Issue Date	June 13, 2011
Audit Report Number	2011-SE-1006

TO: Douglas P. Carlson, Director, Office of Community Planning and Development, 0ED

//**signed**//
FROM: Ronald J. Hosking, Regional Inspector General for Audit, 0AGA

SUBJECT: Mid-Willamette Valley Community Action Agency Did Not Always Follow Recovery Act Homelessness Prevention and Rapid Re-Housing Program Requirements

HIGHLIGHTS

What We Audited and Why

We audited Mid-Willamette Valley Community Action Agency (Agency) because it received more than $1.4 million in Homelessness Prevention and Rapid Re-Housing Program (HPRP) funding under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Agency received the second largest amount of HPRP funds in Oregon as a subgrantee of both the State of Oregon and the City of Salem. Our objective was to determine whether the Agency disbursed HPRP funds and reported data in accordance with Recovery Act requirements.

What We Found

The Agency paid for HPRP services without adequate supporting documentation for participant eligibility and expenses. Specifically, the Agency lacked documentation to support the eligibility of 10 participants, paid expenses for 10 participants without adequate documentation, had 6 participants presign blank

billing support forms, and did not ensure that 15 participant files contained staff certifications of eligibility when a change in case managers occurred.

Also, the Agency did not always enter participant data accurately into the HPRP reporting system.

What We Recommend

We recommend that the Agency either provide supporting documentation for participant eligibility and expenditures or reimburse its program accounts $64,608 and reimburse any ineligible amounts that have been spent since our review for these participants. We also recommend that the Agency develop and implement a quality control plan that includes procedures to ensure that it verifies and documents the eligibility of HPRP participants and expenditures.

In addition, we recommend that the Agency correct discrepancies in the HPRP reporting system and implement procedures to ensure that case managers enter accurate participant data.

The Portland Office of Community Planning and Development provided a management decision on June 9, 2011 for all of the recommendations. It determined that the Agency corrected all of the issues identified after receiving the draft report and believes the recommendations should be closed. We concur and will close all recommendations as we issue the report.

Auditee's Response

We provided the discussion draft of the audit report to the Agency on May 5, 2011, and requested its comments by May 20, 2011. The Agency provided its written comments on May 19, 2011. It generally agreed with the factual elements of the findings and proceeded to implement the recommendations prior to report issuance.

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

TABLE OF CONTENTS

Background and Objective 4

Results of Audit
- Finding 1: The Agency Paid for Unsupported Participants and Expenses 5
- Finding 2: The HPRP Reporting System Contained Inaccuracies 9

Scope and Methodology 11

Internal Controls 12

Appendixes
- A. Schedule of Questioned Costs 14
- B. Auditee Comments and OIG's Evaluation 15
- C. Criteria 28
- D. Unsupported Participant Expenditures 30

BACKGROUND AND OBJECTIVE

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) is a program under the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development. It was funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) on February 17, 2009. The purpose of HPRP is to provide homelessness prevention assistance to households that would otherwise become homeless, many due to the economic crisis, and to provide assistance to rapidly rehouse persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. (United States Code) 11302).

Federal Register Notice FR-5307-N-01 (HPRP Notice) advised the public of the HPRP requirements. It states that funds must be used to provide rental, utility, moving, and/or motel and hotel assistance for eligible participants; housing relocation and stabilization services; data collection and evaluation; and administrative costs. These funds are subject to reporting requirements established by the Recovery Act.

Congress designated $1.5 billion for communities to provide temporary financial assistance and services to persons who are homeless or would be homeless but for HPRP assistance. HUD used its Emergency Shelter Grant formula to allocate HPRP funds to U.S. territories, metropolitan cities, urban counties, and States. However, the HUD Secretary reduced the minimum grant amount to $500,000 to increase the number of cities and counties eligible to directly receive funds.

In July of 2009, HUD distributed HPRP funds to the State of Oregon (State) and the City of Salem (City). They both entered into grant agreements with Mid-Willamette Valley Community Action Agency (Agency), located in Salem, OR, to administer the program. The Agency received $818,455 in HPRP funds from the State on July 7, 2009, and $582,623 from the City on September 25, 2009. The Agency had spent almost $700,000 as of December 31, 2010, nearly half of the HPRP funds subawarded.

The Agency was incorporated in 1967 to meet the needs of its community. It operates eight programs primarily funded through Federal and State grants. HPRP funds are administered at the Agency's Community Action Resource Centers located in the Oregon cities of Salem, Dallas, Stayton, and Woodburn.

The State developed the HPRP reporting system used by the Agency. The Agency's case managers enter participant data into this system. The grantees compile the data provided into performance reports, which are required to be submitted to HUD. The reports include the number and demographic characteristics of persons served, HPRP funds expended by activity type, and outcomes related to housing stability required by the Recovery Act.

Our objective was to determine whether the Agency disbursed HPRP funds and reported data in accordance with Recovery Act requirements.

RESULTS OF AUDIT

Finding 1: The Agency Paid for Unsupported Participants and Expenses

The Agency paid for HPRP services without adequate supporting documentation for participant eligibility and expenses. This condition occurred because the Agency's policies and procedures were not adequate. Consequently, it spent $64,608 on unsupported expenditures.

The Agency lacked documentation to support the eligibility of 10 participants, paid expenses for 10 participants without adequate documentation, had 6 participants presign blank billing support forms, and did not ensure that 15 participant files contained staff certifications of eligibility when a change in case managers occurred.

