



Community Action North Bay, Fairfield, CA

Continuum of Care Program

**Office of Audit, Region 9
Los Angeles, CA**

**Audit Report Number: 2020-LA-1001
January 31, 2020**





To: Kimberly Nash, Director, Office of Community Planning and Development, San Francisco, 9AD

//SIGNED//

From: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

Subject: Community Action North Bay, Fairfield, CA, Did Not Administer Its Continuum of Care Program in Accordance With HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Community Action North Bay's Continuum of Care Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



Audit Report Number: 2020-LA-1001

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Community Action North Bay, Fairfield, CA, Did Not Administer Its Continuum of Care Program in Accordance With HUD Requirements

Highlights

What We Audited and Why

We audited Community Action North Bay's Continuum of Care Program based on hotline complaints (HC-2016-2275 and HT-2019-1142) and concerns expressed by the San Francisco Office of Community Planning and Development that included matching noncompliance issues. The complaints alleged improper accounting, timekeeping irregularities, unreported program income, and conflicts of interest. Our objective was to determine whether the Community administered its Continuum of Care Program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The complaints and concerns had merit. The Community did not administer its Continuum of Care Program in accordance with HUD requirements. Specifically, it did not maintain documents required to support that (1) it met the matching contribution requirement, (2) its rapid rehousing and permanent supportive housing programs assisted eligible individuals, and (3) program income and expenses were supported and eligible. These conditions occurred because the Community did not implement corrective actions recommended by HUD and its staff lacked the knowledge and skills needed to administer the program. As a result, the Community is at risk of having to repay HUD grant funds totaling \$647,827 if it cannot provide supporting documentation related to required matching contributions. It also could not support the eligibility of individuals assisted by its rapid rehousing and permanent supportive housing programs.

What We Recommend

We recommend that the Director of HUD's San Francisco Office of Community Planning and Development require the Community to (1) support that it met the matching contribution requirement or reimburse HUD \$577,670 from non-Federal funds, (2) reclassify \$28,576 as program income to the specific permanent supportive housing program, and (3) support that \$2,687 paid to a board member for legal services was allowed through a HUD-approved waiver or repay HUD from non-Federal funds.

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Background and Objective

The Continuum of Care Program was authorized under the McKinney-Vento Homeless Assistance Act, as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.¹ The Continuum of Care program (1) promotes communitywide commitment to the goal of ending homelessness; (2) provides funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families, while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; (3) promotes access to and effective use of mainstream programs by homeless individuals and families; and (4) optimizes self-sufficiency among individuals and families experiencing homelessness.

Community Action North Bay, located in Fairfield, CA, is a nonprofit public benefit corporation first registered in 1968. The Community provided services including permanent supportive housing and rental assistance. It used program funds for two permanent supportive housing programs² (Healthy Living Your Way and Living Self-Sufficiently) and two rental assistance programs³ (Housing Express and Housing Express Expansion). According to the Community's administrative plan, the board of directors provided governance, while the executive director was responsible for day-to-day operations and staff oversight.

Between October 2016 and September 2018, the Community was authorized to receive eight grants totaling \$865,323 for its programs. As of August 6, 2019, the Community had drawn down \$828,118 in program funds from the U.S. Department of Housing and Urban Development's (HUD) Line of Credit Control System⁴ for leasing, operating costs, rental assistance, supportive services, and administration. All eight grants have since closed, and all available funds have been drawn.

Our objective was to determine whether the Community administered its Continuum of Care Program in accordance with HUD requirements.

¹ The Act combined HUD's Supportive Housing Program, Shelter Plus Care program, and Single Room Occupancy program into the Continuum of Care program.

² During our audit period, the Community leased permanent supportive housing units and subleased them to program participants.

³ Assistance included security deposits and first and last months' rent.

⁴ The Line of Credit Control System is HUD's primary grant disbursement system used for most of its programs.

Results of Audit

Finding 1: The Community Did Not Maintain the Required Program Eligibility and Expenditure Documentation

The Community did not maintain the required program eligibility and expenditure documentation. Specifically, it did not maintain documents required to support that (1) it met the matching contribution requirement, (2) its rapid rehousing and permanent supportive housing programs assisted eligible individuals, and (3) program expenses were supported and eligible. These conditions occurred because the Community's former executive director did not implement corrective actions from previous HUD monitoring reviews and its staff lacked the knowledge and skills needed to administer the program. As a result, the Community is at risk of having to repay HUD \$647,827 for the lack of documentation related to matching contributions.

