



## MEMORANDUM

**To: Honorable Members of the San Diego Audit Committee**

**From: San Diego Housing Commission**

**Date: October 31, 2011**

**Subject: Updated Performance Audit Recommendations**

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This memorandum responds to the Office of the City Auditor's, request for "Audit Recommendation Follow-Up Report". The San Diego Housing Commission's responses are divided in to two parts following the format of the City Auditor's status update. Part #I cover all areas except the Affordable Housing Fund, which is covered in Part II of this as identified in the attached updated document.

We are available to provide clarifications if necessary at the upcoming November 7, 2011 Audit Committee meeting.



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# 4

City Administration should either follow or facilitate the updating of the City Charter and San Diego Municipal Code (SDMC) to more accurately reflect the actual process. Any updates should include reference to the role of relevant City departments that are responsible for completing background investigations as part of the Board applicant vetting process.

*The Housing Commission continues to collaborate with the City Administration to ensure the appointment process is transparent and is available for public review through a variety of communication channels. In addition, the Housing Commission's General Counsel has begun to work with the City Attorney's office to explore updating the City Charter to more accurately reflect the actual process and practices used in this appointment process, including which City departments are responsible for completing background investigations of Board applicants.*

# 6

San Diego Housing Commission management should facilitate the modification of San Diego Municipal Code (SDMC) §98.0301(f)(1) to indicate "... commissioners appointed pursuant to this section shall be tenants of housing commission units or Section 8 rental assistance program voucher recipients."

*In December 2010, both the Housing Commission's attorney and the City Attorney met to begin making the recommended revisions to the Municipal Code. The Housing Commission completed their review and has forwarded a draft of a revised ordinance to the City Attorney for review. Once it is approved a 1472 "Request for Council Action" will be prepared requesting that this matter be brought forward to the City Council for action.*

#7 (Page 35)

City Administration should actively assess the status of the De Anza Harbor Resort funding and whether repayment should be expected, engage San Diego Housing Commission in the process as feasible, and take action as appropriate. This assessment would include a review of the status of the

De Anza project and the funds utilized since being appropriated from San Diego Housing Commission. Furthermore, City public websites and any other referential material should be updated to accurately reflect current contact and project status information.

*San Diego Housing Commission met with the City's Financial Management staff to pursue return of these funds to the Housing Commission to be used as a part of the funding for the one stop center for homeless persons. In August 2011, the Housing Commission followed up with an invoice to the Comptroller's (Mary Lewis) office for the total amount owed.*

*The City's COO, Jay Goldstone, sent a letter to the Housing Commission, indicating that the City received the request for repayment of the DeAnza loan amount of \$2MM. In the letter, the COO indicated that "after researching the history of this transfer and based on the COO's understanding of the litigation against the City regarding this matter, it would be prudent for the City to wait to consider a repayment at this time".*

#11

San Diego Housing Commission (SDHC) should review employee job descriptions and identify; quantifiable and generally applicable criteria for all employees, such as performance evaluation completion, timing and compliance. San Diego Housing Commission should consider the creation of a performance appraisal template for use by all levels of personnel, to include universal evaluation criteria such as the timely completion of the performance evaluations.

*On January 2011, the Housing Commission implemented a six-month pilot program for the new performance management Halogen software to assist in standardizing the evaluation process. On August 2, 2011, the Housing Authority approved the Memorandum of Understanding between the Housing Commission and the SEIU, Local 221, which placed all staff under the new pay-for-performance appraisal process. The result is that all staff will be evaluated on the same focal point date. The implementation of the appraisal process and new software ensures standardization of performance forms/templates, clearly*

***identified performance objectives to include core and technical competencies and SMART performance goals. Completed***

#12

San Diego Housing Commission (SDHC) should develop uniform and quantifiable management performance evaluation criteria as an objective measure to aid in the performance evaluations of executive management service (EMS) of subordinate staff (e.g. track the percentage of subordinate staff evaluations that are delinquent or still outstanding by EMS employee and use this metric to objectively compare EMS employee to one another).

***The implementation of the Housing Commission's pay-for-performance model and the implementation of the Halogen (web-based) performance management software will allow EMS to monitor the performance of their staff throughout the year and make applicable notations regarding performance. All Commission staff have been designated to receive performance feedback on a focal point date, instead of an anniversary date. This process will ensure that timely performance evaluations are conducted across the agency. It will eliminate delinquent/outstanding evaluations. EMS staff will be measured on clearly identified performance objectives to include core and technical competencies and SMART performance goals. Completed***

#14 (Page 36)

City Administration and San Diego Housing Commission (SDHC) should finalize the fiscal year 2008 and 2009 Community Development Block Grants (CDBG) service agreements as soon as possible. The City Administration should consider disbursing the CDBG program specific funding totaling \$1,277,478 to SDHC upon receipt of adequate supporting documentation, and expediting the review and disbursement approval for the remaining \$648,404.