Agency Files Did Not Include Adequate Support for Eligibility

The Agency provided financial assistance without adequate documentation to support participant eligibility and expenses. Without supporting documentation, we were unable to determine whether participants and/or expenses were eligible or ineligible.

The Agency lacked documentation to support the eligibility in 10 of the 21 participant files reviewed. For one participant, the Agency did not document verification of the amount of child support used in the income calculation as required. Two other participant files did not contain complete 3-month reassessments of eligibility; one was missing the reassessment entirely, and the other was missing the second page and income calculation. The eligibility of three other participants was not established because two of the files did not indicate whether the participant had other housing options and the third did not have the staff certification filled out. Four additional participant files did not contain verification of bank account balances to show a lack of financial resources. Federal Register Notice FR-5307-N-01(HPRP Notice), Section IV.D.2(3) states that the household must not have subsequent housing options and financial resources needed to sustain housing.

The HPRP Notice requires subgrantees to evaluate and certify the eligibility of program participants at least once every 3 months (Section IV.D.1) and ensure that grant funds are solely used for eligible activities (Section IV.A). The HPRP Notice and Eligibility Determination and Documentation Guidance lay out the documentation requirements for participant eligibility and qualified expenses (see criteria in appendix C).

The Agency Paid for Unsupported Expenses

The Agency paid rent expenses for 10 participants without adequate documentation as follows:

Participant number	Rent payments made with no lease on file	Rent payments made without verification of property owner	Late rent fees paid without explanation
1	X	X	X
2	X	X	
3	X		
4	X		
5		X	
6		X	
7		X	
8		X	
9			X
10			X

Agency Files Contained Presigned Blank Forms

The Agency's case managers had six participants presign blank billing support forms. The forms included lines for the date, landlord's name, rental location, amount to be paid by each party, and signatures of the participant and landlord, along with their addresses and phone numbers. Above the signature section, was the statement: "I certify that the above information is correct to the best of my knowledge." One participant file contained seven of these forms as support for January through July 2010 rent payments. Each form included the same signatures for both the landlord and participant, with indications that the forms had been copied and altered by the case manager. The case managers also allowed participants to hand-carry these forms to the landlord and return the forms to them. The forms were subjected to an increased risk of manipulation since the Agency did not obtain them directly from the landlord.

Agency Files Were Missing Staff Certifications

The Agency did not ensure that 15 of the 100 participant files approved during our audit period contained staff certifications of eligibility when a change in case managers occurred. The staff certification serves as documentation of participant eligibility and certifies that no conflict of interest exists. When case managers

completed the 3-month reassessment of participant eligibility, they did not complete the staff certification as required in Section 2 of the HPRP Eligibility Determination and Documentation Guidance. Therefore, the Agency did not ensure that a conflict of interest did not exist.

Agency Policies and Procedures Were Not Adequate

The Agency's policies and procedures controlling its HPRP program were not adequate. Its written policies and procedures lacked sufficient controls. Although the Agency used standard forms and worksheets, it did not provide adequate guidance for establishing, documenting, and verifying participant and expenditure eligibility in accordance with requirements.

In addition, the Agency did not always implement its written policies and procedures. For example, the Agency's policies and procedures included verifying that the "household has no money in a savings, checking, or other account that can be accessed for purposes of addressing the current housing crisis, or the amount is insufficient to make a difference." However, case managers did not always document verification of account balances when participants indicated that they had bank accounts.

During the audit, we informed Agency management officials of the documentation deficiencies, and they immediately took steps to remedy the problem. They made several changes to the policies and procedures to improve participant eligibility and expenditure documentation standards. Agency management will no longer approve assistance payments without all eligibility and expense documentation being in the participant files. They also developed new and updated forms to be completed by the case managers. The actions taken by the Agency are noteworthy; however, it needs to develop a quality control plan to ensure that its policies and procedures only allow participants and expenditures that are eligible and properly documented under the HPRP requirements.

The Agency Paid for Unsupported Expenses

The Agency spent $64,608 on unsupported expenditures (see appendix D for details). Without adequate supporting documentation, the Agency could not ensure that the participants and the assistance provided were eligible. These funds were placed at an increased risk of misuse.

Recommendations

We recommend that the Director of the HUD Portland Office of Community Planning and Development

1A. Require that the Agency either provide supporting documentation for participants' eligibility and expenditures or reimburse its program accounts $64,608 with nonfederal funds for participants lacking adequate documentation and reimburse with nonfederal funds any amounts that have been spent since our review for these participants.

1B. Require that the Agency develop and implement a quality control plan that includes procedures to ensure that it verifies and documents participant eligibility and expenditures in accordance with requirements.

RESULTS OF AUDIT

Finding 2: The HPRP Reporting System Contained Inaccuracies

The Agency did not always enter participant data accurately into the HPRP reporting system. This condition occurred because the Agency did not have procedures to ensure that case managers accurately entered the data. Therefore, HUD does not have assurance that the reports contain accurate data to pass on to the public.

The HPRP Reporting System Contained Inaccurate Data

The Agency's case managers did not always enter participant data accurately into the HPRP reporting system. There were discrepancies between the case files and the reporting system for 11 of 21 participants reviewed. For example, one of the participants was missing a utility payment entry and had a utility payment categorized as rental assistance. Further, a participant was missing entries for a late fee and utility payment, and another participant was missing two rental payments and a late fee. The participant data in the reporting system did not always reflect actual HPRP activities.

