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

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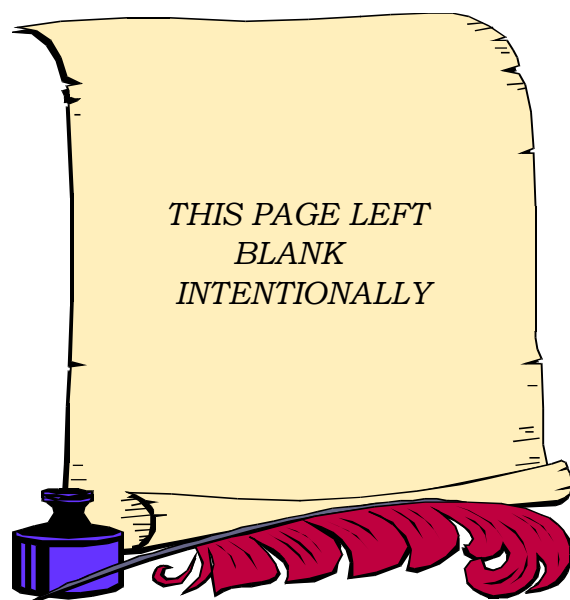
FROM: D. Michael Beard  
District Inspector General for Audit, 6AGA

SUBJECT: Dallas Homeless Consortium  
Continuum of Care  
Dallas, Texas

We audited the Dallas Continuum of Care 1996 and 1997 grants as part of a nationwide review of HUD's Continuum of Care Program. Our attached audit report contains one finding.

Within 60 days please give us, for each recommendation made in this audit 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 audit.

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



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# Executive Summary

**As a part of a nationwide review of HUD’s Continuum of Care Program, we audited the Dallas Homeless Consortium. Our objectives were to determine whether the Consortium: (1) fairly represented the needs of the community; (2) achieved broad participation; (3) held members accountable for their performance; and (4) tracked the progress of programs and participants.**

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**The Continuum of Care applications filed by the Homeless Consortium contain inaccurate information and overstate its achievements.**

Our audit concluded the Consortium has a broad-based membership that provided fair representation of the community. However, the Continuum of Care applications filed by the Homeless Consortium contain inaccurate information and overstate its achievements. The peer review process, used to determine the priority order of the projects contained in the consolidated application, was ineffective and may have allowed unsuccessful programs to receive higher priority than was appropriate. In addition, the Consortium had no means of tracking or monitoring its participants or programs. We also have concerns that in its role as lead agency of the Consortium, the City of Dallas did not provide the organization with the leadership and guidance necessary for the Consortium to become successful.

## **Recommendations.**

We recommend HUD: (1) review the existing Continuum of Care strategy of the Consortium to ensure that the strategy accurately represents the efforts and plans of the Consortium; (2) work with the Consortium to strengthen its peer review process; (3) require the Consortium to implement a tracking system; (4) continue to provide technical assistance to the Consortium as it works through the process of choosing a lead agency; and (5) assist the Consortium in formalizing operational requirements for the Consortium, the lead agency, and the Consortium members.



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## Abbreviations

HUD	U. S. Department of Housing and Urban Development
NOFA	Notice of Funding Availability
OIG	Office of Inspector General
SRO	Single Room Occupancy Dwellings Program

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# Introduction

## Background

HUD developed the Continuum of Care concept to address the needs of the homeless and was intended to provide for a coordinated, long-term approach for meeting those needs. HUD began implementing the Continuum of Care concept through a Notice of Funding Availability (NOFA) in 1994. The purpose of the NOFA was to fund projects and activities that created locally developed Continuum of Care systems to assist homeless persons. The Continuum of Care system consists of four basic components:

- Outreach and assessment.
- Emergency shelter with appropriate supportive services.
- Transitional housing with appropriate supportive services.
- Permanent housing or permanent supportive housing.

While not all homeless individuals will need to access all four of these components, coordination of all four components is necessary for them to be successful.

There are three competitively funded programs included within the Continuum of Care:

- Supportive Housing Program
- Shelter Plus Care Program
- Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO) Program

The Supportive Housing Program promotes the development of supportive housing and supportive services to assist homeless persons to transition from homelessness and live as independently as possible.<sup>1</sup> The Shelter Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program.<sup>2</sup> Section 8 Moderate Rehabilitation for SRO Program provides rental assistance for homeless individuals in rehabilitated SRO housing.<sup>3</sup>

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<sup>1</sup> Subtitle C of Title IV of the Stewart B. McKinney Homeless Assistance Act.

<sup>2</sup> Subtitle F of Title IV of the Stewart B. McKinney Homeless Assistance Act.

<sup>3</sup> Subpart V of Subtitle F of Title IV of the Stewart B. McKinney Homeless Assistance Act.

