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Audit Report Number	2011-LA-1012

TO: Maria Cremer, Acting Director, Office of Community Planning and Development, San Francisco, Region IX, 9AD

//Signed//

FROM: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The City of Las Vegas, NV, Did Not Always Ensure That Homelessness Prevention and Rapid Re-Housing Funds Were Used as Required

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the City of Las Vegas Homelessness Prevention and Rapid Re-Housing Program (HPRP) established by the American Recovery and Reinvestment Act of 2009 (Recovery Act). Our review of the City was in keeping with requirements, which mandate that the Office of Inspector General (OIG) take responsibility for overseeing and auditing programs and activities funded by the Recovery Act. The City received a grant of \$2.1 million. Our overall objective was to determine whether the City administered and expended its grant in accordance with program requirements.

### **What We Found**

The City paid for HPRP services for ineligible participants and participants whose eligibility was unsupported. It also paid for ineligible activities. We reviewed 18 case files and found that 8 participants were ineligible and 7 did not have adequate documentation to support eligibility. Additionally, the City also paid for ineligible activities for three participants. As a result, we questioned \$75,273 of

the \$85,691 in direct assistance to participants reviewed. In addition, the City did not have adequate procedures to ensure that HPRP expenditures and activities were accurately tracked and recorded.

### **What We Recommend**

We recommend that the Acting Director of the San Francisco Office of Community Planning and Development require the City to (1) reimburse the program \$45,825 from non-Federal funds for the ineligible participants and activities and determine and reimburse any amounts that have been spent since our review for these participants; (2) provide supporting documentation for participants' eligibility or reimburse its program accounts \$29,448 for participants reviewed who lacked adequate documentation and determine and reimburse any unsupported amounts that have been spent since our review for these participants; (3) design and implement adequate procedures for determining, reviewing, and approving eligibility for participants and activities that will provide reasonable assurance that assistance payments are made only for eligible participants and activities; (4) develop and implement new controls and procedures to ensure that financial records are accurate and prevent the deficiencies identified during the audit; and (5) perform a complete review of assistance payments to date and correct any errors. We also recommend that HUD review additional case files and identify additional questioned costs.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided the City the draft report on June 17, 2011, and held an exit conference with City officials on June 22, 2011. The City provided written comments on June 27, 2011. It generally agreed with our report.

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

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## BACKGROUND AND OBJECTIVE

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### *The Homelessness Prevention and Rapid Re-Housing Program*

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) is a new program under the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development. It was funded through the Recovery Act on February 17, 2009. Congress has designated \$1.5 billion for communities to provide financial assistance and services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly rehoused and stabilized. HPRP funding was distributed based on the formula used for the Emergency Shelter Grant program.

### *The City of Las Vegas, NV*

HUD allocated program funds for communities to provide financial assistance and services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly rehoused and stabilized. HUD used its Emergency Shelter Grant formula to allocate program funds to metropolitan cities, urban counties, and States. On July 31, 2009, HUD entered into a grant agreement with the City for more than \$2.1 million in program funds. The agreement was pursuant to the provisions under the Homelessness Prevention Fund, Division A, Title XII, of the Recovery Act. The program is being administered by the City's Neighborhood Services Department, and there are no subgrantees.

Our overall objective was to determine whether the City administered and expended the grant in accordance with program requirements. The focus of our review was to determine whether the City followed eligibility and documentation requirements when it approved participants for HPRP assistance.

## RESULTS OF AUDIT

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### Finding 1: The City Paid for Ineligible and Unsupported HPRP Services

The City paid for HPRP services for ineligible participants, ineligible and activities that did not meet the HPRP eligibility requirements, and participants whose eligibility was not supported. The City could not support the eligibility of other participants. In addition, some participants did not meet the City's own determination to assist only families with minor children or senior citizens. This occurred because procedures for approving participant eligibility and direct assistance payments were inadequate and there was lack of supervisory review of case work, especially eligibility documentation at intake and recertification. Consequently, the City approved ineligible and unsupported costs totaling \$75,273 and, thus, did not fully maximize the effectiveness of the program.

