



Issue Date
September 3, 1998
Audit Case Number
98-AT 251-1009

TO: John Perry, Director, Office of Community Planning and Development, 4AD

FROM: Nancy H. Cooper
District Inspector General for Audit- Southeast/Caribbean, 4AGA

SUBJECT: Metro Atlanta Task Force for the Homeless, Inc.
Innovative and Supportive Housing Homeless Programs
Atlanta, Georgia

We completed an audit of the Innovative Homeless Program (IHP) and Supportive Housing Program (SHP) administered by the Metro Atlanta Task Force for the Homeless, Inc. (MATFH). We conducted the audit at the request of HUD's Georgia State Office. Our objectives were to determine whether the Task Force administered its grant programs in an efficient, effective, and economical manner, and in compliance with the Department of Housing and Urban Development (HUD) regulations.

The Task Force did not efficiently and effectively manage its programs to ensure compliance with regulations. As a result, MATFH spent \$1,243,854 of IHP grant funds without proper support. Also, MATFH charged \$6,607 of ineligible administrative costs to the IHP grant. In addition, the Task Force did not adequately maintain its accounting records or monitor the subrecipients under its SHP grant.

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

Should you have any questions, please contact Sonya D. Lucas, Assistant District Inspector General for Audit, at (404) 331-3369. We are providing a copy of this final report to the Metro Atlanta Task Force for the Homeless, Inc.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Executive Summary

We completed an audit of MATFH's administration of its Innovative and Supportive Housing Homeless Programs. The objectives of the audit were to determine if the grantee administered its IHP and SHP grants in an efficient, effective, and economical manner, and in compliance with terms and conditions of the regulations.

We determined that the Task Force did not efficiently and effectively manage its programs to ensure compliance with regulations.


Specifically, the audit disclosed:

- The Task Force did not effectively administer its 1994 and 1995 IHP for which it received over \$1.9 million in HUD funding. MATFH did not: (1) adequately document payments to subrecipients; (2) ensure that the 1995 IHP subrecipients properly determined client eligibility; (3) maintain sufficient records to demonstrate that clients were served as proposed in its grant application; (4) require the subrecipients to submit audits; and (5) close-out its 1995 IHP program as required. Consequently, we identified \$1,243,854 of unsupported costs and \$6,607 of ineligible costs charged to the 1994 and 1995 IHP grants. As a result, the Task Force could not measure its grant performance, and we were not assured that the resources were assisting the homeless persons intended to be served by the program.
- The Task Force did not maintain proper accounting records for its \$12.4 million received in SHP funds. MATFH's costs were not properly documented or supported, and reimbursements to subrecipients were untimely. Consequently, MATFH reimbursed subrecipients \$66,427 in unsupported costs, paid \$760 of ineligible program costs, and charged \$8,824 of ineligible administrative costs from the SHP grant. As a result, we could not obtain reasonable assurance of the accountability of the SHP program funds.
- The Task Force did not adequately monitor the subrecipients under its SHP. Specifically, MATFH did not: (1) perform monitoring visits in accordance with the terms of its contract; (2) monitor the submission of Annual Performance Reports; and (3) require the subrecipients to document client eligibility, or obtain financial audits. As a result, the Task Force could not demonstrate the impact SHP funding had on the homeless population or whether the subrecipients served the number of individuals proposed in its grant applications.

Recommendations

We recommend HUD require the Task Force to repay HUD for all ineligible costs and resolve unsupported costs; provide documentation to support the eligibility of clients served; establish accounting records to support the receipts and use of SHP funds and administrative costs; implement procedures for reviewing and approving SHP requisitions

for payments; implement cash management procedures to ensure timely reimbursements to SHP subrecipients; and implement monitoring reviews of SHP subrecipients for program services and financial management.



Exit conference

We presented our findings to the Task Force and HUD's Georgia State Office officials during the audit. We held an exit conference on July 29, 1998. The Task Force provided written comments to our findings. HUD's Georgia State Office of Community Planning and Development also provided written comments and suggested recommendations to our findings. We considered the comments and suggested recommendations in preparing our final report. We included excerpts from the Task Force's comments in each finding and the complete comments as Appendix B.

Table of Contents

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

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

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

Findings

1	Innovative Homeless Program Was Not Effectively Administered	3
---	--	---

2	Accounting Records Needed Improvement	11
---	---------------------------------------	----

3	Inadequate Monitoring of Subrecipients	21
---	--	----

	Management Controls	31
--	---------------------	----

	Follow Up On Prior Audits	33
--	---------------------------	----

Appendices

A	Schedule of Unsupported and Ineligible Costs	35
---	--	----

B	Auditee Comments	37
---	------------------	----

C	Distribution	47
---	--------------	----

Abbreviations:

CFR	Code of Federal Regulations
HUD	Department of Housing and Urban Development
IHP	Innovative Homeless Program
MATFH	Metro Atlanta Task Force for the Homeless
OMB	Office of Management and Budget
SHP	Supportive Housing Program

Introduction

Background

Metro Atlanta Task Force for the Homeless, Inc. is a non-profit organization incorporated in 1986. The Task Force's purpose is to coordinate the creation of programs and the provision of services to address the problem of homelessness. The Task Force is the central coordinating agency for services to homeless shelters in the metropolitan Atlanta area. The Task Force offers a wide range of services, such as providing government grant funds to subrecipient agencies to strengthen and increase the services provided to homeless persons. The Task Force is the 24-hour emergency placement facility for homeless persons in the metropolitan Atlanta area, which assists between 2,000 and 3,000 homeless people every month in finding new housing options. It also serves as the central clearinghouse for continuing services, the organizer of the local coalition of service providers, and the point agency for advocacy and information on the causes and conditions of homelessness.

HUD awarded the Task Force two Innovative Homeless Program grants for 1994 and 1995 in the amount of \$997,500 each. The 1994 grant was used to fill gaps within the context of developing a system to combat homelessness. The focus of the 1995 grant was aggressive outreach and assistance to help homeless persons most affected by the harsh winter weather.

Additionally in July 1995, MATFH was awarded a \$12,451,233 HUD Supportive Housing Program grant to provide supportive services and housing for homeless people. The purpose of the SHP grant was to help individuals and families move from homelessness to permanent housing and self-sufficiency. Metro Atlanta Task Force for the Homeless executed the \$12.4 million grant agreements with HUD on behalf of 16 subrecipients, including itself, that were approved for funding under the SHP grant award.

The Metro Atlanta Task Force is governed by a 21 member Board of Directors chaired by Robert S. Cramer, Jr. The Executive Director of the Task Force is Anita Beaty. The books and records are located at 363 Georgia Avenue, SE, Atlanta, Georgia.

Audit objectives

The audit objectives were to determine if Metro Atlanta Task Force for the Homeless administered its Innovative Homeless and Supportive Housing Programs in an efficient, effective and economical manner, and followed applicable laws, regulations, and policies.

Audit scope and methodology

To accomplish the objectives, we tested program activities for compliance with program requirements, interviewed appropriate HUD staff and Task Force officials, and reviewed HUD and Task Force records related to the IHP and SHP grants. We also reviewed various disbursements for eligibility, support, and proper allocation.

Our review methodology included a judgmental selection of 4 of the 19 IHP client files of subrecipients that received funds under the 1995 IHP grant. Additionally, we examined client files for 6 of the 16 SHP subrecipients. We judgmentally selected and tested financial transactions for 6 of the 17 1994 IHP draw requests and 10 of the 48 1995 IHP draw requests. We also tested 3 months of SHP administrative draw requests and 5 months of SHP program draw requests.

Further, we conducted site visits at four IHP and five SHP subrecipients to determine whether the subrecipients provided services pursuant to the contracts executed with MATFH.

Our audit covered the period April 1, 1994, through December 31, 1997. However, we extended the audit period as necessary. We performed the audit field work between March and May 1998. We conducted the audit in accordance with generally accepted government auditing standards for performance audits.