HUD designed the Continuum of Care programs to allow communities the flexibility to determine what worked best for them. In other words, it is up to the community to determine what types of assistance it needs and what priorities to assign to the needs. In order to give communities this flexibility, HUD issued no regulations governing the operation or organization of the individual Continuum of Care organizations.<sup>4</sup>

Applications for Continuum of Care grants may be submitted using one of three options:<sup>5</sup>

- **Consolidated Application:** a single application encompassing a Continuum of Care strategy and containing all the projects within that strategy for which funding is being requested. Individual projects and operators are contained within the one consolidated application. Grant funding may go to one entity, which then administers all funded projects submitted in the application, or grant funding may go to all or any of the projects individually. Communities are encouraged however not required to submit consolidated applications. A consolidated application is an application developed from a single Continuum of Care strategy for a jurisdiction (or a consortium of jurisdictions) and contains funding requests for all of the projects within that strategy.
- **Associated Application:** applicants plan and organize a single Continuum of Care strategy which is adopted by project sponsors or operators who choose to submit separate applications for projects while including the identical Continuum of Care strategy. In this case, project funding would go to each successful applicant individually and each would be responsible to HUD for administering its separate grant.
- **Solo Application:** an applicant applies for a project exclusive of any Continuum of Care strategy.

HUD considered consolidated and associated applications equally competitive. However, solo applications, not part

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<sup>4</sup> 1997 Continuum of Care Application.

<sup>5</sup> 1997 NOFA.



of a Continuum of Care strategy, received few, if any, points under the Continuum of Care rating criteria.

In general, applications contain two components.<sup>6</sup> The first component is the process and outcome of the community based homeless plan – the Continuum of Care. It contains a description of the community’s Continuum of Care strategy, the process used to create that strategy and a listing of the projects included in the application, in priority order.<sup>7</sup> This priority order will mean that if funds are only available to finance eight of ten proposed projects, then funding will be awarded to the first eight projects listed. HUD believes that priority decisions are best made through a locally-driven process and are key to the ultimate goal of reducing homelessness in America. In addition, a community’s Continuum of Care strategy should reflect maximum participation by a range of participants.<sup>8</sup> It should also describe a community’s efforts to create, maintain, and build upon a community-wide inventory of housing and services for homeless families and individuals. Instructions direct applicants to pay special attention to this component since HUD places a high priority on coordination among a spectrum of homeless assistance providers.

The second component of the application contains the exhibits for the specific program funds contained in the application. These exhibits describe the individual projects contained in the application. They contain details regarding the population to be served, activity for which assistance is requested, proposed participants and their needs, specific costs associated with the project, and supportive services proposed to help participants achieve permanent housing and self-sufficiency.

HUD reviewed and rated all applications using the same process. It conducted two types of reviews. HUD first conducted a threshold review of each proposed project for the specific criteria identified in the Notice of Funding Availability (NOFA). HUD eliminated those projects not meeting NOFA requirements from the competition. In the

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<sup>6</sup> 1997 Continuum of Care Application.

<sup>7</sup> The priority of projects contained in the application is determined by the local Continuum of Care organization.

<sup>8</sup> Examples: non-profit providers of housing and services, homeless and formerly homeless persons, state and local governments and agencies, the private sector, housing developers, foundations, and other community organizations.

### **Homeless Consortium of Dallas.**

second review, HUD assigned up to 40 points for the community's fundamental need to provide housing and services for homeless persons and up to 60 points for the community's Continuum of Care strategy.<sup>9</sup>

The Homeless Consortium of Dallas was organized in 1995. However, prior to 1997 the Consortium only met to discuss grant applications. According to Consortium members, in 1997 they sought to place more emphasis on the homeless and less on discussing funding issues. They elected officers, established committees, broadened their base, hired consultants and formed focus groups.

The Consortium is a combination of different types of organizations and individuals. It consists of public entities, service providers, private not-for-profit organizations, business groups, and formerly homeless individuals. The Consortium's application contained components for emergency shelter, transitional and permanent housing, and service resources to address the needs of the homeless.

The City of Dallas took a lead role in the Continuum of Care process. The City prepared and submitted the Consolidated Application for the Consortium. This included preparing Exhibit 1, which included the Continuum of Care narrative. The City also paid for and gathered the information necessary to determine "gaps" in homeless services.<sup>10</sup> Further, the City provided a staff member who facilitated the ongoing activities of the consortium and provided funding for mailings, consultants, and other administrative matters.

