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# AUDIT REPORT



***SUPPORTIVE HOUSING PROGRAM GRANTS  
ADMINISTERED BY THE  
CITY OF SEATTLE AS PART OF THE  
SEATTLE-KING COUNTY  
CONTINUUM OF CARE STRATEGY***

2001-SE-251-1001

AUGUST 15, 2001

OFFICE OF AUDIT, NORTHWEST/ALASKA  
SEATTLE, WASHINGTON

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Issue Date	August 15, 2001
Audit Case Number	2001-SE-251-1001

MEMORANDUM FOR: Jack Peters, Director, Office of Community Planning and Development, OAD

(ORIGINAL SIGNED)

FROM: Frank E. Baca, District Inspector General for Audit, OAGA

SUBJECT: Audit of Supportive Housing Program grants administered by the City of Seattle as part of the Seattle-King County Continuum of Care Strategy

This is the final report of our audit of two Supportive Housing Program grants awarded to the City of Seattle as part of the nationwide review of HUD's Continuum of Care Program. The audit resulted in four findings.

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

Should you or your staff have any questions, please call me at (206) 220-5360.

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## Executive Summary

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As part of a nationwide review of HUD's Continuum of Care Program, we audited two Supportive Housing Program grants awarded to the City of Seattle as part of the Seattle-King County Continuum of Care Strategy. We performed the audit to determine if the City of Seattle has adequate management controls and is operating its Continuum of Care programs in a manner that provides reasonable assurance that:

- funds are only expended for eligible program activities and participants;
- costs are eligible and reasonable;
- reported results are accurate and adequately supported; and
- program funds are expended in a timely fashion.

Generally, we found that the Seattle Continuum of Care programs are properly administered, program funds are expended in a timely fashion, and administrative costs did not exceed HUD's limits. Also, the City of Seattle and its providers followed up on the progress of participants after they left the Supportive Housing Programs to measure the program's success in improving the immediate and long-term employability of participants.

We also found that the City of Seattle (City) had management control deficiencies and did not always comply with HUD requirements. Specifically, the City:

*Did not adequately monitor subgrantees.* Consequently, project sponsors and providers charged the grants \$97,038 in ineligible costs that were not related to administering and providing supportive services, and \$70,367 in other unsupported costs.

*Assisted ineligible participants.* City providers were not aware of all HUD requirements for participant eligibility and did not always properly document the homeless status of program applicants. As a result, the City assisted 33 (out of 129 reviewed) individuals that should not have been assisted with program funds.

*Charged questionable administrative funds.* The City used \$72,523 in administrative funds to pay for questionable indirect costs that were not directly related to Supportive Housing Program activities. This occurred because the City did not always adhere to HUD regulations regarding administrative costs.

*Did not provide adequate evidence of measurable results.* The City did not provide information on all its performance measures, and did not have support for some of the data reported to HUD. This occurred because the City did not adequately review progress reports prior to submission.

We are recommending that HUD require the City to reimburse the appropriate Supportive Housing Program grants for the ineligible amounts, and provide supporting documentation or reimburse the appropriate grants for the unsupported amounts. Also, the City needs to

implement management controls to provide reasonable assurance that costs and participants are eligible and properly accounted for, and reported results are supported.

We provided the City with a draft report on June 14, 2001 and discussed the findings with City officials at an exit conference on June 21, 2001. The City responded with written comments to the draft report on July 20, 2001, generally disagreeing with the findings. The Findings section of this report summarizes and evaluates the City's comments. A copy of the City's full response, without attachments, is included in Appendix B. The attachments included with the written comments are available upon request.

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## Abbreviations

APRs	Annual Progress Reports
City	City of Seattle
CFR	Code of Federal Regulations
FPA	Freemont Public Association
HUD	Housing and Urban Development
NOFA	Notice of Funding Availability
OIG	Office of Inspector General
Providers	Non-profit agencies
SCC	Seattle Conservation Corps
SHP	Supportive Housing Program
WDC	Workforce Development Council
YWCA	Young Women's Christian Association

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## Introduction

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Background
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Each fiscal year, HUD announces through a Notice of Funding Availability (NOFA) competition designed to help communities develop a Continuum of Care system to assist homeless persons. Such a system should address the specific needs of each homeless subpopulation: the jobless, veterans, homeless persons with serious mental illnesses, persons with substance abuse issues, persons with HIV/AIDS, persons with multiple diagnoses, victims of domestic violence, runaway youth, and other homeless persons.

***Basic components of a Continuum of Care system.*** The primary purpose of the NOFA is to fund projects that will fill gaps in locally developed Continuum of Care systems to help homeless persons move to self-sufficiency and permanent housing. The NOFA further described the basic components of a Continuum of Care system as:

- Outreach and assessment to identify an individual's or family's needs, and make connections to facilities and services.
- Immediate (emergency) shelter, and safe, decent alternatives to the streets.
- Transitional housing with appropriate supportive services to help people achieve independent living.
- Permanent housing or permanent supportive housing arrangements.

***HUD homeless programs.*** Three of HUD's six Special Needs Assistance Programs (SNAPs) or Homeless programs are 100 percent competitively funded through the Continuum of Care Program as authorized by the Stewart B. McKinney Homeless Assistance Act. The HUD Office of Community Planning and Development administers these programs, which include the following:

- Supportive Housing Program (SHP),
- Shelter Plus Care (S+C), and
- Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO).



***Supportive Housing Program.*** The Supportive Housing Program is designed to promote the development of supportive services. The supportive services are designed to address the special needs of the homeless persons served by the project. Services may be provided directly by the project sponsor through an agreement with the grantee, and/or through arrangements with public or private service providers.

***The Seattle-King County Continuum of Care Strategy.*** Seattle-King County implemented a Continuum of Care Strategy that provides for a “regional” system of emergency shelters, transitional and permanent housing, and a range of supportive services. The region has enjoyed a strong homeless provider coalition since 1979. The coalition is a group of committees comprised of non-profit organizations, homeless individuals, mainstream services, and various public and private entities that helps to shape and participates in Continuum of Care planning.

The City of Seattle’s segment of the Continuum of Care program addresses trends and needs within the City, whereas the King County segment focuses on the suburban and rural areas outside Seattle.

