



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 4, 2019

MEMORANDUM NO:
2019-NY-1801

Memorandum

TO: Jemine A. Bryon, Deputy Assistant Secretary for Special Needs, DN
Meredith DeFraithe, Budget Analyst, Office of National Drug Control Policy

//SIGNED//

FROM: Kimberly S. Dahl, Regional Inspector General for Audit, Office of Audit, 2AGA

SUBJECT: Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs, Continuum of Care Homeless Assistance Grants Program, Regarding Drug Control Accounting for Fiscal Year 2018

This report provides the results of our independent attestation review of the U.S. Department of Housing and Urban Development (HUD), Office of Special Needs, Continuum of Care Homeless Assistance Grants Program, regarding drug control accounting and associated management assertions for fiscal year 2018 as outlined below.

In accordance with Office of National Drug Control Policy (ONDCP) requirements, HUD made the following assertions:

- HUD reported drug spending in accordance with the methodology approved by ONDCP.
- HUD's drug methodology used to calculate obligations of prior-year budgetary resources by function was approved by ONDCP in accordance with the criteria in section 6b(2) of the ONDCP circular.
- The drug methodology that HUD disclosed in its report was the methodology used to generate the required table.
- HUD's methodology for establishing performance targets was reasonable and consistently applied.
- HUD has established adequate performance measures and has a performance reporting system to collect performance data and generate accurate reports.

- HUD’s explanation for revising or eliminating performance measures and targets is reasonable.¹
- HUD’s report reflected the data output generated by a methodology approved by ONDCP.

Each National Drug Control Program agency must submit to the director of ONDCP, not later than February 1 of each year, a detailed accounting of all funds spent by the agency for National Drug Control Program activities during the previous fiscal year (21 U.S.C. (United States Code) 1704(d)(1)). In addition, the accounting must be “authenticated by the Inspector General for each agency prior to submission to the Director as frequently as determined by the Inspector General but not less frequently than every 3 years.” The accounting and related assertions are the responsibility of HUD’s management and were prepared by HUD personnel as specified in the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated May 8, 2018.

As required by Federal statute 21 U.S.C. 1704(d), we reviewed HUD’s Report on Drug Control Accounting, including its written assertions. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibility is to express a conclusion on the subject matter or assertion based on our review. The AICPA standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the subject matter or assertions in order for them to be in accordance with (or based on) the criteria. A review is substantially smaller in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria in all material respects or the responsible party’s assertion is fairly stated in all material respects in order to express an opinion. Accordingly, we do not express such an opinion.

We performed review procedures on HUD’s assertions and the accompanying fiscal year 2018 Accounting of Drug Control Funding and Performance Summary reports. See appendixes A and B for the documents received from HUD. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

Based upon our review, we are not aware of any material modifications that should be made to HUD’s assertions or the accompanying fiscal year 2018 Accounting of Drug Control Funding and Performance Summary in order for them to be in accordance with ONDCP requirements. We believe that our review provided a reasonable basis for our conclusion. We were unable to issue this report by the mandated deadline due to the lapse in government appropriations. However, we issued this report by March 5, 2019, as agreed upon by ONDCP.

¹ HUD’s narrative disclosed changes to performance measures, ongoing efforts to enhance performance data, and plans to establish performance targets.

Although this report is an unrestricted public document, its purpose is to authenticate HUD's reporting on national drug control spending to the Director of ONDCP. This report is not suitable for any other purpose.

Thank you for the cooperation and participation of HUD personnel in completing the attestation review. If you have any questions or comments to be discussed, please contact me at (212) 264-4174.

