



November 1, 2023

Auditor Timothy M. O’Brien, CPA  
Office of the Auditor  
City and County of Denver  
201 West Colfax Avenue, Dept. 705  
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Affordable Housing.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on October 25, 2023. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

**AUDIT FINDING 1**

**The Department of Housing Stability must improve its oversight of affordable housing**

<b>1.1 Recommendation</b> <b>Establish and document roles and responsibilities</b> The Department of Housing Stability should establish and document roles and responsibilities for monitoring compliance with the D3 Program agreement and performance of the Denver Housing Authority to ensure the agreement terms are fulfilled.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	September 18, 2023	Maureen Reyer-Morley 720-581-0998

**Narrative for 1.1 Recommendation**

HOST has established new roles and responsibilities and has assigned a team to monitor compliance and performance of the D3 Program in the Asset Management and Compliance team.

<b>1.2 Recommendation</b> <b>Follow process for amendments to the agreement and scope of work</b> The Department of Housing Stability should follow the process outlined in the city’s Executive Order No. 8 and the D3 agreement for revising the scope of work or amending the agreement. Revisions should be made before changing any process or required deliverables		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	June 30, 2024	Maureen Reyer-Morley 720-581-0998

Department of Housing Stability  
201 W. Colfax Ave., 6th Floor | Denver, CO 80202  
[www.denvergov.org/housing](http://www.denvergov.org/housing)  
p. 720.913.1534

### Narrative for 1.2 Recommendation

HOST amends agreements and works with CAO per City rules and HOST standard process. The D3 Agreement received 2 modifications that were allowable with Executive Director Approval only. The first amendment to the D3 Agreement is in the drafting process and is expected to go before City Council in Q1 2024. This amendment will follow the appropriate City process. Though HOST does not currently anticipate any modifications in addition to the amendment, if further modifications become necessary, HOST will notify its appointed advisory board, the Housing Stability Strategic Advisors, and City Council, in accordance with the agreement.

<b>1.3 Recommendation</b> <b>Require reports from Denver Housing Authority</b> The Department of Housing Stability should ensure Denver Housing Authority is providing reports as required by the D3 agreements. The reports should include at least the elements outlined in the contract and scope of work		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	December 31, 2023	Maureen Reyer-Morley 720-581-0998

### Narrative for 1.3 Recommendation

As of Q4 2022, HOST has received (and will continue to receive) D3 reports from DHA quarterly, which include most of the critical elements outlined in the contract and scope of work. Staff will evaluate the quarterly reporting template to ensure it includes any additional reporting requirements not yet captured. HOST will also work with DHA to compile and distribute a Five-Year Report in Q4 2023, to summarize the program’s achievements since its inception in 2018. Finally, HOST will work with DHA to determine whether the Q4 report can serve as an annual report in future years and will incorporate into the forthcoming amendment any necessary adjustments or clarifications to the annual report requirement language, to ensure it accurately captures what will be submitted moving forward.

<b>1.4 Recommendation</b> <b>Document meeting discussions and key decisions</b> The Department of Housing Stability and Denver Housing Authority should document discussion points and decisions from monthly meetings.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	December 31, 2023	Maureen Reyer-Morley 720-581-0998

### Narrative for 1.4 Recommendation

While HOST has been practicing this recommendation for quite some time, unfortunately HOST’s retained documents can only illustrate consistency with this practice back to Q2 2022, due to records lost as changes were made to the City’s email retention policy. Moving forward, meeting agendas and notes for the bi-monthly Coordination meetings between DHA and HOST, where D3 matters may be discussed, will be kept in a ShareDrive location to ensure they are retained and available to multiple staff. Furthermore, the Asset Manager now overseeing the D3 agreement will ensure any programmatic decisions made in any work group meetings are formally documented in our ShareDrive files.

<b>1.5 Recommendation</b> <b>Document meeting discussions and key decisions</b> The Department of Housing Stability should conduct and document a formal needs assessment to determine how to ensure affordable units and buildings are maintained properly and hazards are quickly identified and correct. The assessment should include a review of how often inspections should occur and the length of time allotted between notification and inspection		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Disagree	N/A	N/A

### Narrative for 1.5 Recommendation

The Department of Housing Stability (HOST) conducts inspections annually, effectively, and consistently to ensure the investments in affordable housing are well-maintained and in repair. The department has two professionally licensed and certified Housing Quality Standard (HQS) inspectors with over thirty (30) years of valuable on-site facility experience, supervised by a HQS certified manager with over 26-years with the City of Denver. Inspections are a “point in time” look at a project. HOST follows Housing and Urban Development (HUD) guidelines for inspections, and the HQS inspection leads to a Pass or Fail rating. The Inspection Team works with property management as needed to bring them into compliance for the betterment of the property and residents. The inspections sent to the AO showed the history of the inspections, including several items needing work to come into compliance and receive the “Pass” score. HOST does not close out an inspection until the property has resolved all identified issues.