Innovative Homeless Program Was Not Effectively Administered

Metro Atlanta Task Force did not effectively administer its 1994 and 1995 Innovative Homeless Program for which it received over \$1.9 million in HUD funding. MATFH did not: (1) adequately document payments to subrecipients; (2) ensure that the 1995 IHP subrecipients properly determined client eligibility; (3) maintain sufficient records to demonstrate that clients were served as proposed in its grant application; (4) require the subrecipients to submit audits; and (5) close out its 1995 IHP program as required. This occurred because the Task Force did not believe HUD's documentation requirements applied to the grant program, and did not enforce the terms of the subrecipient contracts. Consequently, we identified \$1,243,854 of unsupported costs and \$6,607 of ineligible costs charged to the 1994 and 1995 IHP grants. The Task Force could not measure its grant performance, and we were not assured that the resources were assisting the homeless persons intended to be served by the program.

Criteria

Title 24 of the Code of Federal Regulations (CFR), Part 84, Subpart C, paragraph 84.21 (b)(3), requires the recipient's financial management system to provide for effective control over and accountability for all funds, property and other assets.

Inadequate documentation to support payments to subrecipients

The Task Force did not maintain adequate documentation to support the 1994 and 1995 IHP funds drawn down. Specifically, MATFH drew down \$997,500 in 1994 IHP grant funds. However, MATFH generally did not relate the draws to specific supporting documentation. Similarly, MATFH drew down \$991,931 in 1995 IHP funds and did relate five of the ten request vouchers reviewed to specific supporting documentation. Consequently, we questioned \$991,978 of 1994 IHP funds and \$258,483 of 1995 IHP funds.

The 1994 IHP Payments Were Not Properly Supported

The Task Force drew down \$997,500 from its 1994 IHP grant, but did not relate the funds to specific supporting documentation. We judgmentally selected six draw requests totaling \$391,445, or 39 percent, to verify the supporting documentation. However, MATFH only provided limited documentation for one draw request of \$150,000. We found that \$5,522 of the request was supported, and \$144,478 was unsupported. MATFH did

not provide documentation to support the other five draw requests. MATFH officials stated that they drew down the funds in advance and did not relate them to specific supporting documentation. As a result, \$991,978 of the 1994 IHP grant remained unsupported.

Since MATFH's files were not adequate to support the IHP costs, we inventoried the files for all of the 1994 IHP subrecipients. We wanted assurance that all documentation was provided for our review. We determined that four supporting documentation files and 12 contract files were missing for its subrecipients.

The 1995 IHP Payments Were Not Properly Supported

The Task Force drew down \$991,931 of its 1995 IHP grant. The draw request generally included costs for several different IHP subrecipients. We judgmentally selected ten request vouchers to verify the supporting documentation. Based on our review, the Task Force could not support \$84,558. In addition, we reviewed the supporting documentation for payments made to four subrecipients. The subrecipients did not maintain adequate documentation to establish client eligibility and/or did not service the number of clients proposed. Therefore, \$167,318 of the subrecipients' grant payments were unsupported.

We also reviewed \$28,762 or 61 percent of the 1995 administrative charges totaling \$47,500. We selected the timesheets from October 1995 through May 1996 for four of the five MATFH employees whose salaries were charged to the program. Our review found that MATFH overcharged \$6,607 in administrative costs to the program.

Because of personnel turnover, we could not make an accurate assessment of the reason for the improper payments. As a result, \$251,876 of unsupported costs and \$6,607 of ineligible costs were charged to the 1995 IHP grant.



Site visits performed at subrecipients

The Task Force did not maintain documentation to evidence the number of persons served under the program. Therefore, we judgmentally selected and conducted site visits at 4 of the 19 subrecipients. We reviewed the subrecipients to determine if clients were part of the specific population targeted in the approved application.

Georgia State Office of Community Planning and Development issued Circular Number IV-CPD-96-03, dated October 19, 1995, that requires adequate documentation on the eligibility of persons to be served by HUD homeless assistance programs. The homeless funding recipients are required to intake information from the clients and verify the clients' homeless status. Examples include obtaining written verifications from clients that came from emergency shelters, social services agencies, and transitional housing facilities. In cases where persons are at imminent risk of homelessness, because they face immediate eviction, and do not have sufficient resources to find replacement housing, there should be evidence of eviction proceedings and information regarding income of clients. If the recipient is unable to verify the client's homeless status, then a short written statement about the client's living place should have been prepared, with the client's signature and date on it.

The subrecipient's contract with the Task Force states that the subrecipient shall submit by the 1st day of each month a progress report to the grantee.

Eligibility of Homeless Clients Was Not Verified

Our review included files of clients that entered the program after the October 19, 1995, Circular issue date. The subrecipients did not adequately verify the eligibility of clients served. Specifically, one subrecipient admitted clients into the program without documenting pertinent client information such as living conditions, income information and personal contacts on the intake forms and verifying the information. Instead, the subrecipient documented basic client information such as name, date of birth, and social security number on index cards. Information regarding the type of services provided to the clients was not obtained or documented. The other three

subrecipients obtained client information on intake forms, but did not verify pertinent information on the form to establish client eligibility. The subrecipients did not verify the client's income and prior living situation.

MATFH officials also stated that they verified the eligibility of clients they referred to the subrecipients. However, we found that MATFH did nothing more than intake limited data on the hotline and refer the clients to subrecipients. We did not find any documentation at the Task Force to support the eligibility of clients.

Number of Homeless Clients Served Was Not Documented

During the site visits, we found that the subrecipients did not always serve the number of clients proposed in the grant applications. Two of the subrecipients we visited did serve the proposed number of clients. However, one of the remaining two subrecipients did not serve its proposed number of clients and the other subrecipient did not maintain adequate records to evidence the number of clients it served.

MATFH's records should have included this type of documentation but did not. Although stipulated in the contracts with the IHP subrecipients, MATFH did not require the subrecipients to submit monthly progress reports. The reports would have documented the number of clients served. Our review of MATFH's report files showed that only 4 of the 19 IHP subrecipients submitted from one to three monthly reports.

In September 1995, the HUD Georgia State Office of Community Planning and Development Branch conducted a monitoring review of the Task Force's 1995 IHP homeless grant subrecipients. The HUD office concluded that the Task Force failed to document and record the number of homeless clients served, and did not document the eligibility of clients served. The HUD office also stated that this situation existed from the start of the program (and presently continues). We noted that as of our review, the Task Force did not record the number of homeless clients served or document the eligibility of clients served. In other words, they ignored HUD.

Audits for subrecipients were not obtained

The Task Force did not obtain all the audits for its IHP subrecipients as required. Office of Management and Budget (OMB) Circular A-133, Section 7, requires recipients to ensure that subrecipients obtain audits annually or not less frequently than every 2 years. Section 5(a) requires a recipient that receives a federal award and provides \$25,000 or more of it during its fiscal year to a subrecipient to ensure that the non-profit institution subrecipients that receive \$25,000 or more have met the audit requirements. Audits were due from seven of the Task Force's 1994 subrecipients and one of its 1995 subrecipients.

Final annual close-out report for the 1995 IHP grant was not completed

The Task Force's 1995 IHP grant completion date was September 30, 1997. The close-out report should have been submitted to HUD by December 29, 1997. As of June 18, 1998, the HUD Program Office had not received a final annual close-out report from MATFH.

Title 24 CFR, Part 84, Subpart D, requires recipients to submit all financial, performance, and other reports as required by the terms and conditions of the award within 90 days after the date of completion of the award.

The HUD Office requested the report in a letter dated January 14, 1998. MATFH officials stated that they submitted the report to the HUD Georgia State Office. However, they could not locate a copy of the report for our review.

Auditee comments

Excerpts from the Task Force's comments on our draft findings follow. Appendix B contains the complete text of the comments.

The Task Force generally disagreed with the finding. MATFH officials said that the Office of Inspector General auditors misstated the Task Force procedures for the 1994 and 1995 IHP grants. The Task Force manual procedures pertain to its SHP grant only. The Task Force stated they drew the IHP funds from HUD in advance and documented total payments for each subrecipient, but did not match documentation to draw requests.