The Community Could Not Support Matching Contributions

The Community did not maintain documentation to support that it met the matching contribution requirement. HUD requirements at 24 CFR (Code of Federal Regulations) 578.73(a) require the Community to match awarded grant funds, except for leasing funds, with no less than 25 percent of funds or in-kind contributions (appendix C). In addition, the Community is required to maintain documentation showing the source, value, or use of in-kind contributions received. It drew down \$647,827 in program funds for services such as housing and food bank. Therefore, it was required to obtain and use at least \$161,957 in matching contributions.

In July 2017, HUD performed a monitoring review and identified that the Community lacked documents to support that it met the matching contribution requirement. HUD had also cited this issue in a 2008 monitoring report. During our review, we found that the problem still existed. The Community could not provide documentation to support \$161,957 in matching funds. Specifically, it could not provide documentation showing the dollar values for contributions received or identifying the grants to which it matched. Interviews with Community staff found a lack of experience and training in how to track matching contributions. The following table shows the program, grant, funds drawn, leasing amount, net amount, and required matching funds.

Grants without matching funds					
Program	Grant	Funds drawn	Leasing amount	Net amount ⁵	Required matching funds
Living Self-Sufficiently	CA1096L9T181604	\$68,950	\$33,000	\$35,950	\$8,988
	CA1096L9T181705	69,482	36,836	32,646	8,162
Housing Express	CA1229L9T181502	112,383	0	112,383	28,096
	CA1229L9T181603	112,383	0	112,383	28,096
Healthy Living Your Way	CA1328L9T181501	122,156	56,595	65,561	16,390
	CA1328L9T181602	122,156	53,860	68,296	17,074
Housing Express Expansion	CA1483L9T181500	110,304	0	110,304	27,576
	CA1483L9T181601	110,304	0	110,304	27,576
Total		828,118	180,291	647,827	161,957⁶

To be eligible to receive \$647,827 in program funds drawn, the Community was required to obtain at least \$161,957 in matching funds. Because the Community did not have documents to support the matching funds received, it was not eligible to receive the \$647,827.

The Community Provided Assistance to Ineligible Individuals

The Community provided assistance to ineligible individuals with its rapid rehousing and permanent supportive housing programs. HUD requirements at 24 CFR part 578 provide the Community with definitions and requirements for determining homeless status, lease terms, assessment of rent reasonableness, housing quality standards inspection, and recordkeeping (appendix C). However, the Community provided rapid rehousing assistance and permanent supportive housing assistance to ineligible individuals who did not meet HUD requirements.

⁵ Amount of the grant disbursed minus the leasing amount

⁶ Difference due to rounding

Rapid Rehousing Program

The Community provided \$41,839 in housing assistance to individuals who were either not eligible to participate or individuals who did not have documentation to support being in its rapid rehousing program. To be eligible for the program, an individual must be homeless as defined by HUD requirements at 24 CFR 578.3 (appendix C). The Community must ensure that individuals have a lease of at least 1 year to meet HUD requirements at 24 CFR 578.3 (appendix C). According to HUD requirements at 24 CFR 578.75(b), housing for which rental assistance payments are made with program funds must meet the applicable housing quality standards (appendix C). The Community could not show that these rental units met those standards. HUD requirements at 24 CFR 578.51(g) state that the Community must show that the rent charged for the unit receiving rental assistance was reasonable in relation to rents being charged for comparable unassisted units (appendix C). Our review of the 16 client files determined that:

- 5 individuals were ineligible because they did not meet HUD's definition of homeless or received other housing assistance.
- 4 individuals' homeless status was not supported.
- 9 files did not have a lease with the minimum required 1-year period.
- 16 files did not show that the rental unit met housing quality standards.
- 14 files did not show that the assisted unit's rent was reasonable.

The Community had policies and procedures for its rapid rehousing program. However, it did not implement those policies and procedures. As a result, the Community paid \$41,839 in rental assistance that was questionable. Of this amount, the Community used \$15,163 in rental assistance for five ineligible individuals who did not meet HUD's definition of homelessness or received other housing assistance and \$26,676 in rental assistance for 11 individuals whose eligibility could not be supported.

