetings. (Texas Association of Community Action Agencies).

**Question 34**

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**\* 34. What Grantee information or database systems are used to collect and report Subgrantee production and expenditures data? What process or guidance does the Grantee use to verify completed units? Does the Grantee also use the identified system as a management tool?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

There are three systems in place. The first is USAS and the second is ACCESS. These systems track the financial data, i.e. payments, invoices, etc. The third is the Contract System which tracks programmatic and financial data for the sub-grantees. The Grantee utilizes inspection completion statements signed by the client and the inspector to verify that an inspection is done. This is also reviewed and confirmed during monitoring visits with a representative sample of client units visited by Program Officers (monitors) for the program. The sub-grantee agency's are also required (by contract) to submit monthly production and expenditure reports to the Grantee. Questions that may be raised regarding the reporting data are discussed with the sub-grantee agency and either confirmed or changed to reflect actual performance and represent an accurate picture of the reporting metrics.

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**Question 35**

**35. What systems does the Grantee have in place to assure it reports to DOE on time? Is the Grantee reporting on time? If the Grantee is not, specify what the problems are.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time.

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee has not missed reporting deadlines. Grantee financial and programmatic reports have been submitted by the required due dates. Grantee 1512 report has been submitted on time. Grantee T&TA report and Historic Preservation report have been submitted on time also.

**ENERGY AUDITS (36-41)**

**Question 36**

**\* 36. How does the Grantee verify the DOE approved energy audit or priority list (on file at DOE) is consistent with what the Grantee monitors the Subgrantee against: (a.Single Family Units? b.Mobile Homes? c.Multi-Family Units? d.A-Typical Units?)**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

This is another segment of the monitoring protocol followed by the Grantee when monitoring performance by the sub-grantee agencies. The Program Officer (State monitor) checks the library information against that which is on file at the Grantee office (which is required to be submitted by the sub-grantees every quarter) to assure that information is correct and up-to-date to ensure accuracy in the assessment phase utilizing the approved monitoring tool. The Grantee also is approved for use of a priority list and the measures installed are checked against the priorities on the list and also total costs for units are checked to ensure that no measure which should be done by the priority list is not done. Unusual circumstances found in "other than normal housing stock" in those areas where priority lists are used are checked by running an energy audit to verify that measures are correct and costs which are identified are correct and that measures "rank". It must be noted that the Grantee is not using a priority list for the ARRA award. The approved NEAT/MHEA audits are used on ARRA housing stock for assessments. This includes multi-family housing which is individually heated and cooled up to 24 units.

### Question 37

**\* 37. Is the Grantee's audit protocol and/or Priority List within the 5-year window of submission?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee network has access to an approved priority list (January 6, 2010 approval date) and uses NEAT/MHEA which was approved 3/28/2011.

### Question 38

**\* 38. How is the Grantee assuring its Subgrantees are using the most recent approved State Plan, policies and procedures for all types of housing stock (e.g. single family, mobile, and multifamily, and a-typical)?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee outlines WAP program requirements in the contract they have with their sub-grantees. In

addition, sub-grantees attend the public meeting when the state weatherization plan is presented and are encouraged to provide comments. The State Plan and any updates to the state plan when amended are posted on their intranet website as are all the rules, regulations, guidance documents, etc. associated with this program. This is also confirmed during monitoring trips by the Compliance Section to the sub-grantee.

### Question 39

**\* 39. How does the Grantee monitor its Subgrantees' maintenance of the audit inputs, especially when dealing with a-typical housing stock? (e.g. updating fuel, labor, material costs, etc.)**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee requires that sub-grantee agencies submit their library information for material and labor costs and their climate data which is contained in the audit on a quarterly basis for review. (audits are NEAT and MHEA) This information is reviewed at that time to ensure it is correct and being used.

### Question 40

**40. How does the Grantee ensure its Regular DOE and and/or SERC Subgrantee "workers" (auditor, inspectors, crews, contractors, etc.) are performing work that meets program requirements (e.g. certification or number of required training hours) before hiring or within a certain period after employment?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee does not have any "workers". these people work for and are contracted with the sub-grantee. In order to ensure that proper training is performed and that contractors in these job classifications possess the required skills and qualifications, the Grantee provides Training and Technical Assistance on request, when it is necessary and identified during monitoring visits and demonstrated by lack of quality of effort during reviews of completed and in-progress housing stock. The Grantee does not require certifications for these job classifications. The Grantee, does however require that new coordinators attend training for their positions within thirty days of hire.

**Question 41**

**\* 41. What does the Grantee require from Subgrantees to demonstrate energy auditors/inspectors maintain their qualifications?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The grantee does not require certifications from auditors or inspectors in their program. The certification requirements will apply to the annual DOE and were in place after the ARRA award was made. However the grantee does monitor the performance of the assessors/auditors and the inspectors and will take corrective action where necessary. Additionally, the grantee will require as a consequence of poor assessments and inspections that the individual be sent to Training classes to ensure their skill level remains at a high level of competency. If the individual is not capable of maintaining this skill level or continuing to demonstrate the knowledge, skills and abilities needed they are removed from this position by the agency in question at the request of the grantee.

## FIELD WORK (42-48)

### Question 42

**42. How does the Grantee communicate what is expected to be in each Regular DOE and/or SERC client file and/or accessible to monitors on field visits?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee monitors the client file documentation and based on information contained in the monitoring manual requires that state monitors review client files to ensure that proper documentation exists in the client files. In order to facilitate this and based on concerns identified in previous monitoring reports, the Grantee has developed a client file checklist which is used by Program Monitoring staff. The Training and Technical Assistance personnel for the state have designed and implemented a course presentation outlining the requirements for client file documentation, expectations for capturing the proper information and ensuring that all client referrals/deferrals are signed by both parties and placed in the file, etc. The checklist is required for both the monitoring report internally with the Grantee staff and required to be placed in the client file and dated to demonstrate and document that this review has taken place. It also provides documentation of missing or incomplete information which the Grantee requires, identifies needed Training and Technical Assistance for sub-grantee staff and is designed to provide greater quality regarding client interaction and measures.

### Question 43

**43. How does the Grantee ensure that Regular DOE and/or SERC units are inspected prior to the Subgrantee reporting them as completed units? What is the Grantee's policy on Subgrantees using the same staff for perform audits and inspections on the same weatherization unit?**

Answers:

Finding

- Concern
- Recommendation
- Commendation
- Best Practice
- Satisfies Requirements
- Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The requirement for final inspections is enforced by the grantee with the use of a client file inspection sheet which is required to be signed and dated by both the inspector and the client. In addition the form provides the client with an opportunity to provide written feedback. This form is one of the required documents in client files and must be submitted to TDHCA prior to final payment for the unit. (The protocols for this are found in the Texas Administrative Code, Section 10TAC5.16 and the monitoring manual on page 68) The Grantee discourages the practice of an assessor performing final inspections on a house they have audited. This means that agencies must have on staff qualified assessors as well as inspectors who can provide the required oversight on sloppy installations, missed measures, client dissatisfaction, failure to obey protocols on LSW/RRP, etc. (\*Note: There is not a SERC grant associated with this ARRA award)

**Question 44**

**44. Is there a clear "final inspection form" that shows the Subgrantee's inspector name, signature, and date and verifies each Regular DOE and/or SERC completed measure and unit has been inspected?**

Answers:

- Finding
- Concern
- Recommendation
- Commendation
- Best Practice
- Satisfies Requirements
- Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Yes - the Grantee has developed and uses an inspection form which requires signatures from both the

individual performing the inspection and the client. This form is REQUIRED to be placed in the client file to document that the inspection has taken place. This form does not contain the list of measures which are found on the BWR and checked against what is installed in the unit. The NEAT/MHEA audit is required to be placed in the client file and will list the measures which rank, incidental repairs associated with the performance or protection of weatherization materials and any Health and Safety measures which were assessed for installation.

#### Question 45

**45. Describe the process and procedures the Grantee (and Subgrantees) have in place and are implemented if an inspector finds work that needs to be re-done or corrected?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Texas Monitoring Guidelines (monitoring manual) addresses this on pages 35-38. There is also guidance which addresses this and is followed by the Grantee. (WPN 11-3) (Additionally this is incorporated in the sub-grantee contracts with TDHCA) In those instances where returns are required as a result of monitoring by the State, the sub-grantee agency could be subject to dis-allowed costs for measures, reimbursement to the program through the Grantee and/or payment of the disallowed measure from unrestricted sources not associated with the WAP program. The Grantee will require the sub-grantee to have their contractor return to address the deficiencies in the unit. Failure to do so will result in disallowed costs for the unit.

#### Question 46

**46. Describe the Grantee's process for handling the following concerns when found during a Regular DOE and/or SERC monitoring visit: (a.Incomplete Work; b.Questioned Costs; c.Client complaints; d.Major Workmanship Issues; e.Minor Workmanship Issues;) Describe how the Grantee is managing the call-back/add-on work/rework process with its Subgrantees.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee identifies incomplete work or workmanship issues during monitoring. The incidence of customer complaints is dealt with by the Grantee when the sub-grantee agency fails to deal with the complaint in a timely manner. The payment for returns to complete work, repair, replace or address issues of poor workmanship remains the responsibility of the sub-grantee agency. The Grantee will disallow costs and in some cases disallow whole units if the work is below standards associated with the requirements identified in the Texas Field Guide. The complaint process for clients is as follows: The client complaint is dealt with at the local level with the agency who directs the contractor to resolve the complaint and ensures that this is done by sending agency staff out to review and ensure that the complaint has been resolved. This includes a conversation with the client to determine whether they are satisfied with the work performed to resolve the complaint. If this complaint cannot be resolved at the agency level, TDHCA gets involved and send state Program Officers to the agency to resolve the issue with the contractor and the client. The costs for this effort are paid for by the agency from unrestricted funds. The Grantee is managing the call-back/add-on work/re-work process with its sub-grantees by disallowing units and not reimbursing costs until the agency resolves those issues. If the agency has been reimbursed for costs and is later found to have poor workmanship or is required as a result of a monitoring finding to return and correct deficiencies, those costs are born by the agency and are NOT charged to the program. This is verified by the requirement to submit copies of ledger entries and/or send checks for the amount of disallowed cost to TDHCA to reimburse the program. The follow-up to this type of finding is the responsibility of the Program Officer and the findings must be cleared. (\*Note: Outstanding findings are tracked by the audit arm of the state and must be cleared within 30 days.)

**Question 47**

**\* 47. Describe the Grantee's mechanism for identifying guidelines for techniques used for installation of materials and Health & Safety protocols through either a Grantee specific Field Guide, Regional Field Guide, Installation Guidelines, or other materials.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee has developed and updated their Field Guides for use by its sub-grantee network. The new Field Guide contains both the proper methodology for installation; explanations of how and why to perform worst-case CAZ tests, blower door protocols including calculation of building tightness limits and conversion tables for various rings which may be required during assessment and final inspection phases, and guidelines for mechanical systems. This field guide provides the necessary information for assessors, installers and inspectors in the Texas WAP program and is used as a baseline during monitoring for quality and completeness of work.

**Question 48**

**\* 48. Describe the Grantee's process for updating their own Field Guide, Regional Field Guide, Installation Guidelines, or other material.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee reviews information contained in their Field Guide on an irregular basis. The information contained in the Field Guide establishes the proper protocols for weatherization and may be reviewed during training classes and monitoring trips. If the information in the Field Guide does not adequately explain or properly convey the correct methodology for performing weatherization measures, the field guides are updated by Training personnel charged with the responsibility for updating the information contained therein. The grantee has updated their latest Field Guide to reflect the new Health and Safety

protocols and guidance documents from DOE.

## HEALTH & SAFETY (49-51)

### Question 49

**49. Demonstrate how the Grantee tracks, monitors, and documents their Subgrantee's implementation of the Health and Safety requirements, including Lead Safe Weatherization (LSW), outlined in the State Plan and current guidance?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time.

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee tracks this process by monitoring sub-grantees. These protocols and the review which is done by monitoring personnel is done through a process which includes a checklist which requires answers and becomes part of the monitoring documentation for the State. During the monitoring visit which may take anywhere from one to three weeks, all aspects of the WAP program are monitored. During the course of the monitoring, the sub-grantee files are checked for both units to be visited and randomly to ascertain whether protocols for Lead Safe, Mold, etc. are being adhered to. Indications of trends or patterns result in increased oversight, coupled with intensive Training and Technical Assistance. Some measures which have been performed and do not follow allowed protocols are subject to disallowance (and potential reimbursement - depending on timing) to the program. Repeated indications after Training and Technical Assistance has been provided result in the sub-grantee being placed on reimbursement of costs with additional monitoring trips scheduled to ensure compliance with program requirements. The Grantee has in the past placed under-performing sub-grantee agencies on corrective action plans. If improvement is not achieved, the sub-grantee agency may be de-funded for failure to adhere to program guidelines and regulations which are incorporated in their contracts with TDHCA.

### Question 50

**\* 50. How is the Grantee ensuring that their Subgrantees (and Subgrantees' subcontractors) are following the up-to-date Health and Safety requirements? Examples?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee monitors the fiscal/administrative, programmatic and field performance of the sub-grantee and by extension the sub-grantee's contractors. Instances of failure to follow any required rule, regulation, requirement, instances of poor workmanship, failure to adequately address Health and Safety measures, etc. result in findings for the agency being monitored and can lead to disallowed costs and de-obligation of the agency for repeated offenses. Contractors who are found to have placed a client's health and safety at risk are removed from the program and placed on the excluded bidders list effectively barring them from future consideration to work in the program. Examples of this are failure to follow the required LSW/RRP protocols for notification, containment, clean-up, lack of photographic documentation, signed receipt of the proper Lead Safe Pamphlet prior to work, failure by the CR to appropriately document the conditions and testing for lead on-site, etc. Other examples would be failure to adequately address ventilation requirements required by ASHRAE 62.2, referral and deferral protocols for Mold, Asbestos, Radon, etc.

**Question 51**

**\* 51. How does the Grantee verify workers have the required Health and Safety training, including OSHA, Lead Safe Weatherization (LSW), Certified Renovator, etc.?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee maintains copies of training records which are kept and updated by the Grantee. Grantee tracks and records all training received and the individuals in each class, whether they passed the course material or not, dates of attendance, required refresher training. The certifications for Lead Safe/RRP training are tracked in the training data base also to ensure all employees are certified to perform Lead Safe and the Renovators are certified to ensure they are qualified to oversee these efforts, provide needed on-site training, document the containment measures, signage, etc required by the Lead Safe protocols in the program. OSHA training has been and will continue to be tracked and provided to everyone required to take it in the program as outlined in the State plan.

## GRANTEE MONITORING (52-58)

### Question 52

**52. Describe how the Grantee documents quality of work and patterns detected within a single agency or across multiple agencies.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Patterns are documented through the monitoring reports, Davis-Bacon review of certified payrolls, financial requests for reimbursement and on-site inspections of sub-grantee agencies. Trends are catalogued, monitored and remedial measures are undertaken and documented to ensure the adverse patterns of behavior detrimental to the program are changed. The main venue for tracking ongoing deficiencies is through the monitoring reports which are kept in a database and reviewed for repeat findings, on-going trends associated with deficiencies in workmanship, assessments, inspections, fiscal failings etc. These reports are also used to identify Training and Technical Assistance opportunities to assure more effective and corrective administration of the program by sub-grantee agencies and sub-grantee contractors. The compliance manager also stated that the field monitoring is done through a monitoring tool which utilizes technical field forms which will capture documentation on deficiencies. These in turn can be used to trend data and determine where ongoing deficiencies exist.

### Question 53

**\* 53. Describe the Grantee's process for developing their monitoring tool. Does the Grantee use the monitoring tool to ensure the Subgrantee is in compliance with: (a.Subgrantee contracts; b.Grantee financial/operations manual; c.Applicable Federal regulations; d.Program Guidance documents;)**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

Grantee utilizes their monitoring tool to ensure that sub-grantee agency personnel are in compliance with sub-grantee contracts (including flow-down requirements), procurement, adherence to the Field Guides for installation, etc. The Grantee conducts comprehensive fiscal/administrative on-site monitoring of sub-grantees on monitoring visits to the agency office. The requirements and methodology are spelled out in the monitoring guide on pages 14 through 17 and pages 45 through 66 which specifically address Financial reviews. Pages 67 through 73 which cover administrative and procedural on-site monitoring of sub-grantees. the monitoring protocols ensure that the sub-grantee agency personnel are in compliance with all Federal Regulations pertaining to the Weatherization Assistance Program, all guidance and all requirements of the Texas Administrative Code which is a part of their weatherization contract.

