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

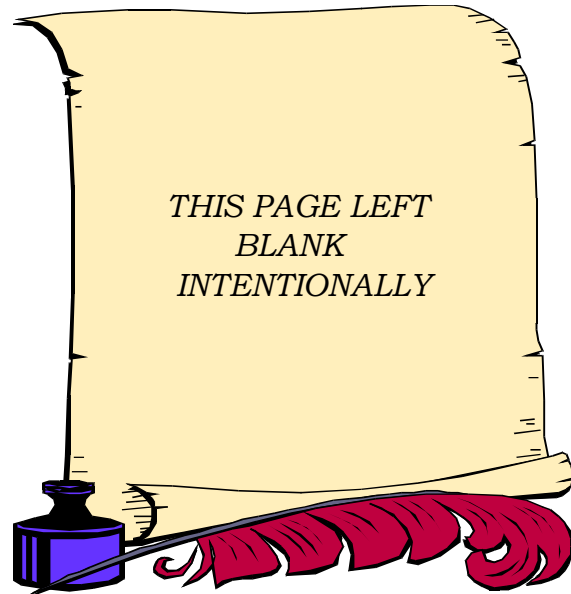
/SIGNED/
FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Houston/Harris County/Coalition for the Homeless
Continuum of Care
Houston, Texas

We audited Houston/Harris County 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. We have addressed our recommendations to your office due to HUD having no grant or contractual agreement with the Houston/Harris County Continuum. We will provide copies to the three entities comprising the collaborative: Harris County, City of Houston, and Coalition for the Homeless.

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.



Executive Summary

We audited the Houston/Harris County Continuum of Care (Continuum) 1996 and 1997 grants. Our audit objectives were to determine whether the Continuum had adequate management controls to ensure that it: (1) developed a strategic plan that fairly represented the community's needs; (2) had a representative membership; (3) had a fair funding process; (4) held its members accountable for their performance; and (5) tracked participant progress.

Audit Results.

Our audit concluded the Continuum had adequate management controls to ensure it: (1) developed a strategic plan that fairly represented the community's needs; (2) had a representative membership; and (3) had a fair funding process. However, the Continuum did not administer its Continuum of Care Programs according to the terms and conditions of its consolidated applications. Specifically, it did not have sufficient management controls to measure its members' performances and to gather, track, record, and report critical program data.

As a result, the Continuum did not know which members were performing as planned in order to hold them accountable for their performance. Additionally, it could not provide evidence it met HUD's goal of helping homeless individuals and families "transition from the streets to jobs and independent living."

Through Continuum of Care Programs, HUD planned for communities to coordinate their housing and service delivery system, not only during the grant application process, but also throughout grant programs, to ensure the community met the needs of homeless individuals and families. Contradicting plans submitted to HUD, the Continuum did not coordinate its programs once HUD awarded grant funds. The Continuum believed it was only responsible for coordinating the consolidated grant application process.

Recommendations.

We recommend HUD encourage the Continuum to develop and implement a process for evaluating program effectiveness and participant outcomes. HUD should persuade the Continuum to establish policies and procedures so that its members: (1) coordinate services among themselves; (2) serve only homeless individuals and

families; and (3) track participants throughout the Continuum of Care system to ensure participants' transition to jobs and independent living.

Auditee Comments.

We provided a draft of this report to HUD's Fort Worth Community Planning and Development Director on October 11, 2001. HUD provided written comments on November 29, 2001, and we held an exit conference on December 7, 2001. We have summarized and evaluated the response in the findings and included the written response in its entirety as Appendix A. Based upon their response, we modified the report, where appropriate. While HUD generally agreed with the finding, it believed the recommendations should be modified to reflect the lack of authority that HUD has over the Continuum.

Table of Contents

Management Memorandum	i
-----------------------	---

Executive Summary	iii
-------------------	-----

Introduction	1
--------------	---

Finding

1 Supportive Housing Programs Not Managed	11
-------------------------------------------	----

Management Controls	17
---------------------	----

Appendices

A Auditee Comments	19
--------------------	----

B Distribution	23
----------------	----

Abbreviations

BLOCK	Building Lives Offering Community Knowledge
Campus	University of Texas – Houston Recovery Campus
CFR	Code of Federal Regulations
Circular	Office of Management and Budget Circular A-122, <i>Cost Principles for Non-Profit Organizations</i>
Coalition	Coalition for the Homeless
Continuum	Houston/Harris County Continuum of Care
County	Harris County
Foundation	AIDS Foundation Houston, Inc.
Grantees	Houston/Harris County Continuum of Care members awarded Continuum of Care grants
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
Resource Group	Houston Regional HIV/AIDS Resource Group, Inc.
S+C	Shelter Plus Care Program
SHP	Supportive Housing Program
SRO	Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings
Trinity	Trinity Life Center

Introduction

Background

The McKinney-Vento Homeless Assistance Act authorized HUD's Continuum of Care Programs. HUD initiated the Continuum of Care Programs to address the needs of homeless individuals and families to enable them to leave "the streets", acquire jobs, and obtain independent living.