Permanent Supportive Housing Program

The Community allowed four individuals who were either ineligible to participate or individuals who did not have documentation to support being in its permanent supportive housing units. HUD identified similar eligibility issues in its 2008 and 2011 monitoring reviews. According to HUD requirements at 24 CFR 578.3 and 24 CFR 578.37(a) and the Community's standard operating procedures, an individual is considered eligible for the permanent supportive housing program if that individual is chronically homeless, is disabled, and has a lease for a minimum of 1 year (appendix C). In addition, the Community must maintain program records to meet requirements at 24 CFR 578.103(a) (appendix C). However, the Community could not support that these individuals met program eligibility requirements. Among the four reviewed files, we identified the following issues:

- Two individuals were ineligible because they were not chronically homeless.
- Two individuals' chronically homeless status was not verified.
- Four individuals' disability was not verified before program entry.
- Four files did not have a lease that met the 1-year requirement.

The Community had policies and procedures for its permanent supportive housing program. However, it did not implement those policies and procedures. As a result, four beds in its permanent supportive housing program were occupied by two ineligible individuals and two other individuals whose eligibility could not be supported. We determined this issue to be administrative with no associated questioned cost. The Community needs to improve its program administration to ensure that its permanent supportive housing program assists only eligible individuals and that it maintains program records to support eligibility.

These conditions occurred in the rapid rehousing and permanent supportive housing programs because Community staff did not receive sufficient training to administer these programs and the former executive director did not implement corrective actions recommended by HUD after its 2008 and 2011 monitoring reviews, which identified problems with documenting client eligibility. As a result, the Community paid \$41,839 in program funds that assisted five ineligible individuals and 11 individuals who did not have documentation to support being in the rapid rehousing program. In addition, there were nonmonetary administrative issues in which the Community allowed two ineligible individuals and two individuals whose eligibility was unsupported to occupy beds in its permanent supportive housing program.

The Community Did Not Maintain Documentation To Support Program Expenses

The Community did not maintain documentation to support \$25,630 in program expenses. Of this amount, it could not support \$17,025 in payroll expenses and \$8,605 in allocated program expenses.

Inaccurate Time Reporting

The Community's time reports did not support the actual time staff worked on each of its programs in compliance with HUD requirements at 2 CFR 200.430(i)(1) (appendix C). In 2008, HUD identified this issue during its monitoring review; however, the Community had not corrected the problem. For each pay period, the accounting clerk provided employees with time allocation sheets based on the availability of grant funds. Employees used the time allocation sheet as the basis for reporting the distribution of their work hours and not actual hours worked.

Further, the work hours reported on the time allocation sheets did not support amounts charged to the program. For example, one employee's time allocation sheet for the pay period ending February 28, 2018, reported 0.75 work hours, which would equal \$18 charged to the program. However, the program was charged \$573 for 22 hours of work. The Community overstated all employees' hours for this pay period.

This condition occurred because the Community's former executive director did not implement HUD's recommendations to correct its problems with maintaining accurate timekeeping records. As a result, the Community incurred \$17,025 in unsupported payroll expenses.

Incorrect Cost Allocations

The Community relied on inaccurate timekeeping records to allocate program expenses. The Community's indirect costs included office rent, office utilities, accounting and finance services, legal services, and insurance. The Community created its cost allocation plan using the payroll method. The payroll method relies on payroll data to determine the cost allocation percentages for each program. HUD requirements at 2 CFR 200.403 and 2 CFR 200.405 require the Community to adequately document its costs and appropriately allocate them (appendix C). Instead, the Community did not maintain accurate timekeeping records, which resulted in its not supporting \$8,605 in allocated indirect costs.

Conclusion

The Community did not maintain the required program eligibility and expenditure documentation. This condition occurred because the Community's former executive director did not implement HUD's recommended corrective actions to ensure that it maintained accurate and complete documentation to support its program operations. The Community had policies and procedures for its rapid rehousing and permanent supportive housing programs. However, it did not implement these policies and procedures, which would have ensured compliance with HUD requirements. Additionally, Community staff lacked the knowledge and skills to administer the program. As a result, the Community is at risk of having to repay HUD \$647,827 due to its lack of documentation to support that it complied with Federal matching contribution requirements.