***This recommendation was implemented. The City's CDBG Program received the necessary supporting documentation from the Housing Commission and executed a service agreement for the FY 2008 CDBG funding on March 10, 2010. The San Diego Housing Commission requested a reallocation of its FY 2009 CDBG allocation to the Smart Corner tenant improvements project and the Parker-Kier Apartments rehabilitation project. The service agreements for these two projects were executed on September 4, 2009, and October 4, 2010, respectively. The***

*Smart Corner project was completed on October 19, 2010, and the Parker-Kier Apartments project is still under construction.*

#15

In collaboration with San Diego Housing Commission (SDHC) personnel, City Planning & Community Investment staff should clearly document the process and reporting expectations to facilitate the efficient and timely submission of reimbursement requests from SDHC. These should be in the form of formalized procedures or departmental guidelines.

*This recommendation was implemented. The City's CDBG Program has developed a CDBG Operating Manual, which details the eligible and ineligible costs for CDBG projects and the monthly financial reporting (reimbursement request) expectations and process. Additionally, the CDBG office has developed standardized reimbursement request checklists and forms to guide sub-recipient agencies in preparing thorough requests for reimbursement. Both the CDBG Operating Manual and reimbursement request forms are reviewed and updated annually to ensure that they are consistent with the current reimbursement process and redistributed to CDBG funding sub-recipients. The CDBG office's contract administrator for the FY 2009 Smart Corner tenant improvements and Parker-Kier Apartments projects provided the Housing Commission with formal direction to follow the CDBG Operating Manual and the standardized request for reimbursement forms and by providing detailed instructions on the documentation that needs to be submitted with the Request for Reimbursement forms.*

#16

As part of the negotiations and communications to clarify the documentation supporting reimbursement requests, San Diego Housing Commission and City Planning and Community Investment staff should assess and correct any documentation inaccuracies or inconsistencies. The contract with the outside consulting firm (ICF) should clearly outline these expectations to develop appropriate and comprehensive internal controls to monitor these types of funding activities.

*This recommendation was implemented. The City's CDBG Program staff provided the San Diego Housing Commission with formal direction to follow the CDBG Operating Manual and the standardized Request for Reimbursement forms and provided detailed instructions on the*

*documentation that needs to be submitted with the Request for Reimbursement forms for the FY 2009 Smart Corner Tenant Improvements and Parker-Kier Apartments projects. Additionally, the CDBG Office now provides training to CDBG sub-recipients on how to prepare a Request for Reimbursement during its annual Contract Workshops. Regarding internal controls, the CDBG Office is currently finalizing its Fiscal Unit procedures that outline the preliminary review of Requests for Reimbursement by CDBG contract administrators, the detailed review of Requests for Reimbursement by CDBG Fiscal Unit staff, and the standards and procedures for disallowing costs from requests and notifying the sub-recipient of any disallowances. The CDBG Operating Manual also describes the standards and procedures for disallowing costs and the process by which sub-recipients can re-submit disallowed costs for a second review and payment.*

#17

To ensure compliance with Department of Housing and Urban Development (HUD) terms, San Diego Housing Commission should make the progress of the 350 required housing units a standing agenda item for discussion by the Board, which should include regular reporting from the responsible members of San Diego Housing Commission management.

*Effective July 1, 2009, the Housing Commission Board and the Housing Authority have been receiving quarterly written reports on the progress of developing additional affordable housing units, as required by the 2008 disposition approval from HUD. In addition, the Board discusses the status of this effort each time a new project is brought forward for discussion and possible approval. To date, the Housing Commission has "acquired or produced" 741 additional affordable rental units, thereby meeting and surpassing the HUD requirement.*

#18

San Diego Housing Commission (SDHC) should continue to make progress on new development to meet the 350-unit goal, within a five year timeline, and utilize existing undeveloped SDHC owned assets if necessary to accomplish that objective. These expectations should be clearly outlined in future budgetary and business planning documents, and should be included as a defined goal for the responsible members of management and staff as applicable.

*As of 2010, the Housing Commission has met and surpassed HUD's requirement to produce an additional 350 affordable rental housing units as required by the 2008 HUD disposition agreement. To date, the Housing Commission has acquired and produced 741 units. As noted above, the Housing Commission Board and Housing Authority Board receive quarterly written reports on the progress of developing additional affordable housing units. In addition, the Board thoroughly discusses the status of each proposed project prior to final action. Each project is subject to the review of the Housing Authority, if it chooses to review the actions.*

#1 (Page 37)

San Diego Housing Commission (SDHC), in collaboration with City Administration, should perform a review of the Housing Impact Fee schedule, and assess reasonableness and consistency with San Diego Municipal Code (SDMC) §98.0618. The fees should be updated through 2009 to be consistent with the SDMC. If the updates are not practical or feasible, the communication of the current intent to request updates through City Council should be clearly documented and retained by both the City Administration and San Diego Housing Commission.