HUD used its Continuum of Care Programs to encourage communities to form a comprehensive housing and service delivery system to meet the needs of their homeless subpopulations. The Continuum of Care concept included three major competitively funded programs: (1) Supportive Housing; (2) Shelter Plus Care; and (3) Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO).¹

HUD planned the Supportive Housing Program to promote the development of supportive housing and services for homeless individuals to live as independently as possible. The program encouraged the use of innovative approaches to assist homeless persons.

HUD designed the Shelter Plus Care Program to provide rental assistance for hard-to-serve homeless individuals with disabilities. Other sources outside the program provided funds for supportive services.

HUD believed carefully planned and systemic local approaches, or Continuum of Care systems, were more effective and efficient than disconnected approaches. Therefore, it placed heavy emphasis on programs designed and carried out through Continuum of Care systems. To provide communities maximum flexibility, HUD issued no regulations governing the operation or organization of the individual Continuum of Care organizations.

Three agencies comprised the Continuum: (1) the City of Houston Housing and Community Development Department; (2) Harris County Community Development Department; and (3) Coalition for the Homeless of Houston/Harris County (Coalition). The City of Houston and Harris County are government agencies and the Coalition is a nonprofit organization.

¹ According to the applications, the Continuum did not apply for SRO funding for 1996 and 1997, the period we audited.

The City of Houston Housing and Community Development Department is located at 601 Sawyer, Houston, Texas. Harris County Community Development Department is located at 8410 Lantern Point, Houston, Texas. The Coalition is located at 1301 Travis, Suite No. 1701, Houston, Texas.

Grant award process.

Prior to submitting its consolidated grant application to HUD, the Continuum provided technical assistance and workshops for individual agencies competing for Continuum of Care funds. After the Continuum received the individual grant applications, it scored them and then it ranked the proposed programs based on the homeless community's needs. The Continuum then selected programs to include in its consolidated application for HUD funding. The Continuum's consolidated application not only described the individual agencies and their proposed programs, but also explained the Continuum's organization and strategic plan.

HUD reviewed and rated all applications using the same procedures. It first conducted a threshold review of each proposed program for the criteria identified in the Notice of Funding Availability, eliminating all programs from the competition that did not meet the specified criteria.

Next, 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 strategic plan. Thus, HUD established funding decisions based upon the Continuum's strategic plan listed in its consolidated application.

Grant funds awarded to the Continuum.

Grant Year	Number of SHP ² Grants Awarded	Total SHP Amount Awarded	Number of S+C ³ Grants Awarded	Total S+C Amount Awarded
1996	19	\$11,177,351	9	\$6,302,580
1997	18	11,169,632	1	108,960
Totals ⁴	37	\$22,346,983	10	\$6,411,540

HUD awarded Supportive Housing Program grants in part based on Continuum members' stated ability to provide measurable results. Once HUD approved their programs, agencies entered into grant agreements with HUD. By signing the grant agreements, Continuum members accepted responsibility for ensuring they used HUD funds in accordance with all program requirements and written agreements.

HUD required Continuum members to submit Annual Progress Reports detailing progress in achieving performance measures. Members were responsible for information submitted in the Annual Progress Reports just as the Continuum was responsible for the strategic plan listed in its consolidated applications.

Continuum strategic plan.

HUD believed the best approach for alleviating homelessness was through a community-based process providing a comprehensive response. Under the 1997 consolidated application, the Continuum listed the following strategies to achieve the ultimate goal of helping participants' transition from homelessness to jobs and independent living:

1. Develop formal and informal multi-agency collaboration;
2. Link information, processes and program participants among the collaborating and independent agencies;
3. Evaluate program effectiveness and participant outcomes;
4. Encourage a variety of agency types to address the needs of similar subpopulations;

² Supportive Housing Program.

³ Shelter Plus Care Program.

⁴ HUD awarded \$3,903,752, or 17.5 percent of \$22,346,983 total Supportive Housing Program funds, to Harris County. HUD awarded all of the \$6,411,540 Shelter Plus Care funds to Harris County.

