



Travelers Aid Society of Metropolitan Detroit, Detroit, MI

Continuum of Care Program

**Office of Audit, Region 5
Chicago, IL**

**Audit Report Number: 2017-CH-1008
September 28, 2017**



To: Keith E Hernández, Director of Community Planning and Development, 5FD

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, 5AGA

Subject: Travelers Aid Society of Metropolitan Detroit, Detroit, MI, Did Not Always Administer Its Continuum of Care Program in Accordance With Federal Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Travelers Aid Society of Metropolitan Detroit'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, section 8M, requires that OIG post its publicly available reports on the OIG website. 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 312-353-7832.



Audit Report Number: 2017-CH-1008

Date: September 28, 2017

Travelers Aid Society of Metropolitan Detroit, Detroit, MI, Did Not Always Administer Its Continuum of Care Program in Accordance With Federal Regulations

Highlights

What We Audited and Why

We audited Travelers Aid Society of Metropolitan Detroit's Continuum of Care program. The audit was part of the activities in our fiscal year 2017 annual audit plan. We selected Travelers Aid's program based on a request from the Director of the U.S. Department of Housing and Urban Development's (HUD) Detroit Office of Community Planning and Development and the results of HUD's monitoring review of one of Travelers Aid's fiscal year 2014 program grants. Our objective was to determine whether Travelers Aid administered its program in accordance with Federal regulations.

What We Found

Travelers Aid did not always administer its program in accordance with Federal regulations. Specifically, it did not maintain sufficient documentation to support that (1) it met its matching contribution requirement for program-funded projects, (2) program administrative funds were used for eligible administrative expenses associated with the project for which the funds were drawn, (3) program income was used for the project that generated it and for eligible activities, and (4) program funds were used for eligible project expenses for supportive services and leasing. As a result, Travelers Aid is at risk of having to repay HUD more than \$2.1 million due to a lack of sufficient documentation to support that it complied with Federal regulations regarding match contributions. In addition, HUD and Travelers Aid lacked assurance that Travelers Aid used nearly \$171,000 in program income appropriately.

What We Recommend

We recommend that the Director of HUD's Detroit Office of Community Planning and Development require Travelers Aid to (1) support that it met its matching contribution requirement associated with the more than \$2.1 million in program funds it drew down for supportive services and administrative expenses or reimburse HUD from non-Federal funds as appropriate; (2) support or reimburse HUD from non-Federal funds for the nearly \$171,000 in program income for which it did not provide sufficient documentation to support that the funds were used for the project that generated the income and for eligible activities; and (3) implement adequate procedures and controls to address the finding cited in this audit report.

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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. 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.

Incorporated in 1947 as a nonprofit corporation under the laws of the State of Michigan, Travelers Aid Society of Metropolitan Detroit's mission is to provide homeless individuals and families with individualized supportive services and tailored housing solutions with a goal of obtaining and maintaining affordable housing. To accomplish its mission, Travelers Aid administered the following program-funded projects during the audit period of September 1, 2014 through December 31, 2016: Project BEIT, Project Infinity, SHOP I, SHOP II, and SHOP III. The projects provided housing services that allowed homeless individuals and families to live as independently as possible. Travelers Aid's records for the projects are located at 65 Cadillac Square, Suite 3000, Detroit, MI.

The U.S. Department of Housing and Urban Development (HUD) awarded Travelers Aid 13 fiscal years 2013 through 2015 program grants totaling more than \$7 million for its projects. During our audit period, Travelers Aid drew down more than \$5.4 million in program funds from HUD's Line of Credit Control System¹ for the projects and was required to provide more than \$526,000 in matching contributions.² The following table shows the project name, project type, fiscal year, program grant number, and amount of program funds HUD awarded Travelers Aid for the projects.

¹ The Line of Credit Control System is HUD's primary grant disbursement system for most of its programs.

² The more than \$526,000 in matching contributions was associated with fiscal years 2013 and 2014 program funds only. We did not review matching contributions associated with the fiscal year 2015 program funds since the performance period for the fiscal year 2015 grants had not closed as of December 31, 2016.