### Question 54

**54. Describe how the Grantee ensures the monitoring process defined in the State Plan is being implemented. This includes programmatic, financial and technical monitoring processes. Based on the Grantee's PAGE submissions, does the Grantee appear to be on schedule to meet their stated monitoring goal and milestones as represented in their State Plan?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee will monitor 10% of the units that are done in the State of Texas for the remainder of the ARRA award. The monitoring manual outlines the process, procedures and actions necessary for monitors to follow when conducting monitoring visits. This includes comprehensive reviews of eligibility documentation, financial records, inventory records for both weatherization inventory and tools and equipment. The monitors are required to review client files for complete documentation, ascertain that audit libraries are up to date and being used, that audits are being run properly and assessments are complete. State Compliance monitors also review completed and in-progress units, check for all Health and Safety requirements, including CO testing, worst case CAZ testing, proper installation of all measures, etc. They also interview the client to ascertain their level of satisfaction with the program, the professionalism of the weatherization crews and sub-grantee staff and their satisfaction with the measures installed and any potential savings they may realize on their utility bills as a result of the WAP effort. The Grantee is ahead of schedule to complete their monitoring requirements for the State of Texas. The monitoring effort is consistent with that spelled out in the state plan.

**Question 55**

**55. What process (including any sanctions) does the Grantee follow for addressing issues identified in their monitoring of their Subgrantees?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The grantee can institute sanctions for non-performance or poor performance by the sub-grantee. This may involve disallowance of questioned costs, disallowance of payment for entire units, placing them on

reimbursement to allow for a greater review of invoiced costs and de-obligation of the agency and removal of funding. If a sub-grantee agency is de-funded for performance, funding is moved to an adjacent agency capable of performing the weatherization effort according to all rules, regulations and protocols. They must also be capable of installing measures in a workmanlike manner. The grantee has also instituted sanctions for sub-grantee agencies who fail to report on time and who fail to submit accurate and complete Davis-Bacon payrolls.

### Question 56

**56. Are there currently any Subgrantees that are considered at-risk, on probation, or pose potential problems for the Grantee? If yes, summarize the issues and Grantee's actions to resolve.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

At this time, there are no sub-grantees that are considered at-risk, are on probation or pose potential problems under the ARRA award.

### Question 57

**57. Describe the Grantee's process for Historic Preservation compliance. Does the Grantee have a signed agreement with its SHPO office?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Historic Preservation protocols require that the agency assessor determine the age of the building and ascertain through the assessment which measures may be done which create an adverse condition. The assessor must submit photographic evidence of the unit, in conjunction with the measures and await a 106 review to determine if there are adverse consequences for installing the measures, or if the unit should be deferred due to the historic nature of the building. The SHPO will review the submittal and return their decision in a letter to the sub-grantee agency. In the meantime no weatherization can take place. The MOU between TDHCA and the SHPO office has lapsed. The original agreement contained funding for this position, however with the lapse of the ARRA award and the reduced funding for this second attempt, there is no funding available for full-time SHPO reviews. In addition, the three sub-grantees are performing weatherization in multi-family units, most of whom do not meet the criteria for 106 reviews. Texas has been urged to develop a new SHPO agreement to comply with Historic Preservation requirements.

**Question 58**

**\* 58. Describe the Grantee's process for ensuring that all contractors involved are not on the debarred list (excluding the party list system).**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Texas Department of Housing and Community Affairs checks the de-barred lists (Harvester/epl) for federal debarment and the de-barred list for State debarment prior to awarding any contracts for goods or services. This is required by the Texas Administrative Code as part of the procurement requirements.

## TRAINING & TECHNICAL ASSISTANCE (T&TA) (59-62)

### Question 59

**59. What methods does the Grantee use to determine the T&TA needs of its Regular DOE and SERC Subgrantees? How do you provide training on the following items? (a. Technical Training? b. Program Management Training? c. Procurement Training [Contracts, including subcontractors]? d. Inventory Control Training? e. Health and Safety? f. Davis-Bacon Compliance?)**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

#### **Response and how was the response verified (documentation):**

Training may be requested by sub-grantees; it may be identified as a necessary component as a result of a monitoring trip which identified findings in any given area, or it may be identified by on-site Technical Assistance discussions. Training and Technical assistance will also be provided as a result of findings identified in DOE monitoring reports to the state. The types of training listed in the question are part of the regular curriculum associated with the Training and Technical Assistance group. Directors and Executive Directors of agencies are required to attend Program Management training which outlines the procurement requirements, reporting requirements, financial and administrative requirements and operational requirements of the Weatherization Assistance Program. Coordinators are required to attend audit training, assessment training, inventory control training and technical training designed to familiarize them with the correct methods for coordinating weatherization efforts for their agency's crews. The Davis-Bacon section of the State of Texas (they are not associated with TDHCA - although they are housed in the same building) provides required Davis-Bacon training for certified payrolls, reporting, correct wage determinations, interviews, etc to all sub-grantee personnel.

### Question 60

**60. How does the Grantee track the training completed or any certifications received or renewed, by Subgrantee staff or contractor staff?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

The Grantee maintains a database of all training attended by all sub-grantee personnel in the State of Texas. (Grantee also maintains spreadsheet of all training received by Grantee personnel as well) The spreadsheets indicate the name of the student, the class attended the grades achieved on the testing, whether they passed or failed, and if a certificate of completion was given to the student.

**Question 61**

**\* 61. Are the Grantee's on track with implementation of their T&TA plan, or does the plan need to be changed? Confirm the Grantee's identified T&TA activities (for both Grantee and Subgrantee staff) described in the State Plan will occur (or have occurred)? Specify what T&TA activities the Grantee has completed to date. What T&TA activities are scheduled for the next 3-6 months?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

On the basis of discussions with Marco Cruz, the training unit will visit each sub-grantee a minimum of once during the ARRA period through the end of period of performance (9/30/2013) to discuss training requirements and assess how additional training can be done to improve performance. The three agencies in question have received the Training outlined below and as such their certifications are up to date. The T&TA unit will also provide mandatory ASHRAE 62.2 training during these trips. T&TA activities which have taken place to date are: OSHA training and WPN 11-6 review of Health and Safety

requirements for the state plan, Compliance Monitoring, new Manager training for the Tri-County agency, duct blower training, NEAT (energy audit) refresher training, new installers Standards Manual, closeout training, etc.

### Question 62

**\* 62. Are there any issues or barriers that hamper the Grantee's attendance at DOE national or regional training conferences and workshops? If yes, please list below.**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Satisfies Requirements

**Response and how was the response verified (documentation):**

There are no barriers to attendance at conferences or national or regional workshops or training conferences for the Grantee.

## SERC REGULATIONS (COMPLETE IF GRANTEE HAS SERC GRANT) (63-72)

### Question 63

**63. Is the Grantee providing guidance to the Subgrantee on how to screen and identify potential units as good candidates for the SERC technology or technologies?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

#### Question 64

**64. Has the Grantee ensured that Subgrantees have protocols in place for installation of proposed SERC technologies? Are protocols being followed by Subgrantees and how does the Grantee verify compliance?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

#### Question 65

**65. Are funds being solely used for the installation and proper functioning of the SERC technologies and program?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 66

**66. For all completed SERC units within the State, do the combined costs for Health and Safety and incidental repair exceed 10% of the statewide SERC cost per unit average?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 67

**67. For any individual completed unit, do a) combined costs for Health and Safety and incidental repairs exceed the cost of the installation of SERC technology, or b) total costs exceed \$30,000?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 68

**68. For all completed SERC units within the State, is the SERC cost per unit average \$12,000 or less?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 69

**69. Has the Grantee found any Subgrantees using SERC funds to install weatherization measures where the measures were not originally justified or completed?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 70

**70. If the Grantee has expanded the scope of eligibility to include moderate-income families, how does the Grantee define "moderate income"? How does the Grantee monitor compliance of the moderate-income units?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**

THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 71

**71. Does the Grantee have an implementation plan and/or schedule to monitor at least 5% of the completed SERC units in state or territory per year? Is the Grantee implementing the plan?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**  
THERE IS NOT A SERC COMPONENT TO THIS AWARD.

### Question 72

**72. Describe how the Grantee demonstrates their capacity to effectively monitor and ensure that SERC projects have been completed correctly (either existing in-house knowledge or through additional training)? Or has the Grantee hired expert staff (per the SERC technology) or are they seeking additional training?**

Answers:

Finding

Concern

Recommendation

Commendation

Best Practice

Satisfies Requirements

Not reviewed at this time

Selected Answer(s): Not reviewed at this time

**Response and how was the response verified (documentation):**  
THERE IS NOT A SERC COMPONENT TO THIS AWARD.

**SUBGRANTEE REVIEW**

**Subgrantee:**

**\* The following questions apply to subgrantee selected below:**

Answers:

Alamo Area Council of Governments  
Arlington, City of  
Austin, City of  
Beaumont, City of  
Bee Community Action Agency  
Big Bend Community Action Council  
Brazos Valley Community Action Agency  
Brownsville, City of  
Cameron-Willacy Counties Community Projects  
City of Lubbock  
Combined Community Action Agency  
Community Action Committee of Victoria Texas  
Community Action Corporation of South Texas  
Community Action Program, Inc.  
Community Council of Reeves County  
Community Services Agency of South Texas  
Community Services, Inc.  
Concho Valley CAA  
Corpus Christi, City of  
Dallas County Health & Human Services  
Dallas, City of  
El Paso Community Action Program, Project Bravo  
El Paso, City of  
EOAC of Planning Region XI  
Fort Worth, City of

Greater East Texas Community Action Program  
Hill Country Community Action Agency, Inc.  
Houston, City of  
Institute of Rural Development  
Laredo, City of  
Nueces County Community Action Agency  
Odessa, City of  
Panhandle Community Services, Inc.  
Programs for Human Services  
Rolling Plains Management Corp.  
San Antonio, City of  
Sheltering Arms Senior Services, Inc.  
South Plains Community Action Agency  
South TX Development Council of Government  
Texoma Council of Governments  
Travis County Health & Human Services Dept.  
Tri-County Community Action Agency  
Webb County Community Action Agency - TBD  
West Texas Opportunities, Inc.

Selected Answer(s): Dallas County Health & Human Services

**Pre-Monitoring Questions:**

**\* Subgrantee Materials to Review at Grantee Office Prior to Visit:**

Answers:

- Grantee/Subgrantee Contract and Amendments
- Grantee Policy and Procedures Manual
- Copies of Grantee Monitoring Reports
- Production and Expenditure Report for Subgrantee
- Davis Bacon Reports and Certified Payrolls (if applicable)

Selected Answer(s): Grantee/Subgrantee Contract and Amendments | Grantee Policy and Procedures Manual | Copies of Grantee Monitoring Reports | Production and Expenditure Report for Subgrantee | Davis Bacon Reports and Certified Payrolls (if applicable)

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**\* Subgrantee Materials to Review at Subgrantee Office:**

Answers:

- Grantee State Plan (most recent version)
- Amended Award with the Grantee (most recent version)
- Subgrantee Organization Chart
- Grantee's Weatherization Policies and Procedures Manual
- Inventory Tracking Materials (if applicable)
- Contracts with subcontractors
- Procurement documents to verify competition
- Copy of Department of Labor (DOL) Forms 1413 and Certified Payrolls
- Most recent documentation of Grantee monitoring visit
- Cost and Fixed Price Lists [Materials; Services (Audits, Inspections, etc.);]
- Subgrantee's Inventory List of Vehicles and Equipment
- Copy of current Energy Audit or Priority List
- Copies of files of the homes to be visited

Selected Answer(s): Grantee State Plan (most recent version) | Amended Award with the Grantee (most recent version) | Subgrantee Organization Chart | Grantee's Weatherization Policies and Procedures Manual | Inventory Tracking Materials (if applicable) | Contracts with subcontractors | Procurement documents to verify competition | Copy of Department of Labor (DOL) Forms 1413 and Certified Payrolls | Most recent documentation of Grantee monitoring visit | Cost and Fixed Price Lists [Materials; Services (Audits, Inspections, etc.);] | Subgrantee's Inventory List of Vehicles and Equipment | Copy of current Energy Audit or Priority List | Copies of files of the homes to be visited

**Program Overview:**

**1. Subgrantee should have the following materials readily on-hand. (1.Copy of Grantee Award agreement; 2.Copy of State Plan; 3.Copy of most recent Subgrantee fiscal and programmatic monitoring report from the Grantee; 4.Copy of the Grantee policy and procedures manual;) How does the Subgrantee's demonstration/description align with information provided by Grantee in Question 5 of the Programmatic and Management Checklist (P&M)? Response and how was the response verified (documentation):**

Text: On-site monitoring confirmed that the sub-grantee for the Texas Department of Housing and Community Affairs has copies of the State Plan, the award agreements, the policy and procedures manual

(Texas Administrative Code) and the latest fiscal and programmatic monitoring reports from the Grantee.

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**2. Subgrantee will be asked to describe how they comply with Davis Bacon requirements. How does the Subgrantee's demonstration/description align with the process and procedures described in Section 2 (questions 7-10) of the P&M checklist? Response and how was the response verified (documentation):**

Text: The Project Officer discussed this with the Labor Standards Officer at Dallas H&HS. He carried a notebook with him which contained all the certified payrolls for all contractors, the signed 1413 sheets, an employee listing which was used to compare listed names to the certified payrolls, photographic copies of the employees and their identification for field interviews which allowed him to ascertain with certainty that the person interviewed for this program was in-fact the person listed on the employee list. The review of certified payrolls, the oversight utilized for determinations of the accuracy of the payments, payment amounts, withholding (including the documents used to determine withholding) e.g. child support, insurance, etc and the review of certified payrolls prior to issuance to TDHCA was all contained in this book. The State of Texas uses an electronic format for submitting and capturing Davis-Bacon data. Davis-Bacon payrolls are current and appear to be submitted correctly as determined by a review of those payrolls at the Grantee office. The review at the office aligns with the information provided by the Grantee.

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**3. Subgrantee will be asked to demonstrate how they comply with the state's Historic Preservation guidelines and how historic preservation weatherization units are tracked and reported. How does the Subgrantee's demonstration/description align with the Grantee's process described in Question 57 of the P&M checklist? Response and how was the response verified (documentation):**

Text: An interview with the sub-grantee program manager indicates that the actions for the sub-grantee align with the requirements set for with the SHPO agreement and the process description provided by Grantee staff. The sub-grantee determines the age of any home in Dallas County by utilizing the Dallas Appraisal District data which provides the year the home was constructed. If the home meets the requirements for a 106 review, the assessor will determine which measures are necessary, which of those measures may result in an adverse condition and lists those measures for in-depth review by the SHPO office. In addition, photographs are taken of the home prior to weatherization and a letter is generated for review. This information is forwarded to the SHPO office for their review and response. The SHPO will either sign the letter indicating that it is OK to proceed, will return the letter denying the measures which may provide an adverse condition, or negotiate with staff to determine if there are other methods for performing the work to avoid an adverse condition. (e.g. wall insulation done from the inside of the home) The approval/disapproval and all supporting documentation for the 106 review is required to be placed in the client file to document this effort. The turn around time for the review is thirty days.

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**\* 4. Subgrantee will be asked to describe the process for ensuring that homes are accurately identified as eligible for reweatherization (confirming the new date, etc.). How does the process described by Subgrantee(s) for eligibility for reweatherization align with information provided by the Grantee in Question 23 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee has access to a database maintained in their office of all weatherized homes since the inception of their participation in the WAP program. In addition, the Grantee (Texas Dept of Housing and Community Affairs maintains a database of weatherized homes throughout the state of Texas. Client files reviewed at this agency contain the information indicating that these databases have been researched to meet the re-weatherization criteria. This aligns with the information provided by the Grantee.