Section VI.B of the HPRP Notice requires subgrantees to use a database system to collect data for reports on outputs. Section 4.3 of the Recovery Act guidance on reporting states: "At a minimum, Federal agency, recipients, and sub-recipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by the Recovery Act." Section 2.1 further states that the reports are aimed at providing transparency to the public on the use of Recovery Act funds (see criteria in appendix C).

Agency Procedures Did Not Include Verification of HPRP Entries

The Agency did not have procedures to ensure that case managers accurately entered participant data into the system. Although it had a procedure for case managers to enter participant data, that procedure did not include a step to check the data entered. No one at the Agency verified that all entries made were correct and all activities were entered. After we informed Agency management officials of the deficiencies in the reporting system, they promptly added a procedure for the HPRP coordinator to review the data entered by the case managers.

HUD May Not Be Receiving Accurate Data

HUD does not have assurance that the required reports contain accurate HPRP data to pass on to the public. Since the Agency did not always enter accurate participant data, the grantees may have submitted inaccurate reports to HUD. Although the financial section of the reports is obtained from the Agency's fiscal department, the participant data, specifically the number of persons served by HPRP activity type, is collected from the reporting system. HUD uses this data to report how many persons and households are receiving services and assistance.

Recommendations

We recommend that the Director of the HUD Portland Office of Community Planning and Development

2A. Require that the Agency correct discrepancies in the HPRP reporting system.

2B. Require that the Agency implement procedures to ensure that case managers enter accurate participant data into the HPRP reporting system.

SCOPE AND METHODOLOGY

We performed our onsite audit work at the Agency's Community Resource Program office located at 1164 Madison Street NE., Salem, OR; its administrative office in Salem, OR; and rural offices in Dallas, Stayton, and Woodburn, OR, between January and February 2010. The audit generally covered the period July 2009 through January 2011.

To accomplish our objective, we interviewed HUD, grantee, and Agency staff working directly with the HPRP program. We also reviewed

- Applicable laws and regulations including program guidance issued by HUD and Office of Management and Budget circulars,
- Grant agreements between the grantees and the Agency,
- Accounting policies and procedures and accounting records,
- Agency program policies and procedures,
- Participant case files, and
- Entries in the HPRP reporting system.

We selected a sample consisting of eight participant case files at the Agency's Salem office and four case files at each of the three rural offices. We chose the first participant approved at each office and the remaining participants evenly distributed throughout our audit period based on the approval date. We selected one additional participant because one participant had the same last name as another participant who was an Agency employee. Of the 100 participants approved during our audit period, the 21 case files selected totaled $115,598 of $691,466 in program expenditures. We reviewed the case files for participant and expenditure eligibility in accordance with requirements and entries into the reporting system.

We tested participant data entered into the HPRP reporting system. We compared the documents contained in the case files to the entries into the system. We determined that the data in the system were not always accurate therefore, we did not rely on the data (see finding 2).

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Policies and procedures to ensure that HPRP requirements are followed with respect to the eligibility of participants and expenditures and
- Procedures to ensure that HPRP activities are accurately entered into the reporting system.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

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

- The Agency did not have adequate policies and procedures to ensure that participant and expenditure eligibility was established, verified, and documented (see finding 1).
- The Agency did not have procedures to ensure that it accurately entered participant activities into the reporting system (see finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Unsupported
1A	$64,608

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

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation	Auditee Comments
	Mid-Willamette Valley Community Action Agency Response to Office of Inspector General (OIG) findings: **Finding 1: The Agency Paid for Unsupported Participants and Expenses** **A. General Response to Agency's Finding 1** Although the OIG's Audit Report contains individual factual determinations in support of Finding 1, there exist certain common considerations of relevance to that Finding. Those considerations are discussed in this section. The Agency's specific responses to the Report's individual factual determinations are set forth in Section B, below.
Comment 1	1. The Audit Report concludes that the Agency spent $64,608 in unsupported expenditures. Due to the Agency's remedial actions, all of those expenditures are appropriately supported. The Agency has provided all supporting documentation for participants' eligibility and expenditures**.** The details of the Agency's remedial actions are set forth in Section B, below.
Comment 2	2. Certain issues arose from requirements that were either not well defined or not reasonably ascertainable by the Agency at the time the Agency was developing its Homeless Prevention and Rapid Re-Housing (HPRP) program. For example, the Housing and Urban Development (HUD) policy pertaining to Staff Certifications was not well defined by HUD as the Agency was developing the program. The Agency understood, based on two HUD trainings, that a new Staff Certification was not necessary unless re-determining eligibility. It was only through the OIG auditing process that the Agency became aware of this requirement.
Comment 3	Another example is that the Agency has been unable to find any reference in the HPRP Training Manual or the FAQs that address the need to obtain more stringent verification of ownership if the owner is an individual landlord. There may be a "rule" pertaining to this issue; however, unless it is made available to grantees, they have no practical way of obtaining this information.
	The necessity for implementing the HPRP program and getting services "out the door" created an environment requiring flexibility, creativity, and common sense. HUD, Oregon Housing and Community Services, and the City of Salem did an amazing job of channeling resources and information to the local agencies in order to implement the program in an efficient manner under some very difficult circumstances. However, these circumstances mandated a somewhat fluid approach by HUD to program requirements and the dissemination of information relating to those requirements. As a result, at the time the agencies were working to implement

Ref to OIG Evaluation	Auditee Comments

the program, the contours of every rule had not yet been completely defined. Similarly, not every relevant rule or policy was able to be communicated to the agencies at the times the agencies needed to act. While it would be unfair to hold HUD, Oregon Housing and Community Services, or the City of Salem responsible for these unavoidable systemic imperfections, it seems similarly inequitable to place the blame for these imperfections at the feet of the agencies.