Project name	Project type	Fiscal year	Program grant number	Program funds
BEIT	Permanent supportive housing	2013	MI0029L5F011306	\$914,758
		2014	MI0029L5F011407	914,758
		2015	MI0029L5F011508	925,290
Infinity	Permanent supportive housing	2013	MI0043L5F011306	989,603
		2014	MI0043L5F011407	989,603
		2015	MI0043L5F011508	1,001,000
SHOP I	Transitional housing	2013	MI0067L5F011306	227,076
		2014	MI0067L5F011407	227,076
		2015	MI0067L5F011508	227,076
SHOP II	Transitional housing	2013	MI0068L5F011306	217,366
		2014	MI0068L5F011407	217,366
SHOP III	Supportive services only	2013	MI0069L5F011306	82,191
		2014	MI0069L5F011407	82,191
Totals			13 grants³	7,015,354

Our objective was to determine whether Travelers Aid administered its program in accordance with Federal regulations. Specifically, we wanted to determine whether it (1) met its matching contribution requirement for its program-funded projects, (2) used program administrative funds for expenses associated with the project for which the funds were drawn, (3) properly accounted for and used program income, and (4) maintained sufficient documentation to support project expenses.

³ HUD did not award fiscal year 2015 program grants to Travelers Aid for SHOP II or SHOP III.

Results of Audit

Finding: Travelers Aid Did Not Always Administer Its Program in Accordance With Federal Regulations

Travelers Aid did not always administer its program in accordance with Federal regulations.⁴ Specifically, it did not maintain sufficient documentation to support that (1) it met its matching contribution requirement for program-funded projects, (2) program administrative funds were used for eligible expenses associated with the project for which the funds were drawn, (3) program income was used for the project that generated it and for eligible activities, and (4) program funds were used for eligible project expenses for supportive services and leasing. These weaknesses occurred because Travelers Aid lacked adequate procedures and controls to ensure that it maintained sufficient documentation to support that its program was administered in accordance with Federal regulations. As a result, Travelers Aid is at risk of having to repay HUD more than \$2.1 million due to a lack of sufficient documentation to support that it complied with Federal regulations regarding match contributions. In addition, HUD and Travelers Aid lacked assurance that Travelers Aid used nearly \$171,000 in program income appropriately.

Lack of Sufficient Documentation To Support Program Matching Contributions

Travelers Aid lacked sufficient documentation to support that it met its matching contribution requirement.⁵ It drew down more than \$2.1 million in program funds for supportive services and administrative expenses from its 2013 and 2014 program grants. Therefore, it was required to obtain and use more than \$526,000 in match contributions. Although Travelers Aid's project applications included sources of funds that were to be used as match for the projects, its current chief financial officer⁶ stated that she could not find documentation or records in the projects' general ledgers to support that matching funds were used to pay for project-related expenses. Travelers Aid's current chief executive officer⁷ stated that although the previous administration did not properly account for and keep track of its use of matching contributions for the projects, she believed that sufficient matching contributions were made. The following table shows the project name, the program funds Travelers Aid drew down for supportive services and administrative (admin) expenses from its fiscal years 2013 and 2014 program grants, the matching contributions it was required to provide, and the associated totals.

⁴ See appendix C of this audit report.

⁵ See appendix C of this audit report.

⁶ Travelers Aid's current chief financial officer started on December 3, 2016.

⁷ Travelers Aid's current chief executive officer started on September 1, 2016, as the acting chief executive officer.

Project name	Program funds drawn (fiscal years 2013 and 2014)			Matching contribution requirement (fiscal years 2013 and 2014)		
	Supportive services	Admin	Total	Supportive services	Admin	Total
BEIT	\$661,848	\$114,432	\$776,280	\$165,462	\$28,608	\$194,070
Infinity	716,200	123,276	839,476	179,050	30,820	209,870
SHOP I	169,928	29,330	199,258	42,482	7,332	49,814
SHOP II	170,315	28,114	198,429	42,579	7,028	49,607
SHOP III	85,291	5,942	91,233	21,323	1,486	22,809
Totals	1,803,582	301,094	2,104,676	450,896	75,274	526,170

As of July 2017, Travelers Aid had been actively working with staff from HUD's Detroit Office of Community Planning and Development to identify and document all available match sources and contributions related to its fiscal year 2015 program grants.