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**\* 5. Subgrantee will be asked to explain how it follows the most recent approved State Plan/policies and procedures and specifically how the Subgrantee prioritize services (e.g., high energy users, high energy burden, elderly, disabled, households with children, other state-identified priorities). How does the Subgrantee's explanation align with the prioritization documented in the State Plan and the Grantee's descriptions in Question 25 of P&M checklist? Response and how was the response verified (documentation):**

Text: The applications are reviewed for eligibility initially to determine if the applicant meets the income requirements of the program and is eligible for services. On the basis of the application data provided, priority points are assigned for elderly, children, high energy burden, disabled and high energy user. On the basis of the totals of the priority points available, the application is placed in the queue of clients awaiting services and is ranked according to the priority points assigned. The priority lists determine the order in which services are rendered. This aligns with the Grantee response and was verified during a review of client files which contain both the eligibility documentation and the priority information.

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**Financial/Administration:**

**6. Subgrantee will be asked to demonstrate/describe the process leading to the development of an invoice to the Grantee. How does the Subgrantee's demonstration/description in developing an invoice align with the process described by the Grantee in Question 18 of the P&M checklist? Response and how was the response verified (documentation):**

Text: Prior to developing an invoice for payment, Grantee inspectors provide final inspections of the unit. This includes reviewing the scope of work, developing a punch list of deficiencies if there are any and ensuring that all measures were installed which were listed on the BWR and installed in a workmanlike manner. The materials are checked for both Energy Conservation and Health and Safety Measures. The Program Support costs are also reviewed for any anomalies. The Support costs are reviewed through the auditors office and must be consistent with payroll amounts charged to the job. The finished units are listed in a completion database which allows the GL entries to be made after final review and approval. Once this is done, payment can be rendered for invoiced costs from the contractors.

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**7. Subgrantee will be asked to describe the process and show evidence of the process for paying contractors, if applicable. How does the Subgrantee's demonstration/description of their process for paying contractors align with the process described by the Grantee in Question 11 of the P&M checklist? Response and how was the response verified (documentation):**

Text: When asked, the sub-grantee responded that the contractors submit a quantity sheet for each units which provides the quantity of materials and the labor costs for installation. The quantity sheets are reviewed by the Inspector who verifies that cost and material amounts align with the audit outputs and have been installed in the unit in a workmanlike manner. The inspector then signs off on the review of the quantity sheets and captures installed measures on the inspection sheet which is signed by both the inspector and the client. The review of the labor, materials and program support is done by programmatic and financial staff (accountants review the quantity sheets) to provide checks and balances and once amounts have been verified and costs determined to be accurate, the invoice (which is e-mailed by the contractor with the quantity sheets) can be paid.

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**8. Subgrantee will be asked to review the process used to procure contractors, if applicable. How does the Subgrantee's demonstration/description of their procurement of contractors align with the Grantee's policies outlined in Question 11 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The contractors are procured through the procurement system which follows the requirements of the Texas Administrative Code (Section 5.10 - competitive procurement) and the Purchasing Department guidelines. The procurement is based on a specification which is developed for the procurement action and requires a closed/competitive bid process. Bids are submitted and once the closing date is attained are opened by a review committee that determines which bids most fully meet the specification at the lowest cost. During this process the bidders are also vetted to determine they are not on any debarred lists. Once the low bidder who most completely meets the conditions of the specification is identified, they are notified that they were successful. Unsuccessful bidders are also notified. The procurement determines the "fixed-costs" which will be paid for contracting services designed to meet the need specified. The process can be done whenever deemed necessary. This aligns with the Grantee answer provided for their procurement action. It is consistent with the requirements of the Texas Administrative Code.

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**9. Subgrantee will be asked to explain how the costs or fixed prices are determined for weatherization materials, services (audits, inspections, etc.). How does the Subgrantee's demonstration/description of their process with regard to fixed price materials/services align with the Grantee's policies outlined in Question 11 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee responded that fixed prices are determined through an RFP competitive procurement process. Specifications are written for items that are needed for the Weatherization program and bids are solicited through an advertisement. Responses are "graded" to determine which bid meets the specification at the lowest cost. The successful bid for low cost in this process determines the fixed prices charged for goods, services, labor and material. This aligns with the Grantee answer.

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**10. Subgrantee will be asked to describe the process for reporting completed units to the Grantee – both the reporting of the production and the verification of those completions. How does the Subgrantee's demonstration/description of their reporting process for production of completed units align with the description from the Grantee identified in Question 34 of the P&M checklist? How does the Subgrantee's demonstration/description for verifying completions align with the process identified by the Grantee in Question 34 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee responded that units are reported only after a final inspection is completed and installation of measures which were required on the Building Work Record and the audit were installed and installed in a workmanlike manner. The inspection sheets are routed to the finance department who reviews costs, after a review by Program staff to ensure that all materials meet the Appendix A guidelines installations for some materials are not excessive (i.e. caulk or incidental repair materials). The contractor calls for a final inspection after they have completed their work, the inspector performs final blower door, combustion testing, etc and documents that all measures were complete and discusses the final inspection with the client. After discussion, the client and the inspector sign the final inspection sheet, a copy of which is forwarded to finance, program staff and the original is placed in the file. This aligns with Grantee answers.

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**11. Subgrantee will be asked to demonstrate the type of system (database, spreadsheet, etc.) used to account for multiple funding sources for weatherization activities? How does the Subgrantee's demonstration/description of their process to account for multiple funding sources align with the Grantee's information captured in Question 13 of the P&M checklist? Response and how was the response verified (documentation):**

Text: Subgrantee responded that their finance department is responsible for tracking multiple funding

streams in any unit. The expenditures and costs are segregated by codes in the financial database. The ARRA award does not have multiple funding streams. The only other funding stream used according to the sub-grantee is LIHEAP. However during the on-site review of in-progress units, the sub-grantee stated that refrigerators and stoves eligible for replacement on the basis of the assessment would be replaced using either TAACA funds (refrigerators) or CEAP funds (stoves). The sub-grantee has the ability to track these funds separately from ARRA DOE funds. This aligns with the Grantee response.

### **Inventory:**

**12. Subgrantee will be asked to demonstrate how they maintain and track any inventory. Subgrantee will also be asked to show how the process is consistent with the Grantee's description of the process. How does the Subgrantee's demonstration or description correspond with the monitoring process described by the Grantee in Question 22 of the P&M checklist? If the Subgrantee does not have inventory or an inventory system, is the Subgrantee's procurement process consistent with the Subgrantee agreement with the Grantee and the policies outlined in Question 22 of the P&M checklist? Response and how was the response verified (documentation):**

Text: Subgrantee responded that inventory is counted and verified on an annual basis. (ARRA has an exception here because the period of performance and the contract period are for six months.) Inventory control is exercised by dual control of personnel. The person responsible for counting and verifying inventory is NOT the same person who is responsible for drawing materials from inventory. The materials used in the WAP program are purchased on a job-by-job basis by the contractors who do the installation. As such, the Grantee has very little inventory to account for. The inventory consists of WAP equipment such as blower-doors combustion testing equipment, etc.

### **Energy Audits:**

**\* 13. Subgrantee will be asked to produce the most recent DOE-approved energy audit and/or priority list and demonstrate/describe how it updates and maintains the audit inputs, especially when dealing with a-typical housing stock (updating fuel, labor, and material costs, etc.). How does the Subgrantee's demonstration/description of their audit/priority list (including updates and treatment of atypical housing) align with the information in Section 9, Energy Audits (questions 36-39) of the P&M checklist. Response and how was the response verified (documentation):**

Text: The sub-grantee responded that audit inputs for materials and labor costs + utility costs, etc are updated annually based on an RFP which identifies "fixed" costs used to reimburse for materials and labor in the program. The utility costs are updated at the same time for Dallas County and these costs are provided by the utilities who provide services in this service area. On occasion, procurement actions are done during the year when necessary and costs do not accurately reflect actuals for labor and materials, etc. The NEAT/MHEA audit is used for all single family, manufactured housing and multi-family (up to 24 units of individually heated and cooled units) in the county and inputs are checked by programmatic staff to ensure that assessments accurately reflect conditions found on-site and the audit captures the correct costs and materials.

### **Qualifications & Training:**

**14. Subgrantee will be asked to describe how they determine if workers (crews or contractors) are able to perform to the job expectations before hiring or within a certain period after employment. How does the Subgrantee's demonstration/description of their process for hiring qualified crews/contactors align with the Grantee description in Question 40 of the P&M checklist? Response**

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**and how was the response verified (documentation):**

Text: Crews are all contractors and the contracting is done initially through a procurement process. The procurement process follows the Texas Administrative Code (Section 5.10) which requires a specification be written to drive the competitive procurement for obtaining anything needed in given programs. The specification outlines the requirements for worker qualifications in the Weatherization Program for this sub-grantee. The workers are placed on a probationary period to determine the quality of work, the knowledge base they possess and whether they will be able to perform to job expectations. If they do not meet the conditions of the probation period satisfactorily, they are replaced. The contractors are also required to provide supporting documentation during the bid process to help the sub-grantee ascertain whether the contractor has the KSA's to perform the job required. Past performance is also used to determine whether this contractor will be used to perform the work.

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**15. Subgrantee will be asked to describe the course correction/rework policies it has in place for inspectors when there is a high frequency of corrections needed (identified by the Grantee or Federal review process). How does the Subgrantee's demonstration/description of their process for course correction/training of Subgrantee crews/contractors align with the Grantee methods to determine T&TA needs described in Question 46 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee responded that ongoing course corrections or required reworks for inspectors will result in additional training with the expectation that improvement will take place. Failure to improve is grounds for corrective actions from a personnel standpoint or employment termination. Regarding the incidence of course correction and reworks required from sub-grantee contractors, the sub-grantee responded that needed corrections are identified by the inspector, listed on a punch list and e-mailed to the contractor responsible for performing the work. Continued poor work may lead to non-compliance letters from procurement/finance staff and failure to correct within 30 to 60 days is grounds for termination of the contact and potential listing on the excluded bidders list in the future. When asked, the sub-grantee indicated that units which have not been reported and require re-works are not paid for by the sub-grantee. The burden for payment is on the contractor. It is hoped that sufficient incentive exists to ensure quality work which is complete on every job.

**Weatherization of Units:**

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**16. Subgrantee will be asked to demonstrate the processes and procedures in place if an inspector finds work that needs to be re-done or corrected. How does the Subgrantee's demonstration/description of their process for the inspector ordering "reworks" align with the Grantee information captured in Question 45 of the P&M checklist? Response and how was the response verified (documentation):**

Text: Regarding the incidence of course correction and reworks required from sub-grantee contractors, the sub-grantee responded that needed corrections are identified by the inspector, listed on a punch list and e-mailed to the contractor responsible for performing the work. Continued poor work may lead to non-compliance letters from procurement/finance staff and failure to correct within 30 to 60 days is grounds for termination of the contact and potential listing on the excluded bidders list in the future. Sub-grantees allow administrative relief in a hearing if so requested. When asked, the sub-grantee indicated that units which have not been reported and require re-works are not paid for by the sub-grantee. The burden for payment is on the contractor. It is hoped that sufficient incentive exists to ensure quality work which is complete on every job.

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**17. Subgrantee will be asked about the agency's process to reduce the rate of reworks and improve**

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**contractor/crew performance (e.g., training, hands-on review, termination, etc.). How does the Subgrantee's demonstration/description for how they reduce the rate of reworks align with the Grantee information captured in Question 46 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee responded that performance improvement is done with additional training and on-site technical assistance to ensure that contractor staff are fully aware what requirements exist for improved performance which reduces or eliminates the need for reworks in any client unit. Ongoing issues or continued failure in an area are tracked and addressed with additional on-site technical assistance. If the incidence of re-works or specific failures continues, the contractor can be removed from the program.

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### **Health & Safety:**

**18. Subgrantee will be asked how the agency implements of Health and Safety requirements, including OSHA, Lead Safe Weatherization (LSW), Certified Renovator, etc. as outlined in the DOE approved Health & Safety Plan. How is the implementation described/evidenced in the files at the Subgrantee(s) consistent with the process and procedures described by the Grantee in Question 49 of the P&M checklist? Response and how was the response verified (documentation):**

Text: The sub-grantee responded that vendors bids are required to demonstrate that contractors can perform the work required by the program. This includes certification and demonstration that they can perform LSW work correctly to ensure there are no fines, that the client is protected and the regulations are followed. In addition, the sub-grantee requires that all LSW efforts be accompanied by certified renovator documentation, testing documentation and results, and photographs to document that Level One containment was done and that cleanup was done properly to ensure the safety and well being of the client. Training and technical assistance can be provided to ensure that processes for Health and Safety are done correctly and documented appropriately. Failure to correctly follow procedures regarding LSW, notifications, hazardous work conditions, etc. can result in sanctions up to and including termination of the contractor from the program.

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### **Quality Management Assurance:**

**19. How many Subgrantee units did you visit during this monitoring visit?**

**\* Regular DOE:**

Number: 0

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**\* ARRA:**

Number: 10

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**\* SERC:**

Number: 0

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**20. In reference to the Quality Management Assurance Form, are there any issues related to file review or inconsistencies between the Grantee's description of file documentation in Question 42 of the P&M checklist that suggests there may be a need for the Grantee to review with the Subgrantee what should be included as file documentation? Response and how was the response verified**

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**(documentation):**

Text: The Project Officer and the monitor reviewed client files for this multi-family complex. All of these units are "in-progress" and have not received a final inspection. However, file documentation appeared to be complete and contained all required information other than the final inspection review. As stated, final inspections were scheduled to be done after this visit. As such the final inspection forms were not available. Grantee has committed to the project officer to submit copies of the final inspection forms in addition to the monitoring report for this sub-grantee.

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**\* 21. In reviewing completed or in progress jobs, how does the Subgrantee audit/priority list practice align with the information in Section 9, Energy Audits (questions 36-39) of the P&M checklist? Response and how was the response verified (documentation):**

Text: The in-progress units reviewed demonstrated that the audit used to assess these units and identify measures is up-to-date, being used correctly and aligns with information provided in the state plan and in the Grantee answers to the questions referenced above.

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**\* 22. In reviewing completed or in progress jobs, does the work performed on all the measures follow the state protocols (standards and/or field guide) in Question 47 of the P&M checklist or are there any issues/concerns with the materials or installation that should be addressed by the Grantee with the Subgrantee? Response and how was the response verified (documentation):**

Text: I reviewed ten in-progress jobs and the quality of work was as high as I have seen in the program. The measures were installed well and the results of the measures appear to align with program requirements. All clients which were interviewed during this visit, were very appreciative and indicated that the changes to their units were positive and their comfort and Health and Safety were greatly enhanced.

---

**23. Based on field observations, were there any "patterns" identified that should be addressed by the Grantee with the Subgrantee based on the site visits conducted (and should be recorded under P&M Question 52)? Response and how was the response verified (documentation):**

Text: On the basis of the results of the site visit there were no discernable patterns identified which need to be addressed.

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**24. Based on field observations, were there any training issues identified that should be addressed by the Grantee with the Subgrantee? (e.g., specific trainings that should take place to bring Subgrantee work to a higher quality). How does this training recommendation align with the Grantee approach to identifying/meeting training needs outlined in Question 59 of the P&M checklist. Response and how was the response verified (documentation):**

Text: Based on field observations, there were no specific training issues identified which should be addressed by the Grantee with the sub-grantee.

---

**25. Based on field observations, are there any areas where the Grantee monitors/field staff should be referred to additional training to improve their monitoring capabilities (and should be recorded under Question 61 of the P&M checklist)? Response and how was the response verified (documentation):**

Text: On the basis of field observation, there are NO areas where the Grantee monitor should be referred to additional training. This monitor has many years of experience and is one of the best I have worked with. He is extremely knowledgeable, capable and thorough.