Recommendations

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

- 1A. Support that it met its \$161,957 matching contribution required for the \$647,827 it drew down for expenses related to its four HUD-funded programs. If the Community cannot provide support, it should reimburse HUD \$577,670⁷ from non-Federal funds.
- 1B. Develop and implement written policies and procedures to ensure that it maintains documentation to support matching contributions received in compliance with HUD requirements.
- 1C. Repay HUD \$15,163 from non-Federal funds for the rental assistance provided to five ineligible individuals.
- 1D. Support the eligibility of the 11 individuals who received rental assistance through its rapid rehousing program or repay HUD \$26,676 from non-Federal funds.

⁷ The questioned amount was \$647,827. However, the amount was reduced by recommendations 1C (\$15,163 ineligible rental assistance), 1D (\$26,676 unsupported rental assistance), 1H (\$17,025 in payroll costs), 1J (\$8,605 in cost allocation), and 3A (\$2,687 from conflict of interest), thus totaling \$577,670. If the Community is able to provide support for recommendations 1D, 1H, 1J, and 3A, the amount for recommendation 1A would increase to \$632,663 (\$577,670 + \$26,676 + \$17,025 + \$8,605 + \$2,687).

- 1E. Work with HUD to determine the eligibility of current permanent supportive housing residents and if residents are determined ineligible, take appropriate action.
- 1F. Implement its written policies and procedures to ensure that only eligible individuals receive rapid rehousing assistance.
- 1G. Implement its written policies and procedures to ensure that individuals entering its permanent supportive housing are eligible.
- 1H. Support or repay HUD \$17,025 from non-Federal funds for the questioned payroll costs charged to the programs.
- 1I. Develop and implement written policies and procedures to ensure accurate and complete reporting of staff hours charged to each program.
- 1J. Support the validity of its indirect cost allocations or repay HUD \$8,605 from non-Federal funds.
- 1K. Develop and implement an indirect cost allocation plan, which ensures that indirect costs are charged to the correct program.

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

- 1L. Provide technical assistance to the Community to ensure that its staff receives training on documentation of matching contributions and the use of program funds.

Finding 2: The Community Did Not Account for Program Income

The Community did not account for at least \$28,576 in program income earned through program participants' rent payments. This condition occurred because the Community disregarded HUD requirements for program income. As a result, it could not support that \$28,576 in program income was used for the permanent supportive housing programs that generated it.

The Community Did Not Account for at Least \$28,576 in Program Income

The Community generated program income through rent paid by the program participants. As applicable, the Community charged residents rent to live in its permanent supportive housing units. HUD requirements at 24 CFR 578.97(b) and the grant agreements require the Community to add program income to funds committed to its permanent supportive housing programs (appendix C). The Community did not always record the rent payments received from program participants as program income to meet HUD requirements at 24 CFR 578.97(c) (appendix C). Between September 2016 and September 2018, the Community did not record at least \$28,576 in rent payments as program income.

This condition occurred because the Community disregarded HUD requirements on recording program income. According to the former executive director, the Community did not always record the rent as program income because it allowed individuals to occupy its permanent supportive housing units as transitional housing. In addition, the Community did not have written policies and procedures to ensure that it recorded all program income in compliance with HUD requirements. As a result, the Community could not support that at least \$28,576 in program income was used for the programs that generated it.

Recommendations

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

- 2A. Reclassify the \$28,576 as program income to the specific permanent supportive housing program that generated it and ensure these funds are used for that specific program.
- 2B. Develop and implement written policies and procedures to ensure that all program income is recorded and used in accordance with HUD requirements.

Finding 3: The Community’s Board Member Had a Conflict of Interest That Violated HUD Requirements

The Community paid one of its board members for legal services that violated HUD’s conflict-of-interest requirement. This condition occurred because the Community disregarded HUD requirements and did not obtain the necessary HUD waiver to address the conflict of interest. As a result, \$2,687 paid to the board member for legal services was not available for other eligible program expenses.

The Community’s Board Member Had a Conflict of Interest

A member of the Community’s board of directors, who is a licensed attorney in the State of California, received \$2,687 in program funds as payment for providing legal services to the Community, which resulted in a conflict of interest that violated HUD requirements at 24 CFR 578.95(d)(1) and 24 CFR 578.103(a)(12) (appendix C). The board member provided legal services for matters, including representation at labor commission hearings and a conflict-of-interest situation.

