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Southwest District Office of Inspector General
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May 12, 2000

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MEMORANDUM FOR: Katie Worsham
Director
Office of Community Planning and Development, 6AD

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Housing Crisis Center Supportive Housing Grants
TX21B960505; TX21B970903; TX21B970907
Dallas, Texas

As part of a nationwide audit of HUD's Continuum of Care Program, we reviewed the Supportive Housing Grants awarded to the Housing Crisis Center (Center). Our objectives were to determine whether the Center:

- implemented the grants in accordance with its applications;
- expended funds for eligible activities under federal regulations and applicable cost principles;
- maintained accurate and adequate evidence of measurable results;
- has a sustainable program; and
- expended funds timely.

To accomplish our objectives, we interviewed HUD and Center officials; visited apartment units; reviewed the grant applications, grant agreements and progress reports; and analyzed financial records and participant files.

Our review results concluded that the Center's activities were consistent with its application. However, the Center accepted some participants without documentation to support that they met the eligibility requirements for the programs. As a result, the Center paid \$46,400 for these ineligible participants and \$2,320 in related administrative expenses. Also, the Center did not have sufficient documentation to reliably measure its performance. In addition, circumstances beyond the Center's control are hindering the programs' progress. The Center should reimburse its grant \$48,720 for the ineligible participant expenditures. We recommend that the Center follows its policies to ensure that it allows only eligible participants into its programs. Also, the Center should develop and implement procedures and systems to collect relevant data and report on its performance. The Center also charged the grant \$6,559 in ineligible allocations that should be reimbursed.

Within 60 days please give us, for each recommendation made in this memorandum report a status report on: (1) corrective action taken; (2) proposed corrective action and date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directive issued because of this review.

If you have any questions, please call me or William Nixon, Assistant District Inspector General for Audit, at (817) 978-9309.

Background.

Title IV of the Stewart B. McKinney Homeless Assistance Act authorized the Supportive Housing Program. The program is designed to promote the development of supportive housing and services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons to enable them to live as independently as possible. Eligible activities include:

- transitional housing;
- permanent housing for homeless persons with disabilities;
- innovative housing that meets the immediate and long-term needs of homeless persons;
- supportive services for homeless persons not provided in conjunction with supportive housing; and
- administration of the grants.

The Housing Crisis Center (Center) is a nonprofit organization established in 1978. HUD awarded the Center three separate supportive housing grants that incorporated its applications within its Grant Agreements. Pertinent information regarding the Center's grants includes:

	Amount	Eligible Activities	Target Population	Operation Start Date	Term
Grant I ¹	\$211,358	Transitional Housing Supportive Services Administration	Singles or Families	Nov 1998	24 months
Grant II (SAMI)	\$533,130	Transitional Housing Supportive Services Administration	Substance Abuse Mental Illness	May 1997	36 months
Grant III ²	\$546,361	Transitional Housing Supportive Services Administration	Singles	Aug 1998	36 months

To accomplish our objectives, we interviewed HUD and Center officials; visited apartment units; reviewed the grant applications, grant agreements and progress reports; and analyzed financial records and participant files.

The Center paid \$46,400 for Ineligible Participants.

Of the 22 participant files reviewed, the Center paid \$46,400 for rental assistance on behalf of 6 ineligible participants (27% of the sample). To receive assistance under these grants, participants must meet HUD's definition of homelessness. Under the Substance Abuse Mental Illness (SAMI) application, the Center limited participation to those who were "homeless with substance abuse and/or mental illness." HUD's definition of homelessness includes those individuals who lack a fixed, regular, and adequate nighttime residence. Further, the Center's

¹ Renewal of 1995 grant.