**SERC Overview (skip if Grantee/Subgrantee do not have SERC Grant):**

**26. SERC Subgrantee will be asked to demonstrate how units that received SERC technologies were appropriately screened prior to the technology installation to ensure the unit was a good candidate. Is the Subgrantee's description of their screening process to determine that the proposed SERC technology is appropriate for the specific unit consistent with the Grantee's description in Question 63 in the P&M checklist? Response and how was the response verified (documentation):**

Text: THERE IS NOT A SERC COMPONENT TO THIS AWARD

**27. SERC Subgrantee will be asked to describe what the protocol is to determine what SERC technologies are installed for each unit. How does the Subgrantee's description align with the protocol described by the Grantee in Question 64 of the P&M checklist? How is the Grantee verifying compliance? Response and how was the response verified (documentation):**

Text: THERE IS NOT A SERC COMPONENT TO THIS AWARD

**28. Request the Subgrantee to describe/demonstrate how they track and verify completed units have either a) combined costs for health and safety and incidental repairs exceed the cost of the installation of SERC technology, or b) total costs exceed \$30,000? Does the Subgrantee's description/demonstration on how they track and verify completed SERC unit Health & Safety, incidental repairs and SERC technology costs align with the Grantee's answer in Question 67 of the P&M checklist? Response and how was the response verified (documentation):**

Text: THERE IS NOT A SERC COMPONENT TO THIS AWARD

**29. The Subgrantee will be asked to provide information and materials to determine if any SERC funds are being used to install any weatherization measures that were not originally justified or completed? Based on the information provided from the Subgrantee, is the Grantee's guidance, oversight and monitoring of SERC projects effective to identify when SERC funds are being used to install weatherization measures that were not originally justified or completed? Is this guidance and oversight consistent with the answer provided in Question 69 of the P&M checklist? Response and how was the response verified (documentation):**

Text: THERE IS NOT A SERC COMPONENT TO THIS AWARD

**30. If the Grantee has expanded the scope of eligibility for SERC projects to include moderate-income families, have the SERC Subgrantee describe what the definition is of "moderate income" and what is the process to verify those clients/units that fall into this category? How does the Subgrantee's description of "moderate income" align with the Grantee's answer in Question 70 of the P&M checklist? Is the Subgrantee's "moderate income" verification process consistent with the Grantee's process? Response and how was the response verified (documentation):**

Text: THERE IS NOT A SERC COMPONENT TO THIS AWARD

**Open Issues:**

**31. Please identify any issues/concerns or exemplary processes/work found during the field review. Response and how was the response verified (documentation):**

Text: None



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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August 14, 2013

*Writer's direct dial: 512.475.3296*  
*Email: [tim.irvine@tdhca.state.tx.us](mailto:tim.irvine@tdhca.state.tx.us)*

Mr. Paul Jiacoletti  
Department of Energy Golden Field Office  
1617 Cole Blvd.  
Golden, Colorado 80401

**RE: Department of Energy ("DOE") Onsite Monitoring Report of the DOE American Recovery and Reinvestment Act of 2009 ("ARRA") Weatherization Assistance Program ("WAP")**

Dear Mr. Jiacoletti:

The Texas Department of Housing and Community Affairs (the "Department") is hereby responding to your monitoring letter of July 16, 2013. Your letter included three (3) recommendations and no findings for the July 8<sup>th</sup> to 11<sup>th</sup> monitoring of the Texas ARRAWAP grant.

**Recommendation #1** – The Project Officer recommends that the Grantee investigate the use of the MULTEA multi-family audit for assessing small multifamily buildings.

**Response** – The Department agrees with the Project Officer's recommendation. The EQUIP and TREAT audit options are expensive, and in light of the reductions of funding for DOE WAP, the MULTEA audit (when released) may provide a more cost effective and more accurate assessment of needed measures. As funding levels have decreased, so has the ability to invest in multifamily projects where projected weatherization costs likely often exceed the subrecipient's annual allocation. Should DOE funded subrecipients inquire about multifamily projects, the Department will investigate the most appropriate assessment tool including MULTEA and perform an assessment in accordance with DOE guidelines.

**Recommendation #2** – The Project Officer is requesting that the final inspection sheets for the units reviewed in Dallas be provided, in addition to the financial and programmatic compliance reports, after final inspections and verification of work.

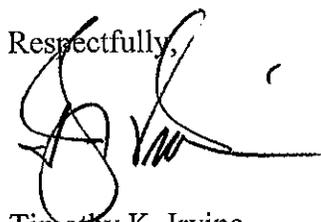


Response –Upon completion of the final (closeout) monitoring report on the DCHHS units, the Department will provide a complete set of final inspection documents as well as the monitoring reports from Compliance. It is anticipated that the final inspections and monitoring should be completed by September 15, 2013.

Recommendation #3 – The Project Officer recommends that the Grantee submit their state plan for review by DOE staff as soon as possible.

Response – The Department agreed and has submitted the state plan to DOE staff through the PAGE system. The Department has scheduled a final public hearing for August 19, 2013, due to a proposed revision to the funding formula. The Department will notify DOE staff of any public comment provided at that hearing and how the Department responds to any such comment.

The Department deeply appreciates your efforts throughout the entire ARRA WAP grant period. You have worked tirelessly to assist the State of Texas and the Department to realize full expenditure of the grant.

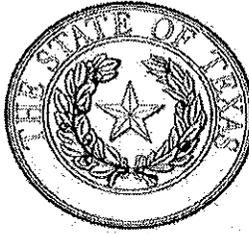
Respectfully,  


Timothy K. Irvine  
Executive Director

cc: Brooke Boston  
Patricia Murphy  
Michael De Young

6b

101 East 15<sup>th</sup> St., Room 144-T  
Austin, TX 78701-1919  
www.twc.state.tx.us



MC. 8/1/13  
(512) 463-2642  
(512) 463-2643 Fax  
(888) 452-4778 Toll Free

**Texas Workforce Commission  
Civil Rights Division**

July 29, 2013

Mr. Tim Irvine, Executive Director  
Texas Department of Housing and Community Affairs  
221 East 11<sup>th</sup> Street  
P. O. Box 13941  
Austin, Texas 78711-3941

Dear Mr. Irvine:

Re: Texas Workforce Commission Civil Rights Division Review of Personnel Policies  
and Procedural Systems

Pursuant to the Texas Labor Code, §§ 21.451-456, the Texas Workforce Commission Civil Rights Division (the Division) has reviewed the personnel policies and procedural systems of the Texas Department of Housing and Community Affairs to determine its compliance with the Texas Commission on Human Rights Act. Based on that review, the Texas Department of Housing and Community Affairs was found to be in compliance.

Although this review is now concluded, your agency is scheduled for its next review during Fiscal Year 2019. The Division may advance or delay this schedule up to one year to take into account agencies being abolished or combined, or new agencies being created. Until your next review, we are available to you for technical assistance under Texas Labor Code § 21.003(a)(5).

As specified in the Texas Labor Code, § 21.454, your agency should submit a report to the Governor, the Legislature, the Legislative Budget Board, and the Division within 60 days. A sample report format is enclosed.

If you have any questions, please contact Dennis R. Swinney at (512) 463-4800.

Sincerely



Lowell A. Keig  
Division Director

Enclosures: Sample Report Format  
Checklist

<Sample Report Form on your letterhead>

<Insert Date>

The Honorable Rick Perry  
Governor of Texas  
State Capital  
P. O. Box 12428  
Austin, Texas 78711-2428

The Honorable David Dewhurst  
Lieutenant Governor of Texas  
P. O. Box 12068  
Austin, Texas 78711-2068

The Honorable Joe Straus III  
Speaker of the House  
Texas House of Representatives  
P. O. Box 2910  
Austin, Texas 78768-2910

Director John O'Brien  
Legislative Budget Board  
P. O. Box 12666  
Austin, Texas 78711-2666

Lowell A. Keig, Director  
Texas Workforce Commission  
Civil Rights Division  
101 East 15<sup>th</sup> Street  
Austin, Texas 78701-1919

Dear <Governor Perry, Lt. Governor Dewhurst, Speaker Straus, and Mr. O'Brien>:

Pursuant to the requirements contained in Texas Labor Code, Section 21.454, I am pleased to report that the agency has undergone a review of our personnel policies and procedures systems by the Texas Workforce Commission Civil Rights Division. The Division has certified us as compliant.

Sincerely,

[Name of Reviewed Agency Executive Director/Commissioner]  
[Title]



**TEXAS WORKFORCE COMMISSION  
 CIVIL RIGHTS DIVISION**

**PERSONNEL POLICIES AND PROCEDURES REVIEW CHECKLIST**

Texas Department of Housing and Community Affairs  
 221 East 11<sup>th</sup> Street  
 P. O. Box 13941  
 Austin, Texas 78711-3941

Date of Initial On-Site Conference: July 16, 2013

Reviewer: Dennis R. Swinney

HIRING /PROMOTION POLICY	Chapter/ Page	Yes/No Or N/A
<b>1. <u>Recruiting Plan:</u></b> a. Has the agency conducted an analysis of its current workforce and compared the number of African Americans, Hispanic Americans and females in each job category to the available statewide civilian workforce to determine the percentage of exclusion or underutilization by each category? (TLC § 21.501)		Y
b. Based on the workforce analysis, or court ordered remedies, or supervised conciliation agreements, has the agency developed a plan to recruit qualified African Americans, Hispanic Americans and females? (TLC § 21.502)		Y
c. Has the agency implemented the plan?		Y
<b>2. <u>Job Advertisements:</u></b> a. Do policies prohibit job advertisements that would indicate a preference, limitation, specification or discrimination based on race, color, national origin, religion, sex, age or disability? [TLC § 21.059(a)]		Y
b. If no, does a bona fide occupational qualification exist for disability, religion, sex, national origin or age? [TLC § 21.059(b)]		Y
<b>3. <u>Hiring Procedures:</u></b> a. Has the agency published written selection procedures? (TLC § 21.452)		Y
b. Do policies prohibit, because of race, color, national origin, religion, sex, age or disability, failure or refusal to hire an individual? [TLC § 21.051(1)]		Y

<b>HIRING /PROMOTION POLICY - (continued)</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
c. Do written selection procedures incorporate a workforce diversity program and ensure that all selection decisions are made only on lawful, job related and non-discriminatory criteria? (TLC § 21.452)		Y
(1) Does the policy include clear guidance for an applicant screening device or selection matrix to be used to objectively compare an applicant's qualifications to a job advertisement and to other applicants for the position?		Y
(2) Do procedures include guidance on developing interview questions that cover objective, job related criteria and provide information on the applicant's knowledge and competencies to perform the job?		Y
(3) Do procedures require a review of each hiring action for EEO compliance?		Y
d. Does the review of samples of hiring actions indicate that the agency implemented the selection procedures? (TLC § 21.452)		Y

**SECTION SUMMARY**

**Comments:**

**Recommendations:**

Certified as in compliance with Chapter 21, Texas Labor Code

Factors preventing certification of compliance with Chapter 21, Texas Labor Code

<b>PERFORMANCE EVALUATION POLICY</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
a. Has the agency developed and implemented a performance evaluation policy? (TLC § 21.452)		Y
b. Does the agency's policy prohibit discrimination against an individual in connection with the terms, conditions or privileges of employment because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051 (1)]		Y
c. Does the agency's policy prohibit limiting, segregating or classifying an employee in a manner that would deprive or tend to deprive an individual of any employment opportunity or adversely affect in any other manner the status of the employee because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051 (1)]		Y
d. Does the agency's policy ensure that performance appraisals are based only on lawful, job related and non-discriminatory criteria? (TLC § 21.452)		Y
<b>PERFORMANCE EVALUATION POLICY - (continued)</b>	<b>Chapter/</b>	<b>Yes/No</b>

	Page	Or N/A
(1) Does the policy require that documentation be developed to substantiate an individual's performance rating?		Y
(2) Does the policy require that documentation be developed to substantiate an individual's rating in regard to compliance with agency policies, procedures and work rules?		Y
(3) Does the policy require that evaluations be based on objective, measurable and consistently applied criteria?		Y
(4) Does the policy require a review of performance evaluations for EEO compliance?		Y
e. Does the review of samples of performance evaluations indicate that the agency has implemented the procedures? (TLC § 21.452)		Y

**SECTION SUMMARY**

**Comments**

**Recommendations**

Certified as in compliance with Chapter 21, Texas Labor Code

Factors preventing certification of compliance with Chapter 21, Texas Labor Code

<b>DISCIPLINARY ACTIONS POLICY</b>	Chapter/ Page	Yes/No Or N/A
a. Has the agency developed and implemented a disciplinary actions policy? (TLC § 21.452)		Y
b. Does the agency's policy prohibit discrimination against an individual in connection with the terms, conditions or privileges of employment because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051 (1)]		Y
c. Does the agency's policy prohibit limiting, segregating or classifying an employee in a manner that would deprive or tend to deprive an individual of any employment opportunity or adversely affect in any other manner the status of the employee because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051 (1)]		Y
d. Does the agency's policy ensure that disciplinary actions are based only on job related and non-discriminatory criteria? (TLC § 21.452)		Y
(1) Does the policy require that disciplinary actions be based only on job performance and job related conduct?		Y
<b>DISCIPLINARY ACTIONS POLICY - (continued)</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>

(2) Does the policy require documentation (i.e. performance evaluation, counseling, etc.) of the employee's actions that resulted in the disciplinary action?		Y
(3) Does the policy prescribe progressive discipline and provide criteria for by-passing lesser disciplinary measures for severe misconduct?		Y
(4) Does the policy require a review of disciplinary actions for EEO compliance?		Y
e. Does the review of samples of disciplinary actions indicate that the agency has implemented the procedures? (TLC § 21.452)		Y

**SECTION SUMMARY**

**Comments:**

**Recommendations:**

X \_\_\_\_\_ Certified as in compliance with Chapter 21, Texas Labor Code

\_\_\_\_\_ Factors preventing certification of compliance with Chapter 21, Texas Labor Code

<b>WORKPLACE ACCOMODATION POLICY</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
a. Has the agency developed and implemented a work place accommodation policy? (TLC § 21.452)		Y
b. Does the policy include provisions for the requesting employee to provide a medical statement that contains diagnosis, prognosis and major life function that is substantially limited and the effect that the impairment has on the employee's ability to perform his/her job duties?		Y
c. Does the policy include a definition of "Disability" that is consistent with Chapter 21, Texas Labor Code? [TLC § 21.001(6)]		Y
d. Does the policy include provisions for making reasonable workplace accommodations for qualified individuals with disabilities? [TLC § 21.128(a)]		Y
e. Does the policy explain the term "qualified individual with a disability"? [TLC § 21.128(a)]		Y

<b>WORKPLACE ACCOMODATION POLICY – (continued)</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
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f. Does the policy contain an explanation of "undue hardship" and explain that disapproval of requests for accommodation are based on undue hardship to the agency to include (a) impact on operations and business; (b) cost factors involved; and (c) the effect on the safety of the requestor or other individuals? [TLC § 21.128(a)]		Y
g. Does the review of samples of requests for accommodation indicate that the agency has implemented the procedures? (TLC § 21.452)		Y

**SECTION SUMMARY**

**Comments:**

**Recommendations:**

Certified as in compliance with Chapter 21, Texas Labor Code

Factors preventing certification of compliance with Chapter 21, Texas Labor Code

<b>EEO POLICY INCLUDING SEXUAL HARASSMENT</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
(1) <b><u>EEO Policy:</u></b>		Y
a. Has the agency developed and implemented an equal employment opportunity policy? (TLC § 21.452)		Y
b. Does the policy prohibit discrimination based on race, color, national origin, religion, sex, age, or disability? (TLC § 21.051)		Y
c. Does the EEO policy require a training program that provides employees information regarding the agency's policies and procedures relating to employment discrimination to include sexual harassment? (TLC § 21.010)		Y
d. Does the EEO policy require that new employees receive training within 30 days after their date of hire? (TLC § 21.010)		Y
e. Does the EEO policy require that employees receive supplemental training every two years? (TLC § 21.010)		Y
f. Does the EEO policy require that employees who attend the training sign a statement verifying attendance at the training program? (TLC § 21.010)		Y
<b>EEO POLICY INCLUDING SEXUAL HARASSMENT – (continued)</b>	<b>Chapter/ Page</b>	<b>Yes/No Or N/A</b>
g. Does the EEO policy prohibit retaliation against a person who opposes a discriminatory		Y

practice, files a charge, or testifies, assists or participates in an investigative proceeding or hearing? (TLC § 21.010)		
(2) <b><u>Sexual Harassment Policy:</u></b>		Y
a. Has the agency developed and implemented a sexual harassment policy? (TLC § 21.452)		
(1) Does the policy define the term "sexual harassment" based on state and federal laws?		Y
(2) the policy include a provision for distribution to all employees?		Y
(3) Does the policy include procedures for instituting immediate and corrective actions if prohibited conduct occurs?		Y
(4) Does the policy include procedures for continued monitoring of the circumstances surrounding the complaint to ensure the situation has been remedied?		Y
b. Has the agency developed and implemented complaint procedures? [ <i>Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1989)</i> ]		Y
c. Do the complaint procedures allow employees to bypass harassing supervisors? [ <i>Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1989)</i> ]		Y
d. Does the review of samples of personnel actions indicate that the agency has implemented the EEO/Sexual Harassment policies? (TLC § 21.452)		Y