***Supportive Housing Program grants awarded to the City of Seattle.*** For fiscal years 1996 through 1998, HUD awarded the City of Seattle \$26,016,567 in Supportive Housing Program grants under the Seattle-King County Continuum of Care Strategy:

<u>Grant Year</u>	<u>Number of SHP Grants</u>	<u>Authorized Amount</u>
1996	11	\$13,439,254
1997	7	8,494,777
<u>1998</u>	<u>5</u>	<u>4,082,536</u>
<b><u>Totals</u></b>	<b><u>23</u></b>	<b><u>\$26,016,567</u></b>

***Description of grants included in our audit.*** We selected for review, the two largest Supportive Housing Program grants awarded to the City of Seattle for fiscal years 1996 and 1997. The City entered into agreements with the Fremont Public Association and the Workforce Development Council to implement two programs called “Solid Ground” and “Homeless Intervention Project,” respectively.

Solid Ground project, sponsored by the Fremont Public Association. SHP grant number WA19B96-0801 was a new grant, with an original term of three years. Including a one-year extension, the grant period was from May 1, 1997 through April 30, 2001. The grant award was for \$2,298,658 and through the end of the grant period, \$2,050,040 had been spent.

**Grant Number WA19B96-0801**

<b>Allocations:</b>	<b>Award</b>	<b>Expended</b>
Supportive services	\$2,189,198	\$1,947,892
Administration	109,460	102,148
<b>Totals</b>	<b><u>\$2,298,658</u></b>	<b><u>\$2,050,040</u></b>

Solid Ground helps the homeless obtain housing. The program is a coordinated, countywide service delivery system helping homeless families in obtaining essential services and transitioning to permanent housing. The project provides comprehensive case management, housing search, and a wide range of supportive services such as assisting clients in dealing with the issues surrounding their homelessness.

The Fremont Public Association waived the use of administrative funding, so that all administrative funds under this grant would be available to the City.

Homeless Intervention Project, sponsored by the Workforce Development Council.<sup>1</sup> SHP grant number WA19B97-0828 was a two-year renewal grant, with a grant period, including extension, from November 30, 1998 through January 31, 2001. The grant award was for \$2,125,482 and through the end of the grant period \$1,999,438 had been spent.

**Grant Number WA19B97-0828**

<b>Allocations:</b>	<b>Award</b>	<b>Expended</b>
Supportive services	\$2,024,269	\$1,899,703
Administration	101,213	99,735
<b>Totals</b>	<b><u>\$2,125,482</u></b>	<b><u>\$1,999,438</u></b>

<sup>1</sup> The Seattle-King County Private Industry Council (PIC) was the original project sponsor. In 1998, PIC assigned its rights and obligations to the Workforce Development Council.

Homeless Intervention Project assists homeless individuals and families in moving out of homelessness by obtaining the skills necessary to enter and retain employment, and become self-sufficient. Under cost-reimbursable contracts, the Workforce Development Council contracted with four non-profit agencies (providers) to provide supportive services: the Young Women's Christian Association (YWCA), the Seattle Conservation Corps, the Washington State Employment Security Department, and FareStart.

- The YWCA services are designed to support the participants as they prepare for and enter sustaining employment. Services include case management, training and employment support, housing, counseling and referral, childcare, food and clothing banks. Many of the YWCA's homeless participants are domestic violence victims, single head of households and/or single women with little or no job skills.
- The Seattle Conservation Corps (SCC) is a comprehensive return to work program for homeless adults. The program provides paid work experience, case management, support services including available mental health counseling and substance abuse treatment, individualized educational opportunities and life skills training in an on-site learning center, and job search and placement assistance with a staff job developer. The majority of SCC participants are single adults with multiple barriers to gaining and/or retaining employment.
- The Washington State Employment Security Department has the Homeless Employment Project that is designed to provide rapid response employment services for work ready homeless adults. Job search activities and employment retention are supported with referrals to other community services and with direct application of program funds for such things as shelter, bus fare, appropriate work clothing or tools, identification documentation, professional licenses, rental assistance, and other services.

- FareStart prepares men and women for employment in the food service industry. It operates food service businesses that provide the vehicle for FareStart students to learn and practice food service skills. The 16 week, forty hour per week program includes technical skills, job readiness, basic needs, and job placement and retention.

Unlike the Fremont Public Association grant, the City and Workforce Development Council shared the administrative funds under this grant. The Workforce Development Council's contracts with the providers only provide for supportive services costs, except that some administrative costs were granted to the Washington State Employment Security Department.

<p>Objectives, Scope, and Methodology</p>
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Our objectives were to determine whether the City of Seattle (a) has adequate management controls, and (b) is administering its Supportive Housing Programs in a manner that provides reasonable assurances that:

- funds are only expended for eligible program activities and participants;
- costs are eligible and reasonable;
- reported results are accurate and adequately supported; and
- program funds are expended in a timely fashion.

To achieve the audit objectives, we selected two Supportive Housing grants awarded to the City of Seattle. We examined grant files, analyzed the supporting documents for expenses, and reviewed the participant files. We reviewed applicable criteria including the Office of Management Budget Circulars A-87, "Cost Principles for State, Local and Indian Tribal Governments" and A-122, "Cost Principles for Non-Profit Organizations." We held discussions with staffs of the City, project sponsors, and supportive service providers regarding their methods of accounting for funds and client services. We also held discussions with the local officials from the Office of Community Planning and Development.

Our audit of selected Supportive Housing Program grants generally covered the period May 1, 1997 through December 30, 2000, although we extended this period as appropriate. We performed audit fieldwork at offices of

the City of Seattle, project sponsors, and subcontractors from October 2000 to March 2001.

We conducted the audit in accordance with the generally accepted government auditing standards.

## Inadequate Monitoring of Subgrantees Results in Questionable Costs

**Project sponsors and providers charged the Supportive Housing Program grants \$167,405 in questionable costs, including \$97,038 in ineligible costs and \$70,367 in unsupported costs. These questionable costs might have been avoided if the City performed adequate and timely financial reviews to ensure project sponsors and service providers met applicable Federal requirements.**

Eligible costs for Supportive Housing Program grants

HUD regulations governing the Supportive Housing Program allow for supportive services costs and administrative costs.

Supportive services costs: 24 CFR 583.120, *Grants for Supportive Services Costs* states:

“HUD will provide grants to pay...for the actual costs of supportive services for homeless persons for up to five years. All or part of the supportive services may be provided directly by the recipient or by arrangement with public or private service providers. Costs associated with providing supportive services include salaries paid to providers of supportive services and any other costs directly associated with providing such services.”

Administrative costs: 24 CFR 583.135, *Administrative Costs* states:

“Up to five percent of any grant awarded under this part may be used for the purpose of paying costs of administering the assistance. Administrative costs include the costs associated with accounting for the use of grant funds, preparing reports for submission to HUD, obtaining program audits, similar costs related to administering the grant after the award, and staff salaries associated with these administrative costs.”

