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February 13, 2001

2001-FW-1802

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

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

SUBJECT: Greater Dallas Council on Alcohol and Drug Abuse
Supportive Housing Grant TX21B970908
Dallas, Texas

As part of a nationwide audit of HUD's Continuum of Care Program, we reviewed the Supportive Housing grant awarded to the Greater Dallas Council on Alcohol and Drug Abuse (Council). Our objectives were to determine whether the Council:

- Implemented the grant in accordance with federal regulations and its grant agreements;
- Expended funds for eligible activities under federal regulations and applicable cost principles;
- Maintained accurate and adequate evidence of measurable results;
- Administered a sustainable program; and
- Expended funds timely.

To accomplish our objectives, we interviewed HUD and Council officials; reviewed the grant application, grant agreement, technical submission, and Annual Progress Report. We also analyzed financial and participant records. We selected a judgmental sample of financial transactions and participants for our audit. The sample of financial transactions included all salary and benefit costs associated with the grant.¹ We selected 16 of the 78 individuals assessed by the Council from October 1998 through April 2000.²

Our review concluded the Council's activities were consistent with its application. However, the Council included \$28,892 in ineligible and/or unsupported costs in grant drawdowns. These costs included costs not directly associated with the provision of supportive services and a

¹ The sample of financial transactions represented 95% of the total expenditures included in the general ledger from June 1998 through February 2000.

² The sample of participants was selected by choosing every fifth participant from a list provided by the Council.

portion of a director's salary. Due to the Council's goals and lack of coordination of other members of the Homeless Consortium in Dallas (Consortium), the Council did not report on its goals. Furthermore, it has not expended its funds in a timely manner.

Since the inception of the grant, the Council has had a complete turnover of staff, and the new staff were not familiar with the program requirements. Furthermore, many of the Council's goals address the long-term status of its participants. The Council's program did not include housing assistance, and therefore, could not report on these goals without the coordination and cooperation of Consortium members.

We recommend HUD require the Council repay its grant or support the \$28,892 in ineligible and unsupported salary costs charged to the grant. HUD and the Council should determine whether the Council should continue providing substance abuse treatment referrals. Also, HUD should ensure the coordination among Consortium members to meet the objectives of the Continuum of Care concept.

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

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

Attachment

Background.

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

- Transitional housing;
- Permanent housing for homeless persons with disabilities;
- Safe Havens;
- Supportive services for homeless persons not provided in conjunction with supportive housing (Supportive Services Only); and
- Innovative Supportive Housing.

In 1997, HUD awarded the Council a 3-year \$400,181 Supportive Services Only (SSO) grant.³ HUD designed the SSO grants to address the special needs of homeless persons who are not provided housing by the SSO project sponsor. The grant authorized funds for substance abuse treatment for homeless individuals who are, or who qualify to be, participants in a transitional or permanent supportive housing program. The Council had no prior experience administering HUD grants.

The Council is a member of the Homeless Consortium in Dallas (Consortium). Under the Continuum of Care concept, Consortium members would refer individuals with substance abuse problems to the Council. The Council would assess and aid the individuals with obtaining treatment. Under the grant, the Council would monitor the individual's progress through treatment. The Council's grant provided funds to pay for the treatment. After treatment, other Consortium members would provide housing to the individual.⁴

The Council is a nonprofit organization that has been in operation for 54 years. The Council receives funding from federal block grants, the United Way, and fund raising activities and fees for service. The Council is located at 4525 Lemmon, Suite 300 in Dallas Texas.

The Council paid \$28,892 in ineligible and unsupported salary and benefit costs.

The Council paid \$28,892 to two employees for ineligible and unsupported salary costs. The Council inappropriately paid the Clinical Director \$7,536 during 1998 and 1999. The Council's Technical Submission specifically defined a director's salary as an operating cost, which the Council was prohibited from charging to the grant.⁵ The Council contended that the Clinical Director provided guidance to the Utilization Review Manager. Under the SSO requirements, the Council could only charge the grant for amounts paid to providers of supportive services and

³ The grant term is June 1, 1998, through May 31, 2001.

⁴ This is applicable for residential treatment. For outpatient treatment, other Consortium members were responsible for providing housing while the individual was in treatment.

⁵ HUD's Application Instructions.

other costs directly associated with providing such services.⁶ Providing administrative guidance to a manager does not meet the requirements for a cost directly associated with providing supportive services. HUD should require the Council to reimburse its grant \$7,536 for the salary paid to the Clinical Director.⁷

The Council's grant agreement authorized funds for the payment for substance abuse treatment and the salary of a Utilization Review Manager. The Utilization Review Manager's responsibilities included working with local substance abuse treatments centers to establish a working relationship and monitoring client's progression through substance abuse treatment.

From June 1998 through October 20, 1998, the Council's program had no participants. From October 20, 1998, through December 31, 1998, the Council only performed assessments on three individuals. Of the three individuals, two entered treatment. Again, the Council was only permitted to charge the grant with costs directly associated with the provision of supportive services. Since the Council had no participants from June 1998 through October 20, 1998, and only two participants for the remainder of the year, it seems improbable the manager spent all of his time on activities directly related to supportive services. The Council paid the manager \$18,274 in salary for 1998. Benefits associated with the 1998 salaries totaled \$3,082.⁸ HUD should require the Council to either support the manager's 1998 salary or repay the grant the \$18,274 charged.