5. Identify and access multiple funding sources that can be integrated into a comprehensive funding system; and
6. Expand the power base of the local service providers, the Homeless Services Coordinating Council and the Coalition for the Homeless of Houston/Harris County.

The 1996 and 1998 through 2000 consolidated applications generally contained the same strategic plan, including quality assurance and program evaluation goals. Those applications also listed the strategy of linking information, processes, and program participants among the collaborating and independent agencies. In its 1996 through 2000 grant applications, the Continuum assured HUD that it was developing a program "...to track the movement of participants through the system into permanent self-sufficiency."

The Continuum planned to provide quality assurance and program evaluation utilizing the Annual Progress Reports prepared by individual grantees. It also planned to meet its goal by collecting and analyzing data in its tracking system, the Computerized Homeless Network.

Audit Objectives, Scope, and Methodology

Our audit objectives were to determine whether the Continuum had adequate management controls to ensure that it: (1) developed a strategic plan that fairly represented the community's needs; (2) had a representative membership; (3) had a fair funding process; (4) held its members accountable for their performance; and (5) tracked the progress of programs and participants.

To accomplish our objectives, we reviewed documents from the County and the Coalition; and interviewed HUD, the County, the City of Houston, and Coalition officials. We reviewed and analyzed the Continuum's consolidated applications for 1996 through 2000; reviewed and analyzed the Continuum's policies and procedures; and audited three Continuum of Care grants awarded to the following agencies: AIDS Foundation Houston, Inc., Houston Regional HIV/AIDS Resource Group, Inc., and Harris County, as detailed in the chart below. During the audits of

the grantees, we also performed audit work at 13 subrecipient locations under the same grants.⁵

In order to develop conclusions on the Continuum, we reviewed applicable criteria, including Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations* (Circular); reviewed grantee and subrecipient policies and procedures, grant applications, grant agreements, technical submissions, and Annual Progress Reports; interviewed grantees and subrecipients; visited transitional housing locations; reviewed and analyzed participant files; and reviewed and analyzed financial records.

Grants audited.

Agency	Grant Year/Program	Grant Number	Grant Amount
AIDS Foundation Houston, Inc. (Foundation) ⁶	1997 Supportive Housing Program	TX21B-97-1304	\$3,000,645
Houston Regional HIV/AIDS Resource Group, Inc. (Resource Group) ^{7 8}	1996 Supportive Housing Program	TX21B-96-0617	1,332,281
Harris County (County) ⁹	1997 Supportive Housing Program	TX21B-97-1306	1,096,530
Total			\$5,429,456

Overall, we audited \$5,429,456, or 24.3 percent of \$22,346,983 Supportive Housing program funds and 18.9 percent of \$28,758,523 total funds, awarded to the Continuum for 1996 and 1997.

⁵ The subrecipients were (1) A Friendly Haven; (2) The Arrow Project; (3) Building Lives Offering Community Knowledge (BLOCK); (4) CASA de Nino; (5) Milam House; (6) OMNI; (7) People With AIDS Coalition; (8) Stevens House; (9) Vita Living; (10) Covenant House Texas; (11) DePelchin Children's Center; (12) Trinity Life Center; and (13) University of Texas – UT Houston Recovery Campus.

⁶ Audit Memorandum number 2001-FW-1803, issued on March 9, 2001.

⁷ Audit Memorandum number 00-FW-251-1806, issued on September 27, 2000.

⁸ Audit Memorandum number 00-FW-251-1805, issued on September 5, 2000.

⁹ Audit Memorandum number 2001-FW-1805, issued on April 27, 2001.

HUD did not require the Continuum to enter into any type of signed agreement concerning its role in the Continuum of Care process. As a result, the Continuum did not believe it was responsible for ensuring that its members, including the Foundation, the Resource Group, and the County, accomplished their program goals.

The Foundation, the Resource Group, and the County entered into grant agreements with HUD. The grant agreements, including the grant applications, delineated the agencies' responsibilities within the Continuum of Care system. The Foundation, the Resource Group, and the County submitted their grant applications as part of the Continuum's consolidated applications.

HUD based its decision to fund member programs on the Continuum's consolidated applications. The Continuum based its consolidated applications on strategies developed by combining the objectives of the individual grant applications submitted to HUD by its members. As a result, the Continuum was responsible for achieving the strategies that it proposed in those applications. We compared the Continuum's strategies to its results to determine whether its policies, procedures, and management controls met the needs of homeless individuals and families as discussed in its applications.

