



**King County  
Seattle, WA**

**Shelter Plus Care Program**



Issue Date: July 28, 2014

Audit Report Number: 2014-SE-1005

TO: Jack Peters, Regional Director, Office of Community Planning and Development,  
0AD

//signed//

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

SUBJECT: King County Did Not Meet Shelter Plus Care Matching 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 King County's Shelter Plus 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, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



July 28, 2014

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## King County Did Not Meet Shelter Plus Care Matching Requirements

# Highlights

Audit Report 2014-SE-1005

### What We Audited and Why

We audited King County because it received the most Shelter Plus Care funding in the U.S. Department of Housing and Urban Development's (HUD) Region 10 (Alaska, Idaho, Oregon, and Washington) under the 2011 and 2012 notices of funding availability. Its awards represented one-third of all Shelter Plus Care funds awarded in Region 10. Our objective was to determine whether King County met the matching requirements for its Shelter Plus Care grants.

### What We Recommend

We recommend that HUD require King County to provide supporting documentation for the nearly \$921,000 in unsupported match or repay HUD from non-Federal funds for any remaining unmatched grant funds.

### What We Found

While it was able to provide the necessary service match support for its 2011 sponsor-based grant, King County was not able to provide enough support for its two 2011 tenant-based Shelter Plus Care grants. As a result, King County could be required to reimburse HUD up to nearly \$921,000, depriving its Shelter Plus Care clients of needed housing and supportive services.

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## **BACKGROUND AND OBJECTIVE**

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### **Shelter Plus Care Program**

The Shelter Plus Care program provides rental assistance alongside a range of supportive services funded by other sources. The purpose of the Shelter Plus Care program is to provide permanent housing in connection with supportive services to homeless people with disabilities and their families. Local Shelter Plus Care programs are typically implemented through partnerships that include a grantee, one or more nonprofit housing sponsors that own or coordinate leasing of housing for program participants, and a network of supportive service providers. In fiscal year 2011, the U.S. Department of Housing and Urban Development (HUD) awarded more than \$522 million to Shelter Plus Care programs across the country.

Shelter Plus Care program rules required grantees to match rental assistance with an equal amount of supportive services from other sources. These rules did not exclude any source of funding for the purposes of meeting the supportive services match requirement, except that Shelter Plus Care grant funds may not have been used for supportive services in any event. To qualify as match, the supportive service must have addressed the special needs of the client. Supportive services may have been provided by a variety of entities, including Shelter Plus Care sponsors, the grantee, or social service agencies in the community. We considered the services provided by sponsor agencies to be “internal” match, while “external” referred to services provided by local agencies that were not participating sponsors in the Shelter Plus Care program.

Beginning the year following our audit scope, these program rules were changed to require grantees to match only 25 percent of the grant amount with supportive services.

### **King County, WA**

King County’s Shelter Plus Care program serves homeless persons with disabilities in approximately 850 households in more than 680 individual apartments and group homes throughout King County. King County received three grants under the 2011 Shelter Plus Care notice of funding availability totaling more than \$6 million. These grants included two tenant-based rental assistance grants and one sponsor-based rental assistance grant.

Plymouth Housing Group administers the County’s Shelter Plus Care program. There were 18 nonprofit organizations serving as sponsors under this program. These sponsors referred clients to Plymouth Housing for rental assistance and provided case management and other services as match for the Shelter Plus Care rental assistance funds expended under the grants.

Our objective was to determine whether King County met the matching requirements when executing its Shelter Plus Care grants funded by the 2011 notice of funding availability.

## RESULTS OF AUDIT

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### Finding: King County Did Not Meet Matching Requirements

King County could not support the required amount of service match for its 2011 tenant-based Shelter Plus Care grants. This condition occurred because King County relied on summary-level data instead of detailed documentation. As a result, it could be required to reimburse HUD up to \$920,908, depriving its Shelter Plus Care clients of needed housing and supportive services.

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#### Unsupported Service Match

King County could not support the required amount of service match for its 2011 tenant-based Shelter Plus Care grants. The two tenant-based grants from HUD provided almost \$5.2 million in rental assistance to King County. According to 24 CFR (Code of Federal Regulations) 582.110, King County must match this rental assistance with an equal amount of supportive services to its clients assisted by these grants. King County was able to support only about \$4.2 million in services provided to its tenant-based rental assistance clients. The following table shows how much supported match was provided by the sponsor agencies and lists a few examples of the service types observed.