Finding 1

The Task Force never told subrecipients not to document client eligibility but that the Georgia State Office accepted the Task Force's hotline database as documentation to support the eligibility of clients. Also, the Task Force submitted documentation for administrative charges to the Georgia State Office who accepted the documentation.

The Task Force furnished the auditors with the audits for the Atlanta Union Mission and the Task Force for the Homeless and was unaware of any other requests made by the auditors. In addition, all IHP files were provided by the Task Force.

The Task Force stated that the 1995 IHP close-out report was not due because over \$5,000 of funds remains to be drawn down.

OIG evaluation of auditee comments

Although the Task Force's procedures manual contained criteria relating to the IHP grant, according to the MATFH the manual was for the SHP grant. Based on the Task Force's comments, we made revisions to the finding criteria.

The Task Force did not demonstrate that it maintained effective control over the expenditures of federal funds because it did not maintain sufficient documentation as required by HUD.

The HUD Georgia State Office staff stated that the requirements for documentation of client eligibility prior to the October 19, 1995, Circular were loose. However, the HUD Office pointed out that it advised the Task Force of documentation deficiencies in its 1995 and 1996 monitoring letters. The Georgia State Office also pointed out that it issued a HUD Circular in October 1995 that clarified the types of documentation required to establish client eligibility. The Office provided that this Circular was applicable to all homeless programs. During our site visits, we reviewed files of clients that entered the program after the October 19, 1995, Circular issue date and found that the Circular was not adhered to.

The Georgia State Office did not review or accept documentation from the Task Force that supported the administrative charges. As noted in Finding 1, the Task Force did not maintain sufficient documentation to support 1995 IHP administrative charges.

We requested all audit reports from the Task Force's HUD Program Director. We also discussed the missing files with the Task Force's Director of Operations. The Director stated that the files had been misplaced because so many people had access to them but that they could be located in time.

The Georgia State Office established the 1995 IHP grant completion date as September 30, 1997. Therefore, the close-out report was due December 29, 1997, as stated in the finding. Although the Task Force contends that it still has a balance of over \$5,000 to draw down from the 1995 IHP grant, the Georgia State Office has flagged the funds to be deobligated. Thus, the remaining 1995 IHP funds are not available to the Task Force.

Recommendations

We recommend that you require the Task Force to:

- 1A. Provide detailed support for \$1,243,854 of unsupported program costs charged to the 1994 and 1995 grants, or repay any unsupported amount to the Line of Credit Control System from non-federal sources.
- 1B. Reimburse the U. S. Treasury \$6,607 of ineligible administrative costs charged to the 1995 IHP grant from non-federal sources.
- 1C. Provide written documentation to support the eligibility of clients served during the period the 1994 and 1995 IHP funds were received.
- 1D. Provide documentation to show the number of homeless clients served and the effectiveness of the use of IHP funds drawn from the U.S. Treasury's Line of Credit Control System.

Finding 1

- 1E. Provide evidence that the subrecipients obtained the required independent audits.
- 1F. Provide HUD the final annual close-out report for the 1995 IHP grant.

Accounting Records Needed Improvement

Metro Atlanta Task Force for the Homeless accounting records needed improvement. The Task Force did not maintain proper accounting records for its \$12.4 million received in Supportive Housing Program funds. In addition, MATFH's costs were not properly documented or supported, and reimbursements to subrecipients were untimely. This prevented MATFH's ability to disclose current, accurate, and complete financial information related to its Supportive Housing Program. Consequently, MATFH reimbursed subrecipients \$66,427 in unsupported costs, paid \$760 of ineligible program costs, and charged \$8,824 of ineligible administrative costs from the SHP grant. This occurred because MATFH incurred high turnover in its fiscal department and did not have appropriate staff in place to effectively administer its fiscal operations. As a result, we could not obtain reasonable assurance of the accountability of the SHP funds.

Accounting system was inadequate

The Task Force's accounting system was inadequate. MATFH's accounting system did not adequately track SHP expenditures. Also, administrative costs records were inconsistent, and accounting records contained inaccurate and incomplete information.

Title 24 CFR, Part 84.21(b)(1) states that a recipient's financial management system shall: (1) provide accurate, current, and complete disclosure of the financial results of each federally sponsored project or program, and (2) maintain effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Expenses Were Inadequately Tracked

When the Task Force was awarded its SHP grant, HUD established and set up budget line items in its Line of Credit Control System. However, MATFH did not establish general ledger accounts to record and track SHP grant costs by budget line item for each subrecipient under its new accounting system. Instead, MATFH charged all costs to a general fund account for each subrecipient. MATFH tracked its administrative costs and the subrecipients' program expenditures on individual spreadsheets. The subrecipient spreadsheets outlined the budget line items approved by HUD and the amounts drawn down against each line item. It further reflected

total expenditures for year-to-date and total budget allocations. Although MATFH's current general ledger did not record and track SHP grant costs by budget line item, the spreadsheets maintained tracked such information. However, the spreadsheets were not part of MATFH's official accounting records. Our review of the spreadsheets found that the spreadsheets contained inaccurate information and were not complete. For example, a subrecipient's total operating expenditures were recorded as \$14,942 but the actual expenditures were \$15,052. Additionally, another subrecipient's spreadsheet did not account for all of the draw requests made. Therefore, the accounting records did not accurately reflect a true and complete accounting of the subrecipient's grant position.

The Executive Director stated that since the inception of the programs, there has been significant staff turnover. She also said that MATFH changed accounting software.

Administrative Costs Records Were Inconsistent

The Task Force's SHP administrative costs reported on its spreadsheets were not consistent with the general ledger amounts. Generally, the spreadsheet amounts exceeded the general ledger amounts. For example, in January, July, and November 1997, the spreadsheets reflected \$1,021 charged for the Director of Operations' salary, but the general ledger only reflected \$729 for the same periods. However, based on the hours reflected on her timesheets, we determined the salary rate was between \$612 and \$700.

Additionally, MATFH's 1997 spreadsheet reflected budgeted salary costs of \$25,000, or 35 percent, for its Accounting Assistant. The general ledger for the same months did not account for any of her salary. However, the timesheets showed that in January 1997 she spent 100 percent of her time on SHP activities, and 45 percent of her time in July and November 1997 on the activities.

Furthermore, we determined that the SHP general ledger administrative account included charges for an employee that were not included in the budget to HUD or on MATFH's spreadsheet of administrative costs.

MATFH officials could not tell us which set of records reflected the correct financial information or could not provide the necessary information to perform an accurate analysis of the records. Therefore, we were not assured of the amounts charged for SHP administrative costs.

Accounting Records Were Inaccurate and Incomplete

The Task Force's accounting records contained inaccurate and incomplete information. Examples of inaccurate and incomplete records are presented below.

- The ending SHP account balances from fiscal year 1996 were not brought forward as beginning balances in the 1997 general ledger. Thus, the 1997 SHP account balances were not all inclusive.
- MATFH used its SHP administrative account to record administrative reimbursements and at the same time to account for administrative costs incurred but not yet paid. This caused the account balance to be distorted. MATFH needed to establish a separate account to reflect administrative costs earned but not yet paid.
- MATFH incorrectly classified a SHP administrative draw totaling \$2,454. The amount was posted to the HUD Supportive Housing Grant account, which captured all SHP draws for the subrecipients. The amount should have been posted to the HUD Supportive Housing Administrative account.
- In tracing the draw amounts to MATFH's general ledger, we noted that MATFH had drawn down funds against the budget line items of a subrecipient but the supporting documentation for the draw was for a different subrecipient.

The Task Force is in the process of revising their accounting system structure to include general ledger accounts to record and track SHP grant costs by budget line item. Also, the Task Force has established the necessary receivable account to track administrative costs incurred but not yet paid.

Finding 2

Program costs were not properly supported.

The Task Force did not obtain adequate supporting documentation from its subrecipients for program costs paid. As of March 1998, MATFH had drawn down \$3,056,601 in SHP funds on behalf of the subrecipients. We reviewed \$400,788, or 13 percent, of the SHP grant drawdowns. We determined that \$67,187 of the \$400,788 was not adequately supported and/or ineligible.