**SECTION SUMMARY**

**Comments:**

**Recommendations:**

Certified as in compliance with Chapter 21, Texas Labor Code

Factors preventing certification of compliance with Chapter 21, Texas Labor Code

COMPENSATION POLICY	Chapter/ Page	Yes/No Or N/A
a. Has the agency developed and implemented a compensation policy? (TLC § 21.452)		NA
(1) Does the policy identify the type of compensation previously applied to other employees in like or similar positions?		NA
(2) Is there a provision for review of compensation criteria and application to ensure EEO compliance?		NA
b. Does the agency apply different standards of compensation under a bona fide seniority system, merit system or an employee benefit plan? [TLC § 21.102(a)(1)]		NA
c. Does the agency apply different standards of compensation under a system that measures earnings by quantity or quality of product? [TLC § 21.102(a)(2)]		NA
d. Do the agency's policies prohibit discrimination against an individual in connection with compensation because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051(1)]		NA
e. Do the agency's policies prohibit limiting, segregating or classifying an employer in a manner that would deprive or tend to deprive an individual of any employment opportunity or adversely affect in any other manner the status of the employee because of race, color, national origin, religion, sex, age or disability? [TLC § 21.051(2)]		NA
f. Does the review of samples of personnel actions indicate that the agency has implemented the compensation policy? (TLC § 21.452)		NA

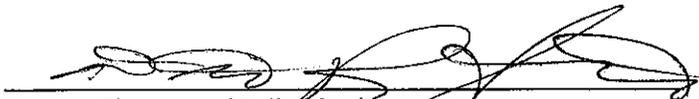
**SECTION SUMMARY**

**Comments:**

**Recommendations:**

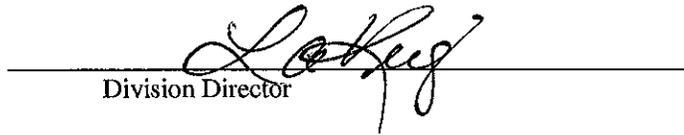
NA Certified as in compliance with Chapter 21, Texas Labor Code

           Factors preventing certification of compliance with Chapter 21, Texas Labor Code

  
\_\_\_\_\_  
Signature of Policy Reviewer

7/29/13  
Date

Approved:

  
\_\_\_\_\_  
Division Director

7/29/13  
Date

7

**AUDIT COMMITTEE REPORT ITEM**  
**INTERNAL AUDIT**  
**SEPTEMBER 12, 2013**

Presentation and Discussion of the Status of Prior Audit Issues.

**REPORT ITEM**

Internal Audit tracks prior audit issues from both internal and external auditing or monitoring reports. These issues are followed up and cleared as time allows.

**BACKGROUND**

Of the 29 current prior audit issues:

- 23 issues were recently reported by management as “implemented” and are reflected on the attached list. These will be verified and closed by internal audit once we have reviewed the supporting documentation. Of these:
  - 15 are for the Neighborhood Stabilization Program (NSP),
  - 4 are for the Financial Administration Division,
  - 3 are for the Homeless Housing and Services Program,
  - 1 is for the HOME Multifamily Program.
  
- 6 issues are “pending” and are reflected on the attached list. Internal audit will verify and close these issues once they are reported as “implemented.” Of these:
  - 3 are for the Multifamily Finance Division,
  - 1 is for the Neighborhood Stabilization Program (NSP),
  - 1 is for the Compliance Division, and
  - 1 is for the Asset Management Division.

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

***September 12, 2013***

***Report Name:*** An Internal Audit of the Neighborhood Stabilization Program

***Division:*** Neighborhood Stabilization Program

***Report Date:*** 04/08/2011

***Current Status:*** Implemented – Not Verified

***Finding:*** There are no formal timing requirements or goals in place for loan closing. Based on workload estimates provided by NSP management, there is not enough staff to close all the loans by the August 31, 2011 initial closing deadline.

NSP has four staff for loan closers. However, two have additional responsibilities apart from closing loans. It is possible to process a homebuyer loan in 45 working days (or nine weeks) from underwriting to closure. This includes the 30 days required by legal for loan document preparation and review. In the private sector, it takes approximately two weeks to process a homebuyer loan and full-time loan processors can complete ten to fifteen closings each month. It is important to note that non-homebuyer transactions can be more complex and may require more time and effort for the loan processor. To assess the feasibility of meeting the August 31, 2011 deadline, we considered different staffing scenarios for processing the estimated 400 loans and concluded that it is highly unlikely that NSP will be able to meet the deadline with the current staffing level.

If NSP is unable to close the estimated number of loans by August 31, 2011, homebuyers awaiting closings could be without housing or incur additional expense in finding a temporary place to live.

***Recommendation:*** The Department should re-evaluate the resources of the NSP and reallocate staff as necessary to ensure that there are an adequate number of loan closers to complete the anticipated influx of closings. In addition, NSP should redistribute responsibilities to ensure that employees who conduct homebuyer loan closings can focus primarily on that task.

***Management Response:*** Management concurs and has re-allocated staff resources in order to ensure that homebuyer transactions are processed timely. Management will monitor workflow and as bottlenecks are forecast and identified, adjust resources to focus on the portion of the closing effort that is affected.

***Target Implementation Date:*** 01/19/12

***Actual Implementation Date:*** 01/19/12

Action for this finding was previously reported as implemented on August 17, 2011, but there had not been sufficient transactions to clear the item in the January, 2012 report.

***Status:*** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

***Recommendation Age (in days):*** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** Key support, such as contracts and environmental clearance certifications, are often missing from the loan files when NSP forwards the files to legal. NSP Loan Closing Specialists attach a "Request for Preparation of Loan Documents and Closing Instructions" form to loan files provided to legal. The form provides general information on the files' contents. We compared the NSP form to the documentation that legal needs for homebuyer loan preparation. The form did not include many of the items needed by legal, including subgrantee contract information, indication of environmental clearance, and indication that the purchase discount was satisfied or waived.

NSP has been largely focused on productivity. High production appears to have an impact on the quality of work. The risk of error is heightened by the lack of mitigating controls such as formalized policies and procedures.

The responsibility for ensuring the accuracy of the information in the files lies with the NSP. If information in the loan file is not correct and the error is not caught by legal, inaccurate or incomplete homebuyer loans could be closed and funded, NSP money could fund non-compliant transactions, or NSP may unknowingly report incorrect information to HUD.

**Recommendation:** NSP should:

- enhance quality assurance reviews on the front end of the homebuyer loan closing process to ensure that issues are caught and corrected before files are sent to legal, and
- amend the "Request for Preparation of Loan Document and Closing Instructions" form to include a comments section and checkboxes to indicate the file includes all of the items required by legal in order to prepare homebuyer loan documents.

**Management Response:** Management concurs. Management will ensure the standardization of documentation to be reviewed by Legal Services and existing checklists will be reevaluated and revised in coordination with Legal Services to ensure that files are complete for each transaction. The clarifications now being finalized will clearly delineate the documents that will be required (to enable subgrantees to gather them), the review to be performed by Legal Services, and the programmatic reviews that will be performed by NSP and/or Program Services.

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 10/15/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** Although not required by HUD, the Department's NOFA set a minimum NSP contract amount of \$500,000 plus \$25,000 in administration fees for a total contract of \$525,000. However, of the 48 randomly selected contract files tested, one original contract was written for less than \$525,000. The NSP NOFA states that "In order to avoid allocating small amounts of funding that can have no meaningful impact on stabilizing of property values, the minimum award amount to an eligible entity cannot be less than \$500,000, excluding administration cost."

Although the Texas Administrative Code for NSP allows the Department to issue a waiver of certain contract terms required in the 2009 NSP NOFA, the stricter requirements of the NOFA may have deterred potential subgrantees from applying for grant funds and could have resulted in fewer areas served by the NSP.

**Recommendation:** The Department should abide by the NOFA to ensure the subgrantees understand the Department's intent and that all subgrantees are offered an equal opportunity to participate under the same set of rules.

**Management Response:** Management concurs and will ensure that any future subgrantee abides by the requirements of the applicable NOFA.

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 01/19/12

The NSP1 NOFA, which included the \$525,000 minimum award, is no longer valid, and no further awards will be made under that authority. The current NSP1-PI NOFA, which allows access to the NSP Reservation System, does not include a minimum award amount.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** NSP does not have an established mechanism in place to track key elements of the program including contract milestone thresholds, cumulative budget transfer amounts, and homebuyer loan files.

Although the NSP Technical Guide states that the Department will evaluate compliance with contractual obligations to ensure progress toward meeting benchmarks. NSP is not consistently tracking the subgrantee's milestones. Subgrantees are not always meeting their milestones. HUD requires grantees to obligate and expend funds in an expeditious manner and HUD has imposed a deadline for expending grant funds. In one instance, the subgrantee should have expended 30% (\$600,000) of its demolition obligation by May 31, 2010 and 30% (\$153,397) of its purchase and rehabilitation obligation by August 31, 2010. As of January 10, 2011, all the contract activities entered into the Housing Contract System for this subgrantee are still in pending status. The subgrantee has not drawn any funds to support meeting the 30% expended funds. This is significant because if the NSP fails to expend the grant funds within the established timelines, the funds will be recaptured by HUD, the subgrantees' geographic area will not be served, and the Department may not achieve the program objectives. NSP is also not formally tracking incremental budget transfers. The NSP contract with subgrantees indicates that there is a 10% budget transfer ceiling. Transfers above 10% require an amendment or written authorization from the Department. Transfers above 25% require approval of the Department's governing board. When the cumulative amount of budget transfers is not monitored, program specialists and management may not identify incremental budget transfers that exceed the allowable limits and may neglect to obtain the appropriate level of approval.

There is no centralized mechanism to track the progression of homebuyer loans through the inter-divisional, multi-step closing process.

NSP does not have a system or report that captures the entire population of NSP transactions. No single resource can be used to determine the status of the program or to review complete information about a specific transaction.

If NSP does not sufficiently monitor these key elements, there is an increased risk that the program may not stay on track and that the program objectives will not be completely achieved. Missed milestones could result in the loss of funding. Budget transfers could exceed the 10% ceiling, which may prevent the amendment from receiving approval as required. Homebuyer loan files could fall through the crack and result in delayed closings or unnecessary re-work.

**Recommendation:** NSP should:

- establish a system for tracking key program elements,
- ensure grant funds are expended within the program guidelines and within the program timeframe, and
- monitor contract milestone thresholds, cumulative budget transfer amounts, and the status of homebuyer loan files

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Management Response:** Management concurs. Management will establish a system for tracking key program elements and formally incorporate the procedures into an SOP by May 31, 2011 in order to better track subrecipient performance and compliance.

**Target Implementation Date:** 01/31/12

**Actual Implementation Date:** 04/25/13

Management will prepare a budget transfer reconciliation report for the May 2011 TDHCA Board meeting and request, if necessary, authorization for any already identified transfers at that meeting and will establish a more uniform process to manage cumulative budget transfers by May 31, 2011.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** NSP does not have detailed policies and procedures. The limited number of written policies and procedures NSP does have are all in draft form and have not been formally communicated to staff including SOPs for contract amendment requests, draw requests, set-up requests, contract administration, mortgage loan financing, home buyer assistance loans, and obtaining credit reports.

Without finalizing and formally communicating policies and procedures to the NSP staff, staff may not be performing their job duties as intended by management. NSP management's finalization of the policies are necessary to ensure that all program specialists are performing their duties in accordance with standardized instructions, that program specialists perform their duties consistently and effectively, and that risks are mitigated.

**Recommendation:** NSP management should finalize, communicate, and monitor compliance with the program's written policies and procedures.

**Management Response:** Management concurs. Management will reevaluate the four existing draft SOPs, edit or create new SOPs as appropriate and finalize and communicate the SOPs to staff by May 30, 2011. Management will provide training on the SOPs for staff once they have been finalized. Management will establish a process for periodic sampling and testing to ensure compliance with written policies and procedures by August 31, 2011.

**Target Implementation Date:** 01/31/12

**Actual Implementation Date:** 01/18/12

The NSP SOPs were finalized on August 17, 2011.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** The Department may not be reporting accurate information to HUD. There were discrepancies in the total budgeted amounts recorded in the Department's Housing Contract System and the budgeted amounts recorded in the DRGR system. Of the 52 contracts that we compared in both the DRGR and Housing Contract System, differences were noted in 26 contracts (50.0%). Four contracts had differences of \$1 million or more. One contract differed by more than \$5 million. Two contracts were entered into the DRGR system but were not in the Housing Contract System and one contract was entered into the Housing Contract System but was not in DRGR. Overall, there was a total difference of \$2,313,071 more in the DRGR system than in the Housing Contract System.

HUD requires each grantee to report on its NSP funds using the DRGR system. HUD uses grantee reports to monitor for anomalies or performance problems that suggest fraud, waste, and abuse of funds and to reconcile budgets, obligations, fund draws and expenditures.

A reconciliation of the data in the DRGR system, the Housing Contract System, and the contract file does not occur on a regular basis. Only two reconciliations were performed as of November 25, 2010. Both were performed in connection with an external audit by HUD. However, in both of these reconciliations, the data was not reconciled in aggregate at the program level, only at the individual contract level. Without regular reconciliations, contract information in the Department's Housing Contract System will not be consistent with HUD's DRGR system or with the hard copy files.

The program manager is responsible for submitting program reports to HUD using the DRGR system. The program manager is also responsible for entering contract budget corrections into both DRGR and the Department's Housing Contract System. Ideally, these functions should be separated. When one person has the ability to enter data into the Housing Contract System and DRGR, there is a higher risk that data entry errors go undetected. Regular and routine reconciliations should identify data entry errors.

Lack of regular reconciliations may prevent management from having accurate performance information available for decision-making and for reporting to HUD. A regular reconciliation process ensures that data is accurate and that unauthorized changes have not occurred.

**Recommendation:** NSP should perform regular and routine reconciliations between the data in the Housing Contract System, the data in the DRGR system and the hard copy files. At a minimum, these reconciliations should include:

- reviewing source documents,
- verifying the accuracy and recording of the transactions in the Housing Contract System,
- identifying and resolving any discrepancies in a timely manner,

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

- documenting the performance of reconciliations,
- reviewing the reconciliations to ensure they are performed and any discrepancies are resolved, and
- ensuring the individual performing the reconciliation does not also enter data into either of the data systems being reconciled or have the ability to process transactions.

**Management Response:** Management concurs. Program Services staff is currently in the process of reconciling the contract system with DRGR, and the responsibility for completing HUD reporting from the DRGR system is being assigned to a staff member in Program Services. A full reconciliation is anticipated to be complete by April 30, 2011. Management will review existing draft SOPs to edit or create a new SOP to ensure that a process exists for the two systems to be reconciled on a monthly basis thereafter; associated SOPs will be finalized by May 30, 2011.

**Target Implementation Date:** 03/31/12  
**Actual Implementation Date:** 03/20/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion. **Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** The contract status in the Housing Contract System does not always reflect the actual status of the contract. We randomly selected a sample of 48 NSP contracts for testing purposes. The status of 18 of the 48 (37.5%) contracts reviewed in the Housing Contract System (and using the hard copy contract files) was inaccurate. The status should be classified as "pending", "active", "closed", or "terminated for cause" depending on the situation.