During our audit, we became aware of a complaint concerning the Continuum's program selection process for its 2000 consolidated application. The complainant wrote the Continuum used a "flawed" process of ranking proposals for its 2000 grants, causing it to rank proposals with lower scores above those with high scores. The complaint alleged the Continuum allowed "personalities and misinformation" to guide its decisions concerning funding matters. We could not substantiate the complaint.

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 audit work at the Foundation, the Resource Group, and the County for the period May 23, 1997, through July 31, 2000. We performed our audit between January 2000, and March 2001. We conducted our audit in

accordance with generally accepted government auditing standards.

Grant audit results.

We summarized the results of our grant audits below.

The Foundation

Our audit concluded the Foundation and its subrecipients generally implemented grant activities consistent with the grant application. The Foundation maintained evidence of measurable results, leveraged HUD funds adequately, expended funds timely, and met federal requirements related to leasing. Additionally, the Foundation provided sufficient technical assistance to its subrecipients and reviewed their single audit reports and monthly expense reports.

However, the Foundation expended funds for ineligible and unsupported activities and did not comply with federal cost requirements. The Foundation reimbursed the BLOCK, a subrecipient, \$42,091 for ineligible and unsupported costs.¹⁰ The Foundation also used HUD funds to reimburse itself \$27,278 for ineligible costs, including \$2,706 for an ineligible participant and \$1,483 for a computer that the BLOCK used for financial purposes as opposed to tracking participants as authorized by HUD.

The Resource Group

Our audit concluded the Resource Group generally implemented its activities consistent with its application. The Resource Group provided adequate technical assistance to its subrecipients. It also reviewed its subrecipients' single audit reports, monthly expense reports, and Annual Progress Reports.

However, Trinity Life Center (Trinity) and Covenant House, two subrecipients, did not maintain sufficient documentation to determine that a sample of program participants met HUD's homeless requirements. As a result of Trinity's insufficient file documentation, the Resource Group could not accurately conclude it served the intended population. We attributed the problems to staff not

¹⁰ Ineligible \$14,888; unsupported \$27,203.

knowing HUD requirements related to documenting homelessness.

Trinity did not maintain support for its accomplishments it reported to the Resource Group and subsequently to HUD. Accordingly, the Resource Group could not conclude whether it met the purpose of the grant program. The Resource Group reported the erroneous information to HUD in its Annual Progress Reports.

Trinity did not provide housing that met standards required by the grant agreement.¹¹ In addition, Trinity did not have evidence that it analyzed the rent for reasonableness. As a result, HUD had no assurance it paid reasonable rents for participants. Further, the Resource Group inappropriately reimbursed Trinity \$182,398 for ineligible and unsupported costs.¹²

Harris County

Our audit concluded the County's activities were eligible and consistent with its application and it adequately leveraged HUD funds and met federal cost requirements. However, the County's subgrantee, University of Texas – Houston Recovery Campus (Campus), could not support information contained in its Annual Progress Report,¹³ did not capture necessary housing data; and did not provide its participants with decent, safe, and sanitary housing.

Additionally, the Campus charged HUD unreasonable rents. A HUD contractor expressed concerns about rent reasonableness and the County responded with unrealistic comparable units. Disregarding HUD requirements, the Campus charged participants a flat rental rate of \$85 per month without considering the participant's monthly income. Further, the County did not draw down its funds timely because it had reconciliation and documentation problems.

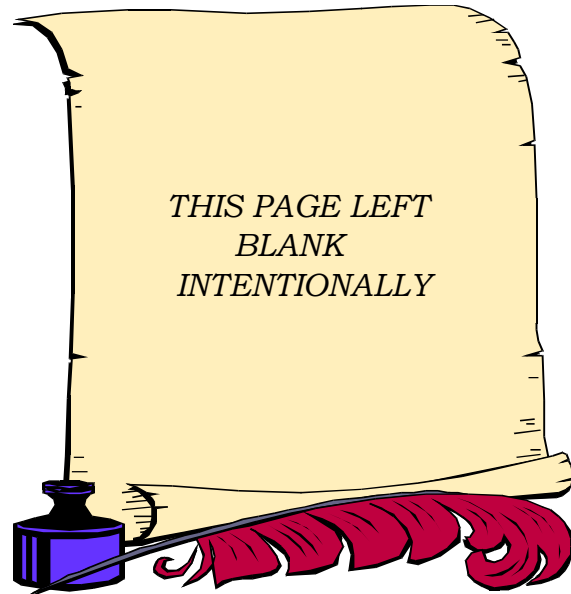
We provided a draft of this report to HUD's Fort Worth Community Planning and Development Director on

¹¹ See 24 CFR 583.300(b).

