

U.S. Department of Housing and Urban Development

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July 3, 1997

Audit Related Memorandum

No: 97-BO-151-0806

**MEMORANDUM FOR: Robert L. Paquin, Director, Office of Community Planning and
Development, CPD**

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

**SUBJECT: Vulnerability Assessment
Transitional Housing Programs
New England District**

In response to your request, we performed a limited review of seven of the ten transitional housing grants, selected by your staff as being a representative sample of all the grants under your jurisdiction. Our overall objective was to evaluate the vulnerability of Transitional Housing Programs in three specific areas.

Background

Nationally, about \$800 million is spent on homeless programs annually. These grants may provide housing, services, or both. Since 1987 approximately 230 grants have been awarded to grantees in the New England States under your jurisdiction. \$152 million in grants have been provided of which \$113 million are still active as of March 31, 1997.

You advised that the Office of Community Planning and Development does not have the resources necessary to review each of these grants; especially in light of the requirements of the Consolidated Plans, which have been given higher priority by Headquarters. You expressed concerns that the grantees may not be:

- serving the intended beneficiaries
- controlling expenditures with adequate accounting systems, and

- providing matching shares when required by the grant.

Currently, CPD project representatives are monitoring these grants using the Annual Performance Reports and the Audited Financial Statements from Independent Public Accountants. Any entity receiving more than \$100,000 in Federal funds is required to have an audit. The Single Audit Act has recently raised this threshold to cover only those grants that exceed \$300,000. The CPD representatives are accepting these reports on face value as they do not have the resources to perform site reviews to verify the information provided.

Scope

We examined seven of the ten projects selected by your staff. The results obtained from the review of these seven projects were conclusive, thus, we did not believe that review of the other three projects was necessary for us to formulate a conclusion.

For each project, we:

- Examined the original application, the latest Annual Performance Report, and the drawdowns of HUD funds to develop an on-site review plan.
- Interviewed project officials to determine if activities described in the application were being carried out and to ascertain that basic accounting controls were being employed.
- Traced one month's drawdown from the submitted voucher through the accounting records to the original source documents (invoices and/or timesheets) to test the integrity of the accounting system.
- Examined the files of the participants being served to ensure that the participants' homelessness was adequately documented and to ensure that clients described in the original application were being targeted.
- Evaluated the procedures used to accumulate the statistical information reported on the Annual Performance Report and traced selected data to supporting documentation to ensure that activity was being fairly reported.
- Examined financial reports and correspondence between the grantee and other sponsors to ensure that the matching funds were or would be provided to the project. Only one project in our sample required matching funds.

- Examined the monitoring of subgrantees by the grantee where this structure was present so as to reduce the scope of our examination of the subgrantees.

Conclusion

We found that eligible individuals were receiving the intended benefits of the program. Documentation of eligibility in the participant's files met the criteria of your October 30, 1995 memorandum, "*Guidance on Documentation of Participant Eligibility Under Homeless Assistance Programs.*"

We found that HUD funds were being adequately controlled and that the grantees' accounting systems were sufficient to account for the receipt and use of HUD funds.

Due to the nature of most grants reviewed, matching funds were not specifically required by HUD. However, most of the grantees had obtained supplemental funds in order to fully accomplish the objectives of their program. In the case of the Foundations project, which involved the acquisition and rehabilitation of properties, we observed commitment letters from non-Federal sponsors that assured the required matching funds would be provided.

In our review of the four grants which had subgrantees, we learned that two grantees had performed limited financial reviews and none had performed on site-program reviews due to a lack of resources. For details see Appendices A, E, F, and G.

We have provided details for each project reviewed as appendices to this report.