B. Specific Responses to Individual Factual Determinations

Comment 4

1. Agency Files Did Not Include Adequate Support for Eligibility

For one participant, the agency did not document verification of the amount of child support used in the income calculation as required (Participant D).

- Although the child support was part of a parenting agreement between the client and the father of the children, the support was not going through Child Support Enforcement. The client had not received payments for several months and was unable to provide any documentation or a copy of a check since she had not received any payments. Although this was listed as income it was not actually reliable and steady income that the client was currently receiving at the time of enrollment. The case manager wrote on the income form "sporadic" next to child support to indicate this. **HPRP eligibility guidelines state that income counted should be current income. Therefore, since child support was received sporadically and was not received in the month of eligibility determination, it did not have to be counted as income.** The case manager should have made a more detailed note about this situation in the client file. The program will make sure to include more detailed notes regarding situations such as these.

Two other participant files did not contain complete 3-month reassessments of eligibility; one was missing the reassessment entirely, and the other was missing the second page and income calculation (Participants R and S).

Both of these are from the same case manager who is no longer with the agency due to poor work performance.

- Participant R, missing second page of June 2010 assessment and income calculation was missing for the March 2010 assessment: The case manager at the time submitted the June reassessment to the program coordinator for approval. The program coordinator returned the reassessment to the case manager unapproved, requesting that she fix the second page. At this same time, the case manager left her employment with the Agency due to poor work performance. The program coordinator and remaining case managers had to "regroup" and pick up where things were left. There was a delay in processing a new reassessment due to this transition. However, the front page of the reassessment proves the eligibility of the participant. **The front page contains all of the vital information; income documentation was also attached to the original assessment. In addition, one rent payment of $865 that was paid after the September 3rd reassessment.**

Ref to OIG Evaluation **Auditee Comments**

The 3-month assessment due on March 23rd was completed and income documentation was attached at the time the assessment was signed by the program coordinator. When the file was later reviewed, following the case manager leaving late in June 2010, it was discovered that the income verification documents for the March assessment were missing. However, there were copies of income verification documents received on April 29, 2010 that also listed the income relevant to the March assessment period. This document verifies that the household income at the time of assessment fell within the program eligibility requirements.

Participant S: The program coordinator confirms that the first reassessment was conducted and approved following standard procedure. All documentation was present at the time the reassessment was conducted. The original case manager is no longer employed with the Agency; therefore we are unable to determine where this documentation went. **The assessment was completed in OPUS at the same time (as is our practice) and the program coordinator was able to share this with the OIG while they were on site. In addition, the program has implemented a new policy to ensure this does not happen again. The program coordinator will make copies of all approved reassessment paperwork and store them in her office as back-up.**

The eligibility of three other participants was not established because two of the files did not indicate whether the participant had other housing options (Participant N and Q) and the third did not have the staff certification filled out (Participant E).

- Two files did not indicate whether the participant had other housing options (Participant N and Participant Q)

  Participant N: The case manager and coordinator missed checking the "yes" box regarding the client's willingness to participate in case management and the box asking if the household had any other housing options. Both have been remedied. As demonstrated within the file, the client has been consistently active in case management and was very willing to participate**. A statement provided by the case manager states that she unintentionally missed checking the box but that the participant did not have any other housing options.**

  Participant Q: The checkbox regarding the client's homeless status meeting HUD's definition of homelessness was left unchecked and the line asking where they were staying was not filled out on the Eligibility Screening Tool. This was an oversight by the case manager and program coordinator, and has been remedied. However, there is no question that the client met eligibility. **The client was residing at a shelter and, therefore, met HUD's definition of homeless at the time of program enrollment. Other documentation in the file provided verification of the client's homeless status (i.e. Referral form, Application, and a Homeless Certification signed by the Administrator of St. Joseph Shelter).** The box asking if the household had any financial resources was also left unchecked. This was an oversight by the case manager and program coordinator, and has been remedied. **The**

Ref to OIG Evaluation **Auditee Comments**

household's monthly income is listed on the form and the verification of income is in the file. We believe that eligibility was met and clearly demonstrated within the file.

- One file did not have the staff certification filled out (Participant E).

  The certification was signed prior to the household members' names being added to the form. **This was remedied while the OIG was onsite.**

Four additional participant files did not contain verification of bank account balances to show a lack of financial resources (Participant A, Participant I, Participant M and Participant T) .

- Participant A: The case manager confirms that she viewed the bank statement online with the client prior to signing off on the Income and Asset form (the one currently in the file). The case manager felt this would be adequate verification. However, she did not make a note in the Client Notes, as she should have, to explain that she did verify the account information. **The case manager has written a statement testifying to the fact that she viewed the statement at the initial intake as well as during self-sufficiency appointments with the participant.** The program has implemented a new form, Household Asset Verification that lists different options for verification, which the case manager certifies with a signature. The new form allows case managers to verify bank information in one of the following ways: bank statement accessed online with client, paper copy of statement returned to client, and paper copy of statement attached.

- Participant I: This participant did not have a bank account when he entered our program, as evidenced by the Income and Asset form. However, he did obtain one as evidenced by case management notes of June 9th, 2010. The case manager did not go back and look at the original Income and Asset form and, therefore, did not realize that this was a new development. The case manager has spoken with the client, and the client states that he opened an account in March or April for the purpose of getting direct deposit for his unemployment check. The program has implemented a new form, Household Asset Verification that lists different options for verification which the case manager certifies with a signature. The new form allows case managers to verify bank information in one of the following ways: bank statement accessed online with client, paper copy of statement returned to client, and paper copy of statement attached.