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#### **HPRP Funds Were Used for Ineligible Participants and Activities**

We reviewed 18 participant files for the period selected and found that the City paid \$45,825 for ineligible activities, including assistance to 8 ineligible participants (44 percent) and ineligible activities for other participants. The deficiencies included (see also appendixes C and D)

- Unreported unemployment benefits,
- No expectation that stability could be achieved,
- Unreported residents,
- Resident that was not a family with minor children or a senior, and
- Resident that was not homeless or at imminent risk of becoming homeless.

#### **Unreported Unemployment Benefits**

Contrary to the requirements of Federal Register Notice FR-5307-N-01 Section IV, D(2) (the Notice) and HPRP Eligibility Determination and Documentation Guidance, Section 2, that grantees verify and document participants' household income to ensure it does not exceed 50 percent of area median income, one family received a full 12 months of assistance (the maximum the City allowed for HPRP assistance), although the head of household had \$10,224 in unreported unemployment benefits during that time. The caseworker did not follow up on a letter from the welfare department (obtained to document the end of Temporary Assistance to Needy Families) stating that the participant had an increase in unearned income. If the caseworker had contacted the welfare department, she would have learned that the participant was receiving unemployment benefits and

was likely to have been working during a break in benefits. This participant paid the minimum tenant portion of rent, \$10 per month, while the City provided \$8,679 in rent and utility assistance.

### **No Expectation That Stability Could Be Achieved**

One participant family included a husband, wife, and two minor children. Although both adults claimed to be permanently disabled and unable to work, only the husband was receiving Social Security benefits. There was no documentation showing that either adult was attempting to obtain employment. After 9 months of rental assistance totaling \$7,215, the caseworker terminated assistance when the wife said she was not sure the caseworker understood that neither she nor her husband was capable of working. There was never a reasonable plan for these participants to achieve stability as HUD intended according to the Notice Section I. A(1) . In addition, the City moved this family from an apartment to a hotel because of unspecified and undocumented housing quality issues. From the hotel, the family moved into an apartment at almost double the earlier rent.

### **Unreported Residents**

One participant applied for HPRP assistance, stating that she could not pay her rent because her husband had abandoned her. The City provided \$5,028 in direct assistance for utilities and rent. When the caseworker visited the participant's apartment, her husband and mother-in-law were living there. Participants must disclose all household members in order for the HPRP grantee to determine eligibility based on household income. Although the caseworker terminated assistance for noncompliance, the City did not take action to recover ineligible assistance and paid for the participant's utilities after the termination.

### **Resident That Was Not a Family With Minor Children or a Senior**

Another participant stated that she only needed assistance for 1 month because she was employed but missed one rent payment because her boyfriend was in jail. The participant failed to meet the City's written HPRP eligibility requirement of being either a family with minor children or a senior. The City paid for this participant to move to a hotel while she looked for another apartment, paid for rent at the hotel and the new apartment for the same period, and then terminated the participant for noncompliance after the caseworker discovered that there was an undisclosed adult male living in her household. The City did not attempt to obtain a refund from the apartment complex that the participant never moved into. Ineligible expenditures for this participant totaled \$1,452.

### **Resident That Was Not Homeless or at Imminent Risk of Becoming Homeless**

The City did not always follow the Notice Section IV. D(2) requirement that grantees verify and document participants' homelessness or imminent risk of becoming homeless as required by before providing HPRP assistance. Documentation for one participant's imminent risk of becoming homeless was not credible due to a 5-day notice to "pay rent or quit" that was dated and served on April 1, 2010, the day rent was due. In addition, the City did not verify how much money the participant had in her bank account or if she had sufficient funds to pay rent. The participant stated that she needed help for one month because her roommate (who had never paid rent) moved out and she used her rent money to repay a personal loan. The City paid \$750 for back rent and late fees.

### **Ineligible Activities**

The City also approved program funds for ineligible activities listed in the Notice Sections IV.A(1)(c) and IV.B(3) including utility allowances, landlords' legal fees, late fees (caused by the City's late payment of rental assistance), duplicate payments, and rent for apartments that were never occupied.

There were five instances in which caseworkers approved participant utility allowances. As part of the City's HPRP, the City required participants to pay the greater of 30 percent of their monthly adjusted income or \$10 per month for rent; therefore, the allowance reduced the tenant portion of rent and added to the HPRP rental assistance payment. However, HPRP regulations only allow assistance payments to third parties for actual incurred expenses. Actual utility costs paid to utility companies would be eligible, but utility allowances were not (see appendix D).