Lack of Sufficient Documentation To Support the Use of Program Administrative Funds

Travelers Aid drew down more than \$341,000 in program administrative funds for the projects from HUD's Line of Credit Control System during the audit period. However, based on its general ledger, only \$35,279 in administrative expenses was charged to the projects during the period. Travelers Aid was unable to sufficiently support that the remaining nearly \$306,000⁸ in program administrative funds was used for eligible administrative expenses associated with the project for which the funds were drawn as required.⁹

The following table shows the project name, the amount of administrative funds drawn down from HUD's Line of Credit Control System for each project during the audit period, the amount of administrative expenses charged to each project during the period, and the amount of administrative funds for each project that Travelers Aid could not support was used for eligible administrative expenses associated with the project for which the funds were drawn.

⁸ The nearly \$306,000 (\$305,936) is the more than \$341,000 (\$341,215) - the \$35,279.

⁹ See appendix C of this audit report.

Project name	Administrative funds drawn from HUD's system	Administrative expenses charged to the project	Unsupported administrative funds drawn for the project
BEIT	\$133,357	\$24,776	\$108,581
Infinity	141,634	0	141,634
SHOP I	32,168	7,857	24,311
SHOP II	28,114	2,646	25,468
SHOP III	5,942	0	5,942
Totals	341,215	35,279	305,936

Travelers Aid's chief executive officer stated that before our audit, she did not realize that Travelers Aid did not sufficiently track its use of project administrative funds since HUD did not advise Travelers Aid of this situation or note it in a monitoring review. The chief executive officer also stated that Travelers Aid's previous administrations were likely not aware that the use of program administrative funds had to be tracked in such detail.

Program Income Not Accounted for Correctly

Travelers Aid generates program income through rent paid by the program participants (clients). As applicable, Project BEIT, Project Infinity, and SHOP clients were responsible for paying 30 percent of their income to Travelers Aid for rent based on the rental calculation performed by the case manager. During the audit period, Travelers Aid generated \$170,995 in program income that was associated with Project BEIT, Project Infinity, SHOP I, and SHOP II.¹⁰ Contrary to HUD's regulations at 24 CFR 578.97, before July 1, 2016, program income was recorded in Travelers Aid's general ledger as general support instead of to the specific project that generated the income. As a result, it did not properly add \$147,534 in program income to funds committed to the applicable projects by HUD and the recipient. Therefore, Travelers Aid could not support that nearly \$148,000 in program income was used for the project that generated it.

After July 1, 2016, Traveler's Aid changed how it accounted for program income. Therefore, it accurately recorded and applied the remaining \$23,461 (\$170,995 - \$147,534) in program income to the project that generated the income. However, it lacked sufficient documentation to show that the program income was used for eligible activities. According to Travelers Aid's chief financial officer, its general ledger was not set up to show the source of funds that was used to pay for an expense. Therefore, it could not provide a list or identify project expenses that were paid for with program income.

¹⁰ SHOP III did not generate any program income during the audit period.

Program Funds Disbursed for Unsupported Project Expenses

We reviewed 78 of the 5,819 expenses that Travelers Aid associated with Project Infinity, Project BEIT, and SHOP I during the audit period. The 78 expenses totaled \$105,008 in program funds for 43 supportive service (\$58,652) and 35 leasing (\$46,356) expenses. Travelers Aid could not provide sufficient documentation to support that it used \$54,770 (52.16 percent) in program funds for eligible supportive service (\$26,036) and leasing (\$28,734) expenses.

Of the supportive service expenses reviewed, \$26,036 (44.39 percent) was unsupported. For example, documentation was not always maintained to support how expenses were allocated to the projects. Travelers Aid’s chief executive officer believed that the former administration allocated some expenses based on the remaining funds in a project’s budget, rather than ensuring that each expense was allocated to the appropriate project(s). The following table shows the project name(s), the unsupported category, and the amount of program funds disbursed for the unsupported supportive service expenses.