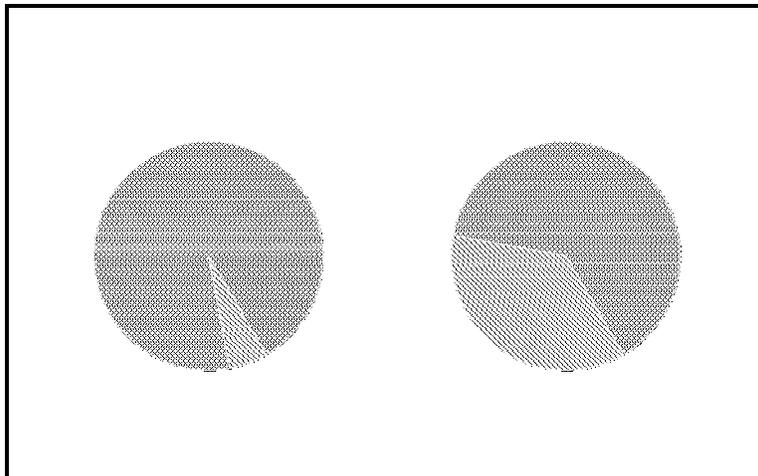
Homeless Substance Abuse Initiatives

Grantee	Executive Office of Health and Human Services, Commonwealth of Massachusetts Administered by the Department of Public Assistance
Subgrantee	41 Emergency shelters and 25 Detoxification Centers
Location	Massachusetts, state-wide
Amount	\$3,000,000
Period	2/1/96 - 1/31/99

This grant increases the capacity of community based recovery beds for homeless individuals to serve an estimated 300 additional persons and provide aggressive outreach, assessment and engagement to homeless individuals with alcohol and other drug problems to facilitate access to the recovery system. This grant provides substance abuse expertise to emergency shelters. Community-based recovery programs in five regions serve as outreach staff to all the emergency shelters in their designated region. This expertise is available in the shelters 75% of each workday.

Aggressive outreach is conducted at 41 emergency shelters and 25 detoxification programs across the state. Case management is provided to individuals in the transitional recovery programs and by outreach staff for individuals in the early stages of recovery. The average length of stay in these programs is projected at 90 days; however, some stays are longer. No one is released into a shelter.

The project has no matching requirements.



Results:

The intended population is being served and results are being correctly reported. The participants in the program are referred for training and counseling by State Detoxification Centers in the area. In most cases, referring organizations provide documentary evidence of homelessness through Treatment Access Certificates designed by the State or copies of the clients medical records.

The State has an unrelated subcontractor, Health and Addiction Research Inc. (HAR), to accumulate data for the Annual Performance Report. The database is updated when clients enter and exit the program. Case workers complete coding sheets which are forwarded to HAR via the Department of Public Health.

The Executive Office of Health and Human Services has not performed any specific monitoring or performed financial reviews in the past year.

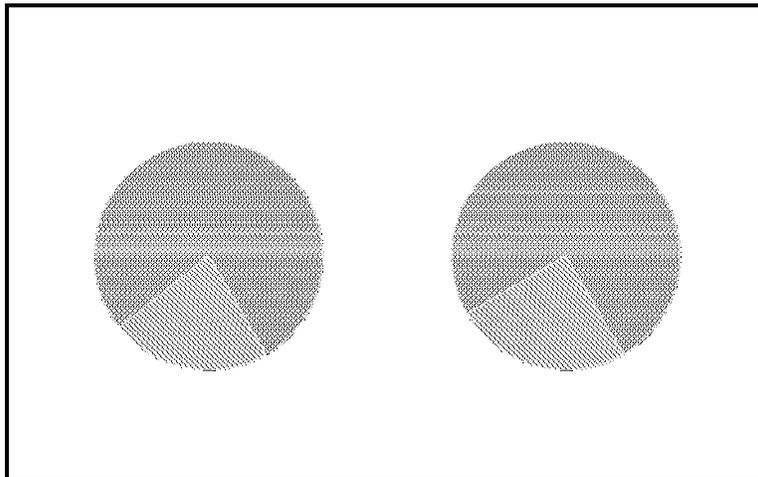
The Department of Public Health relies upon the State's computerized accounting system. Based on our limited testing of receipts and disbursements, we believe that the use of the State's accounting system is adequate to account for funds received to track expenditures and to ensure that funds are used only for eligible expenses.