City responsible for making sure grant activities comply with program requirements

Federal regulations and the grant agreement make the City responsible for monitoring grant activities. HUD regulations at 24 CFR 85.40 state: “Grantees are responsible for managing the day to day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure

compliance with applicable Federal requirements... Grantee monitoring must cover each program, function or activity.” The Supportive Housing Program grant agreements between the City and HUD state: “The recipient agrees to comply with all requirements of the Grant Agreement, and to accept responsibility for such compliance by any entities to which it makes grant funds available.”

Subgrantees charged the grants \$97,038 in ineligible costs

The Fremont Public Association and the Workforce Development Council and two of its providers charged the projects \$97,038 for costs that were not related to administering and providing supportive services under the Supportive Housing Program grants.

The Fremont Public Association charged the Solid Ground project \$74,228 in ineligible costs. The \$74,228 included \$67,933 in administrative costs. These administrative costs were ineligible because these were charged against supportive service funds of the grant. The charges were also unsupported because they were based on budget estimates rather than actual expenditures. Further, in its agreement with the City, the Fremont Public Association waived the use of administrative funding. The waiver allowed the City to claim the five percent in administration costs that HUD permits under the grant. In addition, the Fremont Public Association charged the project \$6,295 in other costs not related to providing supportive services under the grant.

The Workforce Development Council and two of its providers charged the Homeless Intervention Project \$22,810 in costs unrelated to providing supportive services. The \$22,810 included \$3,701 charged by the Workforce Development Council for costs not related to administering the project. Further, the Washington State Employment Security Department and the YWCA charged the project \$11,098 and \$8,011, respectively, for costs not related to administering and providing supportive services.

Over \$70,000 in questionable salary and occupancy costs charged to the Homeless Intervention Project

Two providers, YWCA and the Seattle Conservation Corps, could not support approximately \$70,367 in administrative salary and occupancy expenses allocated to the Homeless Intervention Project.

The YWCA charged about \$62,205 in salary and occupancy charges that were not directly related to the project. The \$62,205 included an estimated \$58,724 in

salary costs for eight administrative staff and the Associate Director of Employment, and \$3,481 in office space costs. The YWCA charged the entire salary and occupancy costs for the eight administrative staff to the project. However, the Associate Director of Employment Services said that about 85 percent of these employees time (amounting to \$51,968) related to administrative activities and not direct supportive services activities. The estimated office space charges related to the eight staff for 85 percent of their time totaled \$3,481. The YWCA's contract with the Workforce Development Council did not allow administrative costs. In addition, the Associate Director of Employment said that about 10 percent of his own time did not relate to supportive services activities, which amounted to \$6,756.

The Seattle Conservation Corps charged the entire salary of the Lead Case Counselor/Manager to the project. However, the Lead Case Counselor/Manager said she spent about 10 percent of her time working on administrative duties not directly related to providing supportive services. The estimated \$8,162 in costs associated with these administrative activities (representing 10 percent of the Lead Case Counselor/Manager's salary) are not eligible supportive services costs under the grant.

Timely and adequate financial reviews could have prevented questionable costs

The project sponsors and providers could not adequately explain why they incurred the questionable costs. Nevertheless, it was the City's responsibility to properly oversee grant expenditures of the sponsors and providers. We found that the City did not perform financial monitoring reviews adequately or often enough to ensure that activities and costs charged to the grants met Federal requirements.

City officials said they perform programmatic as well as comprehensive reviews of project sponsors:

- A programmatic review is to be done annually. This review looks at whether the project is operating as proposed in the application and as reported in the Annual Performance Reports. The review includes target population, people served, services provided, and level of capacity. Also, the reviewer must examine the participant's progress toward the program objectives for each of the three HUD goals: residential stability, increased skills or income, and greater self-determination.



- A comprehensive review is to be performed every three years, and includes reviewing the financial management of an agency or a project sponsor.

We found that the City performed one comprehensive review of the Fremont Public Association grant more than two years into the grant period, and performed no comprehensive reviews of the Workforce Development Council grant. Further, the City's comprehensive review of the Fremont Public Association grant noted no questionable expenditures.

Based on the audit results, we concluded that the City does not perform financial reviews of its Supportive Housing Program grants adequately or often enough to ensure compliance with program requirements. As such, the City did not perform its post award responsibility, which is to adequately monitor the Supportive Housing Programs activities or functions to provide reasonable assurance that these were carried out in accordance with Federal rules and regulations.

Given that our audit only covered two of 23 Supportive Housing grants awarded to the City of Seattle for fiscal years 1996, 1997, and 1998, similar problems may exist in its other grants.

Auditee Comments
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The City does not agree with the finding that its monitoring of grantees is inadequate. The City took very specific steps well before the Office of Inspector General (OIG) visit to strengthen this aspect of its programming. The City believes it has a thorough compliance monitoring policy regarding the Supporting Housing Program that is implemented consistently and works to assure grant activities comply with program requirements.

Many of the costs listed by the OIG as ineligible, particularly staff training for the YWCA and some elements in the Workforce Development Council (WDC) cost allocation plan, had already been resolved and reimbursed as the result of a regularly scheduled HUD monitoring of the WDC on September 27, 2000.

Further, the unsupported costs attributed to the Workforce Development Council partner agencies seem to be based on brief conversations with program staff.

<p>OIG Evaluation of Auditee Comments</p>
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The audit results found that the City neither adequately implemented its comprehensive review policy nor performed timely monitoring. This is clearly shown where the City's comprehensive review of the Fremont Public Association chose not to test eligibility of program costs and participants. Additionally, we found that the City performed a comprehensive review of the Fremont Public Association grant more than two years into the grant period, and performed no comprehensive review of Workforce Development Council grant. Further, the City did not conduct yearly onsite monitoring as required.

We confirmed that the City of Seattle resolved HUD's finding on \$1,502 of the ineligible costs. In May 2001, HUD took corrective action by reducing the City's May 2001 drawdown of Supportive Housing Program funds from grant WA19B97-0828 to compensate for \$1,502 in ineligible grant expenditures. The draft report did not discuss this because HUD's corrective action was taken after our audit fieldwork. We revised our report to decrease the ineligible costs by \$1,502.

OIG staff performed adequate audit work, including reviewing accounting records and interviewing auditee and provider staff, to determine whether costs were ineligible or unsupported, and unallowable under the grant and Federal rules and regulations.