*On March 30, 2011, the SDHC reported back to the City Council's Land Use & Housing Committee (LU&H), after conducting two stakeholder meetings on the results of the BAE study. The task force identified Common Interests and Topical Areas of Discussion. Following that meeting, LU&H requested additional information and recommendations on specific topics in the study. A second report was presented to LU&H July 20, 2011, with further best practices recommendations from the Task Force; the Task Force was then directed to look at new revenue sources. The Task Force presented a status report to LU&H October 26, 2011, regarding new revenue sources, with final recommendations to be presented to LU&H before the end of the year.*

#2

San Diego Housing Commission (SDHC), in collaboration with City Administration, should develop and implement procedures so that Housing Impact Fee updates are recalculated March 1 of each year by the appropriate percentage increase or decrease as indicated in the San Diego Municipal Code (SDMC) and prepare a recommendation to the City Council for such revision on an annual basis. If the updates are not accepted or processed by the City Council, the annual communication of the requested updates through City Council should be clearly documented and retained. If the SDMC will not be followed, then it should be amended to reflect the current fee expectations in relation to the Housing Trust Fund, a change that would require City Council action to amend the SDMC.

*A nexus study was commissioned and prepared by Keyser Marston Associates, after a series of stakeholder meetings that included a*

*methodology for increases to the Housing Impact Fee. The findings and recommendations were presented to the City Council July 11, 2011. The recommendations regarding the methodology for increases failed for lack of a majority vote. The Council President requested that new revenue sources be brought back to City Council for consideration by the end of the year. The Best Practices Task Force is prepared to take new revenue source recommendations through committee and back to Council.*

Comment [CC1]: Was there a time limit on when it had to come back?

#3

City Administration should facilitate the update of the San Diego Municipal Code (SDMC) to accurately reflect the current process for the collection and maintenance of the Housing Trust Fund fees by the Comptroller in a specific subaccount after collection by the City.

*This is a matter that has been assigned to the City Administration for action. The SDHC is ready and willing to aid the City in making the proposed changes. SDHC is available to review the revised language when it is proposed by the City Administration.*

#8 (Page 38)

A new San Diego Housing Commission (SDHC) policy should be drafted, approved, and implemented to accurately reflect the SDHC "Responsibilities Related to the Inclusionary Housing Fund" (similar to P0300.501 and including any updates thereof).

*A new Policy was drafted. This policy will be routed to the San Diego Housing Commission Board and thereafter to the Housing Authority, but only after the Inclusionary Ordinance revisions become effective on December 1, 2011.*

#9

The existing policy P0300.501 (and the new Inclusionary Housing Fund policy recommended separately) should be updated to include the requirements to account for and report separately both the Inclusionary Housing Fund and the Housing Trust Fund in the audited financial statements as well as the audit for compliance with the AHF Ordinances and any related policies and regulations.

*Policy PO300.501 was renumbered to POBEWF.301.09 and was revised to address the accounting and reporting requirements. This policy will be*

*routed to the San Diego Housing Commission Board and thereafter to the Housing Authority together with the Inclusionary Housing Fund Policy, but only after the Inclusionary Ordinance revisions become effective on December 1, 2011.*

#11

San Diego Housing Commission (SDHC) and City Administration should review San Diego Municipal Code (SDMC) §142.1310(e) and have the applicable SDMC sections updated to reflect the current fees or make reference to the source document or department for the updated fees, a change that would require City Council action.

*At the October 18, 2011 Council Meeting Ordinance (O-2011-128) was introduced amending Chapter 14, Article 2, Division 13, of the SDMC relating to Inclusionary Affordable Housing and the Procedures Manual was a part of the packet. The Manual, as amended, sets forth how the inclusionary affordable housing fees are indexed annually by the San Diego Housing Commission. After the fees are calculated, they are forwarded to the Mayor and Council members by memorandum from SDHC. The fees are then incorporated into a City Bulletin that references the fees for the applicable year and are published in the Procedures Manual.*

#12 (Page 39)

City Administration should draft, approve, and implement departmental guidelines (across multiple departments as needed) to accurately identify and document the process roles and responsibilities for City departments, including the Treasurer, Comptroller, Facilities Financing and Development Services Department (DSD) in Affordable Housing Fund-related processes. These processes should include the reporting of quarterly and annual Housing Trust Fund and Inclusionary Housing Fund activity by Facilities Financing and DSD to SDHC and the Comptroller. The Comptroller should reconcile fund levels and make disbursements based upon mutually agreed upon amounts from that reporting on a consistent and timely basis.

*This is a matter that has been assigned to the City Administration for action. The SDHC is ready and willing to aid the City in making the proposed changes. SDHC is available to review the revised language*

*when it is proposed by the City Administration. The Housing Commission provides reports quarterly and annually as requested.*