The inspectors ensure the City funded properties are inspected annually, in excess of HUD standards, which require inspections be completed at least once every three years (see HUD standards copied below).

§ 92.504 [Participating jurisdiction](#) responsibilities; written agreements; on-site inspection states

(d) On-site inspections and financial oversight.

(1) Inspections. The [participating jurisdiction](#) must inspect each [project](#) at [project completion](#) and during the period of affordability to determine that the [project](#) meets the property standards of [§ 92.251](#).

(A) The on-site inspections must occur within 12 months after [project completion](#) and at least once every 3 years thereafter during the period of affordability.

HOST's current inspection frequency is appropriate given other inspections outside the City and additional HOST practices. Affordable projects are subject to more inspections and oversight than conventional market rate projects. The number and types of inspections is determinate on the project's financing and may include Real Estate Assessment Center (REAC), Low Income Housing Tax Credit (LIHTC), State HOME and City HOME inspections, as well as annual unit inspections for Housing Choice Voucher holders, along with their property management's inspections that are usually conducted on a bi-annual basis. To ensure long-term viability of the property, HOST's standard loan agreement practice includes the requirement of a 10 Year Capital Needs Assessment. Considering the frequency of inspections from many sources, more frequent City inspections are unlikely to produce additional benefit.

Further, reducing the notice of inspections places undue strain on residents. HOST aligns with HUD standards by providing 14-days' notice. This provides consistency with practices used by other entities inspecting these projects and therefore greater consistency for residents. Residents in these buildings are already subject to up to four other inspections annually, and their privacy should be a priority. This notice period is intended to allow property managers sufficient time to notify tenants. Limiting notice negatively impinges on their privacy.

Lastly, contrary to the audit, HOST is not responsible for enforcing other city agencies' City codes (such as Department of Code Enforcement, Community Planning and Development and Environmental Health) just as other agencies bear no responsibility to enforce HOST/HUD HQS standards.

HUD and HOST promote the gathering of residents in Tenant Unions or Resident Councils. Resident Councils and Tenant Unions ultimately support management companies in maintaining properties.

<https://www.hudexchange.info/programs/public-housing/resident-toolkit/public-housing-resident-organizing-and-participation-guides/organizing-and-running-resident-councils/>

### **Overview**

*When neighbors in public housing come together and form an organization to improve their housing and community you create a resident council.*

*Resident councils provide a way for you to work and negotiate with the housing authority, work on community concerns, and get to know your neighbors.*

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<b>1.6 Recommendation</b> <b>Conduct and document a staffing analysis</b> The Department of Housing Stability should conduct a formal staffing or workforce analysis to determine existing staffing levels and needs so it can meet department objectives and goals, particularly related to inspections and compliance		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	June 30, 2024	Jennifer Biess (720) 913-1880

### Narrative for 1.6 Recommendation

The Department of Housing Stability has grown substantially since its creation in 2019. This growth has been informed by an ongoing assessment of staffing needs, including through the annual budget process. HOST will continue to work with the Office of Human Resources and Department of Finance to further assess departmental staffing needs across department functions, including Asset Management and Compliance. The implementation timing will allow this work to be conducted after a new long-term Executive Director is appointed.

<b>1.7 Recommendation</b> <b>Revise policies and procedures for inspections</b> The Department of Housing Stability should revise existing policies and procedures for conducting inspections. Revisions should include the frequency for inspections and the time required to notify property managers of upcoming inspections.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Disagree	N/A	N/A

### Narrative for 1.7 Recommendation

Please see agency response to Recommendation 1.5. HOST’s existing inspection policy and procedure intentionally align with HUD standards and include frequency and time frame for project notification. The HUD guidelines require 14-days’ notice to the projects of the upcoming inspection (see below). The team follows the HUD guidelines giving 14 or more days’ notice of inspection. This allows the Property Manager to alert the tenants and respect the tenants’ right to privacy. Changing our inspection policy to less time for notification per the Auditor’s Office, would place us in non-compliance with HUD and our Policy and Procedures for our partners. Due to our policy and procedures, we did not comply with notifying the identified projects of the AO’s visit.