We found that of the 18 inaccurately classified contracts:

- Ten contracts expired on November 30, 2010. According to NSP management, amendments are in process. These contracts should be classified as "pending amendment" or "inactive" but were still labeled "active".
- Four files were labeled as "closed" but there was no formal documentation scanned in the Housing Contract System to support closing the project.
- Two files were labeled "terminated for cause" but should be "closed".
- One file labeled "active" should be "closed".
- One contract was not yet entered into the Housing Contract System; therefore no status was available.

The status in the Housing Contract System should agree to the actual status of the contract. When triggering events such as contract expiration or contract termination occur, the status in the Housing Contract System should be revised and the correct classification should be used. Documentation supporting the triggering event should also be entered into the Housing Contract System.

NSP staff does not always update the Housing Contract System when triggering events occurred such as contract expiration or voluntary termination. As a result, program managers who use the data in the contract file and the Housing Contract System for decision-making may not be relying on the correct data.

**Recommendation:** NSP should ensure that the contract status in the Housing Contract System accurately reflects the status of the contract.

**Management Response:** Management concurs. Management will review and amend existing draft SOPs regarding contract status in the Housing Contract System to ensure that a clear procedure exists for timely and accurate updates to HCS and implement a monthly review as part of the monthly reconciliation process discussed as part of response to recommendation 2A.

**Target Implementation Date:** 01/17/12

**Actual Implementation Date:** 04/17/12

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

The NSP Setups and Draws SOP was amended to include verification of contract status prior to approval of draws and activity setups. The amended SOP was effective 3/20/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion. **Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** Data in the Housing Contract System is often unavailable. Documents supporting the contract setups and draws, and the actual amendments themselves were not always present in the Housing Contract System. For instance, imaged documents for the budget amendments was not available in the Housing Contract System for 17 of 28 (60.7%) sub-recipient contracts reviewed. As a result, accounting and other program personnel periodically have to track down documentation supporting executed amendments on a case-by-case basis.

Supporting documentation for setups was not available in the Housing Contract System. Examples of setup documents that were unavailable include:

- 26 of 48 files (54.2%) did not include evidence of review, (of these 26 files, 21 were TDRA files), and
- 5 of 48 files (10.4%) did not include contract termination documents, although the contracts were (or should have been) terminated.

The draft NSP procedures require that supporting documentation be entered into the Housing Contract System. Expecting program staff and other Department staff to track down documentation that should be available in the Housing contract System is time consuming and inefficient. As a result, users of the Housing Contract System may rely on incorrect data because the information in the system is incomplete or unavailable.

**Recommendation:** NSP should:

- ensure that all supporting documentation is submitted by both the Department and TDRA and available in the Housing Contract System, and
- finalize, communicate, and enforce the procedures that require supporting documentation to be entered into the Housing Contract System.

**Management Response:** Management concurs. Management will review and edit existing SOPs or create new SOPs to ensure that all required supporting documentation is submitted and available in the Housing Contract System. All checklists will be reviewed and edited, as necessary, to facilitate the process and provide clear understanding of the required documentation. Associated SOPs and checklists will be finalized and communicated to staff and subgrantees by May 31, 2011.

**Target Implementation Date:** 01/31/12

**Actual Implementation Date:** 03/20/12

Management will establish a process for periodic sampling and testing of the Housing Contract System by August 31, 2011 to ensure that all required supporting documentation is present.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** NSP does not maintain a listing, outside of the Housing Contract System, of the addresses and/or household names that were used to obligate the NSP funds by the September 3, 2010, deadline for obligations. NSP relies on the information in the Housing Contract System to record obligations. However, the Housing Contract System is constantly in flux and does not maintain a complete historical record of information. Therefore, we were unable to determine accurately the original population of awards obligated by the September 3, 2010, deadline. Because we could not determine the obligation population, we could not confirm compliance with the HUD requirements.

The Housing and Recovery Act of 2008 requires grantees to use NSP funds within 18 months of when HUD signed its NSP grant agreement. For the Department, the 18-month period ended September 3, 2010. Funds are considered used when they are obligated by a grantee. HUD requirements include ensuring each obligation can be linked to a specific address. The obligation of each eligible use must be further evidenced by a specific event. For example, acquisition and landbank costs are considered obligated when the seller has accepted the purchase offer. Demolition costs can be reported as obligated when the subrecipient awards a demolition contract. A subrecipient's rehabilitation costs can be recorded as obligated when a construction contract is awarded for a specific property. To test the evidence of obligation, the population of obligations must first be identified. Because a listing of addresses and/or household names was not maintained outside of the Housing Contract System, the population of obligations could not be easily determined.

**Recommendation:** NSP should ensure that the Department has documentation in place to support the obligation information reported to HUD.

**Management Response:** Management concurs. Management has charged Program Services with the responsibility for re-evaluating and reconciling documentation provided to recertify the obligations made as of the obligation deadline by April 30, 2011.

**Target Implementation Date:** 03/01/12

**Actual Implementation Date:** 04/15/12

NSP staff has extracted copies of all obligation documents from the Housing Contract System, and saved them to an accessible network file. A summary spreadsheet describing the obligation documents and amounts is also in the file.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# **Texas Department of Housing and Community Affairs**

## **Detailed Audit Findings**

**Report Name:** An Internal Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 04/08/2011

**Current Status:** Implemented – Not Verified

**Finding:** The checklists used by NSP staff to process draw requests do not have enough detail to guide NSP staff on how to process these draws. There is not a checklist for every draw type, staff do not always use the checklists consistently, and the checklists are not always signed by staff. Use of NSPs draw request checklists could be improved to ensure they provide clear and detailed guidance to NSP team members. NSP developed checklists to guide subgrantees in submitting their draw requests and to serve as a reference for NSP staff as they process draws. The checklists are supposed to cite the required supporting documentation and list any verifications the NSP staff must make prior to approving a draw. The draw request checklists do not outline the specific items that NSP staff should verify within the supporting documents. The checklists also do not reference the requirements or criteria against which the requests and support should be reviewed. NSP needs a checklist for every draw type. NSP has four checklists in place to handle six types of draws. As a result, subgrantees and NSP staff do not have clear guidance as to what documents and benchmarks are required.

NSP and TDRA staff should complete the draw checklists consistently. Of the 77 judgmentally selected draws tested, 40 (51.9%) did not have completed checklists, and 16 (20.8%) checklists were not signed by the program specialist. The draft NSP procedure related to draws states that if the electronic setup is acceptable, then the program specialist will complete the draw request checklist. Without the signature of the program specialist affirming their review of the supporting documentation for the draw, NSP may be unable to determine if the supporting documentation was reviewed for accuracy and allowability prior to the approval of the draw by the program specialist. The use of checklists continually reminds staff of the job requirements. It is a systematic way to make sure the activities are completed correctly and provides written documentation to support this assertion.

**Recommendation:** NSP should improve the use of draw checklists by:

- modifying checklists to accurately document the draw requirements,
- developing comprehensive checklists for all draw types, and
- ensuring that all draw checklists are completed correctly.

**Management Response:** Management concurs. Management will re-evaluate and edit checklists as necessary to be specific for each of the following draw types: Administrative, Activity Delivery, Closing and Construction Draws.

**Target Implementation Date:** 01/23/12

**Actual Implementation Date:** 01/23/12

The revised checklists will be implemented by March 31, 2011, and staff will continue to provide training and technical assistance to subgrantees in person and via webinar.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** A Follow-up Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 01/31/2012

**Current Status:** Implemented – Not Verified

**Finding:** NSP loan files do not always include title insurance policies, which indicate that the subrecipient has clear title to the property. Of 161 properties reviewed, documentation of a title insurance policy was not available in the electronic or hard copy file for nine (5.6%) of the properties. Because NSP does not have documentation of the title insurance policy for these properties, the Department does not have assurance that the title to the property was clear when acquired by the subrecipient.

The title is the collective ownership records of a piece of property. A clear line of title makes the property owner less vulnerable to ownership claims from other parties and to any outstanding debts of the previous property owners. Title insurance policies protect the property buyer against losses arising from problems with the property title that are unknown when the property is purchased. The title insurance policy will indicate whether all liens against the property have been satisfied.

**Recommendation:** NSP should obtain and maintain a copy of the property's title insurance policy and ensure the policy indicates that any outstanding debts against the property have been satisfied.

**Management Response:** The NSP Loan Processing SOP was amended on 3/20/12 to add tracking and review for receipt of Title Policies.

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 03/20/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** A Follow-up Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 01/31/2012

**Current Status:** Implemented – Not Verified

**Finding:** The loan repayment date listed in the general agreement between the Department and the subrecipient does not always agree with the loan documentation for a specific property or group of properties. For example, a promissory note stated that the subrecipient's loan repayment date was August 31, 2011, while the amended NSP agreement indicated that the subrecipient's loan repayment date was July 1, 2012 - almost one year later. As a result, the subrecipient appears to be delinquent in the Department's Loan Servicing System, although their NSP agreement was extended. If the subrecipient appears delinquent in their repayment to the Department it could impact their other funding opportunities with the Department.

**Recommendation:** NSP should ensure that the property loan documents are consistent with the NSP agreement between the Department and the subrecipient.

**Management Response:** The NSP Contract Amendment SOP has been amended to add review of loan documents for potential impact of the Contract Amendment as part of the documentation maintenance process

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 03/20/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** A Follow-up Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 01/31/2012

**Current Status:** Implemented – Not Verified

**Finding:** NSP did not always obtain documentation that the deed to a property was properly recorded. We tested files related to 161 NSP properties. Documentation demonstrating the property deed was recorded was not available for twenty-one (13.0%) of 161 properties reviewed. Failing to record the deed increases the risk that someone else may have a higher priority claim to the property.

A deed should be recorded in the appropriate county to indicate that ownership has been transferred from the grantor to the grantee. Although the Texas Property Code does not require that a property deed be recorded, recording a property deed publicly indicates who owns the property. The first person who records the deed, (as evidenced by the stamp on the deed and filing at the county's property records office), and does not have notice of any other deeds relating to the property, holds legal title to the property.

**Recommendation:** NSP should obtain and maintain documentation indicating that the deed to each property has been properly recorded and that the subrecipient is listed on the recorded deed as the grantee.

**Management Response:** The NSP Loan Processing SOP was amended on March 20, 2012, to include tracking and review for copies of recorded Warranty Deeds. A request was made to Legal Services on March 16, 2012 to add a requirement to closing instructions that copies of the recorded Warranty Deeds be required as part of the documents to be returned to TDHCA.

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 03/20/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** A Follow-up Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 01/31/2012

**Current Status:** Implemented – Not Verified

**Finding:** NSP is not providing timely information to HUD as required. HUD requires NSP to report program performance to HUD on a quarterly basis using HUD's DRGR system. The reports contain both current and historical information and are due to HUD no later than thirty days after the completion of the quarter. The most recent report submitted to HUD was for the fourth quarter of 2010. Accurate performance information is critical to stakeholders who use it for decision-making purposes. HUD requires regular reporting to ensure it receives sufficient management information to follow up promptly if a grantee lags in implementation and is at risk of recapture of grant funds. HUD also uses these reports to determine compliance with federal regulations and to identify and prevent fraud, waste and abuse.

**Recommendation:** NSP should provide HUD with required information on a timely basis and continue to submit past due reports.

**Management Response:** The 1st Quarter 2012 QPR was submitted to HUD in advance of the April 30, 2012 due date, on April 26, 2012

**Target Implementation Date:** 04/30/12

**Actual Implementation Date:** 04/26/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** A Follow-up Audit of the Neighborhood Stabilization Program

**Division:** Neighborhood Stabilization Program

**Report Date:** 01/31/2012

**Current Status:** Implemented – Not Verified

**Finding:** Section 3 of the Housing and Urban Development Act of 1968 requires the Department and its subgrantees to give priority consideration in awarding jobs, training and contracting opportunities to low- and very-low income persons who live in the community in which the funds are spent. HUD requires that grant recipients report cumulative Section 3 activities within their jurisdiction on an annual basis. The Department collects Section 3 data from the subrecipients using the Subrecipient Activity Reports and then reports the Section 3 data to HUD annually as required. However, NSP does not verify the accuracy of the data reported by its subrecipients.

**Recommendation:** NSP should verify the Section 3 data reported by the subrecipients.

**Management Response:** The Monitoring and Compliance Division is including Section 3 for current quarter risk assessment and monitoring.

**Target Implementation Date:** 02/29/12

**Actual Implementation Date:** 04/09/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the HOME Multifamily Program

**Division:** Multifamily Finance Division

**Report Date:** 05/16/2012

**Current Status:** Implemented – Not Verified

**Finding:** HOME Multifamily is not always tracking contract amendments or maintaining supporting documentation for amendments. We judgmentally selected a sample of 15 amended contracts from an incomplete population of 37 amended contracts which were amended from September 1, 2010 to February 1, 2012. Amended contracts were sampled rather than individual amendments because the complete population of amendments for HOME Multifamily contracts could not be determined. We were unable to determine the complete population of amendments because this information has not been consistently tracked.

**Recommendation:** The Department should ensure that all amendments are tracked and the supporting documentation is maintained as required.

**Management Response:** The Multifamily Finance Division is currently building a pipeline management database in Microsoft Access to track and manage all multifamily programs. The amendments will be tracked in this new system, which is expected to be implemented in the fall. In the meantime, staff will track all multifamily Contract amendments in a spreadsheet. Additionally, documentation of the amendment request will be saved in the Division's electronic files.

**Target Implementation Date:** 05/31/12

**Actual Implementation Date:** 05/31/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):**

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Homeless Housing and Services Program

**Division:** Community Affairs Division

**Report Date:** 8/17/2012

**Current Status:** Implemented – Not Verified

**Finding:** Funds for two (25.0%) of the eight subrecipients were not paid in accordance with their contracts.

**Recommendation:** The Department should ensure that draws comply with the subrecipient contracts prior to payment.

**Management Response:** The Department acknowledges the need to improve oversight of the draw management process. The Department is currently exploring the feasibility of adding expenditure limit validations into the contract system. These validations would not allow Subrecipients to request amounts over the maximum allowed by contract requirements.

**Target Implementation Date:** 09/15/12

**Actual Implementation Date:** 10/01/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Homeless Housing and Services Program

**Division:** Community Affairs Division

**Report Date:** 8/17/2012

**Current Status:** Implemented – Not Verified

**Finding:** The Department does not have a process in place to ensure subrecipients comply with the matching funds requirement outlined in the subrecipient contracts. For the eight subrecipients there were a total of 18 contract amendments that impacted the contract budget. Six (33.3%) of the 18 resulted in an increase in the final allocation, which meant that the matching funds requirements should have also increased. However, none of these six contract amendments included an increase to the matching funds required by the contracts.

**Recommendation:** The Department should develop a process to ensure that subrecipients comply with the matching funds requirement in their contract. The matching funds requirement should be adjusted when contract amendments are made which result in an increase in the final contract amount.

**Management Response:** The Department acknowledges that adjustments to the match requirements in the contracts were not sufficiently adjusted. Future HHSP contracts will not include a match requirement as the governing statute does not include language regarding match, as the original rider did. Staff assures that in the future contract requirements, for match or otherwise, will be more thoroughly tracked.

**Target Implementation Date:** 09/15/12

**Actual Implementation Date:** 10/01/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of the Homeless Housing and Services Program

**Division:** Community Affairs Division

**Report Date:** 8/17/2012

**Current Status:** Implemented – Not verified

**Finding:** There are 49 HHSP services in the subrecipient contracts which subrecipients agreed to provide to a targeted number of clients. The HHSP Monthly Performance Report tracks all performance metrics for 27 (55.1%) HHSP services, some but not all performance metrics for 19 (38.8%) HHSP services, and does not track any performance metrics for three (6.1%) HHSP services.

**Recommendation:** The Department should ensure that the performance metrics reported by the subrecipient accurately measure the subrecipients' progress towards meeting the goal outlined in their contracts.

**Management Response:** The Department acknowledges the need to improve oversight in this area. In future contracts, the Performance Measures exhibit to the contract will include items that more consistently reflect the metrics to be achieved, and monthly reporting will include submission relating to all contract measures. Further, the contracts will include benchmarks setting the rate at which Subrecipients must meet their performance targets; if not successfully achieved, deobligation will be considered. Finally, the Monthly Performance Report will track items that more consistently reflect the metrics included in the contract.