² Due to the similarity of Grant I and Grant III, we will refer to both as Homelessness Grants.

application and Policies and Procedures Guide both state participants will meet the criteria for homelessness. In four instances, the Center did not have documentation to support that the participants met these requirements. In two instances, the Center improperly based its decision on referrals from apartment complexes. Specifically,

- An in-house homeless prevention program³ referred a participant. The Center accepted the participant without properly documenting or verifying eligibility requirements. Under the Center's Supportive Housing Grant, HUD regulations do not allow homeless prevention activities and those at risk of homelessness to be served under the Supportive Housing Program. The Center provided \$7,291 in rental assistance to this participant. In other cases that the program referred, the Center's files contained documentation that the individual met eligibility requirements.
- The Center inappropriately relied upon referrals from apartment complexes for two participants. In one instance, the individual lived with his sister at the time of acceptance. The individual's sister referred the individual in her capacity as an apartment manager. The Center knew of the relationship, but did not take any action. The requirements specifically prohibit those individuals living with family members. In another instance, the individual did not meet the homelessness definition and exceeded income requirements. According to the Center's referral form, an apartment complex employee said the apartment would accept a new application if the Center would guarantee rent. The participant resided in the apartment complex for 8 years before entering the program. The file did not contain an eviction notice.⁴ Individuals at risk of homelessness are ineligible for assistance. Further, the participant's wage statements indicated he exceeded the income requirements. The Center paid a total of \$9,875 in rental assistance for these two participants.
- The Center accepted a referral from the Texas Department of Protective and Regulatory Services without documentation that the person was homeless. The Center paid \$6,764 on behalf of this participant for rental assistance.
- The Center accepted two participants⁵ into the SAMI Program without any diagnosed or documented substance abuse or mental illness problem. The Center paid \$22,470 in rental assistance for these participants.

The Center's officials stated that documenting homelessness is difficult and the definition of 'homelessness' is vague. In their opinion, the participants accepted into the Center's programs met the definition. However, the Center agreed in its application that it would only allow homeless individuals to participate in the program. Further, the Center's staff received training on the program including participant eligibility. Clearly, the Center should not have allowed these individuals into the program. As a result, the Center should repay the \$46,400 that it expended on

³ The HOME POWER Program, which is a homeless prevention program funded by an Emergency Shelter Grant and the United Way.

⁴ Other files reviewed did contain such documentation.

⁵ The in-house homeless prevention program also referred a participant to the SAMI program with no documentation of meeting eligibility requirements.

these participants and the \$2,320 in related administrative costs. Further, the Center should follow the HUD requirements and its policies to ensure that it allows only eligible participants into its programs.

The Center Did Not Track Grant Accomplishments.

Performance Measures⁶

The Center listed as its performance measures for its Homelessness Grants the following:

- All participants will have permanent housing when they leave the program;
- 85% of the participants will remain in permanent housing for at least one year after leaving this transitional housing program;
- 70% of those who are not severely mentally handicapped will be successful in obtaining employment within one year, and 60% of the participants will increase their incomes within 2 years;
- 70% of the participants will have achieved newly set goals in education, life-style desires and a career course; and
- 30% will continue participation in mental health or drug treatment programs.

Under its SAMI grant, the Center listed the following as its performance measures:

- At least 70% of participants should have gone into jobs that pay a wage high enough to pay market rent;
- The other 30% should be receiving disability, be married to someone who is supporting them, or be in subsidized housing;
- None of them should be homeless, and almost all should be determining their own futures; and
- 70% should remain in permanent housing, for which they are paying, for at least one year.

Performance Cannot Be Reliably Measured

HUD required the Center to submit annual progress reports on its progress in achieving its performance measures. In its annual progress reports, the Center did not report on the goals listed in its applications. On the goals that it did report on, the Center could not support the information included in the progress reports. For instance, the Center did not keep consistent income information on its participants. Six of the 22 (27%) case files reviewed only contained the income stated by the participant during the intake process. The files did not contain consistent income information, and the period collected varied. While some of the case files only contained one or two pay stubs, others had many pay stubs or pay stubs covering a very short time span. Without consistency, the Center has no baseline or periodic follow-up information to reliably track what percentages of the participants have incomes high enough to pay market rent. Furthermore, the Center cannot reliably determine employment or increased income of the participants.