For example, in August 2018, the board member submitted invoices for telephone conferences with the Community’s former executive director. The purpose of these teleconferences was to discuss a proposed real estate purchase by the former executive director’s spouse and the conflict-of-interest it could potentially create for the Community. At that time, the Community was leasing the property for its permanent supportive housing program. The board member provided a legal opinion for the Community on this matter because the purchase would have made the former executive director’s spouse the landlord. Afterward, the board member accepted \$1,020 from the Community’s program funds violating 24 CFR 578.95(d)(1) which states that no “officer...may obtain a financial interest or benefit from an assisted activity....” In April 2019, the board member resigned.

The Community was aware that it could request a waiver from HUD to address the board member’s conflict of interest as it had done for previous matters in 2012 and 2018. However, there was no documentation to show that the Community requested such a waiver for this matter involving the board member as required by 24 CFR 578.103(a)(12) (appendix C). Therefore, we attributed this condition to the Community’s disregard of the requirements. The board member’s previous work involving the Community’s conflict-of-interest matters showed an awareness of those requirements. As a result of this noncompliance, \$2,687 was not available for other eligible program expenses.

Recommendations

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

- 3A. Support that \$2,687 in payments to the board member for legal services was allowed through a HUD-approved waiver that occurred before the legal services or repay HUD from non-Federal funds.

Scope and Methodology

We performed our review work at the Community's office located in Fairfield, CA, from March through July 2019. Our review covered the period October 1, 2016, through September 30, 2018.

To accomplish our objective, we

- Reviewed HUD's grant agreements with the Community, HUD's Line of Credit Control System, and results of HUD's monitoring visits.
- Reviewed applicable HUD requirements.
- Reviewed the Community's policies, procedures, and controls; accounting records; organizational charts; position descriptions; drawdowns; supporting documentation for program expenses; board minutes; and time allocation sheets.
- Interviewed Community employees and management officials.
- Contacted HUD Office of Community Planning and Development program staff and management.

We determined that data in the source documentation provided by the Community reconciled to data contained within HUD's Line of Credit Control System. Therefore, we assessed the data from the Community to be sufficiently reliable for our use during the audit. Our audit universe consisted of 112 Line of Credit Control System vouchers disbursed during the period October 17, 2016, through February 12, 2019, totaling \$829,121. We selected a nonstatistical sample⁸ of five vouchers totaling \$86,823. We selected the five sample vouchers from the Community's four programs, from different grant years, and with a high-dollar value. Within these five vouchers, we tested the rental assistance payments by reviewing 16 out of 112 (14 percent) client files to determine whether these participants were eligible for the rapid rehousing program. Using program income and rent payment data, we also performed testing of four client files to determine whether these four permanent supportive housing residents were eligible. The results from our review were limited to the nonstatistical samples and cannot be projected to the universe. Overall, our sampling method was sufficient to meet the audit objective.

⁸ A nonstatistical sample is appropriate when the auditor knows enough about the population to identify a relatively small number of items of interest.

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(s). 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:

- Effectiveness and efficiency of program operations – Implementation of policies and procedures to ensure that program funds are used for eligible purposes.
- Reliability of financial information – Implementation of policies and procedures to reasonably ensure that relevant and reliable information is obtained to adequately support program expenditures.
- Compliance with applicable laws and regulations – Implementation of policies and procedures to ensure that the monitoring, onsite inspections, and expenditures comply with applicable HUD rules and requirements.

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 Community did not implement its policies and procedures to ensure that it maintained the required documents to show that it operated in compliance with HUD requirements (finding 1).

- The Community did not have written policies and procedures to ensure that it recorded all program income in compliance with HUD requirements (finding 2).
- The Community and a board member disregarded HUD conflict-of-interest requirements (finding 3).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$577,670	
1C	\$15,163		
1D		26,676	
1H		17,025	
1J		8,605	
2A			\$28,576
3A		2,687	
Total	15,163	632,663	28,576

- 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.
- 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.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, the Community did not always record rent payments as program income to the correct program. If the Community reclassifies

the funds, it will ensure that these funds are available for use by the specific permanent supportive housing program that generated them.


Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



Ms. Tanya E. Schulze
Regional Inspector General for Audit
Dept. Of Housing and Development
Office of Inspector General

Wednesday January 15, 2020

Dear Ms. Schulze:

Community Action North Bay (aka CAN-B) would like to thank you for your time and for the discussion at the Exit Interview on January 10, 2020. Here is our response to the findings presented:

Finding 1: The Community did not maintain the required program eligibility and expenditures documentation.

Community Could Not Support Matching Contributions
CAN-B did provide the required match for all HUD programs, however, did not specifically show documentation identifying the grants to which those donations were matched. As such, CAN-B respectfully agrees with the finding that the agency lacked documents to support the matching contributions.

The agency will update the policy on donations to ensure that all donations associated with a dollar value are clearly linked to the grant it is to be matched to. CAN-B will review all past documents and work with HUD to resolve said finding. The new policy will be monitored quarterly by the Program Manager and Executive Director to ensure compliance with these requirements.

The Community Provided Assistance to Ineligible Individuals
CAN-B respectfully agrees that the documents identified by the audits indicate that the agency did not show compliance with 24 CFR 578 with regard to some individuals eligibility in the Rapid Rehousing Program and Permanent Supportive Housing Program. The compliance issues sited will be researched to determine compliance eligibility (or lack thereof) on each sited case and will be reported back to HUD/OIG. The agency will review HUD policies on compliance and will maintain a check list of eligibility requirements which are mandatory for clients to be eligible to enter programs. Moving forward each client file will include documentation to support each requirement to ensure compliance and eligibility. This will be achieved through staff training prior to engagement with case management activities for the HUD programs granted to this agency.

1



The Community Did Not Maintain Documentation to Support Program Expenses

CAN-B respectfully agrees that sufficient documentation was not available to support some payroll expenses.

CAN-B intends to work with HUD to inspect the unsupported payroll expenses and provide supporting documentation while enforcing/implementing the current policies and procedures.

Finding 2: The Community Did Not Account for Program Income

The Community Did Not Account for at Least \$28,576 in Program Income

CAN-B respectfully agrees with this finding that rent payments received from program participants were not recorded properly. CAN-B will review all past documents and work with HUD to reclassify said finding while enforcing/implementing the current policies and procedures.

Finding 3: The Community's Board Member Had a Conflict of Interest That Violated HUD Requirements

The Community's Board Member Had A Conflict of Interest

CAN-B respectfully agrees that payment to a Board Member is a conflict of interest per the stated CFR.

In Conclusion, we acknowledge the following:

- The necessity for the implementation of policies and procedures to ensure operating in compliance with HUD requirements.
- The necessity for written policies and procedures to ensure program income is recorded in compliance with HUD requirements.
- The conflict of interest policy between Board Members and the agency must be upheld, otherwise those payments are ineligible.

We appreciate the recommendations that HUD/OIG have set forth in the final report and will diligently address all findings and recommendations.

We appreciate your willingness to work with us, along with our HUD field representative to achieve compliance with all HUD regulation, with written policies and procedures, but more importantly with the implementation of said policies so that the agency can continue to provide services and housing through these HUD funded programs.

Comment 2

Comment 3

Comment 4



Sincerely,

Kari Rader
Executive Director
Community Action North Bay

Cc:
Kimberly Nash, Office of Community Planning and Development
Angelo Tom, Director, Program Support Division, Office of Community Planning and Development
Winston Moy, CPD Branch Chief, Community Planning and Development
Abigail Ford, CPD Representative, Office of Community Planning and Development
Christopher Patterson, Regional Administrator
Wayne Sauseda, Deputy Regional Administrator
Oscar Franklin, Director, Audit Liaison Division
Jennifer Lindsey, Management Analyst
Aaron Taylor, Management and Program Analysis
Kimberly Randall, Deputy Assistant Inspector General for Audit

OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the Community's plans to update its policy on donations so that matching contributions are linked to specific grants, maintain participant eligibility checklists for its Rapid Rehousing and Permanent Supportive Housing Programs, and ensure that program expenses are supported and eligible. During audit resolution, the Community will work with HUD to address the recommendations and issues identified in finding 1.
- Comment 2 We appreciate the Community's acknowledgment and planned corrective action to review past documents to reclassify its program income as well as enforce and implement its current policies and procedures in accounting for program income. By implementing and enforcing its program income policies and procedures, the Community can better ensure it follows HUD requirements. The Community should work with HUD to review past documents and reclassify identified program incomes to resolve finding 2.
- Comment 3 We appreciate the Community's acknowledgment and planned corrective actions to address the board member's conflict of interest. During the audit resolution, the Community should work with HUD to address the recommendations and identified issue in finding 3.
- Comment 4 We appreciate Community Action North Bay's cooperation, professionalism and the courtesy shown to us during the audit. By effectively implementing its written policies and procedures and taking the appropriate corrective actions, the Community will be taking positive steps that ensure compliance with HUD requirements.