**Target Implementation Date:** 09/15/12

**Actual Implementation Date:** 10/01/12

The CAD Planning Section will review progress to meeting the benchmarks on a quarterly basis to ensure that benchmarks are adhered to. If review shows that a Subrecipient is consistently unable to satisfy contract requirements regarding benchmarks, the Subrecipient will be required to submit a plan of action to meet the benchmarks and follow through with that plan.

This effort to ensure metrics accurately measure progress toward goals outlined in their contracts is already underway and manifest in the HHSP rules. This will also be reflected in the final version of future HHSP contracts.

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** HUD-OIG NSP Report

**Division:** Neighborhood Stabilization Program

**Report Date:** 8/22/2012

**Current Status:** Pending

**Finding:** The Department did not always comply with Neighborhood Stabilization Program Requirements.

The Department did not adequately manage its NSP1 obligations by not maintaining sufficient records to support obligations reported to HUD. Federal regulations required the Department to establish and maintain sufficient records to support that it complied with requirements. Based on a review of a statistical sample of obligations, the Department did not have valid contracts or other obligating documentation for \$631,402 in reported obligations. Also, it entered into agreements with subrecipients that did not complete their activities, resulting in \$8,767 of unsupported costs. Further, more than \$24.7 million of its reported obligations did not match the subrecipient agreements. In addition, the Department did not report its progress to HUD in a timely manner as required and did not appear to be on track to spend funds by the statutory deadline. These conditions occurred because the Department did not allocate enough resources or establish the effective controls to operate its program. Therefore, the Department did not effectively and efficiently implement its planned program and incurred questioned obligations and costs totaling more than \$25 million.

**Recommendation:** (1G) Monitor the Department's progress toward meeting its March 2, 2013, expenditure deadline and follow up on any delays.

**Management Response:** No response indicated by management.

**Target Implementation Date:** 03/02/13

**Actual Implementation Date:** N/A

**Status:** Management has not yet reported this recommendation as implemented.

**Recommendation Age (in days):** 132

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** Comptroller Post Payment Audit

**Division:** Financial Administration

**Report Date:** 11/30/2012

**Current Status:** Implemented – Not Verified

**Finding:** The Comptroller identified three payroll transactions that were missing the documentation needed to determine whether the payments to the employees were made correctly. The Department obtained the verification documentation during the audit. The service dates matched the dates in USPS and resulted in no monetary impact to the employees' longevity payments. The Department stated that the documentation was missing due to oversight.

Agencies are required to maintain specific documentation to support the legality, propriety, and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, a pre-payment audit, or at any other time.

**Recommendation:** The Department must ensure that prior state service is properly verified and documented for its employees. The Department should review all personnel files to ensure that properly completed prior state service verification documentation is properly documented in the employees' files.

**Management Response:** The Department has updated procedures to ensure that employees have the proper documentation in their files to support prior state service. Files pulled during the current audit where documentation was missing were from employees hired prior to the last audit and before the current procedures had been implemented. The Payroll and Human Resources areas with the Department are currently working together to review all personnel files to ensure that Prior State Service forms in files match the information in USPS

**Target Implementation Date:** 05/31/13

**Actual Implementation Date:** 05/10/13

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** Comptroller Post Payment Audit

**Division:** Financial Administration

**Report Date:** 11/30/2012

**Current Status:** Implemented – Not Verified

**Finding:** As part of our planning process for the post-payment audit, we reviewed certain limitations the Department placed on its accounting staff members' abilities to process expenditures. We reviewed the Department's security in USAS, USPS and TINS, and the voucher signature cards that were in effect during fieldwork. We did not review or test any internal or compensating controls that the Department may have relating to USAS/USPS/TINS security or internal transaction approvals.

The Department had one employee with security to adjust payee instructions in TINS and approve paper vouchers. To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical. Ideally, no individual should be able to alter payments or other accounting transactions within the state governmental accounting systems without another person's involvement.

As a routine part of our security review, we reviewed the Department's compliance with the requirement that all agency users of the Comptroller's state government accounting systems must complete a CTIA form. For employees and contractors who require access to the Comptroller's state government accounting systems, the agency's security coordinators must have a signed CTIA form from every user on file at their agency prior to granting access to the systems. A reviewing official also must sign the agreement, which the agency's security coordinator keeps on file for as long as the user has access to the systems plus five years. The Department did not obtain a signed CTIA form for one employee prior to granting access to the systems. According to the Department, this was due to the oversight of the agency.

**Recommendation:** The Department should review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight. In addition, the Department must enhance its controls to ensure the CTIA forms are completed in a timely manner.

**Management Response:** The Department acknowledges this isolated incident caused by a transition from a previous security coordinator to a newly trained staff member. This oversight allowed one employee with security to enter/update in TINS and approve payments in USAS. Since the finding, the Department has changed the TINS access to inquiry. In the future, management will periodically review the State Comptroller's Office Control Reports to confirm security status.

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** 12/01/12

To improve controls related to CTIA forms, management will audit the master file to ensure all CTIA forms are accounted for.

***Texas Department of Housing and Community Affairs***  
***Detailed Audit Findings***

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion. **Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** Comptroller Post Payment Audit

**Division:** Financial Administration

**Report Date:** 11/30/2012

**Current Status:** Implemented – Not Verified

**Finding:** Tex. Gov't Code Ann. Sec. 2155.382(d) (Vernon 2008) authorizes the Comptroller to allow or require state agencies to schedule payments that the Comptroller will make to a vendor. The Comptroller must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller must require advance scheduling of payments when it is advantageous to the state.

We identified seven travel transactions that the Department paid early resulting in interest loss to the state treasury. These transactions were paid early because the Department was unaware that travel cards and direct bill invoices that exceed \$5,000 must be scheduled

**Recommendation:** To minimize the loss of earned interest to the state treasury, the Department must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in the Comptroller's Prompt Payment and Scheduling Guide. The Department can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

**Management Response:** Prior to this audit, the Department's practice for travel direct bill payments was payment upon receipt of statement or services rendered. Prompt payment laws for travel direct bill payments had not been communicated to staff nor identified as findings in prior audits. The Department will schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in the Comptroller's Prompt Payment and Scheduling Guide.

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** 12/01/12

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion.

**Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** Comptroller Post Payment Audit

**Division:** Financial Administration

**Report Date:** 11/30/2012

**Current Status:** Implemented – Not Verified

**Finding:** We identified one employee with an incorrect state effective service date in USPS. The improper date resulted in an incorrect payment of longevity pay to the employee. The employee had an underpayment of longevity pay totaling \$100.

This error occurred due to the employee not receiving state service credit for time spent on leave without pay status. The leave without pay period started in the middle of one month, continued for a full month, and ended in the middle of the third month. The Department recorded this break of service as two separate periods of employment. Because of this, the employee did not receive state service credit for the first and third months of this period.

Gov't Code sec.661.909(h) states, "A full or partial calendar month during which an employee is on leave without pay does not constitute a break in continuity of employment."

We provided the Department with the schedule and calculations of the incorrect payment amounts during the fieldwork. The schedule is not included with this report due to confidentiality.

**Recommendation:** The Department must ensure that prior state service is properly verified and documented for its employees. The Department must also compensate the employee who was underpaid longevity pay. The Department must ensure that its internal operating procedures include quality control measures that will detect an underpayment of compensation to a state employee. The Department shall promptly correct the underpayment through a supplemental payroll. See 34 Tex. Admin. Code Section 5.40(c)(2012).

**Management Response:** Employee noted in finding had prior state service information entered into the Uniform Statewide Payroll System (USPS) based on the interpretation of the form received. The information has been corrected and the employee has been compensated.

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** 12/01/12

The Department will take extra measures (reviews) to ensure proper processing for longevity pay. When the Verification of Employment form for prior state service is received by the payroll division, if there is any question as the information on the form, payroll will verify with Human Resources in writing what the payroll department's interpretation of the information is and verify that HR agrees with that interpretation. The Department's internal operating procedures include quality control measures that detect underpayment(s) of longevity pay.

***Texas Department of Housing and Community Affairs***  
***Detailed Audit Findings***

**Status:** Management reports that this recommendation has been implemented. Internal Audit has not yet verified this assertion. **Recommendation Age (in days):** N/A

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** HUD Technical Assistance and Monitoring Review

**Division:** Multifamily Finance Division

**Report Date:** 08/02/2012

**Current Status:** Pending

**Finding:** The Housing Authority of the City of Kingsville submitted a request for HOME funds in conjunction with a demolition application to HOD approved under section 18 of the of the U.S. Housing Act of J 937. Although these regulations eliminated the requirement for a Public Housing Authority to provide for one-for-one replacement of demolished units, no such exemption exists for the use of HOME funds. This project resulted in the net loss of 14 lower-income dwelling units in the community, since the reconstruction proposed six fewer 3-bedroom units and eight fewer 4-bedroom units.

The Heights at Corral project records continued no rent rolls, General Information Notices or written referrals to comparable replacement properties. Persons appear likely to have moved permanently to decent, safe, and sanitary units given the project was carried out by the Housing Authority of the City of Kingsville using Housing Choice Vouchers. However, no documentation was provided to evidence the displacing agency evaluated whether or not the voucher payment standard was sufficient to cover all rent and utility costs at the replacement unit beyond the out-of-pocket costs paid at the displacement site.

**Recommendation:** TDHCA must provide evidence the Housing Authority of the City of Kingsville made direct payment or reimbursement for all disconnection and reconnection of necessary utilities (i.e., water, sewer, gas, and electricity). Additionally, TDI-ICA must submit to 1-IUD an examination of each tenant's eligibility for a replacement housing "gap" payment. Gap payments are often made to a displaced subsidized tenant to defray the additional cost for rent/utilities associated with his/her move from a public housing unit to a Housing Choice Voucher unit TDHCA must make public and submit to HUD a one-for-one replacement plan for this project

Finally, TDHCA must submit to HUD its proposed procedures for implementing and monitoring section 104(d) compliance. Technical assistance may be provided upon request.

**Management Response:** TDHCA requested, on August 27, 2012 (attached as TDHCA Letter – August 27, 2012), from The Heights at Corral's development owner (hereinafter referred to as "The Heights"):

- Evidence that the Kingsville Housing Authority made direct payment or reimbursement for all disconnection and reconnection of necessary utilities.
- An examination of each tenant's eligibility for a replacement housing "gap" payment (payment made to a displaced subsidized tenant to defray the additional cost for rent/utilities associated with his/her move from a public housing unit to a Housing Choice Voucher unit).

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** N/A

TDHCA informed The Heights that they should use TDHCA's Relocation Budget Assistance Calculator to determine 1) if a tenant was eligible for a replacement housing "gap" payment, and 2) if the voucher payment standard was sufficient to cover all rent and utility costs at the replacement units beyond the out-

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

of-pocket costs paid at the displacement site.

The Heights responded on September 17, 2012. Of the 57 tenants that occupied Brown Villa (to be known as The Heights at Corral after demolition and reconstruction), 36 tenants moved to privately managed properties, 6 moved to another public housing property, 11 tenants voluntarily vacated the property, and 4 tenants were either evicted or terminated for cause. TDHCA will require “The Heights” to submit documentation of the 11 “voluntary moves” and four evictions to determine if the 15 tenants were properly evaluated for eligibility or ineligibility to receive relocation assistance.

Regarding reimbursement for disconnection and reconnection of necessary utilities and moving expenses, The Heights provided the same documentation that they submitted in June 2012. Since they provided the same documentation from June in response to our September request for evidence that direct payment or reimbursement was made for disconnection and reconnection of necessary utilities, TDHCA determined the resubmission of the same documentation as unsatisfactory. TDHCA seeks further guidance from the HUD Relocation Specialist concerning the acceptable type of documentation required of The Heights to ensure full compliance is met.

Regarding examinations of each tenant’s eligibility for a replacement housing “gap” payment, The Heights submitted 20 TDHCA Relocation Assistance Budget Calculators (attached as 20- TDHCA Relocation Assistance Calculators). However, when compared to the supporting documentation, data contained on the forms did not match or was incomplete. To assure receipt of documentation that substantiates the appropriateness of tenant relocation payments, The Heights received instructions to resubmit a TDHCA Relocation Budget Assistance Calculator and attach verification of payments for each tenant. The Heights submitted 20 of the 36 TDHCA forms for tenants who received Housing Choice Vouchers. However, the Calculators were incorrectly completed as they entered the number of rooms in the Total Moving Expense cell instead of the dollar amount and did not contain the requested support documentation. With exception of the 6 tenants who moved to public housing (attached as Six PHA Leases, Security Deposit receipts and misc relocation receipts), TDHCA will require The Heights to resubmit corrected forms for all 36 tenants who moved to privately managed units including substantiation of payment. Contingent on documentation received for the remaining 11 “voluntary moves” and four “evictions” in question, additional relocation assistance forms may be required. The Heights also provided HUD-50058 (Family Report) forms (samples attached as HUD 50058 forms Sampling of 36 tenant forms received) and leases for all thirty-six tenants who received vouchers, as well as a list of the six tenants who moved to another public housing authority property, demonstrating each tenant’s eligibility for the housing “gap” payment.

TDHCA is in the process of drafting a response to the Heights after this most recent submission of documents.

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

TDHCA will take every measurable action to ensure compliance with URA and Section 104(d) and to rectify the issue of noncompliance detailed in the monitoring letter. TDHCA will continue to work closely with The Heights to clear the finding. Additionally, failure to comply with TDHCA requests to clear this finding may result in loss of future awards to members of this development team.

TDHCA will request documentation from The Heights to support the elimination of eight 4-bedroom units. Verbal communication with the Kingsville Housing Authority indicates that of the eight 4-bedroom units, four were leased to families being overhoused, two units were used for Headstart and Family Planning, and two units were vacant. The Heights also indicated that other Kingsville Housing Authority properties (Canal Villa and Maple Circle) are experiencing lack of demand for 4-bedroom units. TDHCA has adopted and published the following language in the 2013 Uniform Multifamily Rule (pending Board approval) for what constitutes an **ineligible proposed development** at application:

“A Development utilizing a Direct Loan that is subject to the Housing and Community Development Act, §104(d), requirements and proposing Rehabilitation or Reconstruction, if the Applicant is not proposing the one-for-one replacement of the existing unit mix.”

The following language is in the HOME Certification submitted with the application:

“Before receiving a commitment of HOME funds for a project that will directly result in demolition or conversion, the project owner will make the information public in accordance with 24 CFR Part 42 and submit to TDHCA the following information in writing [...] Information demonstrating that any proposed replacement of housing units with similar dwelling units (e.g. a 2-bedroom unit with two 1-bedroom units) or any proposed replacement of efficiency or SRO units with units of a different size is appropriate and consistent with the housing needs of the community.” TDHCA rules, Notices of Funding Availability (NOFAs), applicant certifications and/or written agreements for funds subject to URA and Section 104(d) shall include required references of federal regulations and state compliance mandates, as appropriate. TDHCA created a Relocation Handbook to communicate relocation policies, procedures and state and federal mandates to recipients of funds subject to URA and Section 104(d). Additional resources can be found at the TDHCA relocation website at <http://www.tdhca.state.tx.us/programservices/ura/index.htm>. The site distributes training materials; direct links to URA and Section 104(d) regulations; and provides a link to the HUD Handbook 1378 to adequately advise recipients of state and federal mandates. TDHCA provides, and in some cases mandates, the use of TDHCA spreadsheet templates to capture occupancy data and excel tools to assist in the calculation of tenant relocation payments and project relocation budgets. TDHCA used HUD guidelines to create templates for the most common relocation notices. Additional guidance will be made available during webinar and in-person trainings. Last, the TDHCA relocation monitoring scope and tools will test for compliance of URA and Section 104(d) during on-site and desk reviews.

***Texas Department of Housing and Community Affairs***  
***Detailed Audit Findings***

**Status:** Management has not yet reported this recommendation as implemented.

**Recommendation Age (in days):** 91

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** HUD Technical Assistance and Monitoring Review

**Division:** Multifamily Finance Division

**Report Date:** 08/02/2012

**Current Status:** Pending

**Finding:** Incorrect replacement housing payment calculations; improper disbursement and failure to evidence receipt of replacement housing payments; failure to provide referrals to decent, safe, and sanitary replacement dwellings; and failure to ensure persons were permanently relocated to same.