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## Recommendations:

We recommend that HUD require the City to:

- 1A. Reimburse the appropriate Supportive Housing Program grants \$97,038 from non-federal funds for ineligible costs paid from grant funds.
- 1B. Provide supporting documentation or reimburse the appropriate Supportive Housing Program grants \$70,367 from non-federal funds for questionable costs paid from grant funds.
- 1C. Develop and implement an adequate financial monitoring plan that will ensure that grant expenditures, including expenditures by project sponsors and supportive service providers, are eligible and supported.
- 1D. Perform at least annual financial reviews of all Supportive Housing Program expenditures.

## Finding 1

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- 1E. Require project sponsors and providers to revise their cost allocation practices and procedures to prevent future allocations of ineligible costs to the grants.

We also recommend you:

- 1F. Periodically review City grant expenditures, including expenditures by project sponsors and providers, to ensure costs are eligible and supported.

## Supportive Housing Program Providers Did Not Have Evidence to Support Homeless Eligibility

**Supportive Housing Program providers did not always have evidence to support the homeless status of individuals who were living with relatives and friends when they entered the program. Consequently, the Supportive Housing Program projects may not have served the intended population and may have used grant funds to assist ineligible participants. This occurred because the City of Seattle and providers were not fully aware of HUD requirements related to participant eligibility and documentation.**

<p>HUD homeless eligibility requirements</p>
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For purposes of the McKinney Act (Section 103), the term “homeless” or “homeless individual or homeless person” includes:

- an individual who lacks a fixed, regular, and adequate nighttime residence; and
- an individual who has a primary nighttime residence that is –
  - (a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
  - (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or
  - (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

Comments to the Final Rule (24 CFR 583) published in the July 19, 1994, Federal Register, demonstrates HUD’s clear intent that individuals staying with family and friends are not part of the population to be served. In responding to commenters that felt HUD should expand the definition of homelessness, including a commenter who recommended that the definition include individuals living with family and friends, HUD responded that it “...does not believe that the current interpretation of homelessness need be expanded as suggested. The Department’s focus remains on serving the most needy. This is most readily determined by the test that a person is homeless if, without HUD

assistance, she or he would have to spend the night in a shelter or in a place not meant for human habitation.”

The SHP grants may have paid for ineligible participants

We reviewed 129 of 1,427 participant files maintained by the supportive service providers to determine (a) whether participants qualified as homeless and, if applicable, disabled, and (b) whether the providers were tracking individuals who had left the program. We found that the providers kept track of participants who left the program. However, the participant files did not always show that the individuals qualified as homeless; specifically, we found that of the 129 participants reviewed:

- 96 were eligible. The files of these participants contained adequate documentation to support their eligibility to participate in the program; and
- 33 were ineligible. The files of these participants contained documentation showing they were living with friends and relatives at the time they entered the program.<sup>2</sup>

Providers	SHP Grant Numbers	Participants		Total
		Eligible	Ineligible	
Fremont Public Association	WA19B96-0801	27	23	50
Washington State Employment Security Department	WA19B97-0828	17	2	19
Seattle Conservation Corps	WA19B97-0828	20	0	20
FareStart	WA19B97-0828	15	5	20
YWCA	WA19B97-0828	17	3	20
		<b>96</b>	<b>33</b>	<b>129</b>

The City and providers were not fully aware of homeless eligibility requirements

Based on the interview results, it appeared that the City and supportive service providers were not fully aware of HUD’s eligibility requirements. The City thought that providers could simply accept an individual’s statement that they were being evicted from a relative’s or friend’s residence without obtaining any confirming documentation. Fremont Public Association staff said they believed that clients staying with friends and families were eligible for the program. They said they had served this population

<sup>2</sup> HUD’s Policy Guide or Supportive Housing Program Desk Guide states that, for persons being evicted by their family, there should be a statement describing the reason for eviction signed by the family member. In other cases where there is no formal eviction process and for circumstances beyond the person’s control, the grantee must obtain a signed statement from the participant and also make efforts to confirm that the circumstances are true.

since the beginning of the program, and were aware of other McKinney Act's Supportive Housing Program providers that served this same population. Washington State Employment Security Department staff stated it has been using the Department of Labor requirements for homelessness.

Auditee Comments

The City states it follows reasonable and sound practices to document homelessness based on its years of experience and using the information received from HUD. The City is confident that both programs were administered in compliance with all HUD guidelines on the subject of participant eligibility available to it for the time period under review by the OIG.

The City stated that in October 2000, the local HUD office conducted a one-day Operations Workshop where they introduced a HUD Supportive Housing Program Desk Guide, which the City had never seen before. The Desk Guide made clear for the first time the type of documentation the City needed to maintain for persons with no fixed regular nighttime residence, but able to stay with friends and family. Both programs immediately implemented the clarification received from HUD and the City continues to work with all of its project sponsors on this issue.

OIG Evaluation of Auditee Comments

The City generally concurs with our finding but contends that the type of documentation of homelessness needed was not clear until HUD introduced the Supportive Housing Program Desk Guide in October 2000. HUD has provided the City and subgrantees enough information during and after executing the grant agreements. Such information included the SHP grant agreements, Supportive Housing Program rules and regulations, memoranda and notification letters that describe homeless eligibility requirements and how to document the eligibility of prospective homeless program participants. Additionally, the McKinney Act or the 24 CFR 583 is clear on the SHP eligibility requirements on homeless individuals. The City, as the grantee of the SHP grants, has the responsibility to ensure that project sponsors and providers maintain adequate source documentation for program participant costs charged to grants.

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## **Recommendations:**

We recommend that HUD require the City to:

- 2A. Ensure that providers maintain adequate documentation to support homeless eligibility, especially as regards to individuals living with relatives and friends.
- 2B. Require its project sponsors to provide technical assistance to providers and ensure the providers maintain adequate documentation on homeless eligibility, especially as regards to individuals living with relatives and friends.

## The City Charged Questionable Administrative Costs to Supportive Housing Program Grants

**The City used grant funds to pay for questionable administrative costs that are not directly related to Supportive Housing Program activities. For the two Supportive Housing Program grants reviewed, the City had charged \$72,523 in questionable costs at the time of our review. In our opinion, this occurred because the City did not always adhere to HUD regulations regarding eligible administrative costs.**

Eligible administrative costs

HUD regulations, 24 CFR 583.135, *Administrative Costs* state:

“Up to five percent of any grant awarded under this part may be used for the purpose of paying costs of administering the assistance. Administrative costs include the costs associated with accounting for the use of grant funds, preparing reports for submission to HUD, obtaining program audits, similar costs related to administering the grant after the award, and staff salaries associated with these administrative costs.”