### **The City Did Not Always Adequately Support Participants' Eligibility**

The City paid for HPRP services totaling \$29,448 for seven participants whose incomes and eligibility were not supported in accordance with the Notice Sections IV. A and D, (see appendix D). Deficiencies included

- Income was only verified for the head of household, and other adults were not required to sign income certifications;
- The caseworkers did not address whether the participants were receiving child support or, if not, were entitled to it;
- Income was verified during intake but not when participants were recertified for extended assistance;

- Income verification was based on old documentation; therefore, it did not show current income; and
- Although some participants had bank accounts, caseworkers did not require the participants to provide bank statements to determine whether resources were available for housing.

In one case, the family consisted of parents, one adult son, and two minor children. The adult son was the only family member employed. The son's income was supported by pay stubs at intake but was not re-verified at recertification. There was no verification or certification of income for the mother. The father was unemployed and the only family member required to certify income status. Total assistance amounted to \$8,242. In one case, the participant had six children. The oldest was 16 years old, and the youngest was an infant at the time the participant applied, but the file did not contain evidence to show whether the issue of child support was raised, and no support was listed as income. The unsupported amount was \$2,402.

## Conclusion

The City approved \$75,273 in assistance for eight ineligible participants, ineligible activities, and seven participants for whom eligibility was not adequately supported. We attribute the deficiencies to the City's failure to develop adequate procedures for determining eligibility and approving payments. Although the City had developed forms and checklists to use in the eligibility determinations, their use was inconsistent, they frequently contained conflicting information, and dates and signatures were missing. Since the City started providing assistance to participants in February 2010, it had made staffing changes in the program supervisor and caseworker positions, which could also be a contributing factor. Funds spent for ineligible participants or activities were not available to eligible individuals, and the City did not maximize the effectiveness of the program.

## Recommendations

We recommend that the Acting Director of the HUD San Francisco Office of Community Planning and Development require the City to

- 1A. Reimburse or reprogram \$45,825 in ineligible expenditures from non-Federal funds and determine and reimburse any ineligible amounts that have been spent since our audit for these participants (see appendixes C and D).

- 1B. Support or repay \$29,448 in unsupported expenditures from non-Federal funds and determine and reimburse any additional amounts that have been spent since our audit for these participants (see appendixes C and D).
- 1C. Design and implement adequate procedures for determining, reviewing, and approving eligibility for participants and activities that will provide reasonable assurance that assistance payments are made only for eligible participants and activities.

We also recommend that the Acting Director of the HUD San Francisco Office of Community Planning and Development

- 1D. Review the City's HPRP participant files not covered in our audit scope, identify any additional ineligible HPRP expenses, and require the City to repay any such costs from non-Federal funds.

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## Finding 2: The City Did Not Have an Accurate Accounting of Direct Assistance Provided

The City did not have an accurate accounting of grant funds spent for direct assistance to participants. Payments were not always coded correctly for the appropriate HPRP activity, voided checks were not reversed, and in one instance, a payment was duplicated. These errors occurred because the City had not established adequate controls to ensure that payments were supported and accurate. Because of this lapse in controls, the City drew reimbursements for services and activities that were ineligible and could not provide accurate reports showing the amounts spent on specific grant activities.

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### **HPRP Activities Were Not Accurately Coded**

HPRP activities were not always accurately coded. We found instances in which HPRP activities were interchanged. For budgetary purposes and reporting to HUD, funds spent for each activity should be recorded correctly. Due to this lapse in internal control, there was no correct accounting of what was spent for each activity, as required by Federal Register Notice FR-5307-N-01, Section VI. C

### **A Payment Was Duplicated and Voided Checks Were Not Accounted For**

One homeless participant found two apartment landlords that initially agreed to rent to her and then backed out. The City issued a check for \$1,409 on December 16, 2010, for December and January rent at The Reserve. The City's business specialist was responsible for keeping copies of all HPRP payment documentation and maintaining spreadsheets and monthly reconciliations of all HPRP payments. She also maintained copies of all HPRP payment documentation. The check was voided according to the business specialist's file documentation, but it was not reversed in her reconciliation. It was also not reversed in the accounting system. The void was not processed until March 16, 2011, after our inquiry.