\* [https://archives.hud.gov/news/2019/14-Day\\_Notice\\_w\\_PIH\\_Signature.pdf](https://archives.hud.gov/news/2019/14-Day_Notice_w_PIH_Signature.pdf)

*Policy: Beginning 30 days after publication of this notice (2/2019), HUD employees and contract inspectors acting on behalf of HUD shall provide to POAs **14 calendar days** of notification prior to a REAC inspection. Any inspections that would fall on a federal holiday will be scheduled for the next business day.*

<b>1.8 Recommendation</b> <b>Establish inspection responsibilities</b> The Department of Housing Stability should identify a responsible party to conduct inspections of all units funded by the city, such as those funded by the D3 Program. If contractors will be responsible for conducting inspections, the department should ensure inspections are conducted consistent with city standards and that the contractor provides documentation to allow the department to monitor contractor-conducted inspections.		
Agree or Disagree with Recommendation	Target Date for Implementation (Generally expected within 60-90 days)	Name and phone number of specific point of contact for implementation
Agree	June 30, 2024	Maureen Reyer-Morley 720-581-0998

**Narrative for 1.8 Recommendation**

The upcoming D3 amendment will include language detailing HOST’s rights and responsibilities for inspections on the D3 program. All other HOST-funded rental housing projects are inspected by the HOST inspection team on an annual basis.

<b>1.9 Recommendation</b> <b>Develop and document policies and procedures for income verification</b> The Department of Housing Stability should develop and document policies and procedures to review income verification. These policies and procedures should include responsible parties, the frequency of reviews, and how reviews will be documented.		
Agree or Disagree with Recommendation	Target Date for Implementation (Generally expected within 60-90 days)	Name and phone number of specific point of contact for implementation
Agree	January 31, 2024	Maureen Reyer-Morley

**Narrative for 1.9 Recommendation**

HOST has existing policies and procedures specifying how this work is conducted and documented. We will update these policies and procedures to identify the Asset Management and Compliance team as well as define the frequency for file reviews per HUD guidelines. The existing procedures provide instructions on documentation in Salesforce.

Per the existing Policy and Procedure **On-Site Review Rental**, the Compliance Team performs file audits, annual reporting and virtual eligibility reviews of selected files annually. In alignment with policies and procedures, the Department has been performing virtual file audits on the affordable housing portfolio projects. File reviews are conducted on a rotating basis throughout the year and review the initial certification and current certification of the household audited. Additional reviews can be requested, outside the normal scheduled reviews, by an Asset Manager if a project is in non-compliance with loan terms, has expiring covenants, the property is for sale or the inspectors have identified concerns. HOST follows HUD guidelines for best practice on file reviews. File audits confirm the current compliance of projects.

While performing file audits, per HUD guidelines, HOST also reviews the property’s Policies and Procedures for tenant selection, certifications, assessing rents and utilities. The Annual Reporting for all projects consists of every project reporting every affordable housing unit with the current resident information regarding household composition, income, rent, utilities, etc. The Annual Report is then reviewed, and the Asset Manager and Compliance Specialist reach out to the property management to notify them of the issues and offer assistance to bring them into compliance in cases where there is non-compliance.

Please note that policies and procedures align with HUD guidance to address circumstances where households’ incomes increase beyond the maximum for their unit as well as State law. An over-income household triggers the Next Available Unit Rule on most projects. This rule requires the property to rent the next available unit to an income qualified household. HOST’s loan agreements adhere to state statute Unlawful Detention Sec.13-40- 104 which states that management cannot decline to renew a lease except for serious and repeated violations of lease terms. An increase in income does not qualify as a violation. The stabilization of households is the priority of HUD programs in alignment with HOST’s goals.