⁶ Contained in its grant applications.

The reviewed case files contained insufficient information to support the performance reported in the Center's annual progress reports. Participants, with the assistance of staff, did establish goals during the intake process. While the majority of case files reviewed contained individual written goals, the files did not contain follow-up or tracking of goal attainment. Also, the Homeless grants intended to have a 100% success rate – all participants in permanent housing when they leave the program. However, the Center did not capture information after the participants left the program. The case managers said it was difficult to get information from the participants once they leave the programs. Therefore, the Center did not know how many participants obtained and remained in permanent housing after leaving the transitional housing programs. Although the case files contained insufficient information, the case managers seemed to know about their participants. However, without this information the Center cannot accurately report on its programs or support information contained in its Annual Performance Reports.

The Center was in the process of adding language to their contract that would allow follow-up questionnaires and authorization to track the participants once they leave the program. Additionally, the Center has recently implemented an exit interview process. The Center should continue its efforts to accurately report on its goals. Further, reliable record keeping provides invaluable information on the benefits of the program.

Progress Reports Unreliable

As discussed previously, the Center did not formally track its performance measures nor did it have the information centralized. The Center did have a database that contained some information on its participants. However, due to a lack of computer knowledge, only one case manager could extract the information. The other two case managers took a physical count of required information by hand. This type of tracking is time consuming, unreliable, and difficult to duplicate. Two case managers did not maintain any documentation, such as spreadsheets or records, on which participants met the performance goals or how they gathered the information for the annual progress reports. The Center should develop and implement a system to collect the relevant data and report on its performance.

The Center Not Expending Funds Within Expected Timelines.

The Homeless Families⁷ grant has experienced problems caused by receiving less than required funding. The Dallas Continuum of Care required members to take a 25% cut for renewal grants during the application process. HUD did not impose this restriction. The Center applied for and received a grant that paid less than fair market rents. As a result, the Center has eligible expenses that it cannot charge to the grant. To date, the Center has paid over \$12,000 from its operational account for rental assistance to grant participants. In addition, the Center is spending the leasing portion of the Homeless Families grant faster than the supportive services and administration portion. A HUD Representative said the Center could get along for a while with less than fair market rents, but guesses they will eventually have to do things differently in order to

⁷ Applies to Grant I received in November 1998.

sustain the Homeless Families program. The Center has no guarantee of future HUD funding, so it is imperative that they find other ways to ensure the long-term sustainability of their projects.

The Center is expending its SAMI grant leasing funds at a slower than expected rate. The primary reason is that the participants are difficult to place in suitable housing. In addition to the substance abuse and/or mental illness problems, many of the participants have criminal histories. According to a Center case manager, apartment managers are reluctant to rent to participants with these conditions. Therefore, the Center cannot assist many potential participants due to the hardships associated with finding apartment complexes willing to accept them as tenants.

The Center Overdrew its Grants by \$ 6,995.

The Center incorrectly overcharged the SAMI and Homeless Singles⁸ grants in the amounts of \$1,273 and \$5,722, respectively. The overcharges included: (1) charging full salary expense to the grant as supportive services when one case manager was not paid her full salary (\$3,522); (2) exceeding HUD's 5% limit on administrative expenses (\$2,531); and (3) charging more than it could support for leasing (\$942).

Recommendations:

We recommend that HUD:

- 1A. Require the Center to reimburse its grants for the \$46,400 that it paid in rental assistance for the six ineligible participants.
- 1B. Require the Center to reimburse its grants for the associated administrative costs (\$2,320) for the six ineligible participants.
- 1C. Require the Center to follow HUD requirements and its policies to ensure that it allows only eligible participants into its programs.
- 1D. Require the Center to develop and implement the necessary procedures and systems to collect relevant data and accurately report on its performance.
- 1E. Require the Center to reimburse its grants for the \$6,995 that it paid in incorrect supportive services and administration charges.

⁸ Applies to Grant III received in August 1998.

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