



Issue Date March 3, 2006
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Audit Report Number 2006-LA-1009
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TO: William Vasquez, Director, Los Angeles Office of Community Planning and Development, 9DD

*Joan S. Hobbs*

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: Fontana Native American Indian Center, Fontana, California, Did Not Adequately Administer Its Supportive Housing Program Grant

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Fontana Native American Indian Center (Center) in response to a request from the U.S. Department of Housing and Urban Development's (HUD) Los Angeles Office of Community Planning and Development.

Our audit objectives were to determine whether the Center administered its Supportive Housing Program grant in accordance with HUD requirements and its grant agreement. More specifically, our objectives were to determine whether (1) grant expenditures were eligible and supported with adequate documentation and (2) the Center had implemented adequate financial management and record-keeping systems.

### **What We Found**

The Center did not adequately administer its Supportive Housing Program grant. It spent \$194,541 in grant funds for ineligible (\$138,503), unsupported (\$55,776), and unnecessary (\$262) expenses. It also failed to develop adequate financial management and record-keeping systems.

## **What We Recommend**

We recommend that HUD require the Center to reimburse the grant and/or repay HUD from nonfederal funds for the \$138,503 in expenses related to ineligible clients as well as the \$55,776 in unsupported expenses and \$262 for unnecessary expenses, unless it can provide adequate supporting documentation.

We also recommend that HUD require the Center to establish and implement a financial management system that meets federal requirements and an adequate record-keeping system. In addition, we recommend that HUD not award the Center additional funding until it has implemented adequate systems and controls.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

## **Auditee's Response**

We provided the Center a draft report on February 10, 2006. The Center declined an exit conference and provided written comments on February 24, 2006. It generally disagreed with our report.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVES

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The Supportive Housing Program is authorized under Title IV of the McKinney-Vento Homeless Assistance Act. Supportive Housing Program grants are awarded on a competitive basis to develop supportive housing and services to enable homeless persons to live as independently as possible. Eligible activities include transitional housing, permanent housing for homeless persons with disabilities, innovative housing that meets the intermediate and long-term needs of homeless persons, and supportive services provided to homeless persons not in conjunction with supportive housing.

The Fontana Native American Indian Center (Center), located at 9232 Sierra Avenue, Fontana, California, incorporated in 1987 as a nonprofit organization. It was awarded a grant (CA16B809010) for \$841,837 as part of the 1998 Supportive Housing Program grant awards and executed the grant agreement in January 2000. According to its application, the Center operated as a transitional housing facility that also provided supportive services to homeless individuals. Its purpose is to serve people from their transitional housing and supportive services to permanent housing and employment within twenty-four months. Overall, \$840,969 of the \$841,837 was spent. As of this report, the \$868 balance remains, and the grant is pending closure by the Los Angeles Office of Community Planning and Development.

A second grant (CA16B309010) for \$249,286 was conditionally awarded to the Center by the Los Angeles Office of Community Planning and Development under the fiscal year 2003 Supportive Housing Program grant awards. After reviewing the Center's application, the Los Angeles Office of Community Planning and Development requested the Center to submit a technical submission and address various conditions it identified. As of September 2005, the Center had not submitted an acceptable technical submission, and the funds were deobligated at the end of fiscal year 2005. Currently, the Center is operating at minimal existence due to a lack of funding; however, it has applied for other non-U.S. Department of Housing and Urban Development (HUD) grants to resume normal operations.

Our audit objectives were to determine whether the Center administered its Supportive Housing Program grant in accordance with HUD requirements and its grant agreement. More specifically, our objectives were to determine whether (1) grant expenditures were eligible and supported with adequate documentation and (2) the Center had implemented adequate financial management and record-keeping systems.

## RESULTS OF AUDIT

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### Finding 1: The Center Spent \$194,541 in Supportive Housing Program Funds for Ineligible, Unsupported, and Unnecessary Expenses

The Center spent \$194,541 of the total (\$840,969) grant funds expended for ineligible (\$138,503), unsupported (\$55,776), and unnecessary (\$262) expenses. We attribute the deficiencies to the Center's insufficient emphasis on ensuring it was adequately knowledgeable of and met Supportive Housing Program requirements and responsibilities and followed McKinney-Vento Act provisions. In addition, as discussed in finding 2, the Center did not ensure that it had adequate financial management and record-keeping systems in place, which contributed to the deficiencies. These improper expenditures prevented the Center from fully meeting HUD's goals of providing housing and supportive services to eligible clients.

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#### **The Center Paid \$138,503 in Ineligible Expenses**

##### **Ineligible Payroll**

We reviewed the Center's payroll expenses totaling \$328,478 for 14 employees and contractors and determined that \$68,038 was ineligible. The ineligible payroll expenses related to five employees, whose duties were neither included in the technical submission approved by HUD nor related to Supportive Housing Program activities. Based on grantee records and information, the five employees and their related duties and salary expenses were as follows:

<b>Employee</b>	<b>Duties</b>	<b>Salary</b>
Cultural director	Collaborated with other youth programs, taught health and craft classes, conducted cultural presentations, and recruited for Western University. None of these duties specifically related to the Supportive Housing Program activities.	\$37,237
General worker <sup>1</sup>	Conducted research on client tribal affiliations, composed correspondence to seek additional funding for parolees, collected powwow funds, and sought powwow information. None of these duties specifically related to the Supportive Housing Program activities.	\$2,000
Office assistant	Assisted the special projects director with the clients on probation, ensured they were not violating their probation, and responded to letters from incarcerated clients. None of these were specifically related to the Supportive Housing Program activities.	\$24,345
Intern	Counseled the participants of the Center's youth group (There is no evidence that 100 percent of the children counseled belonged to parents who were eligible clients of the Center's grant.)	\$704
Intern	Care for children at the youth center (There is no evidence that 100 percent of the children counseled belonged to parents who were eligible clients of the Center's grant.)	\$3,752
<b>Total</b>		<b>\$68,038</b>

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<sup>1</sup> There was not a specific title assigned to this employee; however, he performed various general and administrative duties.

As discussed and shown above, the five employees were not included in the technical submission approved by HUD.<sup>2</sup> In addition, the Center did not have personnel activities reports as required by Office of Management and Budget Circular A-122 (see appendix C) to detail how their time was spent. More importantly, the employees did not have Supportive Housing Program-related duties. For example, we found instances in which employees were paid to respond to letters from incarcerated clients (not eligible for assistance under the McKinney Act; see appendix C). Also, employees were ensuring that clients were not violating probation, seeking additional funding for parolees, seeking information for powwows, conducting research on client tribal affiliations, and working with children of a youth group in which the children could not be linked to eligible clients. Thus, the duties performed by these employees were not related to carrying out the grant program, and their salaries were not eligible expenses.