<p><b>1.10 Recommendation</b>  <b>Ensure compliance with federal and local wage laws</b>          The Department of Housing Stability should work with Denver Labor and the City Attorney’s Office to ensure contractor compliance with federal and local wage laws.</p>		
<p><b>Agree or Disagree with Recommendation</b></p>	<p><b>Target Date for Implementation (Generally expected within 60-90 days)</b></p>	<p><b>Name and phone number of specific point of contact for implementation</b></p>
<p>Agree</p>	<p>June 28, 2023</p>	<p>Maureen Reyer-Morley 720-581-0998</p>

**Narrative for 1.10 Recommendation**

HOST is currently working with Denver Labor and the City Attorney’s Office to formally update the 2001 legal opinion related to applicability of the Prevailing Wage Ordinance to housing projects where HOST is contributing local funds to the capital stack but does not have an ownership stake. Although there

have been updates to the Policy since 2001, CAO has continued to evaluate the changes and has advised HOST staff that previous guidance related to our typical project investment structure has not changed. The implementation date above reflects the date HOST initiated work with CAO to update the legal opinion.

HOST has coordinated and will continue to coordinate with the Denver Labor division of the Auditor’s Office on the process to review prevailing wage requirements as described in HOST’s response to Recommendation 1.11.

<b>1.11 Recommendation</b> <b>Revise contract policies and procedures</b> The Department of Housing Stability should revise all contract-related policies and procedures to include guidance for all staff on when to include a prevailing wage review of contracts and how it should be documented. The revisions should include a process for reviewing contract information to ensure contracts are flagged for prevailing wage review and as outlined in policies and procedures.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	January 31, 2024	Maureen Reyer-Morley 720-581-0998

#### Narrative for 1.11 Recommendation

HOST will update contract-related policies and procedures in consultation with Denver Labor and CAO to ensure contracts are flagged for prevailing wage review in Jaggaer, including guidance as to when this review is appropriate, when, and how projects are submitted to Denver Labor for review, etc.

<b>1.12 Recommendation</b> <b>Follow city fiscal rules</b> The Department of Housing Stability must follow Fiscal Accountability Rule 1.2 before integrating any subsidiary system – like Salesforce – with the city’s system of record, Workday.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	May 30, 2023	Jennifer Biess (720) 913-1880

#### Narrative for 1.12 Recommendation

The Department of Housing Stability and any other agency interested in a future integration between Salesforce and Workday will follow Fiscal Accountability Rule 1.2. HOST’s Salesforce system does not interface with Workday, has never interfaced with Workday, and will not interface with Workday until

such a time as such an action is authorized by the Controller. It is not possible to do otherwise. It is impossible for any agency to unilaterally implement such an integration.

<b>1.13 Recommendation</b> <b>Revise user access permissions policies and procedures</b> The Department of Housing Stability should revise its policies and procedures for user access permissions to include a process and frequency for conducting regular user access reviews. These revisions should include how and where the reviews should be documented.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	January 31, 2024	Cindy Pieropan (720) 913-1716

**Narrative for 1.13 Recommendation**

To fulfill the intent of the system, anyone with access to HOST’s Salesforce app can view information in the system, with the exception of PII and PFI. HOST complies with Technology Services’ policy to deactivate a user’s license if they have not logged in within the past 60 days. Permission sets determine who can view PII and PFI as well as which fields can be edited. Edit permissions are based on job functions. HOST will revise its policies and procedures to specify the frequency and process by which reviews user permission sets are completed and documented.

<b>1.14 Recommendation</b> <b>Develop and document policies and procedures to ensure data reliability</b> The Department of Housing Stability should develop policies and procedures for reviewing data held in its information system to ensure data, particularly data used for program monitoring and data that is publicly available, is accurate and reliable.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	June 30, 2024	Jennifer Biess (720) 913-1880

**Narrative for 1.14 Recommendation**

The Department of Housing Stability will develop policies and procedures for data quality monitoring, focusing on critical fields for performance monitoring and public-facing reporting. Due to ongoing concurrent emergencies and the need to engage staff across teams in the development of these policies and procedures, this work is expected to be conducted in 2024.

<b>1.15 Recommendation</b> <b>Clean and monitor department data</b> The Department of Housing Stability should fix existing data and monitor data going forward, particularly in Salesforce, to ensure it is accurate and reliable.		
Agree or Disagree with Recommendation	Target Date for Implementation (Generally expected within 60-90 days)	Name and phone number of specific point of contact for implementation
Agree	March 31, 2024	Cindy Pieropan (720) 913-1716

#### Narrative for 1.15 Recommendation

The monitoring and correcting of data as information, projects and programs change has been and will continue to be ongoing by all users in their respective Department of Housing Stability teams. The Department of Housing Stability will identify priorities for data quality improvement and develop a plan with a timeline to address those priorities.