Attachments

cc:

David C. Woll, Jr., Acting Assistant Secretary for Community Planning and Development, D
Lori Michalski, Acting General Deputy Assistant Secretary for CPD, D
Irving L. Dennis, Chief Financial Officer, F
George Tomchick, Deputy Chief Financial Officer, F
Emily M. Kornegay, Assistant CFO for Budget, FO

Appendix A

HUD's Fiscal Year 2018 Office of National Drug Control Program Reporting

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

Resource Summary

Drug Resources	
	FY 2018 Actual
Treatment	\$504.655
Total Drug Resources by Function	\$504.655
Continuum of Care: Homeless Assistance Grants	\$504.655
Total Drug Resources by Decision Unit	\$504.655
Total FTEs (direct only)	-
Total Agency Budget (in Billions)	\$52.7
Drug Resources Percentage	0.958%

METHODOLOGY

The Office of Special Needs Assistance Programs in HUD does not have a specific appropriation for drug-related activities. Many of its programs target the most vulnerable citizens in our communities, including individuals with chronic mental health and/or substance abuse issues, persons living with HIV/AIDS, and formerly incarcerated individuals. HUD's annual Continuum of Care (CoC) Program competition requires project applicants to identify the number of persons with chronic substance abuse that they anticipate serving. This information is reported to HUD through its grants management site, e-snaps. E-snaps includes validations to ensure internal consistency with the data reported and the data are generally derived from historical records generated from local databases called Homeless Management Information Systems (HMIS). HUD prescribes many requirements for HMIS to ensure consistent data collection and reporting protocols. HUD uses the proportion of those persons, relative to the total number of persons experiencing homelessness that will be served to generate a percent of persons with chronic substance abuse issues that would be served in the CoC Program. In the most recent CoC Program competition, the fiscal year 2017 competition, HUD found that 24.82 percent (rounded) of the total clients that will be served are projected to have substance abuse issues. The 2018 CoC Program Competition data was not available at the time of this report so HUD relied on the 2017 CoC Program Competition data. HUD then multiplies this number by the CoC funding award to determine the anticipated amount that will be spent on serving persons with chronic substance abuse issues. For the fiscal year 2017 competition, HUD awarded \$2.033 billion in CoC Program funding, of which \$504.7 million (rounded) is anticipated to be spent on persons with chronic substance abuse issues.

MATERIAL WEAKNESSES OR OTHER FINDINGS

HUD has not identified any material weaknesses or other findings.

REPROGRAMMINGS OR TRANSFERS

HUD did not reprogram or transfer any drug control funds in fiscal year 2018.

OTHER DISCLOSURES

HUD has not identified any other disclosures relating to the fiscal year 2018 drug control funds.

MANAGEMENT ASSERTIONS

The management assertions for HUD's accounting report are found in the attached: Appendix B.

Department of Housing and Urban Development
FY 2018 Performance Summary Report

PERFORMANCE MEASURES & PRIOR YEARS PERFORMANCE TARGETS AND RESULTS

Information regarding the performance of the drug control efforts of HUD is based on data collected from programs receiving funding through the annual CoC Program competition.

Office of Special Needs Assistance Programs					
Selected Measures of Performance	FY 2014 Achieved	FY 2015 Achieved	FY 2016 Achieved	FY 2017 Achieved	FY 2018 Achieved
» Percentage of participants exiting CoC-funded transitional housing, rapid rehousing, and supportive services only projects that move into permanent housing.*	59.4%	52.0%	47.3%	49.3%	N/A
» Percentage of participants in CoC-funded permanent supportive housing remaining in or exiting to permanent housing.*	91.8%	92.9%	93.3%	93.3%	N/A
» Projected number of participants who report substance abuse as a barrier to housing to be served in CoC-funded projects.	87,286	76,390	73,755	71,748**	N/A

* This data is based on CoC Program Annual Performance Reports (APRs). APRs are for grants awarded in a fiscal year competition and are based on 1 year of performance for each of those grants. For instance, the grants awarded in fiscal year 2016 must begin operating sometime in calendar year 2017 and will report in the APR on 12 months of performance. This means that the earliest an FY 2016 grant could start is January 1, 2017 and the latest it could start is December 1, 2017 (we require all grants to begin operating by the beginning of the month). It means that the operating end date for a project could be from December 31, 2017 to November 30, 2018. On rare occasions a grant will be extended for an additional few months so the end date can be longer than the November 30, 2018 in these rare circumstances. For this report, the data under the fiscal year column is based on the grants awarded in the previous fiscal year, except for the data reported under the "FY2017 Achieved" column is based on data from grants awarded prior to fiscal year 2016 CoC program competition. For example, the data reported under the "FY 2016 Achieved" column is based on data from grants awarded in the fiscal year 2015 CoC Program competition. Data from APRs for grants awarded in fiscal year 2017, will not be available until calendar year 2020.