Project name(s)	Unsupported category (supportive services)	Program funds
Infinity, BEIT, SHOP I	Office supplies	\$11,179
Infinity	Specific assistance food	4,070
Infinity	Salary and wages	4,050
BEIT	Building rental	3,314
Infinity	Bus tickets	2,000
Infinity, BEIT	Contractual office support	1,235
Infinity, BEIT, SHOP I	Payroll taxes	105
SHOP I	Consultants	75
BEIT	Telephone	8
Total		26,036

Further, of the leasing expenses reviewed, which included documentation from 56 client files, \$28,734 (61.99 percent) was unsupported because Travelers Aid could not provide sufficient evidence to show that the clients were homeless and disabled as required.¹¹ For example, the files lacked documentation, such as referral letters, written verifications from shelters, and eviction notices, to sufficiently support a client’s homeless status. In addition, the files for several Project BEIT and Infinity clients did not include sufficient evidence, such a third-party verification, to support that the client or a family member was disabled.¹² According to one of

¹¹ See appendix C of this audit report.

¹² Projects BEIT and Infinity are permanent supportive housing projects. Therefore, assistance can be provided only if the client or a family member has a disability.

Traveler’s Aid’s case managers, before the current chief executive officer took over in September 2016, Travelers Aid faced extremely difficult challenges, including staff turnover and a lack of communication between management and staff. Therefore, the appropriate documentation was not always obtained.

The following table shows the project name, the unsupported category (specifically, the number of client files that lacked documentation to support the client’s homeless status on intake, evidence of a disability, or both), and the amount of program funds disbursed for the unsupported leasing expenses.

Project name	Unsupported category (leasing)				Program funds
	Homeless	Disability	Both	Total	
Infinity	7 clients	4 clients	5 clients	16 clients	\$17,268
BEIT	2 clients	7 clients	6 clients	15 clients	10,820
SHOP I	1 client	Not applicable ¹³		1 client	646
Totals	10 clients	11 clients	11 clients	32 clients	28,734

In addition, Travelers Aid used \$1,165 in program funds to pay for improper supportive service expenses. The improper expenses included payroll processing fees, a picnic-related expense, and other expenses that were not allocated to the appropriate project.

Conclusion

The weaknesses described above occurred because Travelers Aid lacked adequate procedures and controls to ensure that sufficient documentation was maintained to support that its program was administered in accordance with Federal regulations. As a result, Travelers Aid is at risk of having to repay HUD more than \$2.1 million due to a lack of sufficient documentation to support that it complied with Federal regulations regarding match contributions. In addition, HUD and Travelers Aid lacked assurance that Travelers Aid used nearly \$171,000 in program income appropriately.

Recommendations

We recommend that the Director of HUD’s Detroit Office of Community Planning and Development require Travelers Aid to

- 1A. Support that it met its \$526,170 matching contribution requirement associated with the more than \$2.1 million in program funds it drew down for supportive

¹³ SHOP I is not a permanent supportive housing project. Therefore, clients are not required to be disabled to be eligible to participate.

services and administrative expenses. If Travelers Aid cannot provide sufficient support, it should reimburse HUD \$1,776,381 from non-Federal funds.¹⁴

- 1B. Support or reimburse HUD from non-Federal funds for the \$305,936 in program administrative funds for which it did not provide sufficient documentation to support that the funds were used for eligible administrative expenses associated with the project for which the funds were drawn.
- 1C. Support or reimburse HUD from non-Federal funds for the \$170,995 in program income for which it did not provide sufficient documentation to support that the funds were used for the project that generated the income (\$147,534) and for eligible activities (\$23,461).
- 1D. Support or reimburse HUD from non-Federal funds for the \$54,770 in program funds for which it did not provide sufficient documentation to support that the funds were used for eligible project expenses for supportive services (\$26,036) and leasing (\$28,734).
- 1E. Reimburse HUD from non-Federal funds for the \$1,165 in program funds used for improper supportive service expenses.
- 1F. Implement adequate procedures and controls to ensure that it maintains sufficient documentation to support that matching contributions, program funds, and program income are accounted for and used in accordance with Federal regulations and it uses program funds for the projects in accordance with Federal regulations.

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

- 1G. Provide technical assistance to Travelers Aid to ensure that its staff is adequately trained on how to account for and use matching contributions, program funds, and program income in accordance with Federal regulations.

¹⁴ The actual unsupported amount was \$2,104,676 (table on page 6). However, the amount was reduced by recommendations 1B (\$301,094 of the \$305,936 in program administrative funds (table on page 6)), 1D (\$26,036), and 1E (\$1,165), thus totaling \$1,776,381. If Travelers Aid is able to provide support for recommendation 1B and the supportive service expenses in recommendation 1D, the amount for recommendation 1A would increase to \$2,103,511 (\$1,776,381 + 301,094 + 26,036).