Provider	Service types	Match
Sponsor agencies	Case management, health care, mental health services, chemical dependency services	\$2,623,228
Other local agencies	Transportation, housing placement, health care, food, anonymous substance abuse meetings	\$1,606,804
<b>Total</b>		<b>\$4,230,032</b>

#### Reliance on Summary Data

King County relied on quarterly, summary-level data from its sponsor agencies. Sponsor agencies reported to Plymouth Housing how much service match each client received in various categories each quarter. Plymouth Housing would combine these numbers into programwide totals and forward this information to the County so it could include those figures in its annual progress report to HUD. King County could not quantify how much of the reported match was internally provided by the sponsor agencies. Consequently, we could not compare what we saw in the sponsors' internal records to any part of the reported figures. By relying only on the summary data, King County could not make this comparison either.

In addition, King County allowed sponsor agencies to use client certifications as support documentation for a wide range of services provided by nonsponsor agencies. Sponsor agencies had all clients complete a questionnaire asking how many times they received various services during the previous month or quarter. These services included medical appointments, support groups, and visits to local food banks. Additional documentation for anonymous substance abuse meetings and food bank visits was unlikely to exist, but King County and its sponsor agencies relied on the memory of clients instead of obtaining and maintaining detailed documentation for services that usually include a paper trail, such as medical and psychiatric billings.

### **Possible Repayment of Grant Funds**

King County could be required to reimburse HUD up to nearly \$921,000, which would deprive its Shelter Plus Care clients of needed housing and supportive services. As we were writing this report, King County was gathering support for additional match expenses, but this support was not provided during the five months we were performing our audit fieldwork.

### **Recommendation**

We recommend that the Director of Region X's Office of Community Planning and Development require King County to

- 1A. Provide supporting documentation for the \$920,908 in unsupported match and repay any remaining unsupported match from non-Federal funds.

## SCOPE AND METHODOLOGY

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Our scope was the term of the 2011 Shelter Plus Care grants, which ran between May 1, 2012, and April 30, 2013. We performed our onsite audit work between December 2013 and April 2014 at King County Housing and Community Development's office located at 401 Fifth Avenue, Suite 510, Seattle, WA; Plymouth Housing Group's office at 1524 First Avenue, Seattle, WA; and the sponsor agencies scattered across King County.

To accomplish our objective, we studied applicable agreements and HUD requirements, interviewed HUD and King County staff, reviewed King County's Shelter Plus Care administrative plan, analyzed the service logs for the participating supportive service agencies, and conducted site visits to the various service agencies to review case files and confirm the information in the service logs.

### **Review Methodology**

We requested all of the internal match data for services provided by each of the sponsor agencies, as well as the value of those services. We also requested documentation of external match services provided by the nonsponsor agencies in the community. We reviewed everything King County provided to us and used that information to calculate the allowable match. We excluded some service data from our calculations for a variety of reasons, such as when the service type was unsupported by clinical records and when activities occurred outside the client's period of participation in the Shelter Plus Care program that were not outreach activities.

We relied on computer-generated data to support our audit conclusions; accordingly, we conducted onsite reviews to strengthen our understanding of the data controls in place. We performed sufficient tests of the service log data using data analysis techniques, and based on the assessments and testing, we concluded that the data were sufficiently reliable to support our conclusions.

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

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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:

- Policies and procedures implemented to ensure that matching contributions were eligible and supported.

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 Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- King County did not have controls in place to ensure that service match contributed for its 2011 tenant-based Shelter Plus Care grants was supported (finding 1).

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

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Recommendation number	Unsupported 1/
1A	\$920,908

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

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments



King County

**Department of Community and Human Services  
Formal Comments to Shelter Plus Care Draft Audit Report  
June 26, 2014**

King County respectfully disagrees that we were not able to support the required amount of service match for our 2011 tenant-based Shelter Plus Care grants. As part of the audit process, King County presented over \$5.2 million in eligible, supported match to meet this requirement.

**Reliance on Summary-Level Data**

Further, we disagree that King County relied solely on quarterly, summary-level data from our sponsor agencies to report required match on annual progress reports submitted to HUD. All data reported on annual progress reports is generated from detailed source documentation consisting of sponsor agencies' records and individual participant files, then substantiated through a robust subrecipient monitoring process. These internal controls have been put in place to ensure that matching services, including services provided by sponsor agencies ("internal match") and community-based services provided by other local agencies ("external match"), are eligible and properly supported.

Data collected from each sponsor agency is reported on a per participant per activity basis. Documentation for this data is maintained in each of the individual client files. The number of activities and related values are then reviewed on a sample basis as part of regular site visits with each of the sponsoring agencies completed by Plymouth Housing Group (PHG), the agency managing the SPC program under a sub-contract with King County.

**The Use of Client Certifications**

We agree that part of the required match documentation relies on client certifications as support for a wide range of services provided by nonsponsor agencies. Case managers and their SPC participants report on a regular basis the services that participants receive in the community to support their special needs (e.g. AA groups, childcare, medical services), and these are recorded on forms that are kept in each participant's file. These services have a standard valuation that is used by all sponsor agencies for externally provided services.