Specifically, MATFH reimbursed subrecipients \$66,427 for program costs that were unsupported and \$760 for program costs that were not eligible. MATFH did not obtain appropriate supporting documentation such as employee timesheets, invoices, and/or copies of checks before reimbursing subrecipients. MATFH officials stated that they believed the documentation they maintained on file was sufficient, because HUD officials told the subrecipients that the documentation submitted was sufficient. We confirmed the information with HUD. The Community Planning and Development Representative stated that he did not recall informing subrecipients that their documentation was sufficient.

The following table depicts the results of the SHP program costs reviewed.

Date of SHP Draw Request	Draw Amount	Unsupported Costs	Ineligible Costs	Total Questioned Costs
04/96	\$ 73,743	\$ 647	\$ 0	\$ 647
09/96	66,658	320	0	320
02/97	48,345	2,831	175	3,006
07/97	122,304	58,068	585	58,653
12/97	89,738	4,561	0	4,561
Totals	\$400,788	\$66,427	\$760	\$67,187

During our review, MATFH officials prepared a letter for each subrecipient requesting supporting documentation for the costs identified as unsupported.

Documentation for administrative costs was insufficient

The Task Force did not support its salary distribution. As of March 9, 1998, MATFH had drawn down \$259,152 in administrative funds. We judgmentally selected three SHP administrative draw requests for review. The draws totaled \$106,644, or 40 percent, of the total funds. MATFH's individual employee timesheets did not always support the salary percentage charged to the SHP program.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B, paragraph (6)(l)(1) states that charges to awards for salaries and wages, whether treated as direct or indirect costs, will be based on documented payrolls approved by responsible official(s) of the organization. The distribution of salaries and wages must be supported by personnel activity reports except when a substitute system has been approved in writing by the cognizant agency. The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

MATFH charged \$1,021 monthly, or 35 percent, of the Director of Operations' salary to the SHP account during 1997. However, the timesheets for January, July, and November 1997 did not support the 35 percent MATFH charged. Instead, the timesheets reflected a rate between 21 and 24 percent of her time spent on the SHP activities. The salary amounts charged to the program should have been \$642 for January, \$612 for July, and \$700 for November. Therefore, total ineligible costs of \$1,109 were charged for the Director of Operations' salary.

Additionally, MATFH overcharged the SHP account \$7,715 in contract costs for a consultant. From April 1996 through December 1996, MATFH charged the consultant's total monthly salary of \$4,153 to SHP activities even though he spent time on other unrelated activities. The consultant was primarily responsible for assisting in project monitoring and troubleshooting subrecipient contract performance.

MATFH's Executive Director stated that she felt that the timesheets supported the amounts charged to the program because the amount of time billed to the program was less than the actual amount of time spent on the program. She said that the percentages were based on the minimum amount that could be charged, which was five percent of the total grant amount. She also stated the Task Force has spent far more time administering the program than they can bill for.

Subrecipients were reimbursed untimely

The Task Force did not reimburse subrecipients in a timely manner. 24 CFR, Part 84, Subpart C, paragraph 84.22 requires grantees to establish a payment method that shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients.

In one case, MATFH did not reimburse the subrecipient until 29 days after the funds were electronically credited to its account. Specifically, \$9,130 was credited to the MATFH's operating account on January 2, 1998. However, MATFH did not cut a check to reimburse the subrecipient until January 31, 1998. In another case, MATFH had \$19,285 credited to its operating account on January 7, 1998, but did not reimburse the subrecipient until January 31, 1998, 24 days later.

In a March 11, 1997, letter to the Task Force, HUD officials recommended that cash management procedures be established to meet the standards for fund control. The HUD office had received letters from two of the SHP subrecipients regarding late reimbursement of payments from the Task Force. As of our review, the untimely payments still continued.

MATFH's Executive Director stated that sometimes payments to subrecipients were delayed because reports were due from the subrecipients. Also, she said that two signatories were not always present to sign the check, but usually not for more than one day.

Auditee comments

Excerpts from the Task Force's comments on our draft findings follow. Appendix B contains the complete text of the comments.

The Task Force generally disagreed with the finding. The Task Force made the following comments:

- The Task Force established general ledger accounts to record and track SHP grant costs by subrecipient line items and that those accounts were reviewed and approved by the Office of Inspector General's staff in a preliminary review of their accounting system and by the HUD Program Financial Staff person. The Task Force contended that the spreadsheets were set up and maintained as part of their official accounting records.
- The Task Force's 1996 ending SHP account balances had not been brought forward as beginning balances in its 1997 general ledger because the Task Force was still undergoing its 1996 audit at the time we began our audit. Thus, such information would not have been available until the audit was complete.
- The Task Force provided substantial additional documentation as well as copies of letters they sent to subrecipients as it related to program costs not being properly supported. The Task Force contends that its employee timesheets more than support the charges it made. According to the Task Force, they over documented time attributed to the SHP contract.
- The Task Force received HUD approval for a 30-day turnaround for reimbursement procedures.

OIG evaluation of
auditee comments

The purpose of the Office of Inspector General's 1997 accounting system evaluation was to provide reasonable assurance that the Task Force had systems and controls in place to account for the receipt and disbursement of grant funds at the time of the review. Thus, the evaluation was not an approval of its accounting system. Also, the HUD

Finding 2

Program Office provided technical assistance related to the SHP program and guidance on how their official accounting records needed to reflect their SHP expenditures.

Although the Task Force contends that the accounting information was not current because the 1996 audit was not complete, the report still was not issued at the completion of our review. The accounting records related to the 1996 activity should have been closed and accurately reflected in 1998.

We reviewed all documentation the Task Force provided as support for its SHP program costs and the documentation was not sufficient to fully resolve the issue. The HUD Program Office officials said they did not approve the accounting system or the 30-day turnaround for reimbursement.

Recommendations

We recommend that you require the Task Force to:

- 2A. Establish fund accounts in its general ledger to track the receipt and use of SHP subrecipient grant funds by the HUD approved budget line item.
- 2B. Establish financial records that provide a full and accurate disclosure of the SHP administrative funds drawn down from the U.S. Treasury's Line of Credit Control System.
- 2C. Provide detailed documentation to support administrative costs drawn down from each SHP subrecipient Line of Credit.
- 2D. Establish written internal control procedures for staff to follow in the event of a staff turnover, or a change in accounting software.
- 2E. Provide adequate support for \$66,427 of subrecipient program costs that were unsupported or repay any unsupported costs to the SHP account Line of Credit Control System.

- 2F. Reimburse the SHP account Line of Credit Control System for ineligible subrecipient program costs of \$760.
- 2G. Reimburse the SHP account Line of Credit Control System for ineligible administrative costs of \$8,824 to the appropriate subrecipients.
- 2H. Implement its policies and procedures for reviewing and approving requisitions for payments from SHP subrecipients.
- 2I. Implement cash management procedures that will ensure that reimbursements to SHP subrecipients are issued in a reasonable timeframe after receipt of Treasury funds.
- 2J. Take other appropriate action, as needed, including terminating the SHP grant awards.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Inadequate Monitoring of Subrecipients

Metro Atlanta Task Force for the Homeless did not adequately monitor the subrecipients under its Supportive Housing Program. Specifically, the Task Force did not: (1) perform monitoring visits in accordance with the terms of its contract; (2) monitor the submission of Annual Performance Reports; and (3) did not require subrecipients to document client eligibility, or obtain financial audits. MATFH did not enforce its procedures for subrecipients. As a result, the Task Force could not demonstrate the impact SHP funding had on the homeless population or whether the subrecipients served the number of individuals proposed in its grant applications.

Criteria

Title 24 of the Code of Federal Regulations, Part 84.51 (a), states that recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

The Task Force subrecipient monitoring procedures states that the Task Force will conduct no less than two (2) on-site visits of subrecipients within the grant year. The same procedures are contained in the contracts executed with the subrecipients. The use of the on-site monitoring visit will be the Task Force's primary form of compliance management. When conducting on-site monitoring visits, the monitoring procedures require a review of the subrecipient files for required documentation and to verify the accuracy of the information provided; interview members of the subrecipient staff to discuss performance; and interview clients to assess the level of service, homeless status, and qualification as a member of the target group.