Child and Family Services

Grantee	Child and Family Services
Subgrantee	Not Applicable
Location	Newport, Rhode Island
Amount	\$382,284
Period	6/1/96 - 5/31/99

The program at Child and Family Service (C&Fs) currently provides 10 bedrooms with 16 beds to serve 4 families with children. Only one of the two buildings being rehabilitated was operational at the time of our visit. To address the long-term familial and societal issues of homelessness, part of their effort is linking families to mainstream service delivery systems to provide a continuum of support to the families within their community. C&Fs works with CODAC (Drug Rehabilitation) and other providers to ensure that the continuum is successful. In the first year, C&Fs redesigned one four-family structure at the Tonomy Hill section of the Newport PHA. The units were connected to provide 10 bedrooms with a common living areas, kitchens and office space on the first floor. Four families are housed in this structure. A full-time professional director/case manager is located in the office of the transitional housing facility. The director/case manager develops an individualized housing and service plan for each family based on their expressed needs, reports from other agencies and the Director's assessment of the family.

This project has no matching requirements.



Results:

The intended homeless population is being served. This program is designed to provide housing to families who are homeless in conjunction with continued rehabilitation for substance abuse. Many of the families being assisted are being reunified (i.e. the children have spent time in foster care because of the mother's substance abuse).

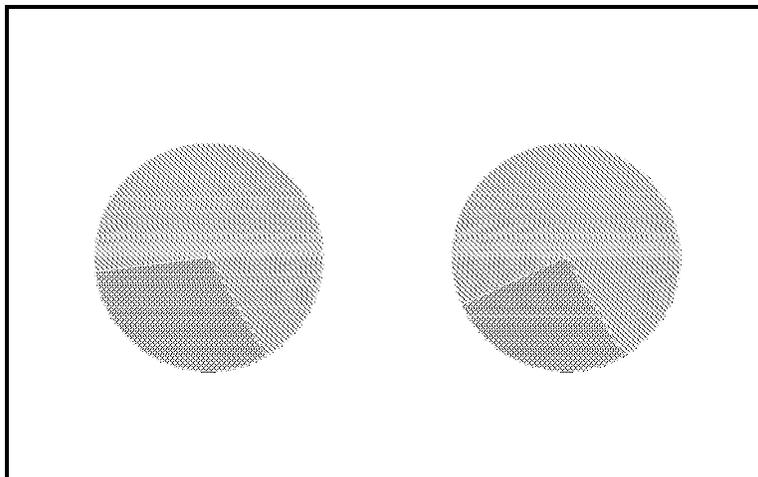
As the program has not yet been in existence for one year, there is no annual report. However examination of the internal records showed that an accurate report could be prepared. Based on our limited testing of receipts and disbursements, we believe that the grantee has an adequate accounting system to account for funds received, to track expenditures and to ensure that funds are used for eligible expenditures.

Newport County Community Mental Health, Inc.

Grantee	Newport County Community Health, Inc.
Subgrantee	Not Applicable
Location	Newport, Rhode Island
Amount	\$516,711
Period	7/1/93 - 6/30/98

The Newport County Community Mental Health, Inc. (NCCMH) has already participated in a five-year transitional housing program. The selected grant is a renewal of that program. The goal is to provide continuous, effective service delivery to transitional housing residents. Case management staff and integration with an array of social services has allowed residents to address their issues of homelessness and successfully utilize these services to become more independent and maintain independent living. The program is centered at 50 Washington Square in Newport, Rhode Island with administrative offices in Middletown, Rhode Island. At the 50 Washington Square site, an Emergency Shelter, a Transitional Housing Program and a Single Room Occupancy Program are housed. The majority of the residents come from the affiliated Emergency Shelter program. This site is the oldest shelter for adult men that has limited potential for family occupancy on Aquidneck Island.

This project has no matching requirements.



Results:

The intended homeless population is being served and the results are correctly reported. The participants in the program are generally referred from a co-located emergency shelter.

The data in the Annual Performance Report comes from monthly reports prepared by the Case Managers. The monthly reports can be compiled into the annual report submitted to HUD.

Based on the independent public auditor's review of the FY 1996 program year and our limited testing of receipts and disbursements, we believe that the grantee has an adequate accounting system to account for HUD funds received, to track expenditures/allocations and to ensure that funds are used for eligible expenses.