In the case of the second apartment, the City issued and Tivoli Apartments cashed a January 12, 2011, check for \$886 that included \$97 for advance prorated first month's rent for this participant, along with full December rent for a different participant. On January 19, 2011, a new check was issued for \$97 for the same prorated rent. When Tivoli later stated that it was not going to rent to the participant, the City voided the second check. Although this voided check was

processed through the accounting system, the City was not aware that it was a duplicate payment until our notification. This amount also should be reimbursed to HPRP and is included in Finding 1.

## **Conclusion**

The City did not have an accurate accounting of what was spent for HPRP direct assistance activities. This occurred because it did not have adequate controls over disbursement processing and accounting. As a result the City did not always record expenditures using the correct code and could not accurately report to HUD the amount and types of assistance provided.

## **Recommendations**

We recommend that the Acting Director of the HUD San Francisco Office of Community Planning and Development require the City to

- 2A. Develop and implement new controls and procedures to ensure that financial records are accurate and prevent the deficiencies identified during the audit.
- 2B. Perform a complete review of assistance payments to date and correct any errors, including repayment to the program if appropriate.

## SCOPE AND METHODOLOGY

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We performed our onsite audit work in the City of Las Vegas, NV, in its Neighborhood Services Department between January and May 2011. The audit generally covered the period February 1, 2010, through January 31, 2011.

To accomplish our objective, we interviewed HUD officials and City staff responsible for program execution. We also reviewed

- Applicable HUD requirements, including the Recovery Act; the Revised HPRP Notice, Redline with Corrections, issued June 8, 2009; and program guidance issued by HUD;
- The City's substantial amendment for HPRP;
- The HPRP grant agreement between HUD and the City;
- The City's accounting policies and procedures for reimbursement requests and program funds drawdowns;
- The City's policies and procedures for program and fiscal monitoring;
- The City's disbursement records; and
- Participant case files.

We selected 18 participant case files to review for eligibility and payments made from the time of approval through January 31, 2011. We selected the sample from a list of 202 participants sorted first by caseworker and then by date of entry into the program. We selected five participants from each of the three caseworkers and three participants from the small caseload handled by the supervisor. For each employee, we selected from the list the first and last participants to enter the program and additional participants in evenly spaced intervals.

We also tested disbursements for direct assistance, case management staff time, and administrative costs for December 2010. We selected December, (which included 2 pay periods; employees were paid bi-weekly) out of the 11-months the City had administered HPRP. We also compared the December 2010 HPRP payment records for direct assistance to the records in the City's accounting system and identified discrepancies for 12 out of the 95 participants that were active. We determined we could not rely on its computer generated data. Therefore, we reviewed all December payments for those participants.

The City's drawdowns for reimbursement from HUD as of January 31, 2011, showed HPRP disbursements of \$846,713 for financial assistance, \$125,612 for housing and stabilization, \$4,299 for data collection and evaluation, and \$10,033 for budget administration as of January 2011. These amounts total 47 percent of the \$2.1 million grant.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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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.

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## Relevant Internal Controls

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

- Controls to ensure that the City follows applicable laws and regulations with respect to the eligibility of HPRP participants and activities and
- Controls to ensure that HPRP expenditures and activities are accurately tracked and recorded.

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 City did not have adequate controls in place to ensure that it followed Federal requirements for the eligibility of HPRP participants and activities (see finding 1).

- The City did not have adequate controls in place to ensure that it could provide an accurate accounting of HPRP expenditures and activities (see finding 2).

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>
1A	\$45,825	
1B		29,448
<b>Total</b>	<b>\$45,825</b>	<b>\$29,448</b>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations. These costs consist of HPRP funds used to assist ineligible participants and activities (see appendixes C and D).

2/ 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. These costs consist of HPRP funds used to assist participants whose eligibility was not supported by appropriate documentation (see appendixes C and D).

## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

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#### Ref to OIG Evaluation

#### Auditee Comments

##### City of Las Vegas HPRP Audit Report Response

Every effort has been taken to assure HPRP funds are spent appropriately. Program applications and information are reviewed with the client to ensure eligibility and appropriateness for HPRP services. If the information and/or documentation seem reasonable (as reviewed by at least two staff members to ensure objectivity) and there was a prospect of sustainability, assistance was provided to the household. Nevertheless, departmental staff has taken action to improve program operations to ensure consistency, efficiency, and compliance with HPRP regulations, many as a result of the auditor's recommendations. The City will work with the local HUD Office to help resolve the findings noted in audit and provide any information on the remaining files to be reviewed by HUD.