The Consortium utilized a peer review process in order to evaluate the individual Consortium members. According to a Consortium official, any organization that applied for Continuum of Care grant funds<sup>11</sup> underwent a peer review. The peer review results influenced the priority given to the projects in the application.<sup>12</sup> The peer review team<sup>13</sup> relied upon the Annual Progress Reports to determine if the member met their goals. They also discussed with HUD

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<sup>9</sup> 1997 Continuum of Care Application.

<sup>10</sup> A "Gap Analysis" compares the existing services with the demands for those services. The difference between the existing services and the demand for the services is considered a gap.

<sup>11</sup> Including renewal grants.

<sup>12</sup> 1999 was the first time that the peer reviews were used in any way to determine funding priority.

<sup>13</sup> Volunteers from the Consortium comprised the peer review team.

whether the member spent their grant funds timely. However, in reviewing the Annual Progress Report, the review team did not look at any supporting documentation.

### **Audit Objectives, Scope, and Methodology**

Our audit objectives were to determine if the Consortium: (1) fairly represented the needs of the community; (2) achieved broad participation; (3) held members accountable for their performance; and (4) tracked the progress of programs and participants. We audited a judgmental sample of seven grants awarded to members of the Consortium during 1996 and 1997 and utilized the results in our evaluation of the Consortium. The tables below show the grants awarded to the Consortium members during 1996 and 1997.<sup>14</sup>

<b>1996 GRANTS/DALLAS HOMELESS CONSORTIUM</b>		
<b>City of Dallas<sup>15</sup></b>	<b>Shelter Plus Care Grant</b>	<b>\$1,488,600</b>
<b>Dallas Jewish Coalition<sup>16</sup></b>	<b>Supportive Housing Grant</b>	<b>555,660</b>
<b>Housing Crisis Center<sup>17</sup></b>	<b>Supportive Housing Grant</b>	<b>533,130</b>
<b>Promise House Inc.</b>	<b>Supportive Housing Grant</b>	<b>777,281</b>
<b>PWA Coalition of Dallas</b>	<b>Supportive Housing Grant</b>	<b>1,970,320</b>
<b>TOTAL</b>		<b>\$5,324,991</b>

<b>1997 GRANTS/DALLAS HOMELESS CONSORTIUM</b>		
<b>City of Dallas<sup>18</sup></b>	<b>Supportive Housing Grant</b>	<b>\$ 749,670</b>
<b>DCCCD</b>	<b>Supportive Housing Grant</b>	<b>379,733</b>
<b>Family Gateway</b>	<b>Supportive Housing Grant</b>	<b>337,364</b>
<b>Family Gateway</b>	<b>Supportive Housing Grant</b>	<b>98,116</b>
<b>GDCADA<sup>19</sup></b>	<b>Supportive Housing Grant</b>	<b>400,181</b>
<b>Housing Crisis Center<sup>20</sup></b>	<b>Supportive Housing Grant</b>	<b>211,358</b>
<b>Housing Crisis Center<sup>21</sup></b>	<b>Supportive Housing Grant</b>	<b>546,361</b>
<b>Legal Services of North Texas</b>	<b>Supportive Housing Grant</b>	<b>135,000</b>
<b>LifeNet</b>	<b>Supportive Housing Grant</b>	<b>870,178</b>
<b>Rainbow Days</b>	<b>Supportive Housing Grant</b>	<b>558,257</b>
<b>TOTAL</b>		<b>\$4,286,218</b>

Our objectives in auditing the individuals grants were to determine if: (1) the individual grants were implemented in

<sup>14</sup> Shaded grants indicate those included in the sample of audits.

<sup>15</sup> Audit Report number 01-FW-251-1002.

<sup>16</sup> Audit Memorandum number 00-FW-251-1801.

<sup>17</sup> Audit Memorandum number 00-FW-251-1804.

<sup>18</sup> Audit Report number 01-FW-251-1002.

<sup>19</sup> Audit Memorandum number 2001-FW-1802.

<sup>20</sup> Audit Memorandum number 00-FW-251-1804.

<sup>21</sup> Ibid.

accordance with federal regulations and grant agreements; (2) funds were expended for eligible activities under federal regulations and applicable costs principles; (3) accurate and adequate evidence of measurable results was maintained; (4) programs were sustainable; and (5) grant funds were expended timely. The findings of those audits are summarized below.

***Greater Dallas Council on Alcohol and Drug Abuse***

Overall, the Council's activities were consistent with its application. However, the Council:

- Included \$28,892 in ineligible and unsupported salary and benefit costs in grant drawdowns;
- Was behind projected spending by \$166,531; and
- Did not achieve its goals, which we determined was due to the lack of cooperation of the Consortium.