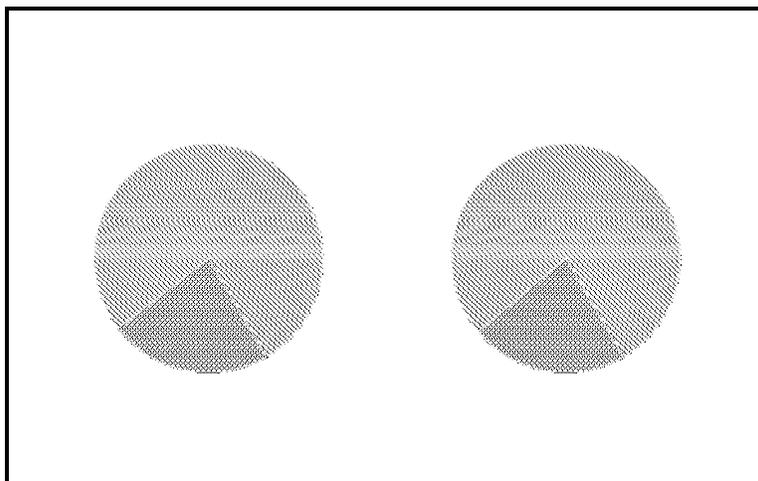
Louison House

Grantee	Louison House
Subgrantee	Not Applicable
Location	North Adams, Massachusetts
Amount	\$371,055
Period	10/1/94 - 9/30/97

This grant originally was under the guidance of the North Adams Community Development Corporation which acquired and rehabilitated an old nursing home in North Adams, Massachusetts. Previous to that acquisition the nearest homeless shelter was in Pittsfield, Massachusetts, a 40-minute drive. This facility provides transitional housing to households referred to the program by the Homeless Coordinator located at Northern Berkshire Community Action Council. If needed, households are sheltered at the Transitional Housing Shelter to take advantage of Family Life Support Services such as employment assistance, health care, mental health care, dental care, meals, and childcare. After permanent housing is located, at least three monthly follow up appointments are held. Annual reunions for shelter graduates are offered.

On May 26, 1995, the Family Life Support Center Inc. purchased the subject property, Louison House from the North Adams Community Development Corporation and assumed all covenants with the Department who approved the transfer of the grant to the new entity on December 8, 1994. On December 13, 1993 a grant renewal application was filed for the three year period of 10/1/94 to 9/30/97 by the former sponsor, North Adams Community Development Corporation. The three year renewal was approved by HUD on March 8, 1995.

This project has no matching requirements.



Results:

The intended population is being served and results are correctly reported. The participants are referred for training and counseling by transitional housing programs in the area or are self-

referred. In most cases, the evidence of homelessness was an affidavit signed by the client declaring themselves homeless. This form was suggested by the CPD representative from the Massachusetts State Office.

The data in the Annual Performance Report comes from client binders and detailed records maintained by the case managers. These records are incorporated into a database. Through the use of various codes this database captures a great deal of detailed information for each participant. This database is used to compile the information submitted for the Annual Performance Report.

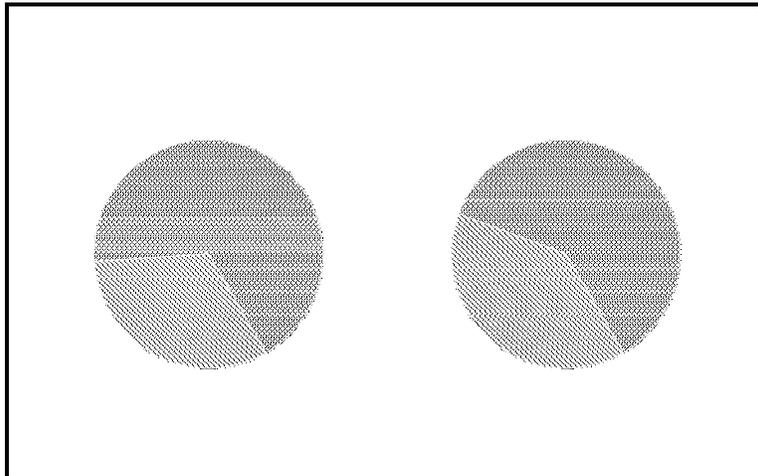
Based on the independent public auditor's review of the system and our limited testing of receipts and disbursements, we believe that the grantee has an adequate accounting system to account for funds received, to track expenditures and to ensure that funds are used only for eligible expenses. We noted in our review that HUD is only being charged for labor expenses and the 5 percent administrative fee as prescribed in the grant agreement.