¹² Including \$100,259 paid for participants with no evidence of homelessness.

¹³ The Campus reported a 79% successful graduation rate even though its files indicated a 26% rate.

October 11, 2001. HUD provided written comments on November 29, 2001, and we held an exit conference on December 7, 2001. We have summarized and evaluated the response in the findings and included the written response in its entirety as Appendix A. Based upon their response, we modified the report where appropriate. While HUD generally agreed with the finding, it believed the recommendations should be modified to reflect the lack of authority that HUD has over the Continuum.



Supportive Housing Programs Not Managed

The Continuum did not administer its programs in accordance with its consolidated applications. The Continuum did not have a system in place to evaluate program effectiveness and participant outcomes, or a management information system to timely gather, track, record, and report critical program data to Continuum management and to HUD.

The lack of management controls negatively impacted program effectiveness and efficiency. For instance, the Continuum did not obtain measurable results for addressing homelessness. The Continuum did not have management controls for verifying members maintained adequate documentation of homelessness as required by HUD, and members expended funds only for eligible participants. As a result, it did not know whether or not its programs met the community's needs or even that participants obtained and remained in permanent housing.

The Continuum did not have sufficient management controls to measure members' performance.

The Continuum did not have adequate management controls to evaluate members' performance or even monitor the effectiveness of its Continuum of Care system. Grantees reported erroneous information in their Annual Progress Reports, giving HUD and the Continuum the false impression they met the goals outlined in their applications for funding. The Continuum did not ensure the Annual Progress Reports were correct and coordinated. Additionally, it did not have procedures in place to monitor the effectiveness of the Continuum of Care system. As a result, it did not know which members performed as planned.

According to the Continuum's applications, it planned to evaluate program effectiveness and participant outcomes. However, the Continuum did not perform any independent analyses of its Continuum of Care system.

The Continuum did not have management controls to ensure tracking of participant progress.

Contrary to its 1996 through 2000 consolidated grant applications, the Continuum did not have management controls necessary to track participant's progress. According to those applications, the Continuum planned to install a computerized tracking system throughout the Houston/Harris County area to track participants. Additionally, the 1998 and 1999 consolidated applications stated the Continuum was developing an evaluation

program from data in the Computerized Homeless Network, even though the Continuum never used such a Network.

To complement the Continuum's plans for tracking, the Foundation, the Resource Group, and the County planned to implement their own tracking systems. Both the Foundation and the County described their plans to track participants in their 1997 grant applications. Additionally, the Foundation notified HUD that they planned to set up a tracking system with the Resource Group.

Although the Resource Group and the County signed grant agreements requiring them to track departing participants, neither Trinity nor the Campus captured housing related data. These subrecipients, along with Covenant House, did not track grant participants.

Directly contradicting its consolidated applications, the Continuum did not ensure that its members used sufficient tracking systems. As of March 30, 2001, the Continuum had not implemented its community-wide tracking system. As a result, the Foundation, the Resource Group, and the County did not use tracking systems as of our last day of fieldwork at each location. Our last day of fieldwork at the Foundation was November 2000; the Resource Group was May 2000, and the County was March 2001.

The Continuum had an obligation to ensure members met its goals.

Although HUD did not issue any requirements regarding the Continuum, the Continuum nonetheless had an obligation to develop and implement procedures to aid its members to meet their goals. The Continuum promised HUD it would take an active part in accomplishing program goals through the strategies summarized in its applications. HUD relied upon the Continuum's strategies during its conditional selection process.

The Continuum planned to implement policies and procedures to evaluate program effectiveness and participant outcomes. Those policies and procedures would encourage members to more thoroughly examine their program outcomes. Thus, members may have provided additional support and critical evaluation of subrecipients. Unfortunately, the Continuum did not have a system in

place to evaluate its members' programs. Thus, allowing members' assertions to go unchallenged.

As reported in previous audit memorandums, Continuum members did not have evidence to support claims concerning program goals achieved or even that they served the intended population. Not only did Continuum members fail to maintain adequate supporting documentation of costs, they incorrectly paid grant funds for costs clearly disallowed by the Circular.