The City’s share and use of administrative funds

Under the Solid Ground project (SHP grant WA19B96-0801), the Fremont Public Association waived the use of administrative funds, thus making these funds available to the City. As of December 2000, the City had drawn down \$95,052 of these funds. Of the \$95,052, the City spent \$45,625 for administrative costs directly related to the project and \$49,427 for questionable administrative costs.

For the Homeless Intervention Project (SHP grant WA19B97-0828), the City agreed to share administrative funds with the Workforce Development Council (WDC). As of October 2000, the grant had been charged \$62,436 for administrative costs. Of the \$62,436, the City’s and WDC’s share was \$23,096 and \$39,340, respectively. The City used its share to pay for questionable costs associated with administering grants.

Indirect costs may not be eligible administrative costs

The \$49,427 and \$23,096 in indirect cost that the City allocated to the Solid Ground and Homeless Intervention Project grants, respectively do not directly relate to administration of the Supportive Housing Program grants. The indirect costs are general operating costs of the City



and as such HUD has no assurance that these are administrative costs related to the Supportive Housing Program activities. The City indicated it has always followed this practice. The regulations regarding administrative costs are clear. We therefore concluded that the City did not always adhere to HUD requirements regarding eligibility of administrative costs.

Auditee Comments
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The City of Seattle does not concur with the finding that it used \$72,523 in administrative funds to pay for ineligible costs not directly related to the Supportive Housing Program. It further believes that it is misleading to say that the City disregarded HUD requirements regarding the eligibility of administrative costs.

The administrative costs charged to the Supportive Housing Program are expenditures directly related to staff and operating costs required to administer the McKinney (homeless) grants. Because of this large volume of transactions and small dollar amount, it is more practical and efficient to record all McKinney administration costs in a single cost center for distribution to active grants. The regulations set forth in 24 CFR 85.20 (b)(5), 24 CFR 85.22 (b) and OMB Circular A-87 allow the establishment of cost pools for distributing costs when it is practical to do so. Based on these regulations, the City established a single cost center designated specifically for the collection of the direct McKinney grant administration costs. Although the administrative costs lose their line item identity in the individual grant projects, the individual transactions are still traceable to their sources and the accompanying documentation.

The administrative costs charged by the City to the homeless grants are directly related to the administrative duties outlined in the technical submissions for both grants. The expenditures in the McKinney grant administrative cost center consist of the salary and benefit costs of the City staff who administer the McKinney grants plus operating costs that are associated with administering the grant. All of these costs are directly associated with the performance of the duties listed in the technical submission.

OIG Evaluation of Auditee Comments
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Based on the City's response we revised the report to state that the costs are questionable instead of ineligible, and the City did not always adhere to HUD regulations.

It is a common practice for accounting systems to distribute costs to appropriate cost centers, and the City should only charge for costs that are eligible under specific grants. The Federal regulations regarding Supportive Housing Program administrative costs are clear. Although the City's administrative costs in its Allocation Plan were allowable under OMB Circular A-87, some of these costs were not eligible administrative costs but met the definition of operating costs under the McKinney Act or 24 CFR 583.

Also, based on our review results, we determined that the City's administrative costs charged to the SHP grants could neither be traced nor associated with the City's performance of the administrative activities set forth in its Technical Submissions. Further, our review indicated that the City did not maintain documentation to support the specific administrative costs charged to a specific SHP grant. For example, the staff timesheets did not show the actual hours spent on a specific SHP grant but rather showed actual hours spent for all grants.

HUD officials told us that they have in the past verbally notified the City that indirect costs are not allowable administrative costs. Further, the grants we reviewed are specific in what are allowable administrative costs, which normally should be *direct* administrative costs. The City should not be charging indirect costs to grants unless the grant provisions specifically permit this.

Based on the City's comments, we revised the recommendations to reflect the costs as questionable instead of ineligible.

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## Recommendations:

We recommend that HUD:

- 3A. Determine if the City's method of charging administrative costs to Supportive Housing Program grants complies with HUD requirements.

### Finding 3

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If the City's method of charging administrative costs does not meet HUD requirements, then we further recommend HUD require the City to:

- 3B Reimburse from non-federal funds part or all of the \$49,427 administrative costs charged to SHP grant number WA19B96-0801 as of December 2000, that HUD determines are ineligible as well as any other ineligible administrative costs charged subsequently.
- 3C. Reimburse from non-federal funds part or all of the \$23,096 administrative costs charged to SHP grant number WA19B97-0828 as of October 2000, that HUD determines are ineligible as well as any other ineligible administrative costs charged subsequently.
- 3D. Comply with HUD requirements regarding eligible administrative costs for all its Supportive Housing Program grants.

## The City Needs to Improve Its Reviewing and Reporting of Measurable Results

**The City did not ensure that it reported complete and accurate information to HUD regarding measurable results of its homeless grants. Without reliable information, HUD and the City may incorrectly assess program progress and accomplishments. The City needs to improve its monitoring and review of Annual Progress Reports prior to submitting the reports to HUD.**

Monitoring and reporting requirements
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Federal regulations at 24 CFR 85.40 state that:

“Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity....Performance reports will contain ... information on comparison of actual accomplishments to the objectives established for the period....”

The Agency Contracts executed between the City and its project sponsors (Fremont Public Association and Workforce Development Council) include the following provisions:

Section II (Reports and Information) states: “The Agencies shall furnish periodic reports ...including assessments of the effectiveness of the services provided, in meeting the goals and objectives....”

Exhibit A-3 (Reporting Requirements) states: “The Agency and the Subcontractors will coordinate the preparation of the Annual Performance Report to HUD, collecting the necessary information from subcontractors, and will submit a completed annual report to the City which in turn will be responsible for final review of the report and submission to HUD.”

The City gave the Fremont Public Association and the Workforce Development Council the administrative responsibility to prepare and complete the Annual Progress Reports (APRs) for SHP grant numbers WA19B96-0801 and WA19B97-0828, respectively. The City had the

responsibility to review what FPA and WDC prepared and reported.

