



U.S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, PA 19107-3380

District Inspector General for Audit

November 1, 1999

Audit Related Memorandum
No. 00-PH-259-1801

MEMORANDUM FOR: Lynn B. Daniels, Director, Community Planning and Development, 3ED

FROM: David J. Niemiec, Acting District Inspector General for Audit, Mid-Atlantic, 3AGA

SUBJECT: County of Allegheny
Supportive Housing Grants
Pittsburgh, Pennsylvania

Based on a request from your staff we reviewed the Supportive Housing Grants administered by the County of Allegheny (County) to determine whether the grants were properly administered and whether the costs that were incurred by the County and its subrecipients were necessary, eligible, and properly supported. Our audit period covered April 1, 1996 through July 31, 1998.

To accomplish our objectives, we interviewed HUD's Community Development staff in the Pittsburgh Office, as well as reviewed Pittsburgh Office files and the County's IPA report for the fiscal year ending December 31, 1996. We also visited the County of Allegheny and five subrecipients that included: Community Human Resources, Northside Common Ministries, Western Psychiatric Institute and Clinic, First Step Recovery Homes, and Centre Avenue YMCA. We reviewed documentation supporting over \$800,000 of the \$1,487,714 in costs that were incurred by these organizations. We also reviewed participant files at three of the subrecipients.

Background

The Supportive Housing Program (SHP) helps develop housing and related supportive services for people moving from homelessness to independent living. SHP funds supportive housing projects that include: (1) transitional housing; (2) permanent housing for homeless people with disabilities; (3) supportive services for homeless people not living in supportive housing; and (4) other types of innovative supportive housing for homeless people. Funds are awarded annually on a competitive basis.

Allegheny County has received over \$14 million in Supportive Housing Grants between February 1996 and April 1998. As of May 31, 1998 the County has executed 23 subrecipient agreements to carry out its SHP.

The County is governed by a three member Board of Commissioners. The present Chairperson is Mike Dawida. Marc Cherna is the Director of the Department of Human Services, which administers the Supportive Housing Grant. The County's books and records are maintained at their offices at Wood Street Commons, 304 Wood St., Pittsburgh, PA.

Results of Review

The County needs to more closely adhere to the terms of its grant agreements with HUD and to provide better oversight and guidance to its subrecipients. We found that the County has not implemented a process by which it routinely monitors its subrecipients and, on occasion, has given its subrecipients improper advice concerning the requisitioning of funds under its letter of credit. As a result, the County drew down funds prior to actual needs, and the County and its subrecipients incurred \$52,575 and \$82,185 of ineligible and unsupported costs (Appendix A).

Premature Requisitioning of Funds

We determined the County drew down funds based on SHP budgets without regard to actual subrecipient spending. Additionally, the County instructed subrecipients to request funds based on budgeted amounts and did not monitor their activities to ensure adherence with program requirements.

24 CFR 84.22 requires grantees to minimize the time between the transfer of funds from the U.S. Treasury and the issuance or redemption of checks. However, the County drew down funds from the Treasury based on its SHP budgets, and then held the funds for significant periods before disbursing them to subrecipients. Additionally, since the County also instructed the subrecipients to draw funds based on budgeted figures, the subrecipients often received funds in advance of their needs, which they also held unused for long periods. The problems we noted were also observed by HUD's Pittsburgh Office during a review of the County. Its review showed that one subrecipient received \$90,593 more than it needed while another received \$82,610 more than it expended. A letter from the latter subrecipient stated that this was a direct result of County staff informing them to bill on the basis of a formula which did not necessarily correspond with expenditures.

We analyzed the drawdown and disbursement history for seven subrecipients and determined \$15,221 of excess interest could be attributed to the County's drawing down funds prior to the subrecipient needs.

Subrecipient	Amount
Community Human Services	\$ 6,012
Northside Common Ministries	1,362
Western Psychology	5,203

Sisters Place	651
Centre Avenue YMCA	578
Miryam's	622
First Step Recovery	793
Total	\$15,221

Subrecipient Monitoring

The County needs to improve subrecipient monitoring and its application of SHP requirements, as evidenced by our review at First Step Recovery, a subrecipient of the county. First Step Recovery received a \$699,273 grant in September 1997. As of October 1998 the subrecipient had received over \$240,000 under the grant. We reviewed the subrecipient's expenditures and supporting documentation and noted numerous deficiencies. Specifically, we determined the subrecipient spent \$37,354 and \$36,894, for ineligible and unsupported expenditures, respectively. Some of the funds were used to pay for personal expenses of the Executive Director and his wife, including cellular telephone bills, clothing, meals, and credit card cash advances. Because of the nature of the deficiencies, we communicated our results to HUD Pittsburgh staff and County staff for their immediate attention. We also noted additional amounts of unsupported costs at two other subrecipients (Appendix A).

It was clear the County did not monitor subrecipient spending and often provided guidance to subrecipients that conflicted with existing requirements. One subrecipient stated that no one from the County had looked at their financial records for the seven years that they were in the SHP.

OMB Circular A-133, Subpart D, Section 400(d)(3) requires agencies to monitor the activities of the subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The County did not have any written guidelines or procedures for subrecipient monitoring. Additionally, the County stated that staff responsible for monitoring were no longer employed with the County. Responsible staff at the County stated they will remit ineligible and unsupported costs unless they can provide documentation supporting some of the cited expenditures. Additionally, the County stated they now have written guidelines addressing monitoring subrecipients, and drawing of HUD funds that will be implemented.

In summary, the County needs to administer grant funds according to Program requirements and routinely monitor its subrecipients.