In addition, the monitoring procedures state the subrecipient will be reviewed to: (1) ensure that the services are rendered to the target population, (2) determine the overall progress of the program and the extent to which goals and objectives are met, and (3) ensure compliance with other requirements.

The Task Force procedures for subrecipient agencies require all subrecipients provide adequate documentation to verify whether clients are a part of the specific population targeted in the approved application. Therefore, all subrecipients of the Task Force must verify that the clients served under a particular grant are homeless and that total income is below the median low income range. The

Monitoring procedures were not followed

subrecipients are required to submit annual progress reports 45 days after the end of the grant year.

The Task Force did not follow its monitoring procedures. Specifically, MATFH did not perform timely on-site monitoring reviews of the subrecipients, and when reviews were performed the scope of the reviews was not adequate. In addition, MATFH did not effectively monitor the submission of the annual performance reports.

On-Site Monitoring Procedures Were Not Followed

We judgmentally selected 6 of the 16 subrecipients and reviewed MATFH’s monitoring efforts. We found that the Task Force did not perform the required annual on-site visits for the subrecipients. As shown in the table below, MATFH only performed one on-site visit for four of the six subrecipients reviewed. MATFH did not perform any on-site visits for the remaining two subrecipients.

Project Number of Subrecipient	Operating Start Date	Number of Reviews Due	Number of Reviews Conducted
GA06A15-1035	11/1/96	2	1
GA06G15-1035	1/1/96	4	1
GA06H15-1035	3/1/96	4	1
GA06K15-1035	1/1/97	2	0
GA06N15-1035	1/1/96	4	0
GA06X15-1035	3/1/96	4	1

Although MATFH performed on-site monitoring visits to some of its SHP subrecipients, we found that the work performed during the visits was not adequate. The monitoring checklist completed by MATFH’s staff was too general. Specifically, the reviews did not document sufficient information to support the responses provided on the checklist. Also, the reviews did not document how many files were reviewed to obtain reasonable assurance that the subrecipient was providing services pursuant to its contract.

Furthermore, the review did not document the verification of the number of persons the subrecipient reported as being served in its Annual Performance Report. This was important considering MATFH failed to require the subrecipients to submit progress reports and did not verify the numbers reported in the Annual Performance Reports.

According to the Task Force HUD Program Director, she reviewed client files while on site and conducted interviews with the clients to determine what services they had been provided. However, the reviews and interviews were not documented. Thus, we could not be assured that this work was actually completed. Also, she stated that she did not know that she needed to review subrecipients' file documentation to verify that the number of persons reported as being served were in fact provided services.

Off-Site Monitoring Procedures Were Not Followed

MATFH did not follow its off-site monitoring procedures. MATFH did not effectively monitor to obtain the Annual Performance Reports in a timely manner.

We conducted a review to determine whether the Annual Performance Reports were submitted as required for the same six subrecipients identified above. We found that Annual Performance Reports were not submitted timely to MATFH. For example, a subrecipient's report was due on December 15, 1997, 45 days after its October 31, 1997, grant year. However, the report was dated March 19, 1998, 90 days after the due date. The report was not date stamped to identify the date it was actually received by MATFH.

Also, the Annual Performance Report for another subrecipient was due on February 15, 1998, although as of May 1998, the report had not been submitted to the Task Force. Furthermore, another subrecipient's Annual Performance Report was due on February 15, 1998. During a May 1998 site visit at the subrecipient, OIG auditors inquired about the overdue report. The report was provided to the Task Force official at that time. The report was dated May 7, 1998, which was 82 days late. We found no evidence that MATFH staff followed up with these subrecipients to obtain the reports in a timely manner.

Our review of the Annual Performance Report statistics revealed that the subrecipients were generally progressing well towards meeting their goals to serve a certain number of homeless individuals and/or families, with the exception of one. The subrecipient had proposed to provide services to 1,400 homeless individuals but reported that it had only served 763 individuals by the end of its second grant year. MATFH did not address this potential problem in its November 26, 1997, monitoring visit.

MATFH's Executive Director stated that her staff developed a program database system that would allow each subrecipient to report progress data on the computer. However, the Task Force was overruled by the Georgia HUD Program Office. According to the Executive Director, the system would have prevented the untimely submission of Annual Performance Reports and would have served as a monitoring mechanism. The HUD officials stated that the Task Force could not require the subrecipients to use the database system developed.

Site visits performed at subrecipients

The Task Force did not maintain documentation to demonstrate the progress of each subrecipient. Therefore, we judgmentally selected and performed site visits at five subrecipients. We reviewed the subrecipients to determine whether they were providing services pursuant to its contracts with the Task Force.

We found that three of the subrecipients were not properly establishing client eligibility in accordance with MATFH and HUD procedures. Specifically, the three subrecipients did not obtain written verification of prior living situations and/or verifications of income. One subrecipient merely obtained the verification of homelessness form with the client's signature without obtaining written verification of the client's prior living situation. The other two subrecipients generally obtained proper written verification to establish whether the client was in fact homeless, but had not documented verification of the client's income, as required by MATFH procedures. Without adequate documentation, we cannot be assured that the program and resources the subrecipients provided were reaching the homeless persons intended to be served by the program.

We determined that the five subrecipients generally maintained documentation to support that they served the number of clients reported in its Annual Performance Reports. As for the services provided, we found that four of the five subrecipients maintained appropriate documentation to evidence the type services provided to the clients. The services documented by each of these subrecipients were in accordance with the services proposed in the contracts with the Task Force. The remaining subrecipient did not document the services it provided to the clients that entered its program. Based on documentation submitted in the subrecipient's package for reimbursement, it was obvious that costs were incurred for supportive services. However, we could not identify the extent of services that were provided to each client.

Financial audits of subrecipients were not obtained

The Task Force did not obtain audits of its subrecipients under the SHP program as required and did not establish procedures for obtaining the audits. The Task Force budgeted \$40,000 for the financial audit of the subrecipients.

OMB Circular A-133, Section 5(a) requires a recipient that receives a federal award and provides \$25,000 or more of it during its fiscal year to a subrecipient to ensure that the non-profit institution subrecipients that receive \$25,000 or more have met the audit requirements. Section 7 states that the audits should be performed annually but not less than every two years. Subpart A, Section 105, defines an auditor as a public accountant which meets the general standards specified in generally accepted government auditing standards. The term auditor does not include internal auditors of non-profit organizations.

The budget stipulated that MATFH would provide an audit for the subrecipients that needed assistance in obtaining the required audit. However, the money budgeted for such costs was not used for the audits. MATFH did not obtain or provide for any audits of the subrecipients since inception of the grant agreements. The \$259,152 MATFH drew down in administrative funds was used to pay for administrative salary costs, training, and equipment.

We judgmentally selected and reviewed the files for six subrecipients that had been operating for 2 years at the time of our review and received at least \$25,000 of the federal grant award during the 1996 grant year. The following table illustrates the results of our review:

Project Number	Operating Start Date	Federal Funds Awarded	Current Audit Due ¹	Last Audit Obtained
GA06E15-1035	1/1/96	\$129,769	12/31/96	12/31/94
GA06F15-1035	2/1/96	76,185	09/30/96	09/30/94
GA06G15-1035	1/1/96	112,284	09/30/96	09/30/95
GA06N15-1035	1/1/96	196,370	12/31/96	12/31/94
GA06T15-1035	2/1/96	44,672	12/31/96	12/31/94
GA06X15-1035	3/1/96	66,532	12/31/96	12/31/96 (not yet issued)

The Executive Director stated that the HUD Program Office instructed them to hire a Certified Public Accountant to perform the audits and they did. However, the subrecipients did not want the Task Force’s accountant to perform its audits. Instead, the subrecipients wanted the Task Force to provide the funds to obtain the audits. The HUD Program Office addressed the issue in two memos to the Task Force dated October 23, 1997 and January 13, 1998. HUD gave the Task Force two options regarding the audits for the subrecipients. The options included allowing the subrecipients to obtain an independent auditor or the Task Force could procure an independent auditor to conduct the audits. The HUD Program Office informed the Task Force to let the subrecipients select their own accountant and MATFH should be willing to provide the funds out of its administrative budget. The Executive Director stated that she refused to provide the funds to the subrecipients because MATFH hired an accountant to perform the audits.