The Council did not receive the cooperation of the Consortium to achieve its goals.

The Council did not receive the cooperation of Consortium members needed to achieve and report on its goals. While the majority of the Council's activities involved substance abuse treatment, the Council's goals related to the housing status of participants. However, since the Council received no feedback from Consortium members, it could not report on these goals.

As an illustration in its 1999 Annual Performance Report, it cited the following goals under the heading of increased skills or income:⁹

- 70% of the program participants who successfully complete treatment will report an increase in coping skills and
- 65% of the program participants who successfully complete treatment will find employment within 12 months of completing treatment.

For these goals, the Council remarked that it could not track these goals "due to unknown whereabouts of clients after completion of treatment."

⁶ 24 CFR 583.120(b).

⁷ Furthermore, the grant did not authorize the salary of the clinical director.

⁸ Benefits associated with the 1998 salaries determined to be unsupported and/or ineligible totaled \$3,082. This amount includes benefits for both the director and the manager. The general ledger provided by the Council did not provide sufficient detail to break out the amount for each individual separately. The entire amount has been classified as unsupported.

⁹ The Council classified its goals under three headings: (1) residential stability; (2) increased skills or income; and (3) greater self-determination.

In its application, the Council should have set goals that were within its control. The goals for the Council should have addressed expected achievements of its Program and participants that it could have monitored without the cooperation of other Consortium members. The inability of the Council to report on its goals however, disclosed a communication breakdown within the Consortium. The Council depended upon other members of the Consortium not only for its referrals but also for any follow-up with participants after treatment. The Council received no feedback on the housing status of its participants. It could not even say whether Consortium members provided the participants housing upon leaving treatment. The Continuum of Care concept was designed to help communities develop the capacity to organize and plan comprehensive and long-term solutions to addressing the problem of homelessness. Referring individuals for substance abuse treatment with no subsequent follow-up or knowing whether the participant received housing appears contrary to the Continuum of Care concept.

The fact that the Consortium did not utilize a tracking system exacerbated the difficulty encountered by the Council in monitoring its participants. The Consortium did not have a system in place to monitor or track the success and/or failure of the participants in the Continuum of Care Programs. However, one of the key elements in HUD's approach to breaking the cycle of homelessness is a coordinated community-based process of identifying needs and building a system to address those needs.

Also at the time of the audit, staff did not know what criteria the Council used in determining the goals of the Program. In fact, the staff did not know that it needed to submit an Annual Progress Report.

The Council should work with HUD to determine the feasibility of continuing to offer substance abuse referrals for homeless individuals. If there is no reliable means of tracking participants in order to ensure that they enter housing once treatment is complete, nor any cooperation of the members of the Homeless Consortium in Dallas, measuring the success and/or failure of this Program is impossible.

The Council has not expended its grant funds timely.

As of October 10, 2000, the Council was behind projected spending for this grant by \$166,531.¹⁰ However, the Council stated it ceased drawing down funds based on a monitoring review performed by HUD.¹¹ The monitoring review disclosed that the Council included ineligible costs in grant drawdowns. The Council stopped making drawdowns until it knew for sure what was eligible.

Further, the Council has not received as many referrals from Consortium members as initially anticipated. In its application the Council indicated that it would serve 175 participants over the grant term. This included residential treatment for 50 clients and outpatient treatment for 125

¹⁰ This amount includes \$28,892 in ineligible/unsupported costs.

¹¹ The Council had not made a drawdown since February 2000.

clients.¹² However, from October 1998 through April 2000, the Council has only referred 70 individuals for treatment. Of these 70 individuals, only 27 completed a treatment program.

Once again, this is a reflection on the coordination of efforts between Consortium members. The Council has taken proactive steps in order to increase the referrals made to them by other agencies. They have begun attending the Consortium meetings in Dallas and have taken steps to “advertise” its program. It is unknown what type of impact these steps will have on future referrals to the Council.

If HUD determines that the Council should continue to offer referral services to homeless individuals, the Council should continue to work with the Consortium members to increase the number of referrals made to the Council. Regardless of this decision, the Council should draw down funds for services provided to participants since February 2000.

Recommendations

We recommend that HUD:

- 1A. Require the Council to reimburse its grant for the \$7,536 spent on ineligible salary costs.
- 1B. Require the Council to either support the \$18,274 of salary costs paid to the Utilization Review Manager or reimburse its grant.
- 1C. Require the Council to either support or reimburse its grants the \$3,082 of salary benefits paid on the ineligible and unsupported salary.
- 1D. Work with the Council in order to determine the feasibility of the Council continuing to provide substance abuse referrals for the Dallas Consortium.
- 1E. Reimburse the Council for eligible substance abuse treatment provided to participants not drawn down from the supportive housing grant to date.
- 1F. Deobligate any funds not expended as of May 31, 2001.

¹² The Council has requested the grant be amended to cover more residential treatment.

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