Appendix C

Criteria

The following sections of 2 CFR part 200, 24 CFR part 578, the Continuum of Care Program grant agreements between HUD and the Community, and the Community's standard operating procedures were relevant to our review of the Community's Program.

2 CFR part 200 – Uniform administrative requirements, cost principles, and audit requirements for Federal awards

200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(g) Be adequately documented. See also section 200.300 Statutory and national policy requirements through section 200.309 Period of performance of this part.

200.405 Allocable costs.

(b) All activities which benefit from the non-Federal entity's indirect (F&A [facilities and administration]) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

200.430 Compensation – personal services.

(i) Standards for Documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed...

24 CFR part 578 – Continuum of Care Program

578.3 Definitions.

Chronically homeless means:

(1) A "homeless individual with a disability," as defined in section 401(9) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. [United States Code] 11360(9)), who:

(i) Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and

(ii) Has been homeless and living as described in paragraph (1)(i) of this definition continuously for at least 12 months or on at least 4 separate occasions in the

last 3 years, as long as the combined occasions equal at least 12 months and each break in homelessness separating the occasions included at least 7 consecutive nights of not living as described in paragraph (1)(i). Stays in institutional care facilities for fewer than 90 days will not constitute as a break in homelessness, but rather such stays are included in the 12-month total, as long as the individual was living or residing in a place not meant for human habitation, a safe haven, or an emergency shelter immediately before entering the institutional care facility;

- (2) An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than 90 days and met all of the criteria in paragraph (1) of this definition, before entering that facility...

Homeless means:

- (1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
 - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
 - (ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, State, or local government programs for low-income individuals); or
 - (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
- (2) An individual or family who will imminently lose their primary nighttime residence, provided that:
 - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, needed to obtain other permanent housing;
- (3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition....

Permanent housing means:

Community-based housing without a designated length of stay, and includes both permanent supportive housing and rapid rehousing. To be permanent housing, the program participant must be the tenant on a lease for a term of at least one year, which is renewable for terms that are a minimum of one month long, and is terminable only for cause.

Subpart D – Program Components and Eligible Costs

578.37 Program components and uses of assistance.

(a) Continuum of Care funds may be used to pay for the eligible costs listed in section 578.39 through section 578.63 when used to establish and operate projects under five program components: permanent housing; transitional housing; supportive services only; HMIS [Homeless Management Information System]; and, in some cases, homelessness prevention... The eligible program components are:

(1) Permanent housing (PH).

Permanent housing is community-based housing, the purpose of which is to provide housing without a designated length of stay... PH includes:

(i) Permanent supportive housing for persons with disabilities (PSH [permanent supportive housing]).

PSH can only provide assistance to individuals with disabilities and families in which one adult or child has a disability...

(ii) Rapid rehousing.

Continuum of Care funds may provide supportive services... as necessary to help a homeless individual or family, with or without disabilities, move as quickly as possible into permanent housing and achieve stability in that housing.

578.51 Rental assistance.

(a) Use.

(1) Grant funds may be used for rental assistance for homeless individuals and families. Rental assistance cannot be provided to a program participant who is already receiving rental assistance, or living in a housing unit receiving rental assistance or operating assistance through other federal, State, or local sources.

(g) Rent reasonableness.

HUD will only provide rental assistance for a unit if the rent is reasonable. The recipient... must determine whether the rent charged for the unit receiving rental assistance is reasonable in relation to rents being charged for comparable unassisted units...

Subpart F – Program Requirements

578.73 Matching requirements.

(a) The recipient or subrecipient must match all grant funds, except for leasing funds, with no less than 25 percent of funds or in-kind contributions from other sources.

578.75 General operations.

(b) Housing quality standards.