Scope and Methodology

We performed our onsite audit work between February and July 2017 at Travelers Aid's office located at 65 Cadillac Square, Detroit, MI. The audit covered the period September 1, 2014, through December 31, 2016.

To accomplish our objective, we reviewed

- Applicable laws, Federal regulations at 2 CFR (Code of Federal Regulations) Parts 200 and 230, HUD's regulations at 24 CFR Parts 84 and 578, HUD's grant agreements with Travelers Aid for program funds, HUD's monitoring review of Travelers Aid's program, and data in HUD's Line of Credit Control System.
- Travelers Aid's financial records, general ledger, chart of accounts, program income tracking log, project applications, annual performance reports, and organizational charts and staff directories.
- Source documentation associated with the 78 project expenses selected for review.

In addition, we interviewed Travelers Aid's and HUD's staff.

For the survey, we selected a representative nonstatistical sample from a survey universe of 2,412 expenses totaling more than \$2.1 million that Travelers Aid associated with Project Infinity during the audit period.¹⁵ We randomly selected one expense from each general ledger code that made up more than 1.2 percent (\$10,000) of the total for each expense category (supportive service expenses and leasing expenses), three expenses from each general ledger code that made up more than 50 percent of the total, and four expenses from each general ledger code that made up more than 75 percent of the total. The 18 expenses selected totaled \$45,029 and included \$38,012 for 13 supportive service expenses and \$7,017 for 5 leasing expenses.

For the audit, the sample was designed as a stratified systematic random sample from an audit universe of 5,819 expenses totaling nearly \$4.6 million that Travelers Aid associated with Project Infinity, Project BEIT, and SHOP I during the audit period.¹⁶ A sample size of 60 was recommended for the audit. The 60 expenses selected totaled \$59,979 and included \$20,640 for 30 supportive service expenses and \$39,339 for 30 leasing expenses.

¹⁵ We decided to select and review expenses from Project Infinity during the survey since Travelers Aid drew down more program funds from HUD's Line of Credit Control System during the audit period for Project Infinity than it did for Project BEIT, SHOP I, SHOP II, or SHOP III.

¹⁶ We did not include expenses from SHOP II or SHOP III in our audit universe of expenses since HUD did not award fiscal year 2015 program funds to Travelers Aid for these two projects.

We reviewed the project expenses selected for the survey and audit to determine whether they were eligible program expenses, sufficiently supported, and allocable to the applicable project. The results of our survey and audit reviews are reported on together in the finding. Due to a low error rate, we did not project the results of our audit review to the audit universe.

We relied in part on the data from HUD's Line of Credit Control System. Although we did not perform a detailed assessment of the reliability of the data, we performed minimal levels of testing and found the data to be adequately reliable for our purposes. Further, we performed minimal levels of testing on project expense data from Travelers Aid's general ledger and determined that the data were adequately reliable for our purposes.

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 operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

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:

- Travelers Aid lacked adequate procedures and controls to ensure that sufficient documentation was maintained to support that its program was administered in accordance with Federal regulations (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$1,776,381
1B		305,936
1C		170,995
1D		54,770
1E	\$1,165	
Totals	1,165	2,308,082

- 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.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



The first step to a HOME

This correspondence serves as our (TASMD) response to the OIG financial audit. There were a number of issues in the findings and this serves to provide additional information in regards to the findings.

Project expenses – Supportive Services

Issue – Travelers Aid could not provide sufficient documentation to support how the amounts allocated to the projects were calculated.

Response: Travelers Aid's former Director of Finance [REDACTED], kept allocation formula spreadsheets that were updated monthly using employee time sheets. The spreadsheet was used to determine the average amount of time (in percentages) that staff charged to all projects/activities each month. Expenses were then allocated to the projects based on these percentages. When Ms. [REDACTED] left Travelers Aid [REDACTED], she took these spreadsheets with her on her personal flash drive. Therefore, the expenses were allocated appropriately, [REDACTED]

Comment 2

Solution: Travelers Aid currently allocates expenses using an allocation formula that is calculated quarterly based on employee timesheets. This is the most accurate way to allocate the expenses.