- Participant M: **Case manager verified bank statement of client as evidenced by her written statement.** The program has implemented a new form, Household Asset Verification that lists different options for verification which the case manager certifies with a signature. The new form allows case managers to verify bank information in one of the following ways: bank statement accessed online with client, paper copy of statement returned to client, and paper copy of statement attached.

Ref to OIG Evaluation **Auditee Comments**

- Participant T: **A bank statement is now in the file that matches the amount listed on the Income Calculations Worksheet and signed off on by the client.** The program has implemented a new form, Household Asset Verification that lists different options for verification, which the case manager certifies with a signature. The new form allows case managers to verify bank information in one of the following ways: bank statement accessed online with client, paper copy of statement returned to client, and paper copy of statement attached.

2. The Agency Paid for Unsupported Expenses

The Agency paid rent expenses for 10 participants without adequate documentation as follows:

4 participants did not have a lease on file (Participant K, Participant J, Participant C and Participant U)

- **Participants U, J and C now have leases in their files.** Participant K does not have a lease in her file for the following reason: **No HPRP funding was used for Participant K**. One payment was accidentally coded to HPRP instead of Community Services Block Grant (CSBG). This has been remedied, as evidenced by financial documents.

- The HUD HPRP Homeless Prevention Eligibility Documentation states "that the case file must include a lease naming the applicant as the leaseholder or other written occupancy agreement identifying applicant as the legal tenant and an eviction notice or utility shut-off notice to qualify for homeless prevention assistance when the participant is renting the property". As part of the eligibility determination process for HPRP assistance, the program obtains a copy of the lease/rental agreement for the unit where the applicant household is residing at the time of intake. These leases/rental agreements verify that the applicant household is the tenant of record for those households claiming imminent risk of homelessness due to eviction from that unit.

- The program did not always obtain a lease when placing a household into a new unit (Participants U, J and C) because program staff coordinated with the landlord to complete a *Rent Comparability* form, complete a *Rent Reasonableness Certification*, and conduct a Habitability Standards inspection and Lead-Based Paint Visual Assessment when appropriate. The landlord also completed the *Landlord Payment Request* form monthly, verifying that the household receiving assistance would be residing at the specified unit during the month the program was providing assistance. The Agency utilized the *Landlord Request for Payment* form as proof of the rental agreement between the tenant and landlord. The Agency understood the *Landlord Request for Payment* form to be a legal rental agreement under Oregon Tenant-Landlord law. The Agency also concluded that all of the

Ref to OIG Evaluation	Auditee Comments
Comment 5	documents listed above served as proof of tenant residency. **All of the documents listed above supported the payment, and eligibility had been previously determined; however, it is now our policy to obtain a lease for all participants**. The program coordinator will monitor this when reviewing files during the initial eligibility screening and will ensure that the file includes a copy of the rental agreement/lease. In cases where the file does not include a rental agreement/lease at enrollment, such as with clients eligible for Rapid Re-Housing, the coordinator will sign off on the enrollment but will not process any rental or utility assistance payments until confirmation that the rental agreement/lease has been received and placed in the file. The case manager will email the coordinator to confirm that this has occurred. The *File Checklist* and *File Cover Sheet* have also been updated to include the date the rental agreement/lease was received and placed in the file. The coordinator maintains an *Inspection Spread Sheet*, which tracks inspection needs for all households enrolled in the program. A column has been added to track the date the rental agreement/lease was submitted. <u>Rent payments made without verification of property owner (Participant K, Participant J, Participant S, Participant T, Participant I and L):</u> • **Participants J, S, T, I and L now have verification of property owner in their files.** Participant K does not have verification of property owner in her file for the following reason: **No HPRP funding was used for Participant K**. One payment was accidentally coded to HPRP instead of Community Services Block Grant (CSBG). This has been remedied, as evidenced by financial documents. • The Agency has been unable to find any reference in the HPRP Training Manual or FAQs that address the need to obtain more stringent verification of ownership if the owner is an individual landlord, i.e. owner's tax ID number, property tax form, etc. However, the program has adopted a new policy regarding this concern. When a rent payment will be made to an individual landlord (not including property management companies and/or apartment complexes) additional documentation will be gathered to ensure that the individual is legitimate. Information regarding the name and address of the owner has always been on the second page of the *Owner's Initial Rent Comparability* form. This form has recently been revised to request the tax identification number of the owner. As is standard procedure, the case manager will continue to contact the County Assessor's office to verify the date of construction and location of the housing unit being processed, by using the *Verification of Housing Construction Date* form to document this information. This form has recently been modified to include a question regarding ownership records for the property. Information obtained from the County Assessor's will be compared with information that the owner/management company has provided on page 2 of the *Owner's Initial Rent Comparability* form. If there is a discrepancy between information provided on page 2 of the *Owner's Initial Rent Comparability* form and information provided by the County Assessor's records, the case manager will request a copy of the owner's W-9 form,
Comment 3	

which will be placed in the client file.

The Policies and Procedures Manual has been updated to reflect this programmatic change, and the updated form has been placed in the manual.

Late rent fees paid without explanation (Participant K, Participant B and Participant R)

- **No HPRP funds were used for Participant K**
- **An explanation for Participant B late fees is now in the file.** The program accrued a late fee while waiting for the unit to pass rent reasonableness.
- **An explanation for Participant R late fees is now in the file.** The $150 in late fees paid in August 2010 was due to the unexpected case manager turnover which delayed the processing of rent payments for the months of July and August.