### **Ineligible Clients**

The Center spent \$67,667 for housing and supportive services related to 21 clients who did not meet HUD's definition of homelessness in 24 CFR [*Code of Federal Regulations*] 583 (see appendix C). We selected 82 client files and determined that 21 (26 percent) of these clients were ineligible (see appendix D) to receive assistance through the Supportive Housing Program grant. As detailed in appendix D, our review of the client files showed that the clients were ineligible because they had been living with friends or relatives immediately before receiving assistance for periods ranging from two days to four years. On average,<sup>3</sup> clients lived with friends or relatives for 61 days before being approved for assistance by the Center. The \$67,667 was spent on housing and supportive services as shown in the table below and shown in more detail in appendix E.

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<sup>2</sup> This is a violation of the grant agreement, which states "no change may be made to the project nor any right, benefit, or advantage of the recipient hereunder be assigned without prior written approval of HUD."

<sup>3</sup> After excluding the minimum and maximum days.

<b>Client</b>	<b>Housing</b>	<b>Supportive services</b>	<b>Total</b>
1	\$ 606	\$ 0	\$ 606
2	\$ 6,755	\$ 0	\$ 6,755
3	\$ 8,300	\$ 640	\$ 8,940
4	\$ 500	\$ 0	\$ 500
5	\$ 0	\$ 100	\$ 100
6	\$ 3,600	\$ 1,395	\$ 4,995
7	\$ 20,049	\$ 607	\$ 20,656
8	\$ 4,425	\$ 0	\$ 4,425
9	\$ 1,950	\$ 0	\$ 1,950
10	\$ 550	\$ 0	\$ 550
11	\$ 0	\$ 200	\$ 200
12	\$ 875	\$ 0	\$ 875
13	\$ 2,250	\$ 200	\$ 2,450
14	\$ 1,000	\$ 1,014	\$ 2,014
15	\$ 5,744	\$ 0	\$ 5,744
16	\$ 1,657	\$ 350	\$ 2,007
17	\$ 1,050	\$ 0	\$ 1,050
18 <sup>4</sup>	\$ 2,125	\$ 490	\$ 2,615
20	\$ 450	\$ 0	\$ 450
21	\$ 785	\$ 0	\$ 785
<b>Total</b>	<b>\$ 62,671</b>	<b>\$ 4,996</b>	<b>\$ 67,667</b>

Center officials were apparently aware of the requirements but chose to disregard them. In its technical submission, the Center detailed the eligibility requirements as part of a pamphlet on its transitional housing and job training program, which mirrored the requirements contained in 24 CFR [*Code of Federal Regulations*] 583. Additionally, the executive director told us that the Center “helped a lot of people that were not in the HUD program by giving them food, and sometimes the special projects director gave them cash out of his pocket.”

During a March 2001 monitoring review by the Los Angeles Office of Community Planning and Development, one item of concern was noted with regard to documenting the homeless status of clients housed and served. The Center was notified that written verification, required as part of the homeless documentation process, was not evident in the files maintained by the Center. The Center responded in June 2001 and stated “documentation from each homeless candidate is being required and is in their files as much as possible.” Additionally, the Center stated it had been careful to follow HUD documentation requirements since the monitoring visit. However, we found instances in 2002 and 2003 in which the Center did not obtain sufficient documentation to establish eligibility.

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<sup>4</sup> Client 19 was ineligible for assistance but is not listed in the table because no Supportive Housing Program funds were spent on this client.



### **Other Ineligible Expenses**

We also found that the Center spent \$2,798 on other unallowable and ineligible expenses. Several of these expenses were for the personal use of the employee(s) or were unallowable based on Office of Management and Budget Circular A-122 (see appendix C). Below is a table showing the ineligible expenses.

<b>Description</b>	<b>Amount</b>
Personal use expenses – car repair costs for a vehicle used by Center officials for transportation to/from home and the Center	\$ 181
Other grant – express mail package sent to Employment Development Department for a General Services Administration grant writing inquiry	18
Film development – for unknown purposes	21
Sit-down restaurant meals - not relating to Center business	24
Employee loan(s) – no documentation showing loan was repaid and also an unallowable expense	1,929
Fundraising – an unallowable expense	275
Not a client – an educational fund paid for an individual who stayed in a unit with one of the Center’s clients; the individual, herself, was not a client.	350
<b>Total</b>	<b>\$2,798</b>

### **The Center Paid \$55,776 in Unsupported Expenses**

Our review also identified \$55,776 in unsupported expenses related to clients for which the Center could not provide client files to support their eligibility for assistance (\$21,052) and other expenses (\$34,724) for which the Center could not provide supporting receipts or other documentation. Details are discussed separately below.

### **Unsupported Clients and Related Expenses**

As discussed above, we selected 82 client files for review; however, contrary to the Office of Management and Budget Circular A-110, the Center was unable to locate 36 (44 percent) of the selected client files. As a result, we were unable to determine the eligibility of the 36 clients and, therefore, the \$21,052 in related expenses. Given that 21 (46 percent) of the 46 client files we did review were ineligible clients, the same could be true for these 36 clients. Without the client

files to determine the eligibility of the clients, we could not determine the eligibility of the \$21,052 in housing and other supportive services as shown below.

<b>Description</b>	<b>Amount</b>
First month's rent and security deposit	\$ 10,905
Cash payments directly to clients	5,297
Rental assistance	4,263
Collection fees	450
Parking ticket	137
<b>Total</b>	<b>\$ 21,052</b>

In a letter to us, the executive director wrote the following explanation: "With the Office of Inspector General audit we find many files missing. Files that the office manager was working with are not in our office...Some of the clients with missing files have somewhat been exonerated with the findings of letters and other records to prove they were indeed clients. But missing needs assessment documentation has not been located yet for several clients."

**Other Unsupported Expenses**

Our review also disclosed that contrary to Office of Management and Budget Circular A-110, \$34,724 was spent on various expenditures for items for which the Center could not provide supporting invoices, receipts, or other documentation to support the eligibility of the items. We also noted that these expenditures were all paid to four employees, three of whom were related to the Center's executive director. The unsupported items were as shown in the table below.