The City did not meet all its planned performance measures or goals

In its most recent (1998) Annual Progress Report under Supportive Housing Program grant number WA19B97-0828 (the Homeless Intervention Project), the City did not implement or report on the progress of the “Customer Satisfaction” performance measure. For this measure, the City had planned to but did not survey participants contacted at follow-up regarding their satisfaction with the program, and ask the program participants how the strategy could be improved. In its most recent (1999) Annual Progress Report under Supportive Housing Program grant number WA19B96-0801 (the Solid Ground Project), the City did not implement a goal to set up a countywide housing resource database. It appears this goal was unrealistic for the program due to the nature of available housing; and the high cost of setting up such a database. However, the City did not notify HUD that this goal would not be implemented.

The City did not adequately support what it reported to HUD

The backup documents did not accurately support some of the data the City reported to HUD under the Supportive Housing Program grant for the Homeless Intervention Project.

<b>Referrals</b>	<b>Data reported</b>	<b>Data from supporting documents</b>
Number who did not enter the program	560	519
Number who entered the program	381	422
Number who refused to participate	91	50

In addition, the backup documents did not support the progress reported on the “Housing Upgrades” performance measure of this grant. The supporting document showed 44 percent progress, while the progress reported was 55 percent.

Neither were the measurable results for the Solid Ground Project grant always adequately supported. Only two of nine measurable results reported in the 1999 Annual Progress Report for this grant were adequately supported.

The City needs to improve its grant administration

The City is responsible for reviewing the Annual Progress Reports before submitting them to HUD. According to the City’s Human Services Department Program Specialist,

City staff reviews the APRs prior to submission, but does not document their review. The City's McKinney Grant Management official said staff reviews Annual Progress Reports for completeness, compliance, accuracy, and to determine if the program is accomplishing its goals, and the right population is being served. She said the review is generally not documented however, the City notifies providers if the review discloses major deficiencies. However, based on the audit results, we believe the City needs to improve its review of Annual Progress Reports and supporting documents to ensure that the data and progress reported are accurate and adequately supported.

Because the City did not provide adequate evidence of measurable results, HUD might incorrectly assess the programs' progress and accomplishments as well as the City's performance under the two SHP grants. The Annual Progress Report is one of the instruments HUD uses annually when (1) assessing a program's progress and accomplishments as well as a grantee's performance; and (2) selecting which grantees to monitor.

Auditee Comments
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The City of Seattle accepts the finding as presented in the draft audit report. However, it does not agree with some of the conclusions drawn from the finding.

The City agrees that the Workforce Development Council identified the collection of customer satisfaction surveys as a performance measure in its Supportive Housing Program grant application. As agreed, it also consistently collected and maintained the survey information for every individual contacted at follow-up. However, in reviewing its records, the City believes this measure was not viewed as a true measure of performance when negotiating the City's contract with the WDC. As a result, it was not included in the City's contract with WDC as a reportable item to HUD. Thus, it was not set-up to be tracked in the WDC management information system. A similar situation existed with the Solid Ground program. The regional housing database was an ambitious goal complimenting Solid Ground's regional vision for serving families. In the early stages of implementation it became clear that such a database was cost prohibitive and beyond the scope of the project. In hindsight, HUD should have been formally advised of these changes and the items should have been removed.

The Workforce Development Council underwent a major organizational change during the first operating year of this grant. The reporting errors cited in the OIG report are attributable to new staff not being familiar with either reporting on the Annual Performance Report (this error was caught and changed prior to approval of the APR) or the database (staff resorted to hand calculations, resulting in mathematical error). The City does not anticipate these types of errors will be repeated.

The OIG audit observed that the measurable results for the Solid Ground program were not always adequately supported. The City noted in its site visit conducted in January 2000 that information in the database was difficult to retrieve. The City recommended that the client files be tied directly to the database so that information can be easily accessed and tied to participant activities and achievements. It is the City's understanding that FPA was in the process of refining its database and adding additional fields to assure this.

OIG Evaluation of Auditee Comments
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Our review results indicated that the City could not adequately support its reporting of measurable results. This was due to its lack of adequate monitoring and review of Annual Progress Reports prior to submitting these to HUD. As required, the City must report to HUD its progress on performance measures or goals set forth in its Technical Submissions, and its reasons why a planned performance measure or a goal would not be implemented. The City must also ensure that what it claimed in its reports is complete, accurate and adequately supported.

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## Recommendations:

We recommend that HUD require the City to implement procedures to:

- 4A. Ensure that Annual Progress Reports include all performance measures and goals.
- 4B. Ensure that information reported in Annual Progress Reports is complete, accurate and adequately supported.
- 4C. Require its project sponsors to maintain adequate documentation and only report information that is supported.

## Schedule of Questioned Costs

<u>Recommendation Number</u>	<u>Ineligible Costs</u>	<u>Unsupported</u>
1A	\$97,038	
1B		\$ 70,367
3B		\$ 49,427
3C		\$ 23,096
<b>Totals</b>	<u>\$97,038</u>	<u>\$142,890</u>

Ineligible costs are costs that are clearly not allowed by law, contract, or HUD regulations or requirements.

Unsupported amounts are not clearly eligible or ineligible, but warrant being contested for various reasons, such as lack of satisfactory documentation to support eligibility.



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# City of Seattle

Paul Schell, Mayor

## Human Services Department

Venerria L. Knox, Director

**RECEIVED**

JUL 20 2001

HUD/OIG AUDIT  
SEATTLE, WA

July 20, 2001

Frank E. Baca  
District Inspector General for Audit  
US Department of Housing and Urban Development  
Office of Inspector General  
909 First Avenue, Suite 125  
Seattle, Washington 98104-1000

Re: Draft Audit Report - Supportive Housing Programs Administered by the City of Seattle

Dear Mr. Baca:

During the period from October 2000 through May 2001, a team of Auditors from the Office of Inspector General (OIG) conducted a review of two Supportive Housing Grants (SHP) awarded to the City of Seattle as part of the Seattle King County Continuum of Care Strategy. The OIG reviewed the 1996 SHP grant award (HUD grant # WA19B96-0801) to the Fremont Public Association for its Solid Ground Program and the 1997 SHP grant award (WA19B97-0828) to the Work Force Development Council for its Homeless Intervention Program.

The results of that review were conveyed to the City of Seattle in a letter received on June 14, 2001. Ron Jilg and Rose Capalungan of your staff also presented their preliminary report during an exit conference conducted with city staff on June 29, 2001. The City of Seattle appreciates the opportunity to review and comment on the results of your review and clarify issues that might be inaccurate, misleading or incomplete. We have coordinated our response with both the Fremont Public Association and the Workforce Development Association.