***City of Dallas***

Overall, the City did not implement its grants in compliance with grant agreements and federal regulations. Specifically, the City:

- Failed to provide \$250,980 in supportive services required by its Shelter Plus Care grant or adequately document the services it did provide;
- Was behind projected spending for its Shelter Plus Care grant by \$259,295, and \$39,572 for its Supportive Housing grant;
- Submitted inaccurate and inconsistent Annual Progress Reports;
- Included \$53,977 in ineligible and \$2,261 in unsupported costs in grant drawdowns;
- Did not monitor the participants and their supportive service needs sufficiently; and
- Did not perform yearly Housing Quality Standards inspections for apartments inhabited 1 year or more.

### ***Housing Crisis Center***

Overall, the Center's activities were consistent with its application. However the Center:

- Included \$48,720 in ineligible costs in grant drawdowns;
- Submitted inaccurate Annual Progress Reports;
- Was behind projected spending; and
- Overdrew its grants by \$6,995.

### ***Dallas Jewish Coalition***

The Coalition's activities were consistent with its application. However, the Coalition:

- Included \$91,948 in ineligible costs in grant drawdowns and
- Submitted inaccurate Annual Progress Reports.

To achieve our audit objectives in auditing the Consortium we:

- Reviewed audit reports and memorandums issued on grants awarded to Consortium members;
- Reviewed minutes from Consortium meetings;
- Interviewed City staff responsible for facilitating the Consortium;
- Interviewed HUD staff;
- Reviewed peer reviews performed by members of the Consortium;
- Interviewed Consortium members; and
- Reviewed consolidated applications for 1997, 1998, and 1999 filed by the Consortium.

We conducted our audit at the following offices:

- Dallas Jewish Coalition
- Housing Crisis Center
- City of Dallas City Hall and Day Resource Center
- Greater Dallas Council on Alcohol and Drug Abuse
- HUD Fort Worth Office

### **Audit Period and Sites**

During our audit, we obtained computer-generated data from both HUD and the grantees. However, we did not perform any tests on the validity or reliability of such data except as noted in the findings and management controls. We performed fieldwork from June 1999 through April 2001.<sup>22</sup> We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>22</sup> This includes fieldwork in performing the grantee audits as well as the Continuum audit.

## The Consortium Misled HUD and Did Not Effectively Evaluate or Provide Meaningful Feedback on Grantee Performance

The Consortium submitted inaccurate applications to HUD and did not take appropriate measures to ensure its members met the goals of the Continuum of Care concept. Specifically, the Consortium's applications contained inaccurate information and overstated its achievements. Contrary to what the Consortium stated it would do, the Consortium did not establish a tracking system that would monitor participants; nor did it distribute monthly reports, highlighting individual client referrals and progress, to its members. In addition, the Consortium did not have an effective peer review process. Therefore, it did not uncover the errors or aid members in setting and achieving their goals. HUD should review the existing Continuum of Care strategy of the Consortium to ensure that the strategy accurately represents the efforts and plans of the Consortium; work with the Consortium to strengthen its peer review process; require the Consortium to implement a tracking system; continue to provide technical assistance to the Consortium as it works through the process of choosing a lead agency; and assist the Consortium in formalizing operational requirements for the Consortium, the lead agency, and the Consortium members.

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### **The Consortium submitted inaccurate information to HUD.**

Due to the Consortium supplying inaccurate information and overstating its accomplishments, it provided HUD a distorted view of the administration of the Consortium. HUD placed a high priority on a community's Continuum of Care strategy. In fact, the ranking of the consolidated application was based on the description of the strategy. Therefore, HUD relied upon applicants to provide an accurate picture of their efforts to organize and maintain the Continuum. The applications filed by the Consortium contained inaccurate information and overstated its achievements.

For instance, each Consortium application since 1996 referred to a tracking system. According to the applications, the Consortium would track options available to individuals with respect to specific services available, as well as provide a record of which agencies the individual

had contacted previously. The applications filed from 1996 through 1999 contained the following statements:

**1996** Homeless service providers in the city of Dallas are working toward supplying a range of other services. Central among these plans is the development of a centralized intake system...<sup>23</sup>

**1997** Commitment to implement a centralized, integrated electronic system to link agencies providing housing and services to homeless families through a computerized client referral, tracking, and information system...<sup>24</sup>

A key part of this year's Continuum of Care strategy is to implement a centralized integrated electronic system to link agencies providing housing and services to homeless families through a computerized client referral, tracking, and information system.<sup>25</sup>

**1998** This Continuum comes forth with a structured system of client referrals and client tracking through the Continuum of Care.<sup>26</sup>

**1999** This Continuum comes forth with a structured system of client referrals and client tracking through the Continuum of Care (same statement as in 1998).<sup>27</sup>

The 1998 and 1999 applications indicated the Consortium had implemented a tracking system. However, even though the Consortium indicated it had been working on implementing a tracking system for over 4 years, the Consortium did not have such a system in place.