##### **Program Administration Challenges**

In May 2010, due to the economic downturn and recession, the City experienced a budget shortfall of over \$50 million. As a result, the department that oversees the Homeless Prevention and Rapid Re-housing Program (HPRP) experienced significant changes to key staff including layoffs or voluntary separation, a department reorganization, termination of the web-based case management system contract, and moving to a four-day work week, with reduced hours of operation. These changes resulted in loss of institutional knowledge and had significant negative impacts to the program administration, continuity and operational efficiency.

In an effort to remain in compliance with the grant regulations, the City had to retrain staff and implement new systems to perform the grant activities. The City, as it continues to administer the HPRP, will continually adjust the program as necessary to ensure every service provided is in compliance, objective, reasonable and exercised with due diligence.

##### **HUD Substantial Amendment**

The city of Las Vegas amended the Substantial Amendment and will submit to HUD for approval by June 30, 2011. The changes from the original submission include the following:

- The city of Las Vegas (CLV) would self administer the Homeless Prevention and Rapid Rehousing Program (HPRP) instead of utilizing sub-grantees. The rationale is that it is more cost effective to self-administer with existing qualified staff than to grant the funds to other agencies. As a result more funds could be spent directly on those in need instead of operational costs and the CLV would be able to directly respond to the needs and requests of its citizens. CLV was also able to preserve three staff positions that would have been otherwise eliminated.
- The budget was modified by redirecting more funds towards prevention efforts and decreasing funds for rapid rehousing, case management and data collection categories. In assessing the current demand for services, the need for prevention assistance outweighed the need for rapid rehousing assistance. Also, since the CLV did not begin charging for case management until July 1, 2010, this enabled more of those funds to be used to directly assist citizens.

**Comment 1**

**Updated Program Policies and Procedures**

Staff began updating the policies and procedures in June 2010. However a majority of the updates to reflect program changes to ensure the correct use of funds, promote efficiency and effectiveness based on HUD changes to the HPRP program, and reflect the local environment and the review of actual program experience, did not occur until May 2011. Changes include modifying the more stringent TBRA model initially used for HPRP to reflect a more flexible program design towards successful outcomes. Other changes also include serving those living in private residences versus only serving those who rented apartments; modifying the target population from serving anyone who fit HUD minimum requirements to households in crisis composed of seniors over the age of 62 or families with children under the age of 18; discontinuing the use of utility allowances towards rent and adopting a fixed/declining subsidy structure; increasing the case monitoring of client's progression; streamlining and redefining eligibility and payment approval processes; and implementing fraud and recovery procedures. Staff continues to make ongoing updates as needed to ensure program compliance.

**Comment 2**

**Instituted Internal Auditing and Monitoring**

City of Las Vegas staff, not directly involved in the day-to-day program administration, provided Internal Monitoring as of January 2011 to ensure compliance with HUD Regulations and program policies and procedures. Specifically, case files, assistance payments and records are reviewed to ensure completeness, accuracy, appropriateness and compliance. On-going random spot checks and monitoring occurs to ensure errors and inconsistencies are immediately identified and addressed.

**Provided Staff Development and Training**

A staff development and training retreat was held on March 9 and March 16, 2011 to review staff positions and responsibilities as well as all policies and procedures to ensure consistency with staff. The information specifically covered case management and case processing policies and procedures. Regular staff meetings are also held to share and provide information, cross case manage cases with unique issues and to review systems, policies and procedures.

**Requested HUD Training and Technical Assistance**

The City requested technical assistance from the local HUD office on various topics and for a staff refresher on HPRP. The training was provided on May 19, 2011 to staff who directly or indirectly work with the program. The local representative provided a review on the following topics: intent of HPRP, income determination, and income qualification vs. benefit eligibility. A question and answer session was held at the end of the training to discuss any specific questions or topics asked by staff.