¹ Determined based on the operating start dates and the period of the last audit obtained for each subrecipient.

We determined that MATFH could not have used the Certified Public Accountant it hired to perform the audits because the individual was an employee of the Task Force. Thus, the individual was an internal auditor and not an independent public accountant as required. Because the Executive Director stated that the Task Force was incurring more administrative costs than could be drawn down and all funds drawn down were being used to cover employee salary costs, the Task Force may not be in a position to provide or pay the funds necessary to obtain the audits.

Auditee comments

Excerpts from the Task Force's comments on our draft findings follow. Appendix B contains the complete text of the comments.

The Task Force generally disagreed with the finding. The Task Force made the following comments:

- The Task Force's HUD Program Director reviewed documentation to determine and monitor clients served at subrecipient agencies, but that the documentation was never required to be kept at its site.
- The Office of Inspector General confused the SHP grant criteria with the IHP grant criteria because they never required SHP program subrecipients to submit quarterly progress reports. The Task Force instead developed the computerized annual performance report system which allowed for daily intake and reporting that accumulated data. The Task Force acknowledged that annual performance reports were not being submitted timely and stated that they are addressing the problem.
- The Task Force's Executive Director was misquoted as it related to not requiring the SHP subrecipients to submit quarterly progress reports because HUD Program Office did not allow them to require the subrecipients to use their computerized annual performance report system.

- The Task Force contends that they maintained documentation to demonstrate the progress of each subrecipient. However, they said the nature of that documentation is in question. The Task Force said that they were told by the HUD Program staff that the documentation should be kept at subrecipient sites.
- The HUD Program staff made them relent on the requirement to obtain audits of the SHP subrecipients. The Task Force said they understood they could use the Certified Public Accountant hired for its fiscal office to audit the subrecipients and provide technical assistance.

OIG evaluation of
auditee comments

Although the Task Force stated that monitoring documentation and support to demonstrate the progress of each subrecipient was not required to be kept at its site, the documentation should have been maintained at its office to support its monitoring efforts. The HUD Program Office never told the Task Force that such documentation should be kept at subrecipient sites.

The Accounting Procedures Manual used by the Task Force was inconsistent as to which HUD program it applied to. Therefore, we could not obtain clarification as to whether the requirement that all subrecipients submit quarterly progress reports applied to SHP subrecipients.

The Task Force contends they hired a Certified Public Accountant for their fiscal office and understood they could use the accountant to audit the subrecipients. The HUD Program Office provided the Task Force with two options regarding audits for the SHP subrecipients, as noted in the finding. The Task Force was responsible for obtaining audits for SHP subrecipients in accordance with OMB Circular A-133. Audits of the SHP subrecipients are to be conducted by an auditor independent of the Task Force's operations.

Recommendations

We recommend that you require the Task Force to:

- 3A. Implement monitoring reviews that perform knowledgeable oversight of its SHP subrecipients in program services and in financial management.
- 3B. Establish and implement a tracking system which provides assurance that all Annual Performance Reports will be received from the SHP subrecipients in a timely manner.
- 3C. Provide SHP fund assistance in obtaining the financial audits from its SHP subrecipients.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Management Controls

In planning and performing our audit, we considered the management controls of the Task Force in order to determine our auditing procedures and not to provide assurance on the controls. Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its 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.



Relevant management controls

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

- Management philosophy and operating style.
- Eligibility and support of grant activities.
- Management monitoring methods.
- Reliability of financial systems and reporting.
- Accounting for and maintaining control over program disbursements.
- Measurement of program results.

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 an organization's objective. Based on our review, significant weaknesses existed in the management controls we tested as discussed in the findings.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Follow Up On Prior Audits

This was the first Office of Inspector General audit of the Task Force's grant operations.

The last Independent Auditor audit report was completed by Robert E. Smith, Certified Public Accountant, for the year ended December 31, 1995. The report disclosed the following deficiencies in MATFH's operations that relate to the findings of this report:

- Failure to obtain documentation from the subrecipients to support payments made to subrecipients.
- Failure to update and reconcile spreadsheets, which it used to track grant funds, to the general ledger.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Schedule Of Unsupported and Ineligible Costs

<u>Recommendations</u>	<u>Amounts Unsupported²</u>	<u>Amounts Ineligible³</u>
1A	\$ 1,243,854	
1B		\$ 6,607
2E	66,427	
2F		760
2G		8,824
Totals	<u>\$ 1,310,281</u>	<u>\$ 16,191</u>

² Unsupported amounts do not obviously violate law, contract, policy or regulation, but warrant being contested for various reasons such as lack of satisfactory documentation to support eligibility.

³ Ineligible amounts obviously violate law, contract, HUD or local agency policies or regulations.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Auditee Comments

Task Force For The Homeless

363 Georgia Avenue, SE, Atlanta, Georgia 30312
(404) 230-5000 FAX 589-8251

July 10, 1998

Ms. Nancy H. Cooper
District Inspector General
for Audit – Southeast/Caribbean
US Department of HUD
Richard B. Russell Building
75 Spring Street, SW, Room 330
Atlanta, Georgia 30303-3388

Dear Ms Cooper:

This is the beginning of our response to your draft findings, dated July 2, 1998.

We have reviewed the draft and have provided our auditor with a copy. In fact the draft report listed many issues that we felt sure we had resolved in the audit itself.

We want to respond to all of the concerns reported in that draft in this letter, and as thoroughly as possible. To that end, we also request a meeting with you and your Auditors as soon as possible. We ask that this meeting be held in order to resolve the draft issues before the exit meeting that we know we will have to close out this process. In other words, we want to meet immediately **BEFORE** this report is finalized.

We are happy to cooperate with you in whatever way we can. It was extremely difficult though, to have your auditors performing their audit at the same time we had our external auditors performing the 1996 and 1997 audits. That resulted in our having to locate your auditors in our conference room, which is the meeting room for our many teams and for our staff. However, we all cooperated to the best of our ability.

Please let me know when you can meet with us to talk about revising this draft.

Sincerely,

Executive Director

Enclosure
copy: Mr. Norman Ross, CPA

Auditee Comments

Finding I

CRITERIA:

You misstated our procedures for 1994 IHP and IHP 1995 grants. The procedures you describe pertain to our SHP Procedures only. We informed you of that fact before the exit meeting.

Innovative Homeless Program Was Not Effectively Administered:

You stated that we did not effectively administer our 1994 and 1995 IHP grants for the following reasons: MATF did not

(1) adequately document payments to sub recipients:

We did document the expenditures to subrecipients; however, we requested and received the funds in advance and documented the expenditures accordingly. Therefore, the documentation is not arranged to correspond to the draws because we had not been required to do that at the time. But the documentation corresponds to the total expenditures of grant funds.

You questioned "five of ten vouchers," and we drew funds down every month. Once again, we documented the expenditures, not the draws by amount.

We request that you delete this finding.

(1a) The 1994 IHP Payments were not Properly Supported

We did provide adequate documentation, as we stated. Draws were documented after the fact and did not match specific drawdown request amounts but documented the total expenditures. Again, we drew the money in advance for requests from sub recipients, not matching reimbursement requests which came later, as we received them from subrecipients.

As for the missing subrecipient documentation and contract files, we have staff documentation of our having provided those files to you during the audit visit. We even observed that one of your auditors was searching for a file under "AUM" instead of Atlanta Union Mission, and he looked for files in the wrong order. Eventually he was shown the files, which has been in the box all along.

We need to know what this finding refers to since WE located the files again for the auditor who had failed to look in the files under the correct and complete name.