A system of coordinating services and tracking participants' progress was essential to the success and evaluation of these programs. Without some way of demonstrating the success of the programs and their participants, the

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<sup>23</sup> Dallas Homeless Consortium 1996 Consolidated Application, The Continuum of Care Strategy.

<sup>24</sup> Dallas Homeless Consortium 1997 Consolidated Application, Continuum of Care System Under Development.

<sup>25</sup> Dallas Homeless Consortium 1997 Consolidated Application, Actions For The Future.

<sup>26</sup> Dallas Homeless Consortium 1998 Consolidated Application, Abstract Dallas Continuum of Care.

<sup>27</sup> Dallas Homeless Consortium 1999 Consolidated Application, Abstract Dallas Continuum of Care.



Consortium and HUD could not objectively evaluate the effectiveness of its programs. The overall goal of the Continuum of Care strategy was to assist homeless individuals and families to make the critical transition from living on the streets to working and independent living. During 1996 and 1997, the Consortium received almost \$10 million in Continuum of Care grants. However, since neither the individual grantees nor the Consortium had a system or process in place to coordinate housing and services, or to track participant or program success, HUD did not know if the Consortium and its members utilized the funds on programs to achieve their basic goal.

We recommend HUD require the Consortium to implement a tracking system. Further, the Consortium should utilize any historical data gathered to date.

*The City of Dallas Did Not Provide Materials to Members.*

While the Consortium developed a common referral and intake form, the City did not fulfill its statements of coordinating and providing information to its members. In addition, while the consolidated applications filed by the City of Dallas on behalf of the Consortium exhibit efforts to coordinate and bring together homeless providers, the City of Dallas could not provide sufficient evidence to support much of the information in the applications.

The 1998 Consolidated application stated:

“The members of the Collaborative have all signed a Memorandum of Understanding committing to move people through the Continuum by formal referrals to each other, by tracking clients as they go through the system, and by having ongoing discussions about client progress. In September, the City of Dallas will start to collect client information from each agency and provide a formal report on client referrals and progress at the end of the month. This system will avoid duplication of services, highlight individual client progress, and allow for broad input from a variety of agencies. Agencies with limited service capacity will provide a weekly report on their ability to accept new clients. The report will be provided to all members who will then be able to make referrals to

agencies with open service slots. All Collaborative Agencies will use common referral forms, release of information forms, and intake forms. When clients are referred, a copy of their intake is sent to the agency with a signed release to share information. Therefore, the client has one record that details his or her movement through the components of the Continuum of Care. The components are linked through the Collaborative, through the uniform referral and intake process, and through the data collection and sharing by the City of Dallas.”<sup>28</sup>

Again, HUD wanted this type of coordination between Consortium members. Because the City never accomplished its goal, the Consortium did not have “one record that details [the participant’s] movement through the components of the Continuum of Care.” HUD should review the existing Continuum of Care strategy to ensure the strategy accurately represents the efforts and plans of the Consortium.

*The Consortium Had an Ineffective Peer Review Process.*

The peer review process utilized by the Consortium did not effectively assess members’ performance. However, according to a Consortium official, the peer review affected the priority given to an individual application. During a peer review the review team examined Annual Progress Reports of each agency under review, met with program managers and bookkeepers at City Hall, toured the various programs, and spoke to participants. The review team prepared a summary of results for each review. However, in performing the review, the peer review team did not inspect supporting documentation when reviewing progress reported by members. As a result of not inspecting supporting documentation, the peer review of these grantees did not detect any inaccuracies with the Annual Progress Reports. As we previously reported, each grantee submitted inaccurate and unsupported Annual Progress Reports. It appeared the peer review team echoed management assertions without attempting to verify them. As a result, members who inflated results or progress may

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<sup>28</sup> Dallas Homeless Consortium 1998 Consolidated Application, How the System Facilitates Movement of Homeless Persons From One Component of the System to Another, and How the Components are Linked.

have received a higher ranking than those who reported accurate information.

Since no agreements exist between the Consortium and its members, and HUD did not have any regulations governing the Consortium, the Consortium did not have direct authority over the members. Therefore, the Consortium had limited ability to coordinate and direct its members. However, the Consortium determined the priority of the individual applications within the consolidated application. Since HUD awarded grants based on the priority placed on the programs by the Consortium, under the existing system it was possible that ineffective and unsuccessful programs received priority status in the consolidated applications filed by the Consortium.

We recommend that HUD work with the Consortium to strengthen its peer review process.

