



U.S. Department of Housing and Urban Development
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District Inspector General for Audit

March 22, 2001

**Audit Memorandum
No. 2001-PH-0801**

MEMORANDUM FOR: Joyce Gaskins, Director, Office of Community Planning and Development, 3AD

Allen D. [Signature]
For

FROM: Daniel G. Temme, District Inspector General for Audit, Mid-Atlantic, 3AGA

SUBJECT: Project H.O.M.E.
Supportive Housing Grants
PA26B80-0011, and PA26B97-0104 (Renewal)
Philadelphia, Pennsylvania

As part of a nationwide review of HUD's Continuum of Care Program, we audited the Supportive Housing Grants awarded to Project H.O.M.E. (Housing, Opportunities, Medical Care, Education) for 1997 and 1998. Our objectives were to determine whether Project H.O.M.E.:

- Implemented the grants in accordance with its applications;
- Expended funds for eligible activities under Federal regulations and applicable cost principles;
- Maintained evidence of measurable results;
- Ensured a sustainable program; and
- Expended funds timely.

To accomplish our objectives, we interviewed HUD and Project H.O.M.E. officials; visited the project sites; reviewed the grant applications, grant agreements and progress reports; and analyzed financial records and participant reports.

As a result of our audit, we determined that Project H.O.M.E.'s activities were consistent with its applications and achieved measurable results; funds were expended properly and timely; and projects were sustainable.

We believe that Project H.O.M.E.'s operations are both generally efficient and effective. However, we noted a lack of adequate income documentation and rent calculations in tenant files. While initial documentation was included in most tenant files, subsequent income

documentation and rent calculations were not available. We recommend that Project H.O.M.E. maintain all applicable income documentation and rent calculations in the participant files.

We provided Project H.O.M.E. with a draft memorandum and discussed the results on March 13, 2001. Representatives of Project H.O.M.E. stated they have refunded the rent overpayment to the tenant. Further, Project H.O.M.E. stated they have begun maintaining applicable information regarding income and rents in tenant files.

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

If you have any questions, please call J. Phillip Griffin, Assistant District Inspector General for Audit, at (215) 656-3401.

BACKGROUND

Title IV of the Stewart B. McKinney Homeless Assistance Act authorized the Supportive Housing Program. The program is designed to promote the development of supportive housing and services. The program encourages the use of innovative approaches to assist homeless persons and provides supportive housing 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 immediate and long-term needs of homeless persons;
- Supportive services for homeless persons not provided in conjunction with supportive housing; and
- Administration of the grants.

Project H.O.M.E. is a nonprofit organization founded in 1989. It is a developer and provider of supportive housing, employment initiatives, and adult learning opportunities for chronically homeless and formerly homeless people. It has a network of more than 10 residential sites, two businesses that employ residents, and a range of supportive services.

HUD directly awarded Project H.O.M.E. two grants during fiscal years 1997 and 1998 for supportive services and supportive housing.

To accomplish our objectives, we interviewed HUD and Project H.O.M.E. officials; visited the project sites; reviewed the grant applications, grant agreements and progress reports; and analyzed financial records and participant files.

Overall, we found that Project H.O.M.E. was organized and operated efficiently and effectively. Its management and staff were well qualified and appeared to be motivated by a true desire to

help the homeless. However, we noted one problem area in maintenance of income documentation in the participants' case files.

Tenant Income and Rent Calculation Documentation Not Adequately Maintained in Tenant Files

During our review of tenant files at three projects, we noted that current tenant income documentation was not maintained in those files. Income documentation is used to determine each tenant's initial income eligibility for the program and the tenant's monthly rent. Although initial income documentation was included in most of the files, subsequent income documentation and rent calculations were not included. As a result, we could not determine if the tenant rent charges were in accordance with the regulations.

Title 24 CFR 583.315 paragraph (a) states that each resident of supportive housing may be required to pay as rent an amount determined by the grant recipient. The amount may be as much as 30 percent of the family's adjusted income.

Project H.O.M.E.'s policy is to charge each tenant 30 percent of their monthly income as rent. Case workers had to recalculate each tenant's income on a monthly basis because many of the tenants had part-time jobs and their income changed monthly based on how many hours they worked during the month. The recalculations and tenant income documentation to support them were not included in the files. Due to the lack of documentation, we could not verify that tenants were being charged 30 percent or less of their monthly incomes.

We noted, in one file, a caseworker had made a notation indicating that a tenant had been overcharged by \$585 as of January 2000. Since Project H.O.M.E.'s policy is to charge the maximum allowable rent, an overcharge means that the tenant paid more than the regulations allow. There was no indication that the overpayment had been corrected and no supporting data from the tenant's caseworkers in the file.

The Program Coordinator could not tell us the disposition of the tenant's account. Further, the Program Coordinator could not explain how the overpayment had occurred, but stated that the tenant was no longer paying rent because the tenant was no longer working.

The overpayment could have been avoided if the caseworker recalculated the rents based on current income documents. Also, the overpayment could have been corrected by subsequent caseworkers if historical income documentation and rental calculations were included in the tenant files.

At our exit conference on March 13, 2001, Project H.O.M.E. officials assured us that they had repaid the overcharged rent. However, as of the date of our report, they had not provided documentation indicating the overcharge had been refunded. Project H.O.M.E. officials also stated they had taken corrective action in their manual system to maintain and track data regarding tenant incomes and rents, and were working on automating that system.

Recommendations:

We recommended that HUD require Project H.O.M.E. to:

- 1A. Provide documentation indicating the rent overpayments have been refunded to the tenant.
- 1B. Maintain detailed tenant income and rent calculation records in the tenant files.

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