King County asserts that the current process for the valuation and documentation of these community resources meets the applicable SPC requirements. In fact, the HUD Office of Community Planning and Development monitored King County SPC in 2010, and this included a review of supportive service match. Although CPD included a concern regarding

**Comment 1**

**Comment 2**

**Comment 3**

**Ref to OIG Evaluation**

**Auditee Comments**

the standardization of valuation for these services, their report did not include a concern or finding regarding the eligibility or documentation of these services. They noted that:

*As part of the case management, the sponsors also refer the program participants to community resources for other needed services. The sponsors submit specific reports to PHG on the supportive services provided to the program participants. These reports are used for providing the supportive services match information in the APRs. PHG conducts periodic site reviews to verify the supportive services match amounts reported by the sponsors.*

*From our review, we determined that the participants are receiving appropriate supportive services, and that the overall value of those services at least equals the amount of SPC funding used for rental assistance under each grant.*

**Comment 4**

It is the exclusion of these services which results in the unsupported match outlined in this report. Since King County relies on its partnership with CPD to ensure the continued compliance of this critical program and their most recent review did not indicate the process being inadequate or non-compliant, we respectfully request that the value of services substantiated through client certifications be counted towards our match requirement, thereby clearing this finding.

**Comment 5**

## OIG Evaluation of Auditee Comments

**Comment 1** We disagree that the data in the summary reports are backed by detailed source documentation. The summary reports include the client-reported match amounts discussed below in Comment 3, which are based on the client’s memory and not on detailed source documentation.

To demonstrate this, the following is a portion of a monthly client questionnaire used by one of the sponsor agencies as support for more than \$27,000 in childcare expenses.

<b>Family Services:</b>	
1. How many children did you receive Therapeutic Childcare for?	<u>2</u>
2. How many <b>days</b> (per child) of Therapeutic Childcare did your child(ren) receive?	<u>21</u>
3. How many Nutritional Counseling visits did you have?	<u>1</u>
4. How many hours of Parenting Classes did you or any of your family members attend?	<u>1</u>

**Figure 1** Example of monthly match questionnaire completed by a Shelter Plus Care client

King County’s Shelter Plus Care program valued therapeutic childcare at \$60 per child per day. For the year, the client reported a total of 453 child-days (42 of these occurred in the month shown in the example above) worth \$27,180. The sponsor agency used these monthly questionnaires as support instead of maintaining source documents from the childcare provider. The level of documentation shown above would not be sufficient support for costs borne by a Federal grant, and, as such, would not be considered verifiable documentation of service match.

**Comment 2** We disagree that King County’s monitoring procedures were an adequate control. The effectiveness of monitoring is limited by the reviewer’s understanding of program rules and requirements. King County and Plymouth Housing Group personnel believed that client questionnaires were sufficient support to document service match. If the reviewer does not know that this documentation is insufficient, then monitoring becomes a less effective control.

**Comment 3** We disagree that the client-reported services were properly documented. Federal cost principles at 2 CFR 225, appendix B, indicate that match services and expenses must be supported in the same manner as those claimed as allowable costs under Federal awards, and to be allowable under Federal awards, costs must be adequately documented. [see 2 CFR 225, appendix A(C)(1)(j)] Therefore, HUD should not pay out reimbursement funds for products or services based solely on a client’s memory. Instead, source documentation from the product or service provider would be necessary to prove the existence of the transaction and the value of it.

- Comment 3 (continued)** As we mention in the Results of Audit section, many nonsponsor agencies could provide clients with physical documentation of their services. For example, a paper trail of invoices and insurance billing information exists when visiting a doctor's office. Similarly, a childcare provider could also provide documentation as discussed in Comment 1. Absent documents like these, King County could at least require clients to obtain a signed note from the service provider as proof of their visit. We understand that group substance abuse meetings and food bank visits tend to be anonymous, so we accepted the client-reported figures for these services. Other services, however, are not anonymous and require verifiable support to be considered match.
- Comment 4** We do not know how much unsupported match is due to the exclusion of client-reported services. For the reasons noted above, we did not count the client-reported data provided by King County. Our methodology involved looking at all the records provided by King County and its sponsor agencies and adding all of the match that was adequately supported. It is possible that the client-reported services we excluded made up the difference between the required match and what we counted, but we cannot confirm that based on the work we performed.
- Comment 5** The absence of an issue from a monitoring report does not indicate that HUD considers a practice to be compliant. The CPD report mentions the use of community resources, which includes services supported by invoices. Some of the external services we reviewed, such as invoices for kidney dialysis, were adequately documented. Without explicit permission from HUD for the use of client-reported services, we hold the auditee responsible for its actions.