Massachusetts Career Development Institute

Grantee	City of Springfield
Subgrantee	Mass Career Development Institute
Location	Springfield, Massachusetts
Amount	\$1,038,276
Period	12/1/95 - 11/30/98

The Massachusetts Career Development Institute (MCDI) provides training, support services and case management to homeless students under a program that began as a US Department of Labor, Stewart McKinney Act Job Training for the Homeless Demonstration Project. MCDI is expanding their efforts in employment, job retention, permanent housing and case management. The program provides direct employment opportunities for homeless men and women and provides the services necessary to permit these people to retain these jobs and move on to better full time paying jobs.

This project has no matching requirements.



Conclusion:

The intended population is being served and results are correctly reported. The participants in the program are referred for training and counseling by transitional housing programs in the area. In most cases these referring organizations provide documentary evidence of homelessness.

The data in the Annual Performance Report comes from client binders and the Coordinator's personal knowledge of the clients. The subgrantee is in the process of developing a database to capture the required information thereby eliminating the need for manual accumulation of statistics.

The City of Springfield did conduct fiscal monitoring of MCDI in January 1997. Due to limited resources, they were not able to conduct a program monitoring review.

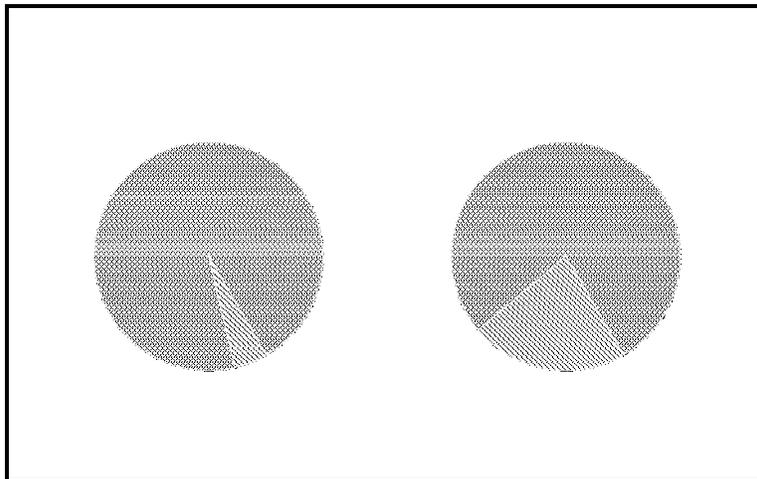
Based on the independent public auditor's review of the system and our limited testing of receipts and disbursements, we believe that the subgrantee has an adequate accounting system to account for HUD funds received from the City of Springfield, to track receipts and expenditures and to ensure that funds are used for eligible expenses.

Executive Office of Health and Human Services

The Foundation Project

Grantee	Executive Office of Health and Human Services, Commonwealth of Massachusetts Administered by the Department of Transitional Assistance
Subgrantee	Housing Assistance Corporation/South Middlesex Opportunity Council
Location	Cape Cod/Middlesex County
Amount	\$2,652,204 (total)
Period	7/1/96 - 6/30/99

The Foundations Project is designed to assist homeless families through a partnership of federal, state and community nonprofit organizations. The Department of Transitional Assistance (DTA) uses subgrantees to acquire repair and operate up to 24 housing units as transitional housing for 20 years in the target areas of Middlesex and Cape Cod. The Foundations Projects is complex in the number of entities involved. The Executive Office of Health & Human Service (EOHHS) funds the DTA to manage the grant who in turn subcontracts with the Housing Assistance Corporation in Hyannis, MA and Southern Middlesex Opportunity Council in Framingham, MA to acquire and repair housing units. A housing unit may be a condo, a single family home, a duplex or an apartment within a multiple-unit building. Twelve units are currently housing eligible families. Eleven additional units will be available by July 31, 1997. One property is still in the process of being purchased.