In projects where tenants were found to receive a Notice of Nondisplacement, the letter did not include the locations of potential units available for temporary housing. Sponsors were not observed to have provided any follow-up notification advising of same at a later date, closer to the actual time of temporary relocation. It is unclear to HUD the extent of advisory services provided in general.

The HPD Red Oak project resulted in at least two permanent displacements. In both cases, technical aspects of the relocation were not in accordance with ORA regulations and IJUD policy.

The tenant of unit 109 was issued a Notice of Eligibility for Relocation Assistance due to being over income. The project rent roll identified the household as having two persons in occupancy of a two-bedroom unit. Prior to displacement, it appeared the household was comprised of three persons. Although the household was offered a rental assistance payment, it was computed on the cost of one-bedroom dwellings that would not satisfy either the functional equivalency or decent, safe, and sanitary criteria under the URA definition of "comparable." Additionally, there are varying indications as to the exact amount of monthly rent and utilities paid by the tenant at the displacement dwelling. No decent, safe, and sanitary inspection was conducted on the tenant's replacement dwelling to verify it met the condition requirements to be eligible for payment, nor was any conducted on the dwellings used in the calculation as required. Rental assistance was disbursed to the tenant in two installments, both issued within a 40-day period. However, it is unclear if the expenditure was done in accordance with this plan since there was no evidence the tenant actually received moving and rental assistance payments.

In the case of unit 14, the tenant was displaced due to her status as a full-time student without dependents. Project records contained conflicting data as to her actual amount of monthly rent and utilities, but according to the Notice of Eligibility for Relocation Assistance the tenant paid no rent at Vermillion Square. While she was offered a rental assistance payment based on the costs of one-bedroom dwellings, the amount of the payment was improperly capped at \$5,250. None of the dwellings listed in her relocation notice were confirmed to be decent, safe and sanitary nor was her replacement unit. This tenant appears to have received an unknown amount in rental assistance based on a written statement to lease the upstairs portion of her father's home at a cost of \$600 per month. No market analysis was conducted to assess whether or not this was truly an arms-length rental lease or if the amount charged for this type of housing arrangement was reasonable.

**Recommendation:** For HPD Red Oak, TDHCA must initiate a recalculation of the replacement housing payments for units 14 and 109. Tenants must be made aware of the revised calculation, which must be approved by HUD. Any underpayment for which a tenant may be otherwise entitled must be issued to the tenant. For unit 109, since the tenant was not offered a comparable replacement dwelling before leasing and occupying the replacement, the revised payment must be based on the cost of the actual replacement chosen by the displacee provided it is otherwise decent, safe, and sanitary. Technical assistance will be provided for unit 14 upon request, given the tenant received a replacement housing payment but did not actually enter into a written

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

lease agreement.

TDHCA must also include a process in which all URA replacement housing and moving payments will be approved by designated staff prior to issuance of a Notice of Eligibility for Relocation Assistance.

**Management Response:** TDHCA requested, on August 17, 2012, from HPD Red Oak the following information for the two displaced households identified in the monitoring letter:

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** N/A

Unit 109:

- Recalculation and documentation of corrected rental assistance payment.
- Verification of the exact amount of monthly rent and utilities paid by the tenant at the displacement dwelling.
- Certification that the displacement dwelling met decent, safe, and sanitary standards.
- Evidence the tenant received moving cost and rental assistance payments.

Unit 14:

- Recalculation and documentation of corrected rental assistance payment.
- Certification that the displacement dwellings met decent, safe, and sanitary standards.
- Documentation verifying arms-length rental lease and a comparable unit study to ensure cost reasonableness.

Red Oak responded on September 7, 2012 (documentation attached). TDHCA accepted, for both households, the income documentation and decent safe and sanitary replacement dwelling inspection forms. TDHCA also accepted the market study of comparable units and lease agreement for Unit 14- Photographs of the rental unit leased by the household were also submitted for TDHCA review.

On October 4, 2012, TDHCA requested further information (correspondence attached). TDHCA calculated the allowable rental assistance payments to the households and provided further instruction on disbursement. On October 5, 2012, Red Oak submitted additional response which included acceptance of the TDHCA relocation budget worksheets and copies of both the initial payments already made to the households and copies of checks to be disbursed upon TDHCA approval. On October 8, 2012, TDHCA placed a call to Red Oak in which it was determined that claim forms should be submitted by both the and households as verification that the households were aware of and would receive proper payment. TDHCA sent the HUD claim form templates to Red Oak on that date. The completed forms have not been submitted to TDHCA as of October 23, 2012, but we anticipate that the forms will be submitted in the very near future, at which point we will advise Red Oak to disburse the funds to the households.

The TDHCA Relocation Handbook requires recipients of funds subject to URA and 104(d) to submit, at

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

Initiation of Negotiations, copies of the Notices of Non-Displacement and Notices of Eligibility for each tenant that is supported by the Household Relocation Assistance Budget Calculator (See Appendix 6 in the Relocation Handbook). TDHCA will review and approve the documentation for accuracy and consistency with all federal and state relocation requirements. The approval will occur prior to the initial disbursement of federal funds.

**Status:** Management has not yet reported this recommendation as implemented.

**Recommendation Age (in days):** 91

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** HUD Technical Assistance and Monitoring Review

**Division:** Multifamily Finance Division

**Report Date:** 08/02/2012

**Current Status:** Pending

**Finding:** Records for the rehabilitation of Crestmoor Park South Apartments identified tenants that were issued two different Notice of Nondisplacement in February 2009 instead of General Information Notice (GIN) followed later by either the Notice of Eligibility for Relocation Assistance or Notice of Nondisplacement (NND). The HOME agreement was not executed until September 10, 2009 whereas construction commenced shortly after closing on June 24, 2010. In the HOME application, the rent roll identified only one vacancy of the 68 units. Comparisons of the January 2009, July 2010, and June 2011 rent rolls identified 25 households in occupancy at the time the project was proposed who were no longer in occupancy in July 2010. Unless a project sponsor has screened a household for their ability to meet resident occupancy criteria, it is difficult to issue an accurate notice providing reasonable guarantee to remain at the development. The Notices of Nondisplacement were not issued in a timely manner nor were tenants advised as to the location of available units for the duration of their temporary relocation.

For the HPD Red Oak project, no tenants were found to have received either a GIN or NND. The HOME application included rent roll listing 5 tenants of the Western Oak property who did not appear to be eligible for continued occupancy and were not provided either notice as required. A review of income certifications and new leases executed upon completion of the rehabilitation could not confirm all tenants were allowed to remain on-site, based on the rent roll dated February 28, 2010.

**Recommendation:** Where occupants vacate the project before being appropriately advised of their eligibility or ineligibility for relocation assistance, the grantee must initiate reasonable procedures to locate all former occupants who should have received notice. Each occupant's file must be documented with attempts to make contact and the results. The State must determine the eligibility or ineligibility for relocation assistance for each former occupant who is located and assist such persons with advisory services and relocation payments. TDHCA must submit to HUD the dates each occupant listed on the Crestmoor Park South Apartments rent roll dated January 2009 vacated the following units and the reason for their displacement. Persons who moved permanently after September 10, 2009 must be evaluated for their eligibility for URA assistance, for which HUD must concur with the State's assessment.

Units: 100, 101, 106, 107, 109, 110, 117, 118, 119, 123, 124, 127, 131, 136, 140, 141, 143, 145, 151, 153, 159, 161, 162, 163, and 164.

TDHCA must submit to HUD a listing by unit number to identify the final location of all tenants listed on the rent roll included with the HOME application for HPD Red Oak. All tenants who vacated the three sites after August 30, 2010 and did not execute a lease agreement upon completion of renovations must be located and for the purposes of offering permanent relocation assistance under the URA. HUD must concur with the State's determinations.

For future funding cycles, the State must develop and submit to HUD policies and procedures that identify how it will implement and monitor technical compliance with the URA for its HOME-funded multi-family rehabilitation/reconstruction program.

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Management Response:** TDHCA requested, on August 16, 2012, from Crestmoor Park South's development owner:  
A listing by unit number identified under Finding 1 to identify the location of all tenants listed on the January 2009 rent roll included with the HOME application for Crestmoor.  
A listing by unit number identified under Finding 1 to identify the location of all tenants listed on the September 10, 2009 rent roll, which is the date the HOME Contract was executed by Crestmoor ownership.

- All tenants who vacated Crestmoor, after September 10, 2009 and did not execute a lease agreement upon completion of renovations must be located. Examples of reasonable procedures to locate former occupants include:
  - Certified mail to forwarded address;
  - Public notice i.e. newspaper advertisement;
  - Contacting the Emergency Contacts noted in applications; etc.
- Determination of eligibility for permanent relocation assistance under the URA, with backup documentation.

TDHCA informed Crestmoor that all persons who moved permanently after September 9, 2009 must be evaluated for their eligibility for relocation assistance by completing an Excel spreadsheet created by TDHCA staff for this purpose.

Crestmoor responded on September 25, 2012 providing incomplete or unsatisfactory support documentation. The response was determined to be inadequate, and on October 10, 2012, TDHCA requested the information above again. On October 17, 2012, Crestmoor responded to Finding 1 providing documentation.

**Status:** Management has not yet reported this recommendation as implemented.

**Target Implementation Date:** 01/31/13

**Actual Implementation Date:** N/A

**Recommendation Age (in days):** 91

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** HUD Affordable Housing Monitoring and Technical Assistance Visit

**Division:** Compliance Division

**Report Date:** 08/17/2012

**Current Status:** Pending

**Finding:** Review of the multifamily portfolio report indicated that there are numerous projects that are out of compliance with the HOME Program requirements.

On June 20, 2012, Stephen Eberlein met with Tim Irvine, Executive Director and Sara Newsom, Director, HOME Program, to discuss issues and progress in resolving the defaulted activities listed in HUD's FY 2009 Monitoring Report. Following is a recapitulation of the meeting.

- St. John Colony Park alk/a, Del Meadows, Dale, TX - IDIS #4001- All issues have been resolved
- Thomas St. Apartments, 925 Thomas St, Linden, TX - IDIS #2727 - All issues have been resolved
- Colonias Del Valle, Pharr, TX-IDIS #2710- All issues have been resolved
- Mexia Homes - Mexia, TX - IDIS #2637 - *Enforcement action underway by State Administration Penalties Office*
- Juan Linn Apartments- Victoria, TX-IDIS #4369 - *New owner in place. Progress is being made to reestablish the LURA*
- Carriage Square Apartments - Dickinson, TX - IDIS #2670 - *Property was demolished. The land is being marketed for sale and redevelopment*
- Red River - Wharton, TX - IDIS # 7607 - *State is working with new owner to reestablish the LURA*
- Palisades at Belleville- Belleville, TX- IDIS #2647- *State is working with new owner to reestablish the LURA. Note: This owner also owns the Red River Project directly above.*
- Gardens of DeCordova - Granbury, TX - IDIS #26281- *Owner defaulted on construction loan. The private lien holder has maintained compliance with LIHTC/Board requirements and the state is optimistic that he will accept the HOME requirements. The state is scheduled to monitor this project in July 2012.*
- Community Action of South Texas - Three projects - All of the LURAs have been extended and all other issues resolved.
- Duncan Place- Hillsboro, TX- IDIS # -*State will request a grant reduction*
- Flamingo Bay Apartments (Lakeside Center) - 200 Garfield, LaPorte, TX - IDIS # 1529 - *State will request a grant reduction*

The following projects noted in the FY 2009 monitoring report have been brought into compliance and no further action is required at this time.

Lincoln Court Apartments - IDIS #2631  
Port Yelasco Apartments - IDIS #2636  
Colorado City Homes- IDIS #2676  
Colorado City Homes II - IDIS #2677  
Southeast Texas Community Development- IDIS #2680  
Ebenezer Senior Housing- IDIS #2681  
Spur Triplex - IDIS #2694  
Sterling Park Square • ID IS #2696  
Tyler Community Homes (Path) IDIS #2699

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

Weldon Blackard Rental- IDIS #2706  
Railroad Street Rental Housing- IDIS #2711  
Sunrise Villas Apartments IDIS #2723  
Alamo Plaza Apartments- IDIS #3200  
Villa De Reposo - IDIS #4002  
Alta Vista Village Retirement Community- IDIS #4006  
Spring Garden Apartments IV- IDID #4007  
Plainview Duplex - IDIS #4008

**Recommendation:** Because two projects noted in FY 2009 report remain unresolved, this old finding remains open. Once the remaining issues for *Duncan Place and FlamingoBay (Lakeside Center)* are resolved through repayment of the HOME Investment to the state's HOME Treasury Account; approval of a grant reduction; or otherwise brought into compliance, this finding can be cleared. The state needs to continue to work to bring the *Juan Linn and Red River* projects into compliance.

These final corrections need to be completed on or before February 28, 2013. If compliance cannot be achieved via one of the above-referenced options, the state must repay its HOME Treasury Account for the full amount of the HOME Investment for these projects from non-federal funds. The state should also provide a monthly update on the status of the above noncompliant projects with the first report being due on or before September 5th, and by the 5<sup>th</sup> day of each month thereafter.

**Management Response:** The Department is providing an update on the multifamily portfolio as Attachment A.

**Target Implementation Date:** 02/28/13

**Actual Implementation Date:** N/A

**Status:** Management has not yet reported this recommendation as implemented.

**Recommendation Age (in days):** N/A

Management has reported a revised implementation date as 07/31/13.

# ***Texas Department of Housing and Community Affairs***

## ***Detailed Audit Findings***

**Report Name:** An Internal Audit of Asset Management

**Division:** Asset Management

**Report Date:** 05/02/2013

**Current Status:** Pending

**Finding:** The procedures used by asset resolution staff are not followed consistently and there is limited guidance in place for multifamily asset resolution activities.

**Recommendation:** Single-family asset resolution activities should be performed consistently and processes should be established for multifamily asset resolution activities.

**Management Response:** Management agrees that SOPs need to be revised and/or implemented for both single-family and multifamily asset resolution; however, the multifamily strategies will continue to be much more property specific. Division Director Cari Garcia is responsible for ensuring that SOPs for resolution are updated and finalized by September 30, 2013.

**Target Implementation Date:** 09/30/13

**Actual Implementation Date:** N/A

**Status:** Management has not yet reported this recommendation as implemented.

**Recommendation Age (in days):** N/A

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## **AUDIT COMMITTEE REPORT ITEM**

### **INTERNAL AUDIT**

**SEPTEMBER 12, 2013**

Presentation and Discussion of the Status of the Fraud, Waste and Abuse Hotline and Other Fraud Complaints.

### **REPORT ITEM**

The Internal Audit Division received 79 complaints of fraud, waste or abuse in fiscal year 2013 (as of 8/31/2013). Last year (fiscal year 2012) we received 80 complaints.

### **BACKGROUND**

In fiscal year 2013, Internal Audit received 79 fraud complaints. Of these:

- 60 calls were received on our hotline:
  - 10 were related to the Department's programs or staff:
    - Tax Credits – 3
    - HOME –3
    - Manufactured Housing – 2
    - Compliance – 1
    - Personnel - 1
  - 50 were not related to the Department's programs or staff. These callers were referred to the appropriate agency for assistance.
- 19 complaints were received from other sources:
  - 16 were related to the Department's programs:
    - Tax Credits – 7
    - Weatherization/CEAP – 5
    - Compliance – 1
    - HOME – 1
    - Neighborhood Stabilization Program -- 1
    - Multiple Programs – 1
  - 3 were not related to the Department's programs.

The sources for these 19 complaints were:

- Public – 9
- TDHCA Staff – 6
- SAO Hotline –2
- Sub-Recipient – 1
- Media – 1
- 53 of the 79 complaints (67.09%) were not under the Department's jurisdiction.
- The 26 TDHCA complaints were resolved as follows:

- Closed –10
- Unsubstantiated – 9
- Referred to SAO and/or other oversight agencies – 7
- Pending – 0