The Seattle King County Continuum of Care is a complex and comprehensive program designed to fight homelessness by linking key services to achieving and maintaining permanent housing. Both Solid Ground and the HIP programs play an important role in this strategy and are two of the largest programs funded by the City's grant. They are both dedicated and responsive to the needs of the homeless population of Seattle and work hard to adhere to SHP requirements and regulations of the McKinney Act. They were also two of our first Supportive Services Only grants.

Our response to each of the four identified concerns in the draft OIG report are noted below:

1. **The City of Seattle charged unsupported and ineligible administrative, operating, and indirect costs that were not related to providing supportive services to the two SHP grants under review because it did not adequately monitor its grantees.**

The City does not agree with the finding that it's monitoring of grantees is inadequate. The City took very specific steps well before the OIG visit to strengthen this aspect of its programming. We believe we



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have a thorough compliance monitoring policy regarding the SHP program that is implemented consistently and works to assure grant activities comply with program requirements. The City of Seattle monitors the performance of those who receive SHP program grants in three basic ways:

**a. Site Visits:** HSD staff perform regular site visits and complete a Supportive Housing Program Site Visit Evaluation Form for each scheduled project. These visits are thorough and involve a series of detailed questions on an array of issues involving the Referral Process, Homelessness Eligibility, Services, Program Operations/Persons Served and Outcomes. The purpose of the site visit is to conduct an evaluation of the SHP program to not only view actual implementation of the project but to assure projects are operating in conformance with their application, the technical submission and most importantly in conformance with SHP program requirements. For each question on the evaluation form there is text that provides guidance on where the information should be found. The review looks at written materials, including homeless eligibility documentation, reviews client files and verifies information presented in the APR, particularly program outcomes. HSD issues a written report and where weaknesses are found, the findings of the visit are used to strengthen and reinforce compliance, including providing technical assistance where appropriate.

**b. Billings:** Project Sponsors submit detailed line item Requests for Payment forms to HSD for payment. These bills are reviewed to ensure expenditures are eligible and consistent with the approved budget in their contracts with HSD. In addition, the contracts with HSD are tightly negotiated to outline specific allowable costs and activities that can be charged to the grant. We oversee grant expenditures on a frequent basis through desk monitoring. HSD has begun to include periodic reviews of the general ledger and trial balance sheets against expenditure reports to verify that costs are being charged appropriately. This has proved very helpful in forestalling questionable costs and reimbursement for certain expenses are denied or correctly re-allocated. The WDC also receives detailed billings from each of its partner agencies, which it uses to monitor eligibility of costs and conformance with the contract.

**c. Review of Annual Progress Reports:** HUD requires that grantees complete an Annual Progress Report (APR). HSD staff review these APR's and uses the information to assess that the program is maintaining the program capacity agreed to in its application, accurately reporting costs, and meeting its program objectives. HSD does not maintain a formal APR review checklist, but APR's are reviewed. Copies of correspondence and notes regarding this review and any subsequent revisions are maintained in the project sponsor files.

In addition to the SHP monitoring activities noted above, the Human Services Department (HSD) also has a policy of completing a comprehensive financial review of its service providers every three years. A staff person who is a CPA and is housed in the Program Support Division of HSD conducts this review. She maintains a comprehensive checklist that tests agency financial systems and controls and actual testing of those controls and transactions. At the time of the OIG visit, only FPA had been visited and a written report was issued. This in-depth financial assessment strongly supplements the routine desk monitoring.

Based upon the above, the City feels that it is misleading to assert that the two project sponsors incurred questionable or ineligible costs as a result of the city's inadequate monitoring. We take the finding contained in the draft audit report very seriously, and want to be sure we understand how the OIG calculated the ineligible costs and on what basis they were found to be ineligible. In fact many of the costs listed by the OIG as ineligible, particularly staff training for the YWCA and some elements in the WDC cost allocation plan, had already been resolved and reimbursed as the result of a regularly scheduled HUD monitoring of the WDC on September 27, 2000.

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Further, the unsupported costs attributed to the WDC partner agencies seem to be based on brief conversations with program staff. There was insufficient time given to us in preparing our written response to address the issues specifically. In the case of the YWCA, we feel there must have been some misunderstanding in concluding that they charged 8 administrative staff to the grant, when the grant only employs, at most, a total of eight (8) staff, including three full time case managers. It is doubtful those interviewed thought they were administrative staff. We simply cannot respond to the finding and the dollar amount attributed to it without research.

**2. The two SHP Program Providers did not have evidence to Support Homeless Eligibility**

The city follows reasonable and sound practices to document homelessness, using the information received from HUD on the issue and our years of experience. We are confident that both programs were administered in compliance with all HUD guidelines on the subject of participant eligibility available to us for the time period under review by the OIG. While the OIG report does not identify the specific files it found problematic, we acknowledge that they may have examined files that did not always have evidence to support the homeless status of individuals living with families and friends when they entered the program.

In October 2000, the local HUD office conducted a one-day Operations Workshop where they introduced a HUD SHP Desk Guide, which we had never seen before. The Desk Guide made clear for the first time the type of documentation we needed to maintain for persons with no fixed regular nighttime residence, but able to stay with friends and family. Both programs immediately implemented the clarification received from HUD and we continue to work with all of our project sponsors on this issue. Attached to this letter is an example of the type of documentation now maintained by our grantees. Additionally, we have enclosed the revised forms now in use by the FPA. All of this work resulted from HUD guidance received in October 2000.

FPA was particularly affected by the new guidance. The City of Seattle faces a significant lack of adequate shelter for homeless families. With the high cost of housing and low vacancy rate in our region, it is very difficult for homeless families to move into permanent housing without assistance from programs like Solid Ground. They are regularly faced with very serious situations that do not fit neatly into the interpretation of homeless. For example, we believe one of the families cited as ineligible by the OIG was a single man living with his three year old daughter in the unheated garage of his parents home. Child Protective Services removed the daughter from the "home", determining it to be unsuitable for human habitation. Under the eligibility rules this family would not be eligible for Solid Ground services, because the father was living with "family".

**3. The City Charged Ineligible Administrative Costs to Supportive Housing Program Grants**

The City of Seattle does not concur with the finding that it used \$72,523 in administrative funds to pay for ineligible costs not directly related to the Supportive Housing Program. It further believes that it is misleading to say that the City disregarded HUD requirements regarding the eligibility of administrative costs. Costs charged to both grants are supported, eligible, and allocable to the SHP program.