<b>Description</b>	<b>Amount</b>
Payments to the Center	\$ 15,226
Employee	10,211
Cash payments directly to clients	2,505
Cash payments for reimbursements	1,997
Cash payments for business insurance	1,827
Cash payments for petty cash replenishments	1,700
Supplies	541
Lost checks	370
Cash payments (repairs, maintenance, and supplies)	207
Food for clients	122
Kitchen towels, kitty litter, and telephone card	18
<b>Total</b>	<b>\$ 34,724</b>

## **The Center Paid \$262 in Unnecessary Expenses**

The Center also spent \$262 on unnecessary expenses relating to the replacement of (1) videos that a client stole from another client (\$197), which was not the Center's responsibility to replace, and (2) miscellaneous items, such as cassette holders, for a youth group not linked to eligible clients (\$65). These items were not necessary in carrying out Supportive Housing Program activities and, therefore, should not have been paid with grant funds.

## **Conclusion**

We attribute the deficiencies to the Center's insufficient emphasis on ensuring it was adequately knowledgeable of and met Supportive Housing Program requirements and responsibilities and followed McKinney-Vento Act provisions. In addition, as discussed in finding 2, the Center did not ensure it had adequate financial management and record-keeping systems in place, which contributed to the deficiencies. As a result, the improper expenditures prevented the Center from fully meeting HUD's goals of providing housing and supportive services to eligible clients.

## **Recommendations**

We recommend that the director of the Los Angeles Office of Community Planning and Development require the Center to

- 1A. Reimburse the grant and/or repay HUD from nonfederal funds for the \$138,503 in expenses for ineligible clients and other related ineligible expenses.
- 1B. Reimburse the grant and/or repay HUD from nonfederal funds for the \$55,776 in unsupported expenses, unless it can provide adequate supporting documentation.
- 1C. Reimburse the grant and/or repay HUD from nonfederal funds for the \$262 in unnecessary expenses paid.

## Finding 2: The Center Did Not Implement Adequate Financial Management and Record-Keeping Systems

The Center failed to establish an adequate financial management system and implement a record-keeping system to adequately maintain its grant records. We attribute the deficiencies to the Center's employment of personnel who were not knowledgeable of the pertinent requirements and did not establish and implement the required systems and controls. These conditions precluded the Center from conducting its Supportive Housing Program grant activities more efficiently and effectively. In addition, as discussed in finding 1, HUD has no assurance that Supportive Housing Program funds were used only for authorized and allowable expenses.

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### **The Center Failed to Establish an Adequate Financial Management System**

The financial management system is integral to the grantee's ability to adequately administer its grant program. HUD requires grant recipients' financial management systems to provide records that adequately identify the source and application of funds for federally sponsored activities. These records should contain information pertaining to federal awards, authorizations, obligations, unobligated balances, and outlays. Additionally, Office of Management and Budget Circular A-110, "Standards for Financial Management Systems," requires the recipients' financial management systems to provide records that identify adequately the source and application of funds for federally sponsored activities. Details of the deficiencies we found are discussed below.

#### **Financial Management System**

While the Center purchased Quickbooks, an accounting software package, for its operations, it did not use the software. The Center did not have personnel with adequate accounting and financial knowledge to implement and maintain its financial records. The executive director, who used the computer where the software is installed, lacked the appropriate training and was not familiar with Quickbooks. Further, the retired volunteer accountant who once did the accounting for the Center left the organization in May 2003, and the office manager who took over the accounting responsibilities left the organization soon thereafter. Consequently, the Center's financial management system (Quickbooks) did not provide accurate, current, and complete disclosure of the financial results of its program. Based on supporting documentation the Center provided to us, the last time the accounting information was entered into the software was 2001. We obtained printed journal entries and general ledger

information printed from the software dating back to October 2, 2001; however, the entries in these reports ended in June 2001. Although these journals and ledgers existed, there was no supporting documentation for the entries, which would allow us to verify the integrity of the information for the first two years of the grant. Further, upon our review of the software, the cancelled checks did not match the issued checks as reported by the software. Upon review of the general ledger as of June 30, 2000, it appeared that the accounts were adequately set up, but there was a breakdown in the system, and no new information was entered.

In addition, the financial management system did not track the source and application of funds. The Center received many drawdowns that were deposited directly into its bank account between February 2000 and January 2004; however, none of these deposits was entered in Quickbooks. Consequently, there was no audit trail on how the funds were spent. We reviewed more than 1,200 checks written for grant expenditures between January 2000 and November 2004, yet the software did not show any of these transactions.

The Center's financial management system did not identify required cash-matching funds. The Center had two bank accounts in which deposits and withdrawals took place. There was, however, no method of showing which deposits were for matching funds or for other, unrelated program activities. Consequently, we were required to manually trace the flow of funds to determine whether the Center complied with grant-matching requirements.

The Center's financial management system also did not compare outlays with budgets. The Center received \$840,969 from its \$841,837 grant. The Center's system did not show how much was in the grant budget or how the budgeted funds had been spent to enable the Center to determine the remaining balances throughout the duration of the grant.

We also noted that the Center had no written procedures for its accounting system and no accountant or other specific person to maintain the system. Consequently, to accomplish our audit, we had to review every check that we could locate (more than 1,200 checks) and create our own spreadsheet to analyze and evaluate the grant expenditures. Even then, we were unable to completely reconcile the revenues and expenses of the Center.

In addition, we noted that the Center's lack of accounting procedures compounded its problem relating to internal controls. For example, payroll advances were given to employees, but there was no tracking system in place to ensure advances were repaid. Other internal control issues stemmed from the lack of segregation of duties. For example, one employee who received reimbursements was the same person who signed the checks, including reimbursements to himself.

Other examples are the lack of approval of timesheets for all employees and no separation between the various activities performed by employees or the funding source. Each of the above examples supports the inadequacy of the Center's financial management system and internal controls.

These deficiencies clearly demonstrate that the Center had an inadequate system in place and should not be provided more funding from HUD until it can establish and implement systems and controls that meet federal requirements.

### **Record Keeping**

Our audit also disclosed that the Center did not implement a system to adequately maintain its grant records. It did not have an organized and systematic means of filing and retaining its various operating records. Consequently, during the audit, the Center experienced severe difficulty in locating records and documents required for performing the audit. The Center's client files were filed in one drawer by year and in alphabetical order. The vendor files, however, were filed away in multiple drawers in no particular order. For example, in some instances, receipts were kept in files labeled by the vendor's name or the type of service, such as AT&T, office maintenance, and petty cash. In other instances, the vendor receipts were located in the file of the client who received the service. Most critical, however, was the accounting information, which was spread throughout the office. Without the guidance and memory of the executive director, it was difficult to review the performance of the grant.

