



Issue Date July 20, 2006
Audit Report Number 2006-LA-1016

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SUBJECT: Los Angeles Family Housing Corporation, North Hollywood, California, Generally Administered Its Supportive Housing Program Grants in Accordance with HUD Requirements

HIGHLIGHTS

What We Audited and Why

We audited the Los Angeles Family Housing Corporation (Corporation) 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 objective was to determine whether the Corporation administered its Supportive Housing Program grants in accordance with HUD requirements and its grant agreements. We wanted to determine whether (1) grant expenditures were eligible and supported with adequate documentation, (2) the grantee had implemented adequate internal controls and a financial management system, (3) matching funds were provided as required, and (4) the grantee provided services reported in the technical submissions and annual progress reports.

What We Found

The Corporation generally administered its Supportive Housing Program grants in accordance with HUD requirements and grant agreements.

Auditee's Response

We held an exit conference with the auditee on July 21, 2006, and provided them with the final report.

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BACKGROUND AND OBJECTIVES

The Supportive Housing Program is authorized under Title IV of the McKinney Homeless Assistance Act. The program is designed to promote the development of supportive housing and services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing for homeless persons to enable them 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 for homeless persons not provided in conjunction with supportive housing.

The Los Angeles Family Housing Corporation (Corporation) was founded in 1983 by a group of citizens and interfaith clergy in the San Fernando Valley. Since inception, the Corporation has provided housing and caring supportive services to more than 80,000 homeless and low-income people. The agency has grown from 40 beds in an old motel to 20 facilities serving more than 7,300 people annually in eight different regions of Los Angeles, California. Its mission is as follows: “Through an integrated system of emergency, transitional, and permanent affordable housing, Los Angeles Family Housing strives to provide a safe, caring, and service-rich environment that helps homeless families and individuals rebuild their lives.”

The Corporation has three transitional living facilities: Sydney M. Irmes Transitional Living Center for families, Trudy and Norman Louis Valley Shelter Transitional Living Program for single individuals, and Comunidad Caesar Chavez (East Los Angeles) for families. Two of these projects, the Sydney M. Irmes and the Trudy and Norman Louis facilities, received Supportive Housing Program grants from the U.S. Department of Housing and Urban Development (HUD). The Corporation received one grant per year for each of the projects for the last two operating years as follows:

Project	Grant number	Grant amount
Trudy and Norman Louis Valley Shelter Transitional Living Program	CA16B300034	\$355,664
Sydney M. Irmes Transitional Living Center	CA16B300046	\$363,659
Sydney M. Irmes Transitional Living Center	CA16B400061	\$363,659
Trudy and Norman Louis Valley Shelter Transitional Living Program	CA16B400067	\$355,664
Grand total		\$1,438,646

The Corporation operates a year-around shelter program at the Trudy and Norman Luis Valley Shelter Transitional Living Program. It also manages 22 properties, which include low-income housing apartment buildings in and around the city of Los Angeles. Further, the Corporation is involved in real estate development such as purchasing property to develop with homebuilders and fundraising.

Our objective was to determine whether the Corporation administered its Supportive Housing Program grants in accordance with HUD requirements and grant agreements.

RESULTS OF AUDIT

Finding: The Corporation Generally Administered Its Supportive Housing Program Grants in Accordance with HUD Requirements

The Corporation generally administered its Supportive Housing Program grants in accordance with HUD requirements and grant agreements. The Corporation's (1) grant expenditures were eligible and adequately supported, (2) internal controls and financial management system were adequate, (3) matching funds were provided as required, and (4) services were provided as intended under the grants.

Grant Expenditures Were Eligible and Supported with Adequate Documentation

Based on our testing of voucher summary reports, various vendors, and invoices from the Corporation, (1) all of the costs charged to the Corporation's Supportive Housing Program grants were for direct costs and (2) it used a direct cost allocation plan to distribute these costs. Project activity reports were available for each grant reviewed, listing every invoice and applicable cost charged to the grant. The corresponding invoices supporting these reports had the check remittance stapled to an allocation sheet and/or a purchase/payment request form, the original invoice, and allocation printouts.

The Grantee's Internal Controls and Financial Management Systems Were Adequate

The Corporation had adequate controls based on transactions tested for each grant. It had the following controls in place: (1) segregation of duties, (2) approval authorization obtained for purchasing items, (3) signature of acceptance for receipt of supplies, (4) approval authorization for approval of payments, and (5) required documentation to support transactions. The Corporation's financial management system was adequate, and it had established accounting system procedures and controls needed to comply with federal requirements for grant fund accounting.

Matching Funds Were Provided as Required

Based on the schedule of cash match for HUD programs, copies of checks, and bank statements and the Corporation was able to provide supporting documentation for each of the amounts claimed as matching funds. As a result, we concluded that the matching requirements were met for the grants reviewed.

The Grantee Provided Services as Reported in Its Technical Submissions and Annual Progress Reports

We toured the two facilities located in North Hollywood, reviewed client files, and interviewed clients and case managers at each facility. We confirmed that supportive services such as housing, childcare, meals, and case management were provided. Further, we observed security guards, clients, case managers, a youth center, and the intake coordinator administering the program activities. We reviewed client files to confirm that the clients received services listed in the technical submissions and interviewed the same clients for additional confirmation of services provided and received. We also traced data shown on the most recent annual progress report to the corresponding documentation and validated the information. We obtained reasonable assurance that the services were rendered as provided in the grant technical submissions.

Conclusion

The Corporation generally administered its Supportive Housing Program grants in accordance with HUD requirements.

SCOPE AND METHODOLOGY

Our audit generally covered the period October 2004 through May 2006 and focused on the largest drawdown disbursement received by the grantee for each of the four grants we reviewed as follows:

CA16B300034 (\$43,209),
CA16B300046 (\$49,402),
CA16B400061 (\$57,391), and
CA16B400067 (\$51,003).

We reviewed the Corporation's internal controls and accounting information such as bank statements, cancelled checks, and payroll related to the disbursements selected for analysis. We also reviewed client files for verification of eligibility of homelessness and services provided. To accomplish the audit we performed the following:

- Reviewed relevant HUD requirements and regulations and Office of Management and Budget circulars.
- Reviewed the Corporation's policies and procedures.
- Reviewed the grant applications, grant agreements, technical submissions, and annual progress reports.
- Reviewed the Community Planning and Development grant files.
- Interviewed appropriate Office of Community Planning and Development personnel.
- Interviewed the Corporation's personnel to obtain an understanding of its operations and internal controls.
- Interviewed clients from both the Transitional Living Center and Transitional Living Program facilities to gain an understanding of their experience as clients within the programs.
- Reviewed audited financial statements for 2004.
- Reviewed financial records such as invoices and accounting reports as supporting documentation for the \$201,005 in drawdown funds reviewed.
- Reviewed payroll reports and employee timesheets for both the Transitional Living Center and Transitional Living Program.

- Reviewed client files to verify eligibility (homelessness) and to determine the nature and extent of supportive services provided.
- Reviewed matching funds supporting documentation such as bank statements, check copies, and contracts with the funding sources.

We performed the audit work between April 18 and June 16, 2006.

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.

INTERNAL CONTROLS

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.

Relevant Internal Controls

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

- Compliance with applicable laws, regulations, and provisions of grant agreements.
- Effectiveness and efficiency of program operations.
- Policies and procedures to ensure that grant expenditures were eligible and adequately supported.
- Policies and procedures to ensure that financial management and record-keeping systems were adequate.

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

We did not identify any significant weaknesses in the relevant controls identified above.