Results:

The intended homeless population is being served. The participants in the program are referred from the DTA and are designated as families in need of Emergency Assistance under the state guidelines.

As the program has not yet been in existence for one year, there is no annual report. However

examination of the internal records showed that an accurate report could be prepared.

The EOHHS has not performed any specific monitoring or financial reviews in the past year.

The EOHHS is the only entity authorized to draw down funds. Each subcontractor submits monthly billings for reimbursement to the DTA. The DTA reviews and authorizes the funds to be reimbursed to the subcontractors and submits a request through the state's computerized accounting system. The EOHHS reviews the state's system to make the appropriate drawdowns. As this grant is for acquisition and rehabilitation of rental property, matching funds are required. Both subgrantees have conditional commitments from the state and local entities to provide the appropriate share of funds.

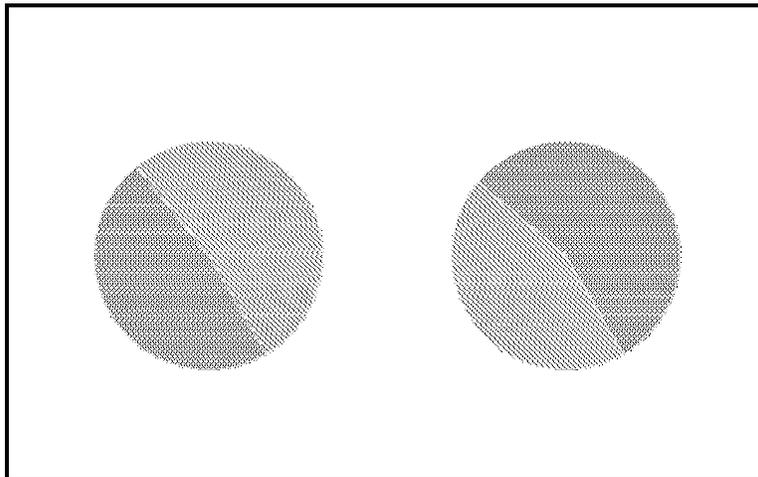
Project Place

Grantee	City of Boston
Subgrantee	Interseminarian Project Place
Location	Boston, Massachusetts
Amount	\$630,000
Period	10/1/95 - 9/30/98

This grant provides direct employment opportunities for homeless men and women and provides the services necessary to permit these people to retain these jobs and move on to better paying jobs. Upon referral, the case manager conducts an initial assessment of the individual's employment skills and work history and an evaluation of his/her needs beyond employment. Then the individual is employed by Project Place and referred to other service providers, if warranted. These other service providers may also be subgrantees of the City of Boston.

Project Place trains employees in facilities maintenance, and sets development goals for each employee. Multiple two-man teams are developed and staffed by these employees. These teams work at Downtown Crossing, and four other sites around Boston. In the first year, the sponsoring districts contributed \$5,000 to the cost of this labor. The program develops three new teams each year and annually employ fifteen to twenty homeless men and women.

The project has no matching requirements.



Conclusion:

The intended homeless population is being served and results are correctly reported. The participants in the program are referred from transitional housing programs; some of which are also subgrantees of the City of Boston.

The data in the Annual Performance Report comes from client binders and the Director's personal knowledge of the clients. As the program currently has nine participants and 17 more who have graduated or left, this method is sufficient. The client binders are well organized and facilitate review by outside entities.

The City of Boston has not reviewed the eligibility of the clients served by any of their subgrantees due to staffing constraints. They intend to review their subgrantees in the near future. The City also feels that the rigorous screening process used to determine awards filters out those entities who have neither the experience nor the ability to adequately manage this type of program. In this fashion they believe that they prevent the possibility of problems.

Due to staffing constraints, the City of Boston has not performed program monitoring reviews. They have performed a fiscal compliance review.

Based on the latest review performed by the City of Boston Compliance Officer, the IPA review of the 1996 program year and our limited testing of receipts and disbursements, we believe that the subgrantee has an adequate accounting system to account for HUD funds received from the City of Boston, to track expenditures and to ensure that funds are used only for eligible expenses.

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