**Comment 3**

**Instituted the use of Standardized Forms and Tracking Mechanisms**

Standard forms were developed for use by the staff to ensure consistency across staff members and communication with clients, partners and other departmental staff. Specifically, eligibility calculation sheets were created to reflect the newly published HUD Area Median Income Limits and were designed for input of household data and automatic calculation of income and benefit amounts to decrease the likelihood of human error. Other forms that were standardized and implemented include: risk matrix assessments used to determine client's HPRP appropriateness and length/level of assistance; notices sent to clients and landlords; recertification and termination paperwork; client expense logs to track the amount spent on each client; and controls to ensure that HPRP expenditures and activities are accurately tracked and recorded. Staff began using the forms on July 1, 2010; however, ongoing changes have been implemented, on an as needed basis, as additional information becomes available that necessitates a change.

**Comment 4**

**Revised Intake and Eligibility Process**

The intake and eligibility process was revised in May 2010 due to the elimination of the Intake Specialist position. As a result, remaining program staff was trained on determining eligibility, assessments, documentation, and relevant forms. The process changed from one person determining eligibility to case manager's conducting all aspects of eligibility as well as determining length and level of assistance to be provided to the clients. Also, case notes, application and/or documentation must address the "reasonable prospect" or potential of sustainability once the HPRP assistance ends.

## OIG Evaluation of Auditee Comments

- Comment 1** The City has demonstrated willingness to improve HPRP procedures but needs to ensure that all procedural changes are well documented, including implementation dates. The City's response included changes that we did not observe in writing or in practice.
- Comment 2** We reviewed the results of the January 2011 internal monitoring of HPRP case files and observed that they revealed numerous case file errors; however, we were informed that the results were never provided to the program staff for correction and the effort was abandoned when our audit was announced. We did not observe any random file reviews or corrections made to files based on quality control reviews. The City should develop detailed written procedures for quality control reviews, particularly if the reviews are to be performed by staff that do not have detailed program knowledge. All results of reviews, including corrective action, should be documented.
- Comment 3** Although we observed the use of standardized forms throughout the case files, forms were often missing, incomplete, undated, or unsigned.
- Comment 4** In May 2010, the City's program had been in operation for two months. Although case files contained case notes, the case notes did not always address the "reasonable prospect" or potential of sustainability once the HPRP assistance ended.

## Appendix C

### SCHEDULE OF ELIGIBILITY DEFICIENCIES PER PARTICIPANT

Participant number	Unreported income	No reasonable plan to achieve stability	Unreported adults in household	Not family with minors or a senior	Not homeless or at imminent risk	Utility allowance subtracted from tenant rent	Income/lack of income not verified	Bank account balance not verified	Error calculating annual income	Error calculating monthly adjusted income	Late recertification
A1		X				X	X				
A2			X				X				
A3					X			X			
A4			X	X	X		X				
A5							X		X	X	
B1						X			X	X	
B2							X		X	X	
B3		X					X		X	X	
B4					X		X	X	X		X
B5	X	X			X	X	X		X	X	
C1							X				
C2						X			X	X	
C3			X				X		X		
C4						X	X	X	X		X
C5							X		X	X	X
D1											
D2							X				
D3											
<b>Total</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>13</b>	<b>3</b>	<b>10</b>	<b>7</b>	<b>3</b>

## Appendix D

### SUMMARY OF EXPENDITURES FOR FILES REVIEWED

Participant	Total payments	Eligible	Ineligible	Unsupported
B5	8,679	0	8,679	0
B3	7,215	0	7,215	0
A2	5,028	0	5,028	0
A4	1,452	0	1,452	0
A1	2,402	0	0	2,402
A3	750	0	750	0
A5	7,277	0	0	7,277
B1	2,812	2,476	336	0
B2	6,119	0	0	6,119
B4	7,789	0	7,789	0
C1	1,072	0	96	976
C2	5,737	3,604	2,133	0
C3	11,864	0	11,864	0
C4	8,242	0	0	8,242
C5	4,405	1,182	483	2,740
D1	1,929	1,929	0	0
D2	1,692	0	0	1,692
D3	1,227	1,227	0	0
	\$85,691	\$10,418	\$45,825	\$29,448

- **Amounts are rounded**

NOTE: Several participants were determined ineligible for the program. In addition, there were ineligible activities for otherwise eligible participants.