<b>1.16 Recommendation</b> <b>Develop and document reporting procedures</b> The Department of Housing Stability should develop instructions for generating accurate and reliable reports from its information systems.		
Agree or Disagree with Recommendation	Target Date for Implementation (Generally expected within 60-90 days)	Name and phone number of specific point of contact for implementation
Agree	November 2, 2023	Cindy Pieropan (720) 913-1716

#### Narrative for 1.16 Recommendation

Staff have been directed to submit requests for reports for critical departmental functions to the HOST Data, Strategy, and Policy team. HOST will continue to support staff development in understanding reporting functionality by continuing to make available extensive existing training and reference resource provided by Salesforce to HOST staff, both verbally and by including links in relevant Knowledge articles, and by continuing to direct staff to submit requests for technical assistance from the HOST Data, Strategy, and Policy team.

**AUDIT FINDING 2**

**Parts of the Department of Housing Stability’s prioritization policy were well designed to minimize lawsuits and displacement**

<b>2.1 Recommendation</b> <b>Develop and document policies and procedures</b> The Department of Housing Stability asset and compliance manager should work with the prioritization program manager to develop and document policies and procedures for implementing the prioritization policy. The policies and procedures should include, at a minimum: <ul style="list-style-type: none"> <li>• Which units are included in the policy.</li> <li>• The marketing period for units and the methods for marketing units’ availability.</li> <li>• Eligibility requirements.</li> <li>• The scoring system for prioritization.</li> <li>• The types of documents that will be accepted.</li> <li>• The process for selected participants.</li> <li>• The process and frequency for monitoring property managers’ and developers’ compliance with the ordinance.</li> </ul> The parties responsibility for implementation and monitoring.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	June 30, 2024	Maureen Reyer-Morley 720-581-0998

**Narrative for 2.1 Recommendation**

The Prioritization Policy is not in effect until July 2024. HOST is hiring a Prioritization Manager to oversee this work. A draft of the Rules and Regulations is being crafted. These will address the areas identified in the recommendation and will be complete prior to the policy’s implementation date.

<b>2.2 Recommendation</b> <b>Develop and provide training</b> The Department of Housing Stability asset and compliance manager should work with the prioritization program manager to develop and provide training for property managers and developers related to implementing the prioritization policy and ensuring compliance.		
<b>Agree or Disagree with Recommendation</b>	<b>Target Date for Implementation (Generally expected within 60-90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	June 30, 2024	Maureen Reyer-Morley 720-581-0998

**Narrative for 2.2 Recommendation**

Consistent with HOST’s intent and plans for the implementation of the Prioritization Policy, the Prioritization Manager will work with other HOST team members to develop and provide training for property managers and developers to integrate the prioritization policy into their work and maintain compliance with requirements alongside other requirements (e.g., Tenant Selection Plans, Affirmative Marketing Plans).

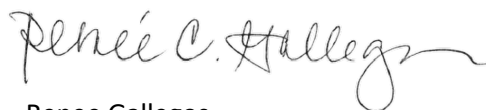
<p><b>2.3 Recommendation</b>  <b>Monitor program effectiveness and compliance</b>          Once the prioritization policy has been finalized and implemented, the Department of Housing Stability’s asset and compliance manager should work with the prioritization program manager to use accurate and reliable data to monitor program effectiveness and compliance.</p>		
<p><b>Agree or Disagree with Recommendation</b></p>	<p><b>Target Date for Implementation (Generally expected within 60-90 days)</b></p>	<p><b>Name and phone number of specific point of contact for implementation</b></p>
<p>Agree</p>	<p>September 30, 2024</p>	<p>Maureen Reyer-Morley 720-581-0998</p>

**Narrative for 2.3 Recommendation**

The Department of Housing Stability will develop and document a program monitoring plan that will specify how data will be used to monitor partners’ compliance with the Prioritization Policy and the program’s effectiveness at achieving stated goals. This plan will align with reporting requirements in DRMC Sec. 27-245.

Please contact Renee Gallegos at (720) 661-4967 with any questions.

Sincerely,



Renee Gallegos  
 Deputy Director of Housing Opportunity  
 Department of Housing Stability

cc: Valerie Walling, CPA, Deputy Auditor  
 Dawn Wiseman, CRMA, Audit Director  
 Sonia Montano, Senior Audit Manager  
 Kharis Eppstein, CIA, CGAP, Audit Manager

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