Additionally, the Continuum did not have procedures to detect that the Resource Group and the County provided unacceptable housing for grant participants, many who were teenagers and young adults, or that the County paid excessive rents with HUD funds. Furthermore, the Continuum could not substantiate the activities reported to HUD in its Consolidated Applications. For example, the 1999 Consolidated Application included the following statements:

“Each recipient of HUD Homeless Assistance funds is provided with a computer, software, connection and training for participating in a region-wide computerized information and client tracking network. The system ties together homeless service providers and the Coalition with a uniform intake/assessment/case management and tracking system.”¹⁴

“The Collaborative is currently developing a plan of action to implement a broad-based multi-site process and outcome evaluation, coupled with an assessment of the data collected by tracking participants through the Computerized Homeless Network.”¹⁵

“The network is the underpinning of a measurement data base, forming a quantifiable baseline of information and empirical data to backup agency determinations and reports. Analysis of the data serves to track participants through the seamless system, monitor service populations by subgroup and

¹⁴ Houston/Harris County, Texas 1999 Consolidated Application: *Linking of information, processes and program participants throughout the system.*

¹⁵ Houston/Harris County, Texas 1999 Consolidated Application: *Evaluation of program effectiveness and participant outcomes.*

geographic distribution, and to measure the cost effectiveness of service programs.”¹⁶

The Continuum provided erroneous information to HUD in its consolidated applications because it never used or implemented a tracking system. Thus, the Continuum gave the false impression that it could implement its strategies when it did not even have the necessary resources to do so.

Additionally, the Continuum did not document it had provided adequate outreach work or any other planned activities to enable homeless individuals and families to leave the streets, obtain jobs, and become self-sufficient.

Auditee Comments

HUD provided a written response on November 29, 2001. We have included its response in its entirety as Appendix A. HUD generally agreed with the conclusions in the draft report. However, HUD did not believe it had "any basis" for requiring the Continuum to implement systems or procedures. Also, HUD noted the Continuum has not requested or received any funds therefore may not have the ability to monitor grantees.

OIG Evaluation of Comments

We agree HUD does not have the regulatory authority to compel the Continuum to comply with its application. Further, during our audit period, HUD did provide training to grantees. HUD should continue to work with the Continuum and its members to ensure that the Continuum meets the objectives of the program and of its applications. We made changes to the draft report where necessary.

Recommendations

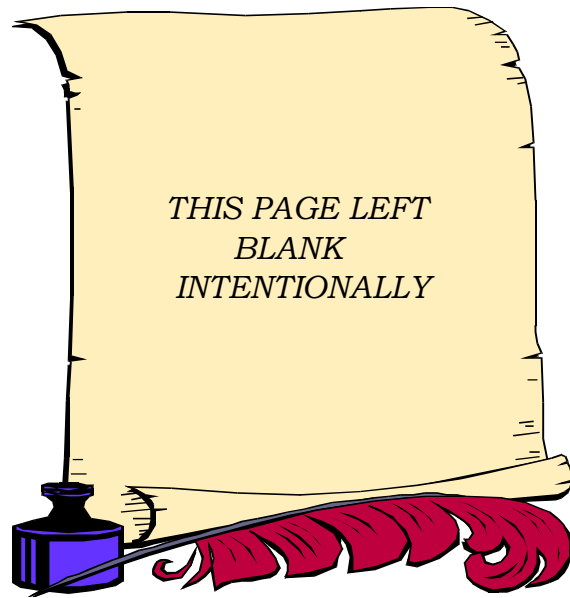
We recommend that HUD:

- 1A. Persuade the Continuum to develop and implement a process to evaluate program effectiveness and participant outcomes so as to meet their application. The Continuum should have policies and procedures so that its members: (1) coordinate services among

¹⁶ Houston/Harris County, Texas 1999 Consolidated Application: *Quality Assurance/Program Evaluation*.

themselves; (2) serve only homeless individuals and families; and (3) track participants throughout the Continuum of Care system to ensure participants transition to jobs and independent living.

- 1B. Continue to provide technical assistance workshops for grantees and Continuum members throughout the grant. The technical assistance should focus on the following areas: basic program requirements; HUD homeless eligibility requirements; establishing and maintaining complete and accurate participant records; creating and retaining sufficient fiscal records; and Annual Progress Report preparation.



Management Controls

In planning and performing our audit, we obtained an understanding of the management controls 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.

Significant Controls.