## Appendix E

### CRITERIA

- A. The Recovery Act became Public Law 111-5 on February 17, 2009. The Recovery Act establishes the Homelessness Prevention Fund. The homelessness prevention portion of the Recovery Act falls under Title XII – Transportation and 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 the Homelessness Prevention Fund, hereafter referred to as the “Homelessness Prevention and Rapid Re-Housing Program (HPRP),” under Title XII of the Recovery Act.

The notice included the following:

- Section I, A(1) - HUD expects that HPRP resources will be targeted and prioritized to serve households that are most in need of this temporary assistance and are most likely to achieve stable housing, whether subsidized or unsubsidized, outside of HPRP after the program concludes.
- Section IV, A(1)- Financial assistance is limited to the following activities: short-term rental assistance, medium-term rental assistance, security deposits, utility deposits, utility payments, moving cost assistance, and motel and hotel vouchers. Grantees and subgrantees must not make payments directly to program participants, but only to third parties, such as landlords or utility companies.
- Section IV, A(1)(a) - HUD requires grantees and/or subgrantees to evaluate and certify the eligibility of program participants at least once every 3 months for all persons receiving medium-term rental assistance.
- Section IV, A(1)(c) - HPRP funds may be used for up to 18 months of utility payments, including up to 6 months of utility payments in arrears, for each program participant, provided that the program participant or a member of his/her household has an account in his/her name with a utility company or proof of responsibility for making utility payments, such as cancelled checks or receipts in his/her name from a utility company.
- Section IV, B(3) - In no case are funds eligible to be issued directly to program participants. If funds are found to be used for ineligible activities as determined by HUD, the grantee will be required to reimburse its line of credit.
- Section IV, D - Grantees are responsible for verifying and documenting the individuals’ risk of homelessness that qualifies them for receiving rental assistance.
- Section IV, D(1) - Grantees and subgrantees should carefully assess a household’s need and appropriateness for HPRP. If the household needs more intensive supportive

- services or long-term assistance or if a household is not at risk of homelessness, grantees and subgrantees should work to link them to other appropriate available resources.
- Section IV, D(2) - In order to receive financial assistance or services funded by HPRP, individuals and families must at least meet the following minimum criteria:

Have at least an initial consultation with a case manager or other authorized representative who can determine the appropriate type of assistance to meet their needs. HUD encourages communities to have a process in place to refer persons ineligible for HPRP to the appropriate resources or service provider that can assist them.

Be at or below 50 percent of area median income.

Be either homeless or at risk of losing their 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.

- Section V, F - Grantees are responsible for ensuring that HPRP amounts are administered in accordance with the requirements of this notice and other applicable laws.
- Section V, G - Each grantee and subgrantee must keep any records and make any reports (including those pertaining to race, ethnicity, gender, and disability status data) that HUD may require within the timeframe required.
- Section VI, C - The Recovery Act requires grantees to submit quarterly and annual reports that include HPRP funds expended by activity type, the number of unduplicated individuals and families served, the number of new jobs created, the number of jobs retained, challenges to effective program operation, and other data items. It also requires grantees to have systems and internal controls in place that allow them to separately track and report on Recovery Act funds.
- Section VII, A(1) - Organizations providing rental assistance with HPRP funds will be required to conduct initial and any appropriate follow-up inspections of housing units into which a program participant will be moving.

C. HUD published HPRP Eligibility and Documentation Guidance on March 17, 2010. It can be found on HUD's Homeless Resource Exchange Web site.  
<http://www.hudhre.info/HPRP/index.cfm?do=viewHPRPIssuances>

- Section 2. Assessment - Grantees and subgrantees are expected to include documentation on the results of the eligibility assessment process in the case file. Note that an eviction notice and proof of income alone are not enough to determine eligibility and appropriateness for HPRP. For households who are at-risk of losing their housing, in addition to documenting that the household meets income eligibility criteria and are at-risk of losing their current housing, grantees and subgrantees must assess and document the household would become literally

- homeless “but for” HPRP assistance. This includes assessing and documenting a household’s support networks and financial resources and other housing options. HUD recognizes this determination requires a level of professional judgment and discretion and encourages grantees and subgrantees to carefully think about how they assess and document these criteria. See the box on this page for a detailed discussion on the “but for” determination. To ensure program compliance, the case file should include case notes and other documentation (as appropriate) that demonstrate the grantee or subgrantee has assessed the client’s other financial resources, support networks, and subsequent housing options.