** In the FY 2017 Accounting and Performance Summary Report, HUD reported 68,813 people who report substance abuse that were projected to be served. That report did not include persons in CoCs that were given an extension to their application deadline due to disasters. The update to 71,748 reflects the number with data from all CoCs.

In the first performance measure – exits from transitional housing, rapid rehousing, and supportive services only projects to permanent housing destinations – there was a two-percentage point increase between 2016 and 2017 from 47.3 percent to 49.3 percent. There was no change during the same time period for the second measure, which looks at the percent

of persons served in CoC Program-funded permanent supportive housing projects that remain in or exit to permanent housing. Both measures reflect the importance for persons who receive homeless services through HUD-funded programs to exit to a stable housing situation.

The final measure tracks the number of persons proposed to be served by HUD's CoC-funded programs who enter with chronic substance abuse issues. There was a decrease of 2,007 persons projected to be served between 2016 and 2017.

As an additional note on performance, between calendar years 2016 and 2017, HUD saw a decline of 5 percent in families experiencing homelessness (27 percent decline since 2010), as reported in HUD's [*2017 Annual Homeless Assessment Report \(AHAR\): Part 1 – Point-in-Time Estimates of Homelessness*](#).

QUALITY OF PERFORMANCE DATA

HUD recently updated its data collection efforts across CoCs to improve the ability for HUD and CoCs to understand performance across their entire CoC – not merely at the project level. HUD has collected data across the entire CoC for over three years now. This effort has improved the understanding of performance across an entire CoC and has resulted in higher data quality at the project level. CoCs are required to report their data quality information (such as, null and missing values in fields) to HUD and data quality benchmarks are included in the annual CoC Program competition to incentivize higher data quality. Also, for CoC-funded projects, HUD switched its data collection system to one that requires project recipients to upload their data from their local Homeless Management Information Systems (HMIS). Previously, project recipients manually entered their data into our reporting system which took time and allowed for more opportunities for error. Data quality is improved because the new upload process does not accept imported data that has obvious errors. If an import of data is not accepted, the system alerts the recipient to the specific areas of concern and the recipient is required to update their local HMIS information to ensure the data are accurate. HUD is confident that this process has forced recipients to clean up their data, resulting in better data at the CoC level and nationally.

MANAGEMENT ASSERTIONS

The management assertions on the performance information contained in this report can be found in Appendix B.

Appendix B

HUD's Representations Letter



OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

March 4, 2019

Ms. Rae Oliver Davis
Inspector General
U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th Street SW, Room 8254
Washington, DC 20410

Dear Ms. Davis:

We are providing this letter in connection with your attestation review of HUD's annual submission of fiscal year 2018 funds expended for the National Drug Control Program. You conducted your attestation to (1) provide negative assurance that nothing came to the attention of the OIG that would cause you to believe our agency's accounting submission to the Office of National Drug Control Policy (ONDCP) was presented other than fairly in all material respects and (2) report whether HUD's submission to ONDCP was in compliance with applicable laws and regulations.

The Department's Continuum of Care Homeless Assistance Grants program supports efforts to eliminate homelessness by financing local solutions that provide housing and supportive services on a short or long-term basis to those experiencing homelessness. While the Continuum of Care (COC) helps support recovery by providing housing resources, HUD does not have a specific appropriation for drug-related activities. Although a COC can utilize funds to help people with chronic substance abuse, they are not required to do so. HUD uses a methodology approved by ONDCP to estimate how many people may have been served with HUD funds based on application data.