Comment 3

Project expenses – Leasing

Issue: Travelers Aid did not consistently maintain documentation to support the Homeless status and evidence of a Disability (BEIT and Infinity only) for the clients assisted with leasing funds.

Response: Prior to March 2016 Travelers Aid received clients as referrals from several other agencies (such as Doorstep, Goodwill, COTS, Salvation Army, Red Cross, etc.) with the assumption that other agencies were collecting the appropriate documentation from the clients. With the large turnover with staff, it is believed that some of the homeless documentation was misplaced and/or mistakenly disposed of.

Comment 4

Solution: We now use the Coordinated Assessment Model ("CAM") to ensure that all documentation is maintained and kept at a locked centralized location.

Comment 4

Travelers Aid has performed a 100% review of all client files to ensure that the required documentation is included in each and every file and updated at the annual recertification review.

Project Administration Funds:

Issue: Travelers Aid drew down more than \$340,000 in administrative funds for the projects during the audit period but could not support that nearly \$306,000 of this amount was used for eligible administrative expenses associated with the project the funds were drawn down for.



Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 5

Comment 6

Comment 7

Comment 8

Comment 9



The first step to a HOME

Response – It was discovered that there was tracking of the administrative funds. However, when Ms. [REDACTED] left she took the flash drive with her that contained this information. Our understanding of the reason that Ms. [REDACTED] maintained significant files on a personal flash drive was to enable her to work from home on occasion.

Solution: Upon further analysis of the administrative funds that were drawn down during the audit period and the administrative expenses incurred during the same time period, it is clear that the administrative funds were spent in accordance with grant guidelines. Please see Attachment A.

Additionally, we have added a code in the general ledger to all administrative expenses that will denote the grant or project that the administrative funds were spent for.

Program Income

Issue – Before July 1, 2016, program income was recorded in Travelers Aid's general ledger as general support instead of to the specific project that generated the income. In addition, the general ledger did not indicate which expenses were paid for with the Program Income.

Response: The previous administrations did not keep accurate account of their expenditures paid for by program income and assumed that using program income for projects did not require specific reference from which program the income had been generated.

Solution:

Now that the program income is recorded in the program that generated the income, it is clear from running a normal trial balance report that program income was utilized for eligible expenses (i.e. the report will show grant revenue is \$100, program income is \$10 and eligible expenses are \$110). In going forward, it is easily identifiable when an expense is paid with program income, it can be tracked to the program that the income was generated from.

Additionally, through the above mentioned analysis of administrative expenses during the audit period, it was clear that a portion of the program income was used for eligible expenses. Please see Attachment A.

Matching Funds:

Issue: Travelers Aid match requirement for the FY 2013 and FY 2014 program funds it drew down for the 5 projects was more than \$524,000. However, Travelers Aid CFO stated that she could not find any documentation in the projects' general ledgers to support that matching funds were used to pay for any of the project expenses.

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 10

Comment 11

Comment 12



The first step to a HOME

Response: At the time the OIG conducted the financial audit, I stated that I could not find documentation for the \$524,000 match that was required. However, talking with employees that were here during that time and going back to the esnaps application for that time period, it was noted that Travelers Aid did utilize a facility on Gratiot. The parenting and employment training classes were conducted at that facility, generating in-kind contribution for both FY2013 and FY2014. Sign in records are available for your review. In addition, other in-kind contributions have been discovered that were allocated to BEIT and Infinity.

Solution:

We have established a strategic system that keeps track of all match dollars and the programs that they are to be allocated to.

In addition to all of the above issues and solutions, we would like to add to our accomplishments, the following:

RE: Annual Report of Agency Accomplishments under the new leadership of Mrs. Roslyn Baughman August 24, 2016 through August 24, 2017.

In 1923 Travelers Aid Society Metropolitan Detroit was established to provide comprehensive permanent supportive housing and supportive services to homeless families and individuals with disabilities. Since then, TASMD has helped countless families and individuals in Metropolitan Detroit and surrounding counties obtain housing and linked client's with employment training through MRS as well as provide clients with legal counseling with the Social Security Administration. Through our ninety-four year history, our mission continues to grow, as we have become a leading provider of Permanent Supportive Housing. As an agency, we take pride in our accomplishments as we evolve and strive to best meet the needs of families and individuals in our community.