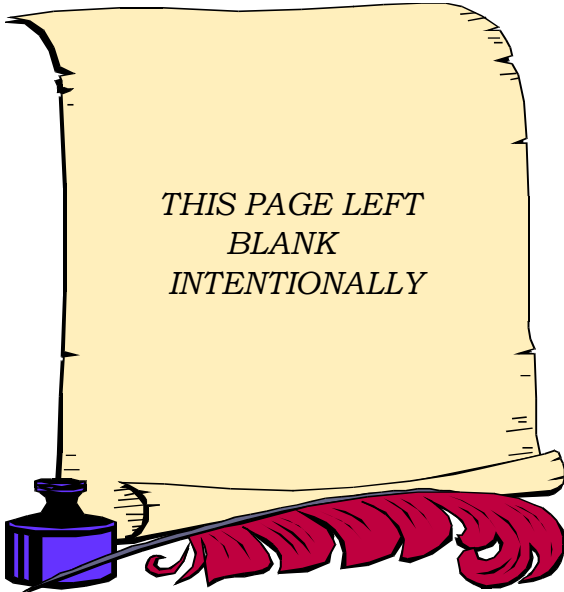
We determined the following management controls were relevant to our audit objectives:

- Fair representation of the needs of the community;
- A representative membership;
- A fair funding process;
- Accountability of performance; and
- 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 the finding, we believe the following items are significant weaknesses in that the Continuum lacked sufficient controls to ensure:

- Accountability of performance and
- 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
 801 Cherry Street PO Box 2905
 Fort Worth, Texas 76113-2905

NOV 29 2001

MEMORANDUM FOR: D. Michael Beard, District Inspector General for Audit, 6AFI

FROM: Katie S. Worsham, Director, CPD, 6AD

SUBJECT: Comments on Draft Report
 Office of Inspector General Audit
 Houston/Harris County/Coalition for the Homeless
 Continuum of Care

We reviewed the draft report dated October 11, 2001, and provide the following comments for your consideration.

The purpose of the Office of Inspector General Audit Report was to determine whether the Continuum had adequate management controls to ensure that it: developed a strategic plan that fairly represented the community's needs; had a representative membership; had a fair funding process; held its members accountable for their performance; and tracked participant progress.

The audit report concluded that the Continuum "did not administer its Continuum of Care Programs according to the terms and conditions of its consolidated applications. Specifically, it did not have sufficient management controls to measure its members' performance and to gather, track, record, and report critical program data." The audit report cited two recommendations:

1. Work with the Continuum to develop and implement a process to evaluate program effectiveness and participant outcomes. The Continuum should revise its policies and procedures to ensure its members: (1) coordinate services among themselves; (2) serve only homeless individuals and families; and (3) track participants throughout the Continuum of Care system to ensure participants transition to jobs and independent living. To help Continuum members track participants, HUD should require the Continuum to implement its strategy to link information, processes, and program participants among the collaborating and independent agencies.
2. Provide technical assistance workshops for the Continuum during the duration of the grant programs. The technical assistance should focus on the following areas: basic program requirements; HUD homeless eligibility requirements; establishing and maintaining complete and accurate participant records; creating and retaining sufficient fiscal records; and Annual Progress Report preparation.

We would like to provide the following comments regarding the above-mentioned recommendations.

1. HUD believes the best approach for alleviating homelessness is through a community-based process that provides a comprehensive response to the different needs of homeless individuals and families and encourages localities to share a comprehensive and coordinated housing and service delivery system called a Continuum of Care. While the Continuum of Care approach can serve as a framework to bring homeless housing and services and their respective providers together, it is the **community, not HUD that can design a strategy that works best.**
2. The Houston/Harris County area Continuum of Care is led by the Continuum of Care Collaborative which is comprised of the City of Houston, Harris County, and the Coalition for the Homeless of Houston/Harris County, Inc. The mission of the Continuum of Care Collaborative, is to coordinate the community-based process of identifying needs, build a system to address those needs, develop a comprehensive long-term approach to addressing homelessness, and facilitate individual agencies in their applications to HUD. The tri-agency collaborative answers to the Homeless Services Coordinating Council in the development and modification of the Continuum of Care system. The Homeless Services Coordinating Council is open to any interested service agency, public agency, individual, corporation, foundation, financial institution, developer, consultant, homeless or formerly homeless individual.
3. There are four exhibits in the Continuum of Care application. Exhibit 1 is a description of the community's C of C strategy, the process used to create that strategy, and the project priorities. Exhibits 2, 3 and 4 correspond to the three programs (Supportive Housing Program, Shelter Plus Care Program and the Section 8 Moderate Rehabilitation SRO Program), and are used to describe projects for which funding is requested.
4. There is no requirement that communities describe in Exhibit 1 as to how they will monitor performance of individual projects. Rather, communities are asked to describe their **planning process** for developing a C of C strategy and list the names and organizations involved in the community's C of C **planning process**. Also, the application form asks that communities describe their vision for combating homelessness and their strategies to carry out that vision.
5. There is no statutory or regulatory basis or process in place for HUD to ensure that consortium members comply with the goals and objectives established in their Continuum of Care strategy as described in Exhibit 1 of the C of C application.
6. Each year, communities refine and update their C of C strategies based on the changing needs of their communities. However, no mechanism exists to allow communities to amend Exhibit 1 of their applications.
7. HUD awards Continuum of Care funds to individual grantees and not to the Continuum of Care as a whole. Each applicant who is awarded funds executes a contract with HUD called a Grant Agreement. Under the terms of that agreement, grantees are responsible for the overall administration of the grant, including overseeing any subrecipients, contractors and subcontractors; and to comply with such other terms and conditions, including record keeping and reports.