(1b) The 1995 W Payments were not properly supported:

The same thing applies here. Please provide documentation for the \$84,558 you say we did not support. We were not given that information. Also, the funds used in this grant paid sub recipients for staff salaries.

As for the sub recipients not properly documenting client eligibility, we informed your auditors several times that our hotline was the documentation for client eligibility. We were given a list of clients to test our hotline database -- we provided intake documentation on all clients submitted by name to us by your auditors. We also reminded the auditors that the HUD regulations governing

the homeless eligibility/verification documentation was published in October 1995, well after both IHP grants had been implemented.

Please delete the questioning, therefore, of \$167,318 because of what you term "unsupported subrecipient payments."

You say that 61 % of the 1995 Administrative charges were unsupported. We submitted the admin budget to the program office in the first half of 1996, and they approved that budget. Unless you use the time sheets for the fifth person who was charged and approved you cannot say we overcharged the grant. We had also submitted the documentation for the cost and that documentation was accepted. Therefore, please provide your working papers to support this claim.

Site Visits Performed at Subrecipients:

Again you maintain that we had insufficient documentation to prove the number of persons served. We are unclear as to the grant you refer to -- are you referring to IHP 1995?

If so, you cite yourself that the HUD circular was not issued until October 19, 1995. We began the program in July of 1995. We informed you that our hotline intake database was used to document client eligibility. You even asked to check a sample of clients. We provided you with that information.

You state that our manual requires adequate client documentation, and that manual refers only to SHP sub recipients.

You say that no monthly progress reports were not available. They were and are available and were submitted by sub recipients at the time they submitted reimbursement requests.

We request that you delete this paragraph.

(2a) Eligibility of Homeless Clients Was Not Verified:

We informed you that our hotline database and our referral to subrecipient agencies for service qualified as client verification. That verification was accepted by HUD prior to implementation of the contract. We even told you that we provided that service to keep clients from having to be interviewed and documented more than once with the same information.

Please explain what you mean by our not documenting services received by the client -- what other than the intake form and referral were we to document? The grant was for outreach, intake and referral -- what other than the intake form?

One of the sub recipients you interviewed was an Outreach subrecipient, whose documentation was eyeballing people on the streets and using our database and referral information.

Your auditors continue to confuse the three contracts and misinterpret the guidance for SHP as applying to IHP.

On your page 4 of 5, you make some serious allegations and misrepresent the conversation with our staff. We have all reviewed this information and are extremely concerned that such inaccurate editorial comments would be included in a document like this. First, we never even hinted that we told subrecipients not to document client eligibility -- we did say that our database and referral system was accepted by HUD as that documentation. If you had requested, we could have

provided you with a "blind" copy of the three screens worth of detailed information we get from each client. Our intake database has been reviewed by HUD program officials many times.

You state that the Executive Director said the HUD documentation requirements applied only to SHP and you quote our Procedures Manual -- it is the procedures manual for SHP, not IHP. Please let us clarify this issue once and for all.

(3) Number of Homeless Clients Served Was Not Documented:

Once again you claim that we did not document or have sub recipients document the number of clients served. They did document clients served in their monthly progress reports, submitted prior to reimbursement.

You further iterate that we did not document clients served or verify homelessness of those clients. Please document to us what you claim the HUD field office reported. We are not aware that they claimed that the problem "presently continues."

(4) Audits for Subrecipients Were Not Obtained:

You state that audits were due from 10 of the 1994 and 5 of the 1995 sub recipients. One of your auditors requested an audit for Atlanta Union Mission and for the Task Force for the Homeless, both of which he received. We are unaware of any other requests. No Task Force staff who could answer officially could have said we didn't "know if the sub recipients had obtained the audits."

(5) Final Close-Out Report for the 1995 IHP Grant Was Not Completed:

Correct. We still have a balance not drawn down of over \$5,000. This is program cost that we are sure we will expend for outreach.

We did NOT say we submitted a close out report. We said we submitted an Annual Report.

Technically the 90 days after completion of the award should not begin until we have expended the funds.

Please correct this finding accordingly.

Finding 2

Accounting Records:

You make extreme, and damaging observations about the Task Force's accounting system which are general and unfounded. We want to respond to each one.

Accounting System Was Inadequate:Expenses Were Inadequately Tracked:

The Task Force did, indeed, establish general ledger accounts to record and track SHP grant costs by subrecipient line items. In fact, those accounts were reviewed by the OIG staff in a preliminary review of our accounting system prior to our drawing down any funds for the SHP; the system was also reviewed and approved by the HUD Program Financial Staff person.

The spreadsheets were set up and maintained as part of our official accounting records and approved by the HUD program office prior to our drawing down any funds. We used the spreadsheets as a subsidiary ledger. The General Ledger was used to record the total transaction, while the spreadsheets were used to record the itemized components of each total transaction.

You also stated that the spreadsheets contained inaccurate information and that therefore the accounting records did not accurately reflect a true and complete accounting of the subrecipient grant position. You cite that an expenditure on spreadsheet from a subrecipient was \$14,042 and actual expenditure as \$15,052. We want to review your work papers for this finding. If the amount you cited is your evidence for the finding, we strongly object to your dismissal of our entire accounting system on that basis.

We strongly object to the finding for the above reasons, and we request that the finding be modified accordingly.

The Executive Director did indeed state that there had been staff turnover and a new accounting software system implemented. The implication that she also said this whole accounting experience was a "learning experience" is inaccurate at best and deliberately misleading at worst.

You also cite inaccuracy of spreadsheets when balanced with general ledger amounts for administrative costs. We told you repeatedly that according to spreadsheets and some time sheets, we applied time to the grant which we did not actually charge or get reimbursed for.

Again, you state that we budgeted salary cost of \$25,000 for Accounting Assistant and did not charge the grant. That was a record keeping issue, to record actual cost. We also told you that the variation of time spent from 100% to 45 % was for budgeting purposes since we do not use an Indirect Cost Plan but budget by percentage, which works out on an annual basis.

What employee did we pay from this contract who was not included in the HUD budget or on our spreadsheet?

The final paragraph is of great concern. WHAT Task Force officials could not tell your auditors which set of records reflected correct financial information?

Since we were told several different ways to request administrative reimbursement, we want to say again that we drew our administrative funds in a way that was reviewed and approved by the HUD program office. We have a record of the meeting and the names of those in attendance, should you require that information.

Grant Activity Was Not Properly Disclosed:

You state that our accounting records contained inaccurate and incomplete information, for example:

* the ending SHP account balances from 1996 were not brought forward as beginning balances in the 1997 general ledger;

It is a matter of record that your office insisted on beginning the audit while we were undergoing our 1996 audit and as a result of course we had not carried forward the balances until the audit was complete. We told you this in the beginning. You insisted on beginning your audit before we had had an opportunity to complete our 1996 audit. How can you cite us for something when you insisted on beginning without that information? Also, the SHP balances were being maintained and were current on our spreadsheets, which we consider and stated are part of our official accounting records.

In fact, we used the spreadsheets to serve as a check and balance for detail the General Ledger does not provide.

* Yes, we used our administrative account to record reimbursements and costs incurred but not yet paid. How could we not? We accumulated unreimbursed costs and still plan to get that reimbursement from HUD. We are happy to establish a separate account for costs incurred but not yet paid. But why must that be a separate account? We must carry all grant receivables as we have been directed by our auditor.

* We provided you with that very documentation and showed YOU where we noted the discrepancy on the spreadsheet. If we incorrectly recorded or applied an admin draw of \$2,454 to the program account, and we pointed it out to you that we were aware of the error, why would you include this in a finding without pointing that out?

*Please tell us the specifics of your citation in third paragraph on 3 of 5.

Program Costs Were Not Properly Supported:

How could you iterate that claim when you cite only 2% of the expenditures as unsupported ? And in your explanation you do not specify which sub recipients you refer to. Since we drew down amounts documented as reimbursable, we must know what documentation you are considering rejecting. We discussed this issue thoroughly, and we provided you with substantial additional documentation as well as copies of letters we sent to sub recipients. The grant continues, along with our opportunity to require documentation before future disbursements are made.