In FY 2016-2017, TASMD provided permanent supportive housing, case management, employment and education training, and legal counseling for SSI/SSD to one hundred and forty-nine families and individuals.

Over this time, TASMD continues to maintain licensure through the State of Michigan Department of Licensing Regulatory Affairs for Substance Abuse Treatment. Travelers Aid Society has maintained accreditation through the Council on Accreditation.

Below is a list of some of the agency accomplishments;

- We have had a complete and total overhaul of our finance department. All files are maintained and backed up on the TASMD servers. Financial functions are performed timely and accurately. Internal

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

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Comment 12



The first step to a HOME

controls have been improved and auditor recommendations have been implemented or are in the process of being implemented.

• Agency income and contributions increased from FY 16 to FY 17. The goal was to maintain financial viability of the agency by ;

- 1.) Negotiated pension settlement from \$400,000 to \$51,000
- 2.) Establishing cost saving by outsourcing finance department
- 3.) Raising over \$40,000 in match dollars and in-kind donations
- 4.) Establishing a strategic system to keep track of match dollars.
- 5.) In three months utilized CDBG. TASMD spent \$89,000 out of a \$100,000
- 6.) Corrected timesheet discrepancies and now timesheets reflect hours allocated to proper programs

• Donations to the agency were up 100 percent.

- Negotiated with landlords to include DTE and water in rents to assist the clients in maintaining their housing due to the fact client's lose employment and can't afford to pay utilities. This was accomplished while keeping rents under established FMR rates.
- Revised Leases so that clients are the subleases.
- Continued the contract with a development consultant to assist in developing a fundraising strategic plan, major gift initiatives and event planning
- In 2016 thirty –two clients successfully transitioned into the Moving Up Section 8 program. This increased to an additional fifty-two clients by the end of July 2017. We could have transitioned more families in 2017, but the Moving Up Initiative Program closed.
- TASMD also settled two 36th district court cases involving two disgruntle landlords and both cases were concluded without any compensation awarded to the plaintiffs.
- Negotiated MOU with Lauren's Place Licensed Adult Foster Care Group Home. This partnership will be beneficial in the case there is an emergency where a single client has to exit for whatever reason they can still be housed without experiencing homelessness again at any episode.

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TRAVELERS AID
METROPOLITAN DETROIT
a helping hand along the way

The first step to a HOME


In conclusion, there is no denying there were issues in the finance department. For all intents and purposes, there were no discernable written policy and procedures manual we could follow. However, in going forward, we have assembled a manual of accounting policies and procedures that the next administration or next auditor should find easy to follow.

We hope that you find the additional explanations to be helpful. We have been cooperative and forthright during the entire audit process. We appreciate your recommendations as we continually strive to improve our organization.

Sincerely,

Roslyn Baughman
CEO

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EQUAL HOUSING
OPPORTUNITY

OIG Evaluation of Auditee Comments

- Comment 1 Travelers Aid referred to the audit as the OIG financial audit. However, our audit of Travelers Aid's program was a performance audit. Performance audits provide reasonable assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices.
- Comment 2 Travelers Aid stated that the project expenses for supportive services were allocated appropriately. However, it could not provide sufficient documentation to support that it used \$26,036 in program funds for eligible supportive service expenses. Therefore, we could not determine whether the expenses were allocated appropriately. Travelers Aid should work with HUD to resolve the unsupported project expenses for supportive services that are referenced in recommendation 1D. We redacted names and other identifying information for privacy purposes.
- Comment 3 Travelers Aid stated that it currently allocates expenses using an allocation formula that is calculated quarterly based on employee time sheets. Travelers Aid should ensure that HUD agrees that allocating expenses using a quarterly allocation formula is an appropriate way to allocate project expenses for supportive services.
- Comment 4 Travelers Aid stated, regarding project expenses for leasing, that it now uses the Coordinated Assessment Model to ensure that all documentation is maintained and kept at a locked centralized location. In addition, it stated that it has performed a 100 percent review of all client files to ensure that the required documentation is included in every file and updated at the annual recertification review. We commend Travelers Aid for taking corrective actions to help ensure that the required documentation is maintained. Travelers Aid should work with HUD to resolve the unsupported project expenses for leasing that are referenced in recommendation 1D.
- Comment 5 Travelers Aid stated that upon further analysis of the program administrative funds drawn down for the projects during the audit period and administrative expenses incurred during the same period, it is clear, based on Attachment A, that the administrative funds were spent in accordance with grant guidelines. We disagree. The documentation included in Attachment A was not sufficient for us to determine whether the program administrative funds that were referenced in recommendation 1B were used for eligible administrative expenses associated with the project for which the funds were drawn. Travelers Aid should work with HUD to resolve recommendation 1B. If additional documentation is available to support that administrative funds were spent in accordance with grant guidelines, Travelers Aid should provide the documentation to HUD for consideration in the audit resolution process. Attachment A is available upon request.