We also noted that a monitoring review in March 2001 by the Los Angeles Office of Community Planning and Development had one finding, stating that the Center "needed to better organize its financial records to comply with the standards for financial management systems required at 24 CFR [*Code of Federal Regulations*] 85.20." The recommendation for this finding was "expenditure records, to include back-up documentation, should be filed with each grant drawdown voucher to permit easier verification of eligible and allowable grant expenditures, and to measure whether grant funds have been disbursed in a timely manner pursuant to 24 CFR [*Code of Federal Regulations*] 85.20(b)(7)." The Center responded in a letter that stated, "...we have begun compiling receipts with drawdown vouchers. We are fixing each drawdown voucher with accounting reports." However, as experienced during our audit, the Center's record-keeping system was still inadequate.

## **Conclusion**

We attribute the deficiencies to the Center not ensuring that it employed personnel who were adequately knowledgeable of the pertinent Supportive Housing Program requirements, as well as accounting and finance requirements, to establish and implement the required systems and controls. These conditions precluded the Center from conducting its Supportive Housing Program grant activities more efficiently and effectively. In addition, as discussed in finding 1, HUD has no assurance that Supportive Housing Program funds were used only for authorized and allowable expenses. Further, since the Center was previously advised of these problems, HUD should not award the Center additional funding until it implements adequate systems and controls.

## **Recommendations**

We recommend that the director of the Los Angeles Office of Community Planning and Development

- 2A. Require the Center to establish and implement a financial management system and an adequate record-keeping system that meet federal requirements.
- 2B. Not award the Center additional funding until it has implemented an adequate financial management system and adequate internal controls.

## SCOPE AND METHODOLOGY

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We performed the audit between July 2005 and January 2006. The audit generally covered the period from January 2000<sup>5</sup> through June 2004. We expanded the scope as necessary. We reviewed applicable guidance and discussed operations with management and staff personnel at the Center and key officials from HUD's Los Angeles Office of Community Planning and Development. Our primary methodologies included

- Reviewing applicable HUD regulations at 24 CFR [*Code of Federal Regulations*] Part 583, Office of Management and Budget Circulars A-110 and A-122, as well as the Super Notice of Funding Availability, dated April 30, 1998, part V.
- Interviewing appropriate HUD personnel and relevant grant files to obtain an understanding of Supportive Housing Program requirements and identify HUD's concerns with the grantee's operations.
- Reviewing the grantee's policies, procedures, and practices and interviewing key Center personnel.
- Reviewing past independent public accountants' reports and prior HUD monitoring results.
- Reviewing available cancelled checks for the \$840,969 in grant funds expended. After our initial review, we nonstatistically selected expense items of \$100 or more for a detailed review.
- Reviewing client files, vendor files, and all other documentation provided by the Center to support its payments to vendors, clients, and employees from the funds drawn down from HUD. Documentation reviewed included available contracts, accounting records, cancelled checks, bank statements, payrolls, and timesheets.

We conducted our audit in accordance with generally accepted government auditing standards and included tests of management controls that we considered necessary under the circumstances.

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<sup>5</sup> The grant was awarded in 1998; however, funding was not received until January 2000.



# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives

- Policies and procedures to ensure grant expenditures were eligible and adequately supported.
- Policies and procedures to ensure an adequate financial management and record-keeping systems.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

The Center did not have

- Policies and procedures in place to ensure grant expenditures were eligible and adequately supported (finding 1) and
- Policies and procedures to ensure adequate financial management and record-keeping systems were in place (finding 2).

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Unnecessary or unreasonable 3/
1A	\$138,503		
1B		\$55,776	
1C			\$262
Total	\$138,503	\$55,776	\$262

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Unnecessary/Unreasonable costs are those costs not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

Fontana Native American Center, Inc.  
9232 Sierra Ave.  
Fontana, CA. 92335  
909-428-5660  
[fnaici@aol.com](mailto:fnaici@aol.com)

February 20<sup>th</sup>, 2006

To: Joan S. Hobbs, Regional Inspector General for Audit  
611 West Sixth St. Suite 1160  
Los Angeles, CA. 90017-3101

Copy: Mr. William Vasquez, Director Los Angeles  
Office of Community Planning and Development  
Department of Housing and Development

#### ANSWER TO AUDIT REPORT:

#### Comment 1

Obviously our letters from the OIG office submitted in December of 2005 and hand carried by Ms. Rotranda Gordy, OIG Auditor on site were either not turned in to the OIG office or were completely discounted. Subsequently we feel that any attempt on our part to help rectify matters the situation of the Fontana Native American Center Inc. And the HUD OIG office will not be considered. So we will continue to send copies to all of our California legislators, State and Federal, to assist us in our attempt to comply with this audit report.

#### Comment 2

First the report was asked for by the Los Angeles Office of HUD after their field representative, [REDACTED], refused to meet with our staff at any time after her appointment to the San Bernardino/Riverside counties area, a period of three years.

#### Comment 3

Second due to her lack of response to FNAIC and the many times, during training meetings, we heard her brag that she would see if we (FNAIC) could keep their funding we can only believe that this was totally a racist and uncalled for attitude on the part of the HUD Field Representative.

#### Comment 4

Third Many of the audited expenses seem to be wrongly tabulated or facts ignored. Page 6 of the report states that we had an ineligible payroll of \$68,038.

- I. Cultural Director's duties were absolutely in relation to the homeless clients being served by FNAIC. Collaborating with other youth programs was an attempt to bring the children of these homeless families into contact with other children who families were not homeless and into a stable environment for them; the health and craft classes she taught were indeed a part of bringing these families back into a stable world; the conducted cultural classes were an attempt to realign homeless families with their roots to help stabilize them as they came back into a self-sufficient lifestyle; no recruiting for Western University was ever done by anyone from FNAIC, but staff did look into the possibility of education advantages for

Names have been redacted for privacy

Comment 5

our homeless clients. In fact all of these duties related to the Supportive Housing program.

Comment 6

2. General Worker duties were ALL related to helping clients become stabilized, especially those who had been recently incarcerated. Finding Tribal affiliations helps stabilize clients who have been homeless for some time by giving them a basic root system to begin working out the problems of why they are homeless and/or have been incarcerated – some many times. Seeking additional funding for parolees was an attempt to share costs for all of these homeless people between the federal and state governments; The annual event of a pow wow were in direct line to the supportive housing program. It helped find funding elsewhere for the supportive housing, find families and other means of support for homeless people.
3. Office Assistant Had duties far more in relation to the entire office continuum than supporting the Special Projects Director with clients on probation and responded to some letters from incarcerated people to determine if indeed they could be clients of our homeless program. All are in direct relation to the Supportive housing program.
4. Interns – absolutely counseled and cared for children of Transitional Housing parents enrolled in the FNAIC program. Sign in sheets are available for your scrutiny.