We recommend the County:

- 1A. Repay, from non-Federal funds, \$52,575, representing the \$15,221 of excessive interest due back to the Treasury and \$37,354 of ineligible costs that should be paid back to its Supportive Housing line of credit.
- 1B. Repay, from non-Federal funds \$82,185, representing unsupported costs, unless documentation can be provided warranting repayment of a lesser amount.
- 1C. Develop and implement a program to routinely monitor its subrecipients.
- 1D. Provide evidence to HUD's Pittsburgh Office that is requisitioning funds in accordance with program requirements. If it cannot supply this evidence, the Pittsburgh Office should review funding requisitions for reasonableness before the related funds are disbursed.

The results of the review were discussed with the County's staff and your staff.

If you have any questions, please contact Allen Leftwich, Assistant District Inspector General for Audit at (215) 656-3401.

Attachment

Summary of Ineligible and Unsupported Costs

Grantee or Subrecipient	Grant Amount	Total Costs	Unsupported Costs	Ineligible Costs	Explanation
Allegheny County			\$35,764	\$15,221	Calculation of excessive interest resulting from County drawing SHP funds prior to actual needs. The County did not provide adequate support for administrative costs charged to the SHP.
First Step Recovery Homes	\$ 699,273	\$ 246,414	\$36,894	\$37,354	The subrecipient expended SHP funds for ineligible expenditures including, clothing, cellular telephone bills, meals, and credit card advances. The subrecipient did not provide adequate support for costs.
Western Psychiatric Institute and Clinic	\$ 386,650	\$ 106,605	\$ 3,157	None	The subrecipient did not provide adequate support for costs and received funds based on estimated needs exceeding actual costs.
Community Human Services	\$ 988,899	\$ 796,613	\$ 6,370	None	The subrecipient received funds based on estimated needs exceeding actual costs.
Northside Common Ministries	\$ 300,000	\$ 155,763	None	None	
Centre Avenue YMCA	\$ 755,425	\$ 182,319	None	None	
Totals	\$3,130,247	\$1,487,714	\$82,185	\$52,575	

Footnotes:

- 1/ Ineligible amounts are not allowed by law, contract, HUD or local agency policies or regulations.
- 2/ Unsupported amounts are not clearly eligible or ineligible but warrant being contested (i.e. lack of satisfactory documentation to support the eligibility of the costs).

Auditee Comments

Allegheny County Board of Commissioners
Larry Dunn Mike Dawida, Chairman Bob Cranmer

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Administration
933 Penn Avenue, 5th Floor
Pittsburgh PA 15222-3872



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September 3, 1999

Mr. Allen S. Leftwich
Acting District Inspector General for Audit
U. S. Department of Housing and Urban Development
Wanamaker Building
100 Penn Square East
Philadelphia, PA 19107-3380

Dear Mr. Leftwich:

We are enclosing for your review our responses to your Draft Audit Report of the County of Allegheny Supportive Housing Grants for the period April 1, 1996 through July 31, 1998.

If you have any questions please contact Guy Tumolo at (412) 350-3078 or William R. Trexler at (412) 350-4474.

Sincerely,

A handwritten signature of Marc Cherna in black ink.

Marc Cherna
Director

/ch

Enclosures

cc: David J. Niemiec
Guy Tumolo
William R. Trexler

HUD
(Housing & Urban Development)

Recommendations to the County:

1A. "Repay, from non-Federal Funds, \$52,484, representing the \$15,221 of excessive interest to the Treasury and \$37,263 of ineligible costs that should be paid, back to its supportive Housing line of credit."

Allegheny County Department of Human Services Response:

- a.) Excessive interest of \$15,221 will be remitted to the U.S. Treasury Department. In addition we have initiated a new procedure, effective July 12, 1999 to insure Allegheny County does not draw down funds until the check has been issued to the agency designated to receive the HUD funding.
- b.) The \$37,263 of ineligible costs will be remitted to HUD to be credited to the Supportive Housing line of credit.

In addition we will pursue the following Corrective Action Plans:

- 1) Recover the ineligible costs from First Step Recovery Homes.
- 2) Contract out the financial and management functions of First Step on an interim basis until trained staff can be put in place at the agency.
- 3) Pursue all legal remedies to recover the monies from the individual(s) responsible and accountable.

1B. "Repay, from non-Federal funds \$82,276, representing unsupported costs, unless documentation can be provided warranting repayment of a lesser amount."

Allegheny County Department of Human Services Response:

We have requested the work papers from Allen Leftwich, Assistant District Inspection General for Audit in order to review the detail representing the \$82,276. The WPIC and Community Human Services amounts of \$3,157 and \$6,370 respectively will be recovered from the agencies since they were based on estimates. The Allegheny County amount of \$35,764 for administrative costs charged to the SHP was the result of not supplying the HUD auditor, Charlene Mills, all of the documentation on a timely basis. The \$36,985 of unsupported costs for First Step will be reviewed upon receipt of the work papers and then a final determination will be made for reimbursement to HUD.

1C. "Develop and implement a program to routinely monitor its subrecipients."

Allegheny County Department of Human Services Response:

We have instituted site visit effective February 12, 1999. Monthly reports began April 1, 1999. The written policy and procedures and the program monitoring forms are attached for your review. (Attachments I, II, & III).

HUD (Housing & Urban Development)

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1D. "Provide evidence to HUD's Pittsburgh Office that it is requisitioning funds in accordance with program requirements. If it cannot supply this evidence, the Pittsburgh Office should review requisitions for reasonableness before the related funds are disbursed."

Allegheny County Department of Human Services Response:

As discussed in our response to Item 1A we are enclosing for your review our new procedures for drawing HUD funds. (Attachment IV) - As of August 17, 1999 we have submitted Attachment IV to William Kaufman of the HUD Pittsburgh Area Office for review as recommended.

Distribution

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Pittsburgh Area Coordinator, 3ES
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