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The administrative costs charged to the Supportive Housing Program are expenditures directly related to staff and operating costs required to administer the McKinney grants. The number of individual McKinney grants administered by the City of Seattle is enormous and creates a voluminous amount of accounting transactions. During the period of time that the audited McKinney grants were open, there were a total of 71 open McKinney grants. During this period about 2000 accounting transactions were recorded for direct City administrative costs; the average cost of each of these transactions was approximately \$200, with more than 900 transactions for less than \$70. Potentially, the recording of these costs directly into the open grants could result in 140,000 accounting entries instead of 2000, with many transactions for amounts of less than \$1. Because of this large volume of transactions and small dollar amount, it is more practical and efficient to record all McKinney administration costs in a single cost center for distribution to active grants.

The regulations set forth in 24 CFR 85.20 (b)(5), 24 CFR 85.22 (b) and OMB Circular A-87 allow the establishment of cost pools for distributing costs when it is practical to do so. Based on these regulations, we established a single cost center designated specifically for the collection of the direct McKinney grant administration costs. The expenditures in this cost center are distributed to the individual open McKinney grants periodically throughout the term of each grant. Although the cost center collects the costs in line item expenditure accounts, the costs are allocated to the individual grants in a single expenditure account, called administrative charges. To distribute the pooled costs into the individual grants by each of the expenditure accounts in the administrative cost center would result, in many cases, in the distribution of pennies to each grant.

Although the administrative costs lose their line item identity in the individual grant projects, the individual accounting transactions are still traceable to their sources and the accompanying documentation. The original accounting entry is recorded by line item in the cost center, with the detail necessary to locate the source documentation. The source documents are available for review and examination to determine the allowability of the costs.

To account for the pooled direct administrative costs in the grants cited in finding #3 by the individual expenditure accounts used in the McKinney administrative cost center, we have prorated the costs based on the percentage obtained by comparing the administrative costs in the individual projects to the total costs in the McKinney administrative cost center. The spreadsheet showing this detail is attached.

Please note that our spreadsheet total does not match the total costs cited in the finding. We think the discrepancy results from two factors. One factor in the variance is that the auditor used amounts from the HUD draw records. There are timing differences between the dates the expenditures were incurred and the dates the drawdowns were made. Expenditures incurred and recorded in City's December 2000, accounting records are drawn from HUD in 2001 and recorded as 2001 drawdowns in HUD records. The second reason believed to cause the discrepancy, is the use of a percentage by the auditor to separate the administrative funds drawn for City costs and for sub-recipient agency costs. See the attached spreadsheet showing this discrepancy.

The City also applies an approved indirect cost rate (5.9% in 1996 and 5.6% in 1997) to direct costs when requesting reimbursement for grant expenditures, as allowed by 24 CFR 85.20 (b)(5), 24 CFR 85.22 (b) and OMB Circular A-87. Because the McKinney grant regulations allow only 5% of the grants to be used for administration and the administration funds are shared by the City and sub-recipient agencies, the indirect cost rate actually applied to McKinney grants is less than the City's approved indirect cost rate. The rate used for the Solid Ground grant is 2.6%, and the rate used for the Homeless Intervention grant is

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1.9%. The total amount of indirect costs charged to Solid Ground is \$48,952, and the total amount of indirect costs charged to Homeless Intervention is \$17,655. The letter from our cognizant agency approving our indirect cost rate is attached, as well as our indirect cost rate computations for 1996 and 1997 (the years of the grant funding for the Solid Ground and Homeless Intervention grants).

The draft audit report states that "the administrative costs could not be traced or associated with the City's performance of the administrative duties set forth in its technical submission." The administrative costs charged by the City to the McKinney grants are directly related to the administrative duties outlined in the technical submissions for both grants. The expenditures in the McKinney grant administrative cost center consist of the salary and benefit costs of the City staff who administer the McKinney grants plus operating costs that are associated with administering the grant. All of these costs are directly associated with the performance of the duties listed in the technical submission.

#### **4. The City Needs to Improve Its Reviewing and Reporting of Measurable Results**

The City of Seattle accepts the finding as presented in the draft audit report. However, we do not agree with some of the conclusions drawn from the finding.

We agree that the WDC identified the collection of customer satisfaction surveys as a performance measure in its SHP grant application. As agreed, it also consistently collected and maintained the survey information for every individual contacted at follow-up. However, in reviewing our records, we believe this measure was not viewed as a true measure of performance when negotiating the City's contract with the WDC. As a result, it was not included in our contract as a reportable item to HUD. Thus, it was not set-up to be tracked in the WDC MIS system. Client satisfaction information was included as an item in another part of our contract and we expected them to (and they did) collect the information with the view that it remained a valuable program management tool. A similar situation existed with the Solid Ground program. The regional housing database was an ambitious goal complimenting Solid Ground's regional vision for serving families. In the early stages of implementation it became clear that such a database was cost prohibitive and beyond the scope of the project. In hindsight, HUD should have been formally advised of these changes and the items should have been removed.

The WDC underwent a major organizational change during the first operating year of this grant. While programming was not interrupted, the change in program management staff caused some confusion in reporting, which was compounded when the WDC changed the existing database. The reporting errors cited in the OIG report are attributable to new staff not being familiar with either reporting on the APR (this error was caught and changed prior to approval of the APR) or the database (staff resorted to hand calculations, resulting in mathematical error). We do not anticipate these types of errors will be repeated.

The OIG audit observed that the measurable results for the Solid Ground program were not always adequately supported. The city noted in its site visit conducted in January 2000 that information in the database was difficult to retrieve. The city recommended that the client files be tied directly to the database so that information can be easily accessed and tied to participant activities and achievements. It is our understanding FPA was in the process of refining its database and adding additional fields to assure this.

In conclusion, the City has a record of sound management and effective administration and grant oversight. We work closely with our HUD representatives to assure that both the City and its grantees are knowledgeable and adhere to program requirements. The FPA and the WDC administer their programs

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honestly, efficiently and faithfully according to the regulations of the McKinney Act. They are attentive to HUD regulations and work diligently to deliver good programs on behalf of the persons they serve.

Thank you for the opportunity to respond to the concerns identified by your staff. If you have any questions or need additional information, please do not hesitate to contact Eileen Denham of my staff at (206) 780-0915.

Sincerely,



Alan Painter, Director  
Community Services Division

cc: Humberto Alvarez, Fremont Public Association  
Margret Graham, Workforce Development Council  
John Peters, Director Office of Community Planning and Development  
Shelley Cooper Parrish, Fremont Public Association  
Chris Stadelman, Workforce Development Council  
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 706 Hart Senate Office Building, United States Senate, Washington, DC 20510

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