Comment 7

The \$68,038.00 spent on the above activities were absolutely in line with our Supportive Housing program.

Comment 8

While OIG reports that incarcerated or hospitalized people were ineligible for transitional housing in fact the material given to FNAIC and in which we and many other grantees were trained in 1998 and 1999 and 2000, with state that a person is eligible if they are within thirty days of being released from a facility they were housed in whether medial or other.

Comment 9

Most of the clients who had been living with friends or family had letters in their files stating they could no longer continue in that situation and were, in effect, Unfortunately for FNAIC the Office Manager was fired in May of 2004 after many instances of impropriety were found. And unfortunately many of the reports so meticulously kept over the years were not found. FNAIC has good reasons to know that the former Office Manager deliberately abandoned many of these same files. The Board and remaining staff are mortified about this situation. Unfortunately FNAIC cannot now prove that all documentation was originally in each client file. NO RULE was deliberately ignored by FNAIC staff at any time! .

Comment 10

**Fifth Other Ineligible Expenses** – The car repair costs were for the only vehicle available and owned by the center to transport clients to and from doctor appointments, court appearances, employment classes or other transportation needs of some clients.

Comment 11

1. If the car was driven to Center officials home it was because either the appointments were very early in the morning or had ended very late in the day and necessitated the vehicle being available for time wise travel.
2. While on the checks showed on occasion a loan was made to a client it was an attempt to get said client to be responsible and learn to repay their debts including rent,

Comment 12

etc. This was a mistake on the part of staff to note this on the checks. Explanation was that it was a reminder for the client that they were undertaking a responsibility and was part of the retraining program for such responsibilities.

Comment 13

**Sixth** Unsupported Client and Related Expenses were unfortunately entirely related to the transitional Housing program according to the rules in effect at that time. Clients who actually had employment but who were homeless could receive First and Last assistance to gain transitional and then permanent housing.

**At no time was cash payments given to clients.** But at times, because some San Bernardino apartment complexes managers would not receive checks form FNAIC, and other Housing organizations, FNAIC staff was required to obtain cash for money orders to gain client housing. These money orders were then taken to the apartment complex manager for the client we were attempting to house.

A parking ticket was paid for a client to enable that client to continue working and to remain in the apartment FNAIC had obtained for that client who was at that time paying part of the rent.

Comment 14

**Seventh** While the FNAIC Executive Director does agree that some mistakes were made such as placing too much trust in employees and wanting to help those who need assistance, which we have continued to do up to this date.

AND we are very concerned that OIG report took none of our voiced and prior letters of explanations into account. Due to the inexperience of the Executive Director who allowed certain record keeping to become the responsibility of other staff members, who claimed to be experienced in their field. And of course due to the death of our accountant and subsequently take over by the Office Manager of these duties. The Executive Director was not aware that the Office Manager did not know how or for some reason was not keeping financial records.

Comment 15

The original financial record keeping was done by the Executive Director on a weekly basis, handwritten, and those records were available for inspection. With the illness and subsequent death of our accountant the Executive Director should have retaken this under control. Due to the Executive Directors own ill health this was not done. And for a 4 to 5 person staffs accounting procedures were not written into the records.

NOTE: FNAIC does have QuickBooks on the office computer and records were kept on this program and were originally transferred from the accountants' computer. Unfortunately we have been unable to access this program, as we do not have the current password, which was kept by the prior office manager.

Comment 16

All in all with the first Field Representative, [REDACTED], FNAIC had a good working relationship and email, telephone or written communications were done expediently. After 2001 when the field representative was changed to [REDACTED] this became impossible. Most communications were either denied as ever having been received or just not answered. Appointments for FNAIC officials to travel to Los Angeles and meet personally, bringing all the records with them were cancelled or just not kept by HUD representatives. All correspondence was sent to our California Assemblyman Joe Baca and our California Senator Barbara Boxer. Even the Field Representatives from these offices have met with denial on most occasions.

## Comment 17

### Line Item Refuting of OIG Report:

**Client # 1 - \$ 606.00** Was the product of an eviction decision. Move in services were provided and was given assistance in moving into her own apartment.

**Client # 2 - \$ 5,755.00** Was sharing housing with client 7, when client 7 became self-sufficient and exited the program Client 2 was unable to continue paying rent. She and her daughter were given rental and move-in assistance in San Bernardino.

**Client # 3 - \$ 8,940.00** Was residing in parents house but due to domestic dispute was required to move, becoming homeless. Move in and rental assistance was provided for them. \$600 cash expenditure was due to property manager requiring first months rent in cash. Subsequently client gave birth and clients dissolved partnership due to domestic violence. Female client was given additional rental assistance but male client was not.

**Client 4- \$500.00** Client came to us through a eviction proceeding, there for qualifying as homeless, although working client was unable to secure housing without the \$500 rental assistance

**Client 5 - \$ 100.00** Because Client was homeless, was housed with another client and required \$100 for clothing so she could secure employment. This client was then housed in San Bernardino under allowable expenses.

**Client 6-\$3,958.00** Client 6 as both male and female clients were residing in separate homeless shelters . \$250 food expense were staples for parents and newborn infant. Educational expense was for male clients forklift training class and female clients floral arrangement class at ROP. Also auto repairs was replacement of male clients transmission and transportation, bus or gas expenses, were for transportation while vehicle was disabled and for transportation of female client to ROP classes and to counseling.. This expense was written into our supportive housing Client subsequently exited program due to incarceration for child abuse. Child was removed form home by CPS.

**Client 7 \$20,049.00 and Client 14** Were residing in male clients parent home but due to sale of house were unable to provide adequate housing for themselves and child.. An additional \$450 fro court fees was due to restraining order issued on male client. Subsequently Client 7 became self sufficient and exited program.

**Client 8 \$4,425.00** was referred to us by Indian health Services as being homeless she was living in her vehicle. We assisted her in finding housing. Subsequently was viciously attacked and did not feel safe and moved out of the State.

**Client 9 \$1,950.00** homeless due to landlord fraud, was paying rent but evicted due to condemnation by San Bernardino Code Enforcement, unable to secure other housing.

**Client 10 \$ -550.00** Victim of domestic violence and needed help in securing safe living arrangements.

**Client 11 \$ 200.00** clothing, came to us form the California Youth Authority was subsequently housed but due to threats from former gang affiliates was removed by CYA. Subsequently was reincarcerated on parole violation, upon release-exited State.

Returned to State with wife but became homeless and was housed in San Bernardino. Became a victim of more gang violence and was again removed form program.