*The Consortium Lacked Effective Leadership.*

Our audit of the City of Dallas concluded the City of Dallas failed to administer its homeless grants in accordance with its grant agreements and federal regulations.<sup>29</sup> Specifically, the City did not: (1) provide and document the matching supportive services required by the Shelter Plus Care program; (2) expend its funds timely; (3) file accurate and consistent Annual Progress Reports; (4) include only eligible and supported costs in its grant drawdowns; (5) monitor the participants and their supportive service needs sufficiently; and (6) perform yearly Housing Quality Standards inspections for apartments inhabited 1 year or more. The report recommended HUD discontinue funding Continuum of Care grants to the City until the City could demonstrate that it can administer the funds appropriately.

In spite of the problems faced by the City of Dallas in managing its own grants, it took on a leadership role in the Consortium as the “lead agency.” As such, the City of Dallas was responsible for drafting the Continuum of Care strategy for the Consortium, facilitating the Consortium, and packaging the actual consolidated application. The City of Dallas also provided a staff person to act as a liaison

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<sup>29</sup> Audit Report number 01-FW-251-1002, dated December 13, 2000.

and provided funding for mailings, consultants, and other administrative matters. Due to the conditions noted in this finding and with the City of Dallas' administration of its grants, HUD should continue to provide technical assistance to the Consortium in order to assist in choosing a lead agency. Once a lead agency has been determined, its roles and responsibilities should be formalized. We recommend HUD provide additional technical assistance to the Consortium in order to document and implement the operational requirements for the Consortium and its members.

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### **Auditee Comments**

On September 5, 2001, we held an exit conference with HUD, and they provided their written response (Appendix A). HUD agreed the Dallas Homeless Consortium's applications included inaccurate information and overstated achievements. However, they believed the use of the word *misled* was harsh. HUD did not believe the City or the Consortium tried to intentionally deceive them.

HUD did not dispute the issues raised in the finding. However, they did request modifications to the recommendations.

HUD has not issued any regulations governing the Continuum of Care organizations. Consequently, HUD has no authority to direct the Consortium or to determine the lead agency. In HUD's opinion, the Consortium needs to make that determination. Instead of playing an active role in the removal of the City as the lead agency, HUD proposed continuing to provide technical assistance to the Consortium as it works through the process of choosing a lead agency.

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### **OIG Evaluation of Comments**

Considering the evidence, the use of the word *misled* was appropriate. The applications were prepared in order to make the Dallas Homeless Consortium appear as a well-run organization that had made significant strides in its efforts to help the homeless. However, there was little evidence to support this.

The draft report included the recommendation that HUD work with the Consortium to remove the City of Dallas as the lead agency of the Consortium. However, based on HUD's response we revised our recommendation. As HUD correctly pointed out, they did not issue regulations governing Continuum of Care organizations. Therefore, it has no official authority to dictate the lead agency or how the organization operates.

As a result we modified our recommendation.

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**Recommendations**

We recommend HUD:

- 1A. Review the existing Continuum of Care strategy of the Consortium to ensure that the strategy accurately represents the efforts and plans of the Consortium.
- 1B. Work with the Consortium to strengthen its peer review process.
- 1C. Require the Consortium to implement a tracking system.
- 1D. Continue to provide technical assistance to the Consortium as it works through the process of choosing a lead agency.
- 1E. Provide technical assistance to the Consortium in order to document and implement the operational requirements for the Consortium, the lead agency, and its members.



# Management Controls

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**In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that the goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.**

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## **Significant Controls.**

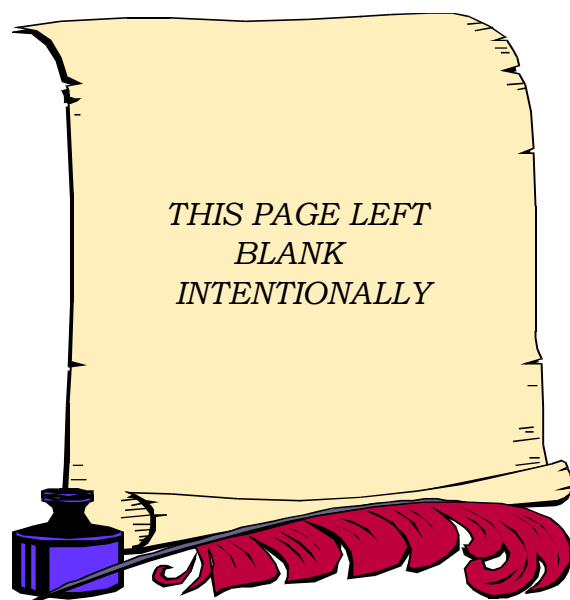
We determined the following management controls were relevant to our audit objectives:

- Fair representation of the needs of the community
- Broad participation
- A fair funding process
- Accountability for performance
- Tracking of program progress and participants