You stated that our employee time sheets did not always support the salary percentages charged to the program, and we have explained that. As long as the salary that we actually received reimbursement for was documented, it could not matter if MORE than that were documented.

We know that budgeted percentages do not qualify as support for charges; in fact, that is what we have been saying to you all this time. The actual time sheets more than support the charges.

You stated that we overcharged a consultant \$7,715 to the SHP contract. As documented in his time sheets, he spent 100% of his time on the SHP contract activities.

We OVER DOCUMENTED time attributed to the contract because we did not charge all of that

time to the contract.

We request that you change your citation accordingly.

Subrecipients Were Reimbursed Untimely:

You stated that we did not reimburse sub recipients in a timely manner. We did, however, obtain HUD approval for a 30-day turn around for reimbursement procedures. Because we are required to affirm the documentation for reimbursement requests, we frequently receive the funds before we have obtained additional documentation. The HUD CPD Program Office approved the 30-day turn around.

We had documented to HUD and to the sub recipients the reason for some of the delays. As you have observed, there is a need for adequate documentation from the sub recipients. Also, as evidenced by this draft, the requirements for documentation seem to differ between the OIG and the Program Office.

Finding 3

Inadequate Monitoring of Subrecipients:

You stated that we could not demonstrate the impact of SHP funds on the homeless population because of the inadequacy of our monitoring of subrecipients. You made that claim based on three opinions: (1) that we did not perform monitoring visits in accordance with the terms of the contract, (2) that we did not monitor the submission of APRS; and (3) that we did not require the sub recipients to submit progress reports, documentation of client eligibility or obtain financial audits.

We object to those opinions as follows:

(1) We included the monitoring information in the manual from the IHP grants, both years programs which required substantially more intense relationships with subrecipients. You are confusing the manual's references to the programs. We also made visits to sub recipients which were not recorded as formal monitoring visits but were informal technical assistance and informational visits.

Subrecipients under the SHP program were not required to submit quarterly progress reports.

In our subrecipient contracts we stated that there would be two monitoring visits, not four.

(2) We went so far as to develop, at our own expense, a computerized software program which, when used, would accumulate intake information into a complete and ongoing APR - that software was offered to HUD and we requested that it be required of subrecipients because we could monitor daily the intake and accumulated client database. We were told by HUD that use of the database would be voluntary. The software was innovative and noteworthy to the extent that Federal HUD officials reviewed it and HUD recipient agencies in other states have requested it.

It is important to state here that the HUD program office intervened so frequently in our efforts to obtain compliance from our sub recipients that our role as administrator for the contract was seriously hampered. In some cases, subs were allowed to submit their APR forms directly to the HUD Field Office, completely bypassing our HUD administrative staff.

Our HUD Program Director did, indeed, review documentation to determine and monitor clients served at subrecipient agencies, but that documentation was never required to be kept at our site.

She did not say that she didn't know she needed to review subs' file documentation but that she didn't know she needed to keep physical records in her office to PROVE she had reviewed the documentation.

We take strong exception to the general tone of the review as well as the extreme judgments and dismissal of

Off-Site Monitoring procedures Were Not Followed:

You state that we did not follow our own off-site monitoring procedures because we did not require quarterly progress reports. ONCE AGAIN, you have confused the SHP grant with the IHP grants. We did not REQUIRE quarterly progress reports. We have already described the computerized APR system which allowed for DAILY intake and that accumulated data as it went towards the annual date.

You are correct in saying that the APRs were in some cases submitted late -- we know that. In some cases, we needed support from the HUD Program Staff to encourage those reports. We have not gotten that support There is evidence that the HUD Program Staff followed up with sub recipients about these reports. Would you like to see it?

We realize that there is a problem with some of the sub recipients in timely submissions of annual reports. We are addressing those problems, but they do not mean that we are not following our own off-site monitoring procedures. We strongly request that you rework this finding so that it accurately expresses the reality.

The final misquote of the Task Force Executive Director is absolutely unacceptable. The Executive Director did not say anything close to the editorial quote: "MATFH's Executive Director stated that she decided not to require the subrecipients to submit quarterly progress reports. . . ." because they were never required under this program in the first place. The reference was to the important production of the computerized APR that the Task Force staff completed at their own expense and which could have solved this problem if the HUD program staff had allowed us to require it of the subrecipients.

SITE VISITS PERFORMED AT SUBRECIPIENTS

The Task Force staff did, indeed, maintain documentation to demonstrate the progress of each subrecipient. The nature of that documentation is the question. We were told by the Program staff forcefully and frequently that the documentation should be kept at subrecipient sites. There was no consistency between what the HUD Program Office required and what the OIG auditors seemed to require. We should not be audited on requirements that we were not provided with at the beginning of the contract.

FINANCIAL AUDITS OF SUBRECIPIENTS WERE NOT OBTAINED

This finding is unacceptable in its entirety. We cannot accept an evaluation of our failure to obtain audits when we were actually MADE to relent on that requirement by the HUD Program Staff. In one very intense example, we stated that we would not sign a contract with a subrecipient who REFUSED in a meeting with the HUD Program Staff to submit an audit to us. We were told by the HUD Program Staff that we would be in danger of losing the contract if we continued to hold out. We even stated that by relenting on this requirement with ONE subrecipient, we would not be able to hold the line with others. We were told we couldn't require the audits if subs didn't want to comply-

We further were told we had to hire a CPA for our fiscal office. We understood that we were to be

able to audit subrecipients and to provide technical assistance in fiscal matter. When the time came for us to perform these visits, we were then told by the Program Office that we had to PAY the subs for their own audits and couldn't audit them ourselves. We had no funds to pay them for their audits because the HUD Program Office had required that we hire our own CPA or Auditor.

You state in your draft a version of this reality that is absolutely prejudicial against the Task Force and its staff. We urgently request that you change the language and the tone of the statement and the finding itself.

ALSO, it is urgent for us to note that the \$259,152 we drew down for our administrative costs was only HALF of the amount budgeted for two years and we had operated nearly THREE years of administration based on 5% of the total grant award. (If you divide that by three, our reimbursement for administering this grant was only \$86,384 a year, while the actual approved budgeted amount was over \$200,000 a year.) That budgeted amount was planned for, approved, and the expenses were incurred. However, HUD has not reimbursed our costs, based upon the agreed budgeted amount.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Distribution

Secretary's Representative, 4AS
Director of Community Planning and Development, 4AD (2)
Audit Liaison Officer, 3AFI
Administrative Service Center, 4AA
Acquisitions Librarian, Library, AS (Room 8141)
Director, Office of Budget, FO (Room 3270)
Associate General Counsel, Office of Assisted Housing and Community Development, CD (Room 8162)
Director, Office of Economic Development, DEE (Room 7136)
Assistant Secretary for Community Planning and Development, D
Deputy Assistant Secretary for Grant Programs, DG (Room 7204)
Special Advisor/Comptroller, Community Planning and Development, DOT (Room 7220)
Counsel to the IG, GC
Public Affairs Officer, G
HUD OIG Webmaster-Electronic format via Electronic mail-
Morris_F._Grissom@Hud.Gov
Director, HUD Enforcement Center, 1240 Maryland Avenue, Suite 200, Washington, DC 20024
Chief Financial Officer, F (Room 10164)
Deputy Chief Financial Officer for Finances, FF (Room 10166)
Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W.,
Room 2474, Washington DC 20548
Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)
Assistant to the Secretary for Labor Relations, SL (Room 7118)
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs,
United States Senate, Washington DC 20515-4305
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs,
United States Senate, Washington DC 20515-4305
The Honorable Dan Burton, Chairman, Committee on Government Reform and Oversight,
United States House of Representatives, Washington DC 20515-6143
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United
States, House of Representatives, Washington, DC 20510-6250
Ms. Cindy Sprunger, Subcommittee on General Oversight and Investigations, Room 212,
O'Neil Office Building, Washington DC 20515
Robert S. Cramer, Jr., Chairman, Board of Directors, Metro Atlanta Task Force
for the Homeless
Anita Beaty, Executive Director, Metro Atlanta Task Force for the Homeless