- Comment 6 Travelers Aid stated that it had added a code in its general ledger to all administrative expenses that would indicate the grant or project for which the administrative funds were spent. We commend Travelers Aid for taking corrective actions to help ensure that program administrative funds are tracked by grant or project. It should work with HUD to ensure that the corrective actions are appropriate and that recommendation 1F is sufficiently resolved.
- Comment 7 Travelers Aid stated that now that program income is recorded in the program that generated the income, it is clear from running a normal trial balance that program income was used for eligible expenses. It also stated that it is easily identifiable when an expense is paid with program income. We disagree. We acknowledged in the report that after July 1, 2016, Traveler's Aid changed how it accounted for program income. Specifically, it accurately recorded and applied program income to the project that generated the income. However, it lacked sufficient documentation to show that the program income was used for eligible activities. According to Travelers Aid's chief financial officer, its general ledger was not set up to show the source of funds that was used to pay for an expense. Therefore, it could not provide a list or identify project expenses that were paid for with program income.
- Comment 8 Travelers Aid stated that it is clear, based on Attachment A, that a portion of the program income was used for eligible expenses. We disagree. The documentation included in Attachment A was not sufficient for us to determine whether the program income referenced in recommendation 1C was used for eligible activities. Travelers Aid should work with HUD to resolve recommendation 1C. If additional documentation is available to support that program income was used for eligible expenses, Travelers Aid should provide the documentation to HUD for consideration in the audit resolution process.
- Comment 9 Travelers Aid stated that its match requirement for the fiscal year 2013 and 2014 program funds it drew down for the five projects was more than \$524,000. Travelers Aid drew down more than \$2.1 million in program funds for supportive services and administrative expenses from its 2013 and 2014 program grants. Therefore, it was required to obtain and use more than \$526,000 in match contributions.
- Comment 10 Travelers Aid stated that parenting and employment training classes conducted at the Gratiot facility generated in-kind matching contributions for fiscal years 2013 and 2014, and sign-in records are available for review. In addition, it stated that other in-kind contributions have been discovered that were allocated to Project BEIT and Infinity. Travelers Aid should provide the indicated match documentation to HUD for consideration in the audit resolution process and work with HUD to resolve recommendation 1A.
- Comment 11 Travelers Aid stated that it established a strategic system that keeps track of all match dollars and the programs that they are to be allocated to. We commend Travelers Aid for taking corrective actions to help ensure that matching

contributions are tracked. It should work with HUD to ensure that the corrective actions are appropriate and that recommendation 1F is sufficiently resolved.

Comment 12 Travelers Aid stated that (1) internal controls have been improved and auditor recommendations have been implemented or are in the process of being implemented, (2) time sheet discrepancies have been corrected to reflect hours allocated to proper programs, and (3) it has assembled a manual of accounting policies and procedures. We commend Travelers Aid for taking corrective actions to improve the administration of its program. It should work with HUD to ensure that the audit report recommendations are sufficiently resolved.

Appendix C

Federal Regulations

HUD's regulations at 24 CFR 578.3 state that permanent supportive housing means permanent housing in which supportive services are provided to help homeless persons with a disability to live independently. The purpose of transitional housing is to help homeless individuals and families move into permanent housing within 24 months.

HUD's regulations at 24 CFR 578.37(a)(1)(i) state that permanent supportive housing can provide assistance only to individuals with disabilities and families in which