## **Significant Weaknesses.**

It is a significant weakness if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. As discussed in our finding, we believe the following items are significant weaknesses in that the Dallas Homeless Consortium lacks sufficient controls to ensure:

- A fair funding process
- Accountability for performance
- Tracking of program progress and participants





# Auditee Comments



**U.S. Department of Housing and Urban Development**  
 Texas State Office  
 Office of Community Planning and Development  
 PO Box 2905  
 Fort Worth, Texas 76113-2905

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

ATTENTION: William Nixon, Assistant District Inspector General for Audit, 6AGA

From: Katie S. Worsham, Director, 6AD

Date: September 5, 2001

Subject: Comments on Draft Report  
 Office of Inspector General Audit  
 Dallas Homeless Consortium Continuum of Care

We reviewed the draft report, dated August 8, 2001, issued by your office on the Dallas Homeless Consortium Continuum of Care. The purpose of this memorandum is to provide you written comments on the draft audit report.

It is our understanding that the purpose of the Office of Inspector General's (OIG) audit was to determine whether the consortium fairly represented the needs of the community; achieved broad participation; held members accountable for their performance; and tracked the progress of programs and participants. The draft OIG audit report contained one finding and made four recommendations. The finding reads: "The consortium mislead HUD and did not fulfill its duties to ensure members met their goals." The four recommendations include:

1. HUD should review the continuum of care strategy to ensure it accurately represents the efforts and future plans of the consortium.
2. Work with the consortium to strengthen its peer review process.
3. Require the consortium to provide an implementation plan for a tracking system along with periodic updates regarding the implementation.
4. Work with the consortium to remove the city of Dallas as the lead agency of the consortium.

There are several points regarding the draft report which we would like to provide comment. Firstly, as noted by OIG in its report there are no implementing regulations that give the lead agency, the City of Dallas in this case, the authority to ensure that consortium members comply with the goals and objectives established during the planning process. The lead agency is merely a facilitator of this process. In fact there is no regulatory basis or process for HUD to ensure that the consortium meets the broad-based goals established in the Continuum of Care strategy.

HUD awards Continuum of Care funds to individual grantees and not to the consortium as a whole. As a result, individual grantees, including the city, look to HUD for guidance regarding administration of projects, clarification of policy, and program compliance issues. Individual grantees establish program specific goals and objectives. Each is required to project the number of homeless individuals and families

served and establish measurable objectives for residential stability, increased skills or income, and greater self-determination in the application. The grantee then reports on them in the APR. The Office of Community Planning and Development is charged with ensuring that each grantee meets these goals and objectives when reviewing the APR. Although there is a format for each individual grantee to report its progress HUD does not have a format for the consortium to report on goals and objectives as a whole.

The consortium's Continuum of Care strategy outlined vague goals and objectives. The consortium established five primary goals for the Dallas Continuum of Care. In FY 2000 application, the consortium developed nine additional goals. The primary goals established by the consortium are too general and do not clearly establish housing as a goal. The emphasis of the Continuum of Care application is on services to the homeless. The goals range from developing a five-year plan for providing services to the homeless to complying with the conditions of the Walker Consent Decree, as well as establishing a computer tracking system and conducting annual peer reviews.

Secondly, our office concurs with OIG's claim that the consortium's Continuum of Care application contained inaccurate information and overstated some of its achievements. The OIG report indicated that the consortium did not implement a tracking system as several applications indicated (FYs 1996-1999). The Continuum of Care applications refer to a formal referral and tracking system for the homeless that is to be developed and implemented. The consortium applied for Supportive Housing Program (SHP) funds to implement an electronic community-wide information, referral and tracking system during the FY 1997 Continuum of Care competition. The Community Council of Greater Dallas applied for \$289,642, however the application was not funded by HUD. Although an electronic referral and tracking system was never developed, consortium members do utilize a common paper referral form. Consequently, it became administratively burdensome for the consortium to track homeless participants using paper; to produce meaningful reports; or to evaluate the effectiveness of the continuum.

Also, the FY 1998 application indicated that the City of Dallas, as the lead entity, would provide monthly progress reports on client referrals and progress to all consortium members. This system proposed to avoid duplication of services, highlight individual client progress, and allow input from consortium members. This goal that was never accomplished. It may have been from a lack of funding to purchase, implement and maintain the technology necessary to link all agencies or the goal may have been too ambitious. It is not feasible for the city to provide this level of detail from a paper generated system.

Thirdly, we concur with OIG that the consortium had an ineffective peer review process. Although our office does not get directly involved with this process we are asked informally to provide limited information to peer review members. Mostly this information involved grantee expenditures found on the A-67 Reports and timeliness of Annual Performance Report (APR) submissions. The peer review is one tool used by the consortium to rate other members' performance. The OIG report indicated that grantees submitted inaccurate and unsupported APRs and that the peer review did not detect or correct these inaccuracies. Our office recognizes the need for the peer review team to have accurate data when determining priority for applications.