3. Agency Files Contained Presigned Blank Forms

6 participants presigned blank billing support forms

- **This issue was noticed and corrective action was taken by Agency staff 8 months prior to the OIG audit**. There was a concern noted by program supervisors in May 2010 that a specific HPRP employee may have been revising previously signed *Landlord Request for Payment* forms in order to process monthly rental payments. The forms had been signed by both the landlords and client. The employee said that the landlords and clients were aware of this, and preferred this method because it expedited the billing process. This employee was counseled and was placed on a workplan. In addition, beginning in September 2010, the responsibilities of this particular employee were shifted so that she no longer worked with HPRP. An email was sent on May 28, 2010 by the program manager to all HPRP employees regarding this concern, advising them that altering signed/dated documents is unacceptable and cannot happen.

  In May 2010 the coordinator noticed during a file review that the case manager had the client sign an incomplete *Landlord Request for Payment* form prior to faxing the form to the landlord for signature. The coordinator contacted the case manager directly, stating that the signing of incomplete forms is not acceptable, and followed up with all HPRP employees at the next HAP staff meeting. In October 2010 the coordinator reviewed this policy again at a staff meeting, as new HPRP employees had been hired. The discussion included the expectations of how forms are to be filled out prior to obtaining the necessary signatures, and the absolute unacceptability of obtaining signatures on incomplete forms. Case managers were also given examples of the information to be completed on forms prior to obtaining signatures.

Ref to OIG Evaluation	Auditee Comments
	In an effort to prevent this situation from happening again, the process was changed to having the landlord sign the completed *Landlord Request for Payment* form first, and then the client signing the form. In addition, the program has enforced a new policy requiring that original back-up documentation be attached to all *Client Services Billing* forms. The coordinator and supervisor(s) reviewing the billings will look for evidence that the back-up documentation has not been altered in any way (i.e. no white out or photo copies). The exception is signed forms faxed by third-parties to case managers. In these cases, the coordinator and supervisor(s) will look at the date the fax was sent as indicated on the header/footer of the document to ensure that the form was faxed recently. The Policies and Procedures Manual has been updated to reflect these new programmatic changes.
	4. Agency Files Were Missing Staff Certifications
	The Agency did not ensure that 15 participant files contained staff certifications of eligibility when a change in case managers occurred.
Comment 6	• Clarification: The program was asked for a complete list (15) of HPRP clients that had a case manager change. The 15 were not out of the 21 files audited.
Comment 2	• **All 15 files have a new Staff Certification of Eligibility.** It was the understanding of staff, based on a Webinar and an HPRP training in Los Angeles, that there was a difference between re-determining eligibility after a household closed and then later re-opened, and the 3 month assessment to determine continued eligibility for ongoing services. Based on this understanding, we did not complete a new Staff Certification form at the time the client was switched from one case manager to another. Immediately upon learning that a new form needed to be filled out whenever there was a transition, all case managers working with clients that had transferred from other case managers reviewed the eligibility information in the files and filled out a new Staff Certification of Eligibility form.
	5. The Agency Policies and Procedures Were Not Adequate
	The Agency's policies and procedures controlling its HPRP program were not adequate.
	• While the OIG was still on site, the Agency made several changes to HPRP policies, procedures and forms to improve documentation standards. The Agency also put into place several quality controls to assure that all of the appropriate documents are in the case files.
	6. The Agency Paid for Unsupported Expenses
	The Agency spent $64,608 on unsupported expenditures (see appendix D for details). Without adequate supporting documentation, the Agency could not ensure that the participants and the assistance provided were eligible. These funds were placed at an increased risk of misuse.

Ref to OIG Evaluation	Auditee Comments
	• **The Agency has supporting documentation for all expenditures.**
	OIG Recommendations
	We recommend that the Director of the HUD Portland Office of Community Planning and Development
	1A. Require that the Agency either provide supporting documentation for participants' eligibility and expenditures or reimburse its program accounts $64,608 with nonfederal funds for participants lacking adequate documentation and reimburse with nonfederal funds any amounts that have been spent since our review for these participants.
Comment 1	• **The Agency has provided all supporting documentation for participants' eligibility and expenditures, as described above.**
	1B. Require that the Agency develop and implement a quality control plan that includes procedures to ensure that it verifies and documents participant eligibility and expenditures in accordance with requirements.
Comment 7	• **The Agency has developed and implemented procedures to ensure that it verifies and documents participant eligibility and expenditures in accordance with requirements, as described above.**
	Finding 2: The HPRP Reporting System Contained Inaccuracies
	A. General Response to Agency's Finding 2
	Although the OIG's Audit Report contains factual determinations in support of Finding 2, there exist certain common considerations of significant relevance to that Finding. Those considerations are discussed in this section. The Agency's specific responses to the Report's individual factual determinations are set forth in Section B, below.
Comment 8	1. It has always been the program's understanding that OPUS, the statewide Homeless Management and Information System (HMIS), is not used for fiscal reporting. HPRP guidelines require that data collection and evaluation must be conducted through an HMIS to report client-level data. The program reported client-level data accurately through OPUS. The Agency relies on the MWVCAA fiscal department to provide all financial data to the City of Salem and Oregon Housing and Community Services regarding HPRP expenditures.
	2. The Agency's case managers entered rent and utility payments into the OPUS system with a 92% accuracy rate.