8. Applicants are required by HUD to establish certain performance measures in their individual applications. These include a projection of the number and type of homeless individuals and families that will be served and measurable objectives that support the three program goals of residential stability, increased skills or income, and greater self-determination.
9. Once grant agreements are executed, each grantee must report annually on their progress in meeting those performance measures in the Annual Progress Report (APR). There is no requirement that communities report on their progress in meeting the goals as described in Exhibit 1 of their applications.
10. There are no implementing regulations that require the tri-agency Collaborative to maintain sufficient management controls to measure C of C grantees' performance or to gather, track, record, and report critical program data. The tri-agency Collaborative is merely a facilitator in the Continuum of Care planning process. The recipients of individual grants are responsible for gathering program data and reporting it to HUD.
11. HUD, not the Continuum of Care lead agency or agencies, is responsible for training grantees, providing technical assistance where necessary, reviewing reports and monitoring to ensure that each grantee administers its funded project for compliance with applicable statutory and regulatory requirements.
12. The 2001 HUD Appropriation Act requires that every jurisdiction will report client-level Homeless Management Information System (HMIS) data within 3 years. Beginning in 2001, HMIS costs are an eligible supportive service under SHP to help facilitate the implementation and operation of a C of C-wide HMIS. Until that time, we have no authority to require implementation of such a system.

Our office concurs with the OIG's claim that the Collaborative's application contained goals that have not been achieved. As stated in your report, the 1996-2000 applications included certain goals regarding quality assurance, program evaluation, and implementation of a computerized homeless network system.

Quality Assurance and Program Evaluation. We agree that communities should continually monitor the effectiveness of their C of C system. In 1998, our Annual Community Assessment (ACA) letter to the Harris County Judge made the following recommendation. "In partnership with the City of Houston and the Coalition for the Homeless, we encourage Harris County to pursue existing and potential resources to conduct a comprehensive evaluation of the community's Continuum of Care system to assess its effectiveness in addressing homelessness." A similar recommendation was made to the Mayor of the City of Houston.

While we agree that the Collaborative should monitor the effectiveness of their system, we do not believe it is the responsibility of the tri-agency collaborative to monitor each grant for compliance with program requirements. The Coalition for the Homeless has never applied or received any funds for administration of the grant programs. Harris County and the Housing Authority of the City of Houston have received administrative costs only for those grants that they administer. Even though we agree that communities should monitor the effectiveness of their systems, we do **not** believe HUD has any basis for requiring such action.

Computerized Homeless Network System. According to the 1997 application, the Board of Directors of the Coalition for the Homeless established the goal of linking, through a computerized homeless network all area homeless providers by the turn of the century. The Computerized Homeless Network (CHN) system consists of a networked database tying together homeless service providers and the Coalition with a uniform intake/assessment, coordinated case management and service provision, participant tracking and program quality assurance. The program development and beta testing took about 2 years, and the test period uncovered numerous problems. Solutions to the problems were investigated and corrective actions initiated in the Fall of 1997. By the end of 1998, there were 17 sites functional. However, we understand that the funding for the ongoing management and support of the system was depleted and the vision for the system's potential was never fully realized.

This office agrees that homeless services tracking and reporting systems can improve client services, homeless service program management, and policymaking. The Houston/Harris County Collaborative continues to have long-range goals for such a system. As previously stated, the 2001 HUD Appropriation Act requires that every jurisdiction will report client-level HMIS data by 2004. Also, funding for an HMIS is now an eligible activity under the SHP. We intend to provide technical assistance to the Houston/Harris County C of C in implementing an HMIS during the upcoming year.

We look forward to discussing these issues with you on December 7, 2001. If you should have any questions before then please call Ms. Kristin Hadawi, Community Planning and Development Representative, at 817-978-5940 or Ms. Brenda Jennings, Financial Analyst, at 817-978-5841.

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