**Client 12 \$ 875.00.** was evicted and needed temporary assistance in this amount for 2 month. Then exited program.

**Client 13 \$2,450.00** This client was became homeless due to eviction fro an extended period of time we were unable to find her adequate living arrangements. Cash expenditure of \$200 was paid for apartment rental service but to no avail. After a period of time we were able to find her housing and allocated remained of money. She was sleeping in parks at night.

**Client 14 \$ 1,705.00** refer to client 7 on issuance of restraining order client 14 b3cam3 homeless. \$705,00 cash allocation was due to property manage requiring cash Move in fees of \$1,000 were remainder of rental assistance. An additional amount of \$309 was allocated due to possible impounding of clients vehicle.

**Client 15 - 5,744/00** Client was cousin of client 14. He and daughter were residing with his parents and family dispute and was required to move, this client was unemployed at the time. We secured housing for client and daughter, client subsequently became employed and exited program.

**Client 16 - \$ 1,5 57.00** Client was refers to us by HIS .he was living in his car. As he was on parole he needed permanent housing. \$257 expense was made for lodging. \$1,400 temporary housing expenses were paid as where he was living agreed to house him an additional \$350 auto repair expenses so that client could commut from Victorville to Fontana for employment.

**Client 17 \$ 1,050.00** Was cohabitating with another client. This partnership was dissolved and the expense was made for clients move in expenses. She exited program.

**Client 18 - \$ 2,465.00** Clients were residing with three children in trailer. But were evicted by San Bernardino County Code enforcement. Clients were unemployed at the time. Therefore needing assistance of rent and other in expenses. \$340 was proved for male client could procure gainful employment. And additional \$150 was allocated for bus ticket so that male client could reunite with sons and possibly bring them back to California to reside with him.

**Client 19 - \$ 0 No expenditures**

**Client 20 - \$450.00** Was allocated for rental assistance.

**Client 21 - \$ 785.00** Came to us after having been evicted as she was on AFDC she was unable to secure housing.

## Comment 18

### Unsupported Clients and Their expenses:

**Client [REDACTED] - \$ 3,575.00** referred to client 9 - Ineligible clients this situation applied

**Client [REDACTED] - \$ 700.00** Became homeless due to eviction, one month rental assistance was provided.

**Client [REDACTED] - \$ 79.85** Clothing expense was allocated as client was required to have special clothing for her ROP class. \$20 food expense was in lieu of food vouchers which Center Provided. \$10 cash was for ROP text book.

**[REDACTED] - \$ 5.00** Gas for auto.

**[REDACTED] - \$ 1,200.00** First months rent and security deposit.

**[REDACTED] \$615.00** Rental assistance for Client and her sons to secure housing in Trailer Park. Client had been evicted from dwelling.

**[REDACTED] - \$ 1006.00** First months rent and security deposit.

**[REDACTED] - \$ 500.** Loan was repaid through payroll deduction.

[REDACTED] - \$ 729.00 \$260 expenses for processing of client [REDACTED] eviction.  
 [REDACTED] \$3,150.00 Client was housed in Yucaipa and rent was paid directly to Bank of America branch. Was homeless at the time she was accepted into the program, was disabled.  
 [REDACTED] - \$ 500.00 This client was housed with us for numerous months yet you are disallowing one months rental assistance ?  
 [REDACTED] \$ 100.00 Purchase of a refrigerator for her housing unit.  
 [REDACTED] -\$ 775.00 This client had been evicted was homeless and required rental assistance.  
 [REDACTED] - \$ 450.00 collection fee and parking ticket \$ 468.00 repair of clients vehicle, \$40 and \$66.35 cash for clients staples. Client was handicapped. Repairs and maintained \$ 13.00 client expended money and was re-imbursed for repairs and maintenance on dwelling. \$300.00 Motor home , \$50.90 cash auto supplies and gas. These expenses were made in return for services to FNAIC.  
 [REDACTED] \$ 810.00 \$10 was allocated due to property manager requiring cash, \$600 was first months rent.  
 [REDACTED] - \$850.00 rental assistance \$187.50 Transposition as \$850 for rental assistance and 187,00 to register at an employment agency.  
 [REDACTED] - \$ 450.00 As wife was sole support of family upon dissolution of partnership had no means of support. Rental assistance was provided, client subsequently became employed and became self sufficient.  
 [REDACTED] - \$1,050.00 - We have had no such client that we can track.  
 [REDACTED] - \$ 1,800.00 First months rent and security deposit. Client and family were living separately. Male client was living in Shelter. Female client was living on fixed AFDC income and could not access affordable housing. Purpose of re-unification of family were paid first and security deposit.  
 [REDACTED] \$ 1,332.89 Cash amount \$152,989 was security deposit for utilities. \$1,180.00 was first and security client subsequently separated.

**Ineligible Costs -**

Omega Transmission report \$ Maintain on FNAIC vehicle.  
 Petty cash - \$ 31.16 auto zone - part for company vehicle.  
 Petty cash express \$17-75 mail to Sacramento - Same check? Company expense?  
 Cash reimburse for MH and Dd. Film Development. Film of clients in some of the classes we had been giving.  
 Cash \$ 64.94 Wal-mart - Cartridges for office computers and printers. Wal-mart will not take company check,s only personal checks  
 \$23,97, Acapulco restaurant ? D never went there.  
 \$1,358.97 [REDACTED] was deducted from her paycheck, was for her house taxes.  
 \$275.00 Fundraising ?  
 \$195.00 Stolen movies Was deducted from his paycheck  
 \$350.00 Educational fund / [REDACTED] - payment for books for education at Chaffee College. Reimbursed to [REDACTED]  
 Checks \$170.00 [REDACTED] pay advancement in lieu if re-imburement [REDACTED] signed over college check to FNAIC.

- Comment 19
- Comment 20
- Comment 21
- Comment 22
- Comment 23
- Comment 24
- Comment 25
- Comment 26
- Comment 27
- Comment 28



Comment 29

Finance Company \$ 400. reimbursed through Payroll deduction.