Ref to OIG Evaluation	Auditee Comments

B. Specific Responses to Individual Factual Determinations

1. The HPRP Reporting System Contained Inaccurate Data

The Agency's case managers did not always enter participant expenses accurately into the HPRP reporting system. There were discrepancies between the billing forms and the reporting system for 11 of 21 participants reviewed.

- **All corrections have been made in OPUS.** Out of the 21 files reviewed, 310 total OPUS expense entries were made by case managers and 24 entry errors were made (92% accuracy).

2. Agency Procedures Did Not Include Verification of Expense Entries

The Agency did not have procedures to ensure that case managers accurately entered participant expenses into the system.

- **The program has a new policy in place, as outlined in the revised HPRP Policy and Procedures Manual effective 2/16/11.** The program coordinator will check all OPUS entries for accuracy as part of the 3-month assessment process and will certify this in the file. The coordinator will print off an OPUS- generated listing of all OPUS entries for the quarter, which will be placed in the file along with all other 3-month assessment paperwork.

3. HUD Did Not Receive Accurate Data

HUD did not receive accurate HPRP data to pass on to the public. Since the Agency did not enter accurate participant expense data, the grantees submitted inaccurate reports to HUD.

- Participant expense data entered into OPUS by case managers is not used for fiscal reporting. The program relies on the Agency's fiscal department to provide all financial data to the City of Salem and Oregon Housing and Community Services regarding HPRP expenditures. The program coordinator works closely with the Agency's accounting manager to make sure that the expenditures reported match the program records. **No financial information that was entered by case managers was used to report to HUD. Oregon Housing and Community Services and the City of Salem rely on the information provided by the Agency's financial department to report to HUD. Therefore, HUD did not receive inaccurate reports.**

Comment 8

- The State of Oregon and the City of Salem, as Grantees, are required to ensure that the data they report to HUD is accurate. The Grantees monitor their sub-recipients (including MWVCAA), send out HMIS data quality reports to all sub-recipients, and reports data to HUD. As a sub-recipient, MWVCAA is not responsible for the Grantee reports to HUD.

Comment 9

Ref to OIG Evaluation **Auditee Comments**

- The program has a new policy in place, as outlined in the revised HPRP Policy and Procedures Manual effective 2/16/11. The program coordinator will check all OPUS entries for accuracy as part of the 3-month assessment process and will certify this in the file. The coordinator will print off an OPUS- generated listing of all OPUS entries for the quarter, which will be placed in the file along with all other 3-month assessment paperwork.

Recommendations

We recommend that the Director of the HUD Portland Office of Community Planning and Development

Require that the Agency correct discrepancies in the HPRP reporting system.

- **All discrepancies have been corrected within OPUS.**

Require that the Agency implement procedures to ensure that case managers enter accurate participant data into the HPRP reporting system.

- **Procedures to ensure that case managers enter accurate participant data into OPUS have been developed and implemented, as described above.**

OIG Evaluation of Auditee Comments

Comment 1 The supporting documentation was provided to the HUD Office of Community Planning and Development for evaluation in accordance with audit resolution procedures. We did not review further documentation after our audit work.

Comment 2 The Staff Affidavit (Certification) form used by the Agency states: "The completed Staff Affidavit remains valid until or unless a different staff person re-determines HPRP eligibility." The HPRP Notice, Section IV, requires "subgrantees to certify eligibility at least once every 3 months for all program participants receiving medium-term rental assistance." Therefore, if a different case manager certifies participant eligibility a new Staff Certification is required.

Comment 3 Section IV of the HPRP Notice states that rent payments must be made to third party landlords and the property may not be owned by a related party of the Agency. Verification of the property owner is necessary to be certain that an individual is actually an unrelated third party and legally owns the property.

Comment 4 Section 5 of the HPRP Eligibility Determination and Documentation Guidance states that "subgrantees are responsible for verifying and documenting the eligibility of all HPRP applicants prior to providing HPRP assistance. They are also responsible for maintaining this documentation in the HPRP participant case file once approved for assistance. It is important for grantees to develop policies and procedures to ensure appropriate documentation is obtained and included in HPRP participants' files." Therefore the case file was required to include all supporting documentation.

Comment 5 HUD requires a lease in order to make rental payments on behalf of a participant and does not consider the *Landlord Request for Payment* form to be a valid lease.

Comment 6 The 15 participants were out of the 100 participants approved during the audited time period. We clarified this in the finding.

Comment 7 A quality control plan needs to be in place involving a review by individuals independent of the HPRP program to ensure requirements are being followed.

Comment 8 The financial section of the reports is derived from the Agency's fiscal department as noted in the response. We clarified this in finding 2 of the report. However the client-level data, i.e. number of persons served by HPRP activity type, does come from the reporting system (OPUS) and is used by HUD. Therefore it is important that the entries into the reporting system be accurate.

Comment 9 Section VI of the HPRP Notice states that "subgrantees providing financial assistance and services directly will use the HMIS in the applicable Continuum of Care to collect data and report on outputs and outcomes as required by HUD." Although the grantee is the party responsible for submitting the required reports to

HUD it is still the subgrantees responsibility to ensure that the data in the system is accurate.

Appendix C

CRITERIA

A. The Recovery Act became Public Law 111-5, which establishes the Homelessness Prevention Fund. The homelessness prevention portion of the Recovery Act falls under Title XII - Transportation, Housing and Urban Development, and Related Agencies.

B. HUD Federal Register Notice FR-5307-N-01 advised the public of the allocation formula and allocation amounts, the list of grantees, and requirements for HPRP under Title XII of the Recovery Act. The HPRP Notice includes the following:

- Any organization receiving HPRP funds shall be subject to all of the requirements that apply to the grantee under the HPRP Notice (Section III.A).