Thirdly, there was no coherent link between funded applications and priorities established by the consortium in the gaps analysis table. For example, the consortium established life skills training as a low priority. However several of the applications requested funds for this activity. There appears to be a disconnect between Exhibit 1, Continuum of Care Narrative and the individual applications. The reason for this may be because the narrative (Exhibit 1) was prepared by city staff members and the individual applications (Exhibit 2) were prepared by each agency and submitted to the city for inclusion into the application.

The Office of Inspector General for Audit made four recommendations in its report. Our office, as well as the consortium, has already taken action to address each of the issues outlined in the report. Below is the action taken by our office, to date, regarding each recommendation. We also included a proposed management decision for each recommended action.

**A. HUD should review the continuum of care strategy to ensure it accurately represents the efforts and future plans of the consortium.**

- The Fort Worth Field Office met with city staff and consortium members several times this past year to discuss the Continuum of Care strategy outlined in Exhibit 1 of the application. Meetings were convened on January 11, 2001; January 18, 2001; March 19, 2001; and April 16, 2001. Meetings with city staff focused on the Continuum of Care narrative found in FY 2000 application. Discussions mainly centered on the following: ways to strengthen the strategy, analysis of community homeless needs, developing priorities based on that analysis, and recommending funding that better reflects the priorities. Discussions with consortium members reiterated the importance of their active involvement in developing and submitting a comprehensive Continuum of Care strategy and application to HUD.

**Proposed Management Decision:** The Fort Worth Field Office will analyze the existing (FY 2001) Continuum of Care strategy to determine what progress the consortium has achieved and what future goals it has set. We will then meet with the consortium to verify achievements stated in its strategy. In addition, our office in conjunction with Office of Special Needs Assistance Programs (SNAPS), will conduct an application debriefing on the strategy. We also propose to become actively involved with the consortium by attending monthly meetings, on an advisory basis only. In addition, our office plans to visit each of the HUD-funded consortium members on-site during the next year.

**B. Work with the consortium to strengthen its peer review process.**

- Our office has had limited input into the peer review process in Dallas. We will meet the members of the peer review team to discuss the process and seek ways to strengthen it. It may include developing a policy to formalize this process; sharing of information such as approved Annual Performance Reports, A-67 Reports, and monitoring results.

**Proposed Management Decision:** Our office will work with the consortium to develop a formal peer review policy to ensure a fair and equitable funding process and takes into consideration performance and accountability.

**C. Require the consortium to provide an implementation plan for a tracking system along with periodic updates regarding the implementation.**

- The FY 2001 Continuum of Care NOFA allows communities to apply for SHP funds to implement and operate a Homeless Management Information System (HMIS). The Community Council of Greater Dallas applied for \$190,289 during FY 2001 competition to operate a HMIS.
- According to the Dallas Homeless Consortium, the process of making on-line referrals for homeless clients is underway. It secured funding from a donor to purchase equipment, software and provide technical assistance to homeless service providers. The Community Council of Greater Dallas is operating the homeless management system. The equipment has been purchased, the software (Metsys) has been purchased and the two system administrators have attended training in Sacramento, CA.. The next step is to distribute a survey to the service providers to determine what resources each agency has and what other programs Metsys would need to interface with at the various locations. Agencies will be added in waves, with the first organizations being asked to volunteer.

**Proposed Management Decision:** Our office will obtain an implementation plan and periodic updates from the consortium that sets forth target dates to bring members on-line. We will also make an on-site visit to The Community Council of Greater Dallas for a demonstration.

**D. Work with the consortium to remove the city of Dallas as the lead agency of the consortium.**

- Our office does not agree with the recommendation that we should work with the consortium to remove the city of Dallas as the lead agency. HUD believes the best approach to alleviate homelessness is through a community-based process. This recommendation, in effect, would bypass that process. We also believe that the city must be a leader in addressing homelessness because of the resources it can bring and the legitimacy it brings to the issue.
- Currently, Texas Homeless Network is conducting meetings with city staff, homeless service providers, consortium officers, and the Board of Directors for Dallas Association of Services to the Homeless (DASH) on how to strengthen its planning process. The group is also exploring options to determine which entity would best serve as the lead agency. One option the consortium is considering setting up a nonprofit agency to be the lead agency.

***Proposed Management Decision:*** Our office will request the consortium to designate a lead agency and to develop an operational plan that clearly defines the roles and responsibilities of the lead agency and consortium members. Our office will continue to provide technical assistance to the consortium as it works through the process of choosing a lead agency and develops a operational plan.

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