Comment 30

**Other Unsupported Costs:**

Payable to [REDACTED] - \$ 200.00 real estate. Rental assistance for [REDACTED]  
BACA - \$ 600.00 Repayment of money loaned to FNAIC Homeless program.  
[REDACTED] - cell phone bill - \$ 564.61 Payment for Centers cell phone issued to [REDACTED]  
Cash [REDACTED] - \$ 679.00 Cashing of clients student loan check.  
Petty cash -  
Cash relocation - \$150.00 for bus tickets for clients transportation out of state to family funeral.  
Cash #14. \$ 665.00 Apartment 14 due to apartment manger requiring first months in cash.  
Cash \$ 1130.22 was not an expense was deposit.  
Cash \$ 660.00 Property manger requiring cash fro new client.  
Cash \$40.25 reimbursement for supplies purchased fro office.  
Cash Business insurance - county would not take anything but cash for insurance. I  
Cash \$59.80 Pacific Bell Bill - office telephone.  
Cash \$ 279.70 Citizens Bank - Brochures. Letterheads. Etc.  
Cash \$909.00 Were never overdrawn in this year 2001. ? Mistake of OIG  
Reimbursements \$22486.83 and \$10,000 to B of A accounts due to draw down not coming in. B of Am was paying Transitional Housing expenses.  
[REDACTED] \$250. Supplies and textbooks for compOuter class.  
[REDACTED] \$150 pay shortage. Once of the reason we changed payroll companies.  
[REDACTED] - phone \$782.00 B of A check number/no accacation.  
[REDACTED] -\$924.95 x 5358 unknown at this time.  
[REDACTED] \$135.00 repaid though payroll, deduction.  
At& t Wireless \$556.66 cellophane account for office.  
[REDACTED] Cellophane \$200. office phones account.  
[REDACTED] \$1,000 loan repaid through payroll deductions.  
[REDACTED] payroll advance \$1,715.00 reimbursed to FNAIC through payroll  
Petty cash - [REDACTED] - \$200.00 ?  
[REDACTED] phone bill \$158.00  
\$3,600 reimbursement to [REDACTED] and [REDACTED] for out of pocket expenses.  
[REDACTED] part time work facility maintainer \$ 100.00  
Reimbursement 467.54 [REDACTED] Outlay to clients  
437.37 [REDACTED] Outlay to clients  
442.38 [REDACTED] Outlay to clients  
\$166.99, 121.74, 187.24 ? OIG mistake  
Litigation, [REDACTED] \$ 650.00 rent payment to Apartments  
[REDACTED] \$100.00 handicapped d client needed car repair.  
Home deport 107.33, 195.00 135.13 and 104.44 Repairs and maintainer on Center apartments.  
Unknown \$200.00 170.00 House it possible to write a check to unknown.

FNAIC Board Members hope that some human element does exist in HUD and OIG and much of what transpired for FNAIC will be understood. FNAIC does understand that the missing record situation cannot be tolerated by either entity.

Sincerely,



Carol Ray  
Executive Director

C/f  
CC/ US Representative Joe Baca  
CC/ US Senator Barbara Boxer  
Cc/US Senator Diane Feinstein

## OIG Evaluation of Auditee Comments

- Comment 1** The letters submitted to the OIG from the Center were turned in and were taken into consideration. For example, on page 10 the audit report contains a quote from one of the letters.
- Comment 2** OIG has the authority to audit any HUD-funded program activity and does not need a specific justification for its selection. Nevertheless, as mentioned in the report the OIG did receive a request from the Los Angeles Office of Community Planning and Development to conduct this audit. However, it was based on concerns relating to the Center's capacity to administer the grant program.
- Comment 3** Comments made regarding a specific HUD employee does not fall within the scope of our audit; thus we have no comment.
- Comment 4** The cultural director was not listed on the approved technical submission. Additionally, all supportive services are supposed to be for homeless individuals and families. By the Center's own admission, this employee collaborated with other youth groups that involved children who were not homeless. Further, a document from this employee specifically states, "I do recruiting for Western University". This document was in the employees file and is titled "My job at Fontana Native American Indian Center". Furthermore, the executive director told the OIG "[this employee] gave classes on nutrition, diabetes, anger management, parenting, and some counseling," all of which were part of the Center's California Wellness grant which covers mental and physical health issues and was a "supplement to what was done with HUD monies".
- Comment 5** By the Center's own admission "general worker duties were ALL related to helping clients become stabilized, especially those who had been recently incarcerated". The McKinney Act does not include any individuals imprisoned or otherwise detained under an act of Congress or a state law. Thus, the salary expenses for this position were not eligible Supportive Housing Program expenses.
- Comment 6** The McKinney Act does not include any individual imprisoned or otherwise detained under an act of Congress or a state law. Furthermore, without any personnel activity reports, as required by Office of Management and Budget, nor documentation in the employee's personnel file, there was no way for us to otherwise confirm the other duties claimed. Thus, the salary expenses for this position were not eligible Supportive Housing Program expenses.
- Comment 7** Sign in sheets were not available or provided to the OIG during the audit. Furthermore, with no personnel activity reports, as required by Office of Management and Budget, there was no way for us to confirm other duties

claimed by the Center. Thus, the salary expenses were not eligible Supportive Housing Program expenses.

- Comment 8** OIG did not report that hospitalized persons were ineligible for transitional housing. As for the incarcerated, the Center did not present any information to the OIG showing where HUD allows for these individuals. Additionally, based on the files reviewed, there were no clients that came from hospitals or other medical facilities, and only one that came from a drug rehabilitation center.
- Comment 9** OIG agrees that some clients did have letters in their files and none of these individuals are included as ineligible clients. As for the office manager, this is the first time that the OIG was told that she was fired; in a previous letter to the OIG from the Center, we were told that she disappeared on May 6, and had never been seen again by any of the Center people.
- Comment 10** This conflicts with what OIG was told during the audit fieldwork. The executive director and her husband told the OIG that this vehicle was used 75 percent of the time for business and took it home for safety. This vehicle was not used 100 percent for business and was used to transport the executive director and her husband to and from the Center, even if they were commuting to and from the Center for Center related business. Additionally, the Center never kept any transportation logs that indicated the uses for this vehicle.
- Comment 11** The Center stated in writing “at times loans were made to employees and some clients to facilitate their return to employment. Nothing in the 1998 rules said we could not do that.” Furthermore, this section of the report is addressing the loans made to employees, not to clients.
- Comment 12** The Center was unable to locate missing files, possibly due to a former employee. However, since we were unable to review the files we cannot confirm that these clients were eligible clients, especially since we found more than twenty ineligible clients, with the files we were able to review.
- Comment 13** The OIG found notes in client files where \$5, \$10, or \$20 was hand written on a note and put in the file. This supports that clients were given cash. We are not referring to money orders written for rent checks. As for the parking ticket, the Center previously told the OIG that this client was driving the Center’s vehicle to get back and forth to work.
- Comment 14** The OIG did take previous letters written by the Center into consideration. The letters did explain the situation regarding the previous office manager and the executive director’s account of thirteen clients. Due to the ineligibility of more than twenty clients, it is difficult to take the executive director’s word, without supporting documentation.

**Comment 15** We acknowledge the Center’s explanation regarding its financial record keeping. Thus, as concluded in the report, “the Center did not have personnel with adequate accounting and financial knowledge to implement and maintain its financial records.”