- Subgrantees must evaluate and certify the eligibility of program participants at least once every three months (Section IV.D.1). In order to receive financial assistance or services funded by HPRP, households must meet the following minimum criteria (Section IV.D.2):
    - Have an initial consultation with a case manager or other authorized representative who can determine the appropriate type of assistance.
    - Have a gross annual income that is at or below 50 percent of the area median income, which is determined according to the State and local jurisdiction in which a household resides and is dependent on the number of household members.
    - Be either homeless or at risk of losing its housing and meet both of the following circumstances: (1) no appropriate subsequent housing options have been identified and (2) the household lacks the financial resources and support networks needed to obtain immediate housing or remain in its existing housing.

- There are four categories of eligible activities for HPRP funds (Section IV.A):
    - Financial assistance includes short-term rental assistance (up to three months), medium-term rental assistance (four to 18 months), security deposits, utility deposits, utility payments, moving cost assistance, and motel and hotel vouchers,
    - Housing relocation and stabilization services includes case management, outreach and engagement, housing search and placement, legal services, and credit repair,
    - Data collection and evaluation must be conducted through the use of a Homeless Management Information System (HMIS) or a comparable database to report client-level data, such as the number of persons served and their demographic information required by HUD, and
    - Administrative costs may be used for: pre-award administrative costs; accounting for the use of grant funds; preparing reports for submission to

HUD; obtaining program audits; similar costs related to administering the grant after the award; grantee or subgrantee staff salaries associated with administrative costs, and training for staff.

C. HUD HPRP Eligibility Determination and Documentation Guidance includes:

- Staff Certification of Eligibility for HPRP Assistance form must be maintained in each HPRP participant's file. This form certifies that the household meets all eligibility criteria for HPRP assistance, that true and complete information was used to determine eligibility, and that no conflict of interest exists related to the provision of HPRP assistance. The form must be completed and signed by the person determining eligibility and his or her supervisor for all households determined eligible or recertified on or after November 1, 2009. A new Staff Certification form is only required if a different staff person re-certifies eligibility at a later date (Section 2).

- Subgrantees are responsible for verifying and documenting the eligibility of all HPRP applicants before providing HPRP assistance. Subgrantees are also responsible for maintaining this documentation in the HPRP participant case file once approved for assistance. Insufficient case file documentation may be found to be out of compliance with HPRP program regulations during a HUD monitoring (Section 5).

- The case file documentation standards, in order of preference, are written third-party verification, oral third-party verification, and applicant self-declaration. The reasons why third party written and/or oral verification could not be obtained must be documented in the HPRP participant file (Section 5).

- Income Documentation Standards state that alimony, child support, and foster care payments must be documented by obtaining a copy of the most recent alimony, foster care, child support, other contributions or gift payment statements, notice, order, or the case manager must document an attempt to obtain third party verification and sign the self-declaration of income (Section 5).

- Homelessness Prevention Eligibility Documentation states that the case file must include a lease naming the applicant as the leaseholder or other written occupancy agreement identifying applicant as the legal tenant and an eviction notice or utility shut-off notice to qualify for homelessness prevention assistance when the participant is renting the property (Section 5).

D. The Office of Management and Budget issued Implementing Guidance for the Reports on Use of Funds Pursuant to the Recovery Act to provide funding recipients with information to implement reporting requirements. Section 4.1 states that data quality (i.e., accuracy, completeness, and timely reporting of information) reviews required by this guidance are intended to emphasize the avoidance of two key data problems—material omissions and significant reporting errors.

Appendix D

UNSUPPORTED PARTICIPANT EXPENDITURES

Participant	Unsupported eligibility	Inadequate reassessment of eligibility	Omission of lease	Unverified property owner	Unexplained late fees	Participant total
A	$3,647.77					$3,647.77
B					$380.00	$380.00
C			$1,379.90			$1,379.90
D	$3,290.00					$3,290.00
E (1)	$1,920.09					-
F						-
G						-
H						-
I (2)	$6,395.89					$6,395.89
J (3)			$5,450.00			-
K			$2,375.00			$2,375.00
L				$6,900.00		$6,900.00
M	$7,134.31					$7,134.31
N	$8,111.43					$8,111.43
O						-
P						-
Q	$1,080.50					$1,080.50
R		$3,402.13			$150.00	$3,552.13
S		$420.22		$8,615.07		$9,035.29
T (4)	$10,085.59					$10,085.59
U			$1,240.00			$1,240.00
Total	$41,665.58	$3,822.35	$10,444.90	$15,515.07	$530.00	$64,607.81

For further details on the 10 participants in columns unsupported eligibility and inadequate reassessment of eligibility see Finding 1: Agency Files Did Not Include Adequate Support for Eligibility. The 8 participants in columns omission of lease, unverified property owner, and unexplained late fees plus the 2 participants in footnotes 2 and 4 make up the 10 participants noted in Finding 1: The Agency Paid for Unsupported Expenses.

(1) The participant case file contained a staff certification with the household section left blank. The Agency filled out the staff certification while we were onsite; therefore, the $1,920.09 is now supported.

(2) The participant case file lacked verification of property owner in addition to unsupported eligibility. The rental payments totaled $6,263.20.

(3) The participant case file did not contain a lease. The Agency obtained the lease from the participant while we were onsite; therefore, the $5,450.00 is now supported.

(4) The participant case file lacked verification of property owner in addition to unsupported eligibility. The rental payments totaled $8,135.00.