Housing leased with Continuum of Care program funds, or for which rental assistance payments are made with Continuum of Care program funds, must meet the applicable housing quality standards (HQS)...

(1) Before any assistance will be provided on behalf of a program participant, the recipient... must physically inspect each unit to assure that the unit meets HQS.

578.95 Conflicts of Interest

(d) Other conflicts.

For all other transactions and activities, the following restrictions apply:

(1) No covered person, meaning a person who is an employee, agent, consultant, officer, or elected or appointed official of the recipient or its subrecipients and who exercises or has exercised any functions or responsibilities with respect to activities assisted under this part, or who is in a position to participate in a decision-making process or gain inside information with regard to activities assisted under this part, may obtain a financial interest or benefit from an assisted activity, have a financial interest in any contract, subcontract, or agreement with respect to an assisted activity, or have a financial interest in the proceeds derived from an assisted activity, either for him or herself or for those with whom he or she has immediate family or business ties, during his or her tenure or during the one-year period following his or her tenure.

578.97 Program Income.

(b) Use.

Program income earned during the grant term shall be retained by the recipient, and added to funds committed to the project by HUD and the recipient, used for eligible activities in accordance with the requirements of this part.

(c) Rent and occupancy charges.

Rents and occupancy charges collected from program participants are program income.

Subpart G – Grant Administration

578.103 Recordkeeping requirements.

(a) In general.

The recipient... must establish and maintain standard operating procedures for ensuring that Continuum of Care program funds are used in accordance with the requirements of this part and must establish and maintain sufficient records to enable HUD to determine whether the recipient... has met the requirements of this part...

(4) Chronically homeless status.

The recipient must maintain and follow written intake procedures to ensure compliance with the chronically homeless definition in section 578.3. The procedures must require documentation at intake of the evidence relied upon to establish and verify chronically homeless status...

(i) For paragraph (1) of the “Chronically homeless” definition in section 578.3, evidence that the individual is a “homeless individual with a disability” as defined in section 401(9) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360(9)) must include:

(A) Evidence of homeless status...; and

(B) Evidence of a disability. In addition to the documentation required under paragraph (a)(4)(i)(A) of this section, the procedures must require documentation at intake of the evidence relied upon to establish and verify the disability of the person applying for homeless assistance. The recipient must keep these records for 5 years after the end of the grant term.

(8) Program participant records.

In addition to evidence of “homeless” status... the recipient or subrecipient must keep records for each program participant...

(9) Housing standards.

The recipient or subrecipient must retain documentation of compliance with the housing standards in section 578.75(b), including inspection reports.

(11) Match.

The recipient must keep records of the source and use of contributions made to satisfy the match requirement in section 578.73. The records must indicate the grant and fiscal year for which each matching contribution is counted. The records must show how the value placed on third party in-kind contributions was derived.

(12) Conflicts of interest.

The recipient and its subrecipients must keep records to show compliance with the ... other conflict requirements in section 578.95(d), a copy of the personal conflict-of-interest policy developed and implemented to comply with the requirements in section 578.95, and records supporting exceptions to the personal conflict-of-interest prohibitions.

Continuum of Care Program Grant Agreements, Scope of Work

5. If grant funds will be used for payment of indirect costs, pursuant to 2 CFR 200, Subpart E - Cost Principles, the Recipient is authorized to insert the Recipient's federally recognized indirect cost rates (including if the de minimis rate is charged per 2 CFR Section 200.414) on the attached Federally Recognized Indirect Cost Rates Schedule, which Schedule shall be incorporated herein and made a part of the Agreement. No indirect costs may be charged to the grant by the Recipient if their federally recognized cost rate is not listed on the Schedule.

7. Program income earned during the grant term shall be retained and may either be 1) added to funds committed to the project by HUD and the recipient and used for eligible activities; or 2) used as match.

Community Action North Bay Healthy Living Your Way Standard Operating Procedures

Healthy Living Your Way Supportive Housing Services
Eligibility Requirements

All 12 program participants must be chronically homeless as defined by the following:

A person who is "chronically homeless" is an unaccompanied homeless individual with a disabling condition:

- who has either been continuously homeless for a year or more, or
- has had at least four (4) episodes of homelessness in the past three (3) years.

In order to be considered chronically homeless, a person must have been sleeping in a place not meant for human habitation (e.g., living on the streets) and/ or in an emergency homeless shelter.