**Comment 16** This was outside the scope of our audit; thus, we have no comment.

**Comment 17** The Center provided explanations for each of the clients, but did not provide any new information supporting the eligibility of the clients, which is what we were questioning.

**Comment 18** The Center explained the reasons for various expenses; however, it did not provide any new information or documents supporting the eligibility of the expenses.

**Comment 19** During the audit fieldwork, the executive director and her husband told us that this vehicle was used 75 percent of the time for business; therefore, they cannot charge 100 percent of expenses for this vehicle to this grant. Furthermore, the Center has no transportation logs that indicate the uses for this vehicle.

**Comment 20** The executive director told us during the audit fieldwork that this expense was for a grant written to the Employment Development Department, not Supportive Housing Program related.

**Comment 21** The Center claimed that this expense was for photos taken in some classes that were given. However, the Center did not provide any support for this statement, nor has the OIG seen any of these pictures. Additionally, previously in comment 13, the Center stated, “At no time were cash payments given to clients,” while here they clearly state that they did. Thus, the Center’s response is conflicting.

**Comment 22** The OIG reviewed the supporting Wal-Mart receipt and the \$64.94 was not for computer and printer cartridges. The receipt clearly shows the following purchases: “cass case, hp owl, 100cap spin, Eeyore hyper, Cord pmw/cid, and funnoodle.” There were no line items for office computers and printers.

**Comment 23** The Supportive Housing Program grant funds were used to pay for Acapulco restaurant expenses. The Center did not provide any documentation or information supporting that the expense was Supportive Housing Program eligible.

**Comment 24** There is nothing in the cultural director’s file or the payroll reports that indicates that this money was repaid.

**Comment 25** The Supportive Housing Program grant funds were used to pay for the fundraising expenses and the executive director told the OIG “this is a company that helps

you to raise money.” The Center did not provide any documentation or information supporting that the expense was Supportive Housing Program eligible.

**Comment 26** There is nothing in this employee’s file or the payroll reports that indicates that this money was repaid.

**Comment 27** The OIG was not questioning how this money was spent. Rather, we were questioning the use of Supportive Housing Program funds for a person that was never a Center client.

**Comment 28** The OIG’s review of the deposits made by the Center did not locate a check payable to this student intern and then deposited by the Center to repay the amount.

**Comment 29** There is nothing in this employee’s file or in payroll reports that indicates that this money was repaid.

**Comment 30** We questioned these expenses as unsupported because the Center did not provide documentation to support the eligibility of the expenses. The Center’s response was inadequate to support the eligibility of these items.

## Appendix C

### CRITERIA

- A. **McKinney Act, Title I, Section 103, 42 United States Code 11302**, states the term “homeless” or “homeless individual or homeless person” includes an individual who lacks a fixed, regular, and adequate nighttime residence and an individual who has a primary nighttime residence that is a public or private place not designed for human beings. Further, the McKinney Act states for the purpose of this Act, the term “homeless” or “homeless individual” does not include any individual imprisoned or otherwise detained under an act of the Congress or a state law.
- B. **24 Code of Federal Regulations, Part 583, Subpart A, Section 583.5**, states that “homeless person” means an individual or family that is described in section 103 of the McKinney Act (42 United States Code 11302).
- C. **Office of Management and Budget Circular A-110, Subpart C, Section .21, Paragraph b, Subparagraph 2**, requires the recipients’ financial management systems to provide for the following: records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- D. **Office of Management and Budget Circular A-110, Subpart C, Section .21, Paragraph b, Subparagraph 7**, states recipients’ financial management systems shall provide the following: accounting records, including cost accounting records, that are supported by source documentation.
- E. **Office of Management and Budget Circular A-122, 1998, Attachment A, Section A, Paragraph 3 – 3.a**, states “in determining the reasonableness of a given cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- F. **Office of Management and Budget Circular A-122, 1998, Attachment B, Section 7, Subsection m, Paragraph 1**, states “the distribution of salaries and wages to awards must be supported by personnel activity reports.”
- G. **Office of Management and Budget Circular A-122, 1998, Attachment B, Section 18**, states, “Costs of goods and services for personal use of the organization’s employees are unallowable regardless of whether the cost is reported as taxable income to the employees.”

## H. Appendix D

### SCHEDULE OF INELIGIBLE CLIENTS

Client	Reason for Ineligibility				Number of days in housing arrangement
	Living with friends	Living with relatives	Living At home	Other	
1	X				14
2	X				7
3	X				30
4	X				60
5	X				2
6		X			180
7	X				unknown
8	X				180
9 <sup>6</sup>				X	89
10			X		1,460
11 <sup>7</sup>				X	unknown
12	X				14
13	X				180
14	X				60
15		X			unknown
16	X				unknown
17	X				7
18	X				4
19			X		60
20	X				30
21			X		1,460

<sup>6</sup> Client 9 was sleeping on a couch in a living room for 89 days before seeking assistance. The file did not specify whose living room or where it was located.

<sup>7</sup> Client 11 was released from a youth authority. The length of time he was incarcerated is unknown.



## Appendix E

### SCHEDULE OF EXPENSES RELATED TO INELIGIBLE CLIENTS

Client	Rent	Move-in fees	Temporary housing	Cash	Clothes	Education	Food	Court fees	License and registration	Auto repairs	Transportation bus or gas	Child care	TV rental	Phone cards	Total
1		\$606													\$606
2	\$5,855	\$900													\$6,755
3	\$7,110	\$1,190		\$640											\$8,940
4	\$500														\$500
5					\$100										\$100
6	\$3,600					\$107	\$251			\$719	\$292			\$26	\$4,995
7	\$20,049							\$454				\$110	\$43		\$20,656
8	\$3,930	\$495													\$4,425
9		\$1,950													\$1,950
10	\$350	\$200													\$550
11					\$200										\$200
12	\$875														\$875
13		\$2,250		\$200											\$2,450
14		\$1,000		\$705					\$309						\$2,014
15	\$5,744														\$5,744
16	\$257		\$1,400							\$350					\$2,007
17		\$1,050													\$1,050
18	\$1,460	\$665				\$340					\$150				\$2,615
19															\$0
20	\$450														\$450
21		\$785													\$785
<b>Total</b>	<b>\$50,180</b>	<b>\$11,091</b>	<b>\$1,400</b>	<b>\$1,545</b>	<b>\$300</b>	<b>\$447</b>	<b>\$251</b>	<b>\$454</b>	<b>\$309</b>	<b>\$1,069</b>	<b>\$442</b>	<b>\$110</b>	<b>\$43</b>	<b>\$26</b>	<b>\$67,667</b>