We understand and acknowledge that HUD's management is responsible for the fair presentation of the information included within the annual submission to ONDCP in accordance with applicable requirements. We are responsible for making all financial records and related information available to you to conduct the attestation review. Further, we agree to communicate to you the discovery of any material misstatements that would affect the fair presentation of its annual submission to ONDCP. The attestation review does not relieve us of these responsibilities.

We confirm, to the best of our knowledge and belief, the following representations and assertions made to you during the attestation review. These representations pertain to HUD's fiscal year 2018 Budget and Performance Summary for their accounting submission to ONDCP:

Written Assertions and Representations (Attestation Regulations- Ref: SSAE-210- par .11 and .33)

1. We are responsible for the fair and accurate presentation of the subject matter based on the criteria and in accordance w/applicable laws and requirements. We reported the FY18 detailed accounting and performance results data regarding "National Drug Control Program" activities

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in accordance with 21 U.S.C. 1704 (d)(a) and supplemental guidance provided in the related ONDCP Circulars.

2. We have identified and reflected all relevant matters in the measurement or evaluation of the subject matter.
3. We have identified and disclosed to you all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
4. We are responsible for:
 - a. the subject matter data and related assertion;
 - b. selecting the criteria, when applicable; and
 - c. determining that such criteria are appropriate for the responsible part's purposes.
5. We have identified and disclosed to you any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion.
6. We provided you all relevant information and access.
7. We believe the effects of any uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter.
8. The methodology and significant assumptions used to make material estimates are reasonable.
9. We have identified and disclosed any deficiencies in internal control relevant to the engagement that we are aware of.
10. We have no knowledge of any actual, suspected, or alleged fraud or noncompliance with laws and/or regulations affecting the subject matter or of any other matter affecting the subject.

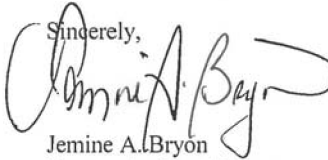
Written Assertion Requirements (ONDCP Regulations- Detailed Accounting Submission)

1. The drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit is based on reliable data in which the data's availability, timeliness, and relevance were considered.
2. The financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.
3. The drug methodology described in the report was the actual methodology used to generate the required data table.

4. The data presented is associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogramming or transfers affecting drug-related resources in excess of \$1 million.
5. The data presented is associated with obligation against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 USCC 1703(f) and Section 9 of the ONDCP Circular, *Budget Execution*.

Written Assertion Requirements (ONDCP Regulations- Performance Summary Submission)

1. The Performance reporting system is appropriate and applied. The agency has a system to capture performance information accurately and the system is properly applied to generate the performance data. The reporting systems used are current, reliable, and an integral part of the agency's performance management processes.
2. Explanations for not meeting performance targets are reasonable, if applicable. Recommendations concerning plans and schedules for meeting future targets or for revising targets or eliminating performance measures is reasonable.
3. Methodology to establish performance targets is reasonable and consistently applied. The methodology described to establish performance targets for the current year is reasonable given past performance and available resources.
4. Adequate performance measures exist for all significant drug control activities. We have established at least one acceptable performance measure for each Drug Control Budget Decision Unit identified in reports required for which a significant amount of obligations (\$1,000,000 or 50% of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure reflects the intended purpose of the relevant National Drug Control Program activity.

Sincerely,

 Jemine A. Bryon
 Deputy Assistant Secretary
 Office of Special Needs

Attachment

cc: David C. Woll, Jr., Principal Deputy Assistant Secretary, CPD
 Lori Michalski, Acting General Deputy Assistant Secretary, D
 George Tomchick, Deputy Chief Financial Officer, F
 Lisa Abell, Director, CPD Budget, DOTB
 Norman Suchar, Director, SNAPS, DNS
 Tonya Proctor, Deputy Director, SNAPS, DNS

William Snow, Specialist, SNAPS, DNS
Danielle Palmer, Financial Operations Analyst, CFO Funds Control Assurance Division, FMC
Emily M. Kornegay, Assistant CFO for Budget, FO
Rachel Johnson, Acting Director, Program Budget Development Division, FOP
Mary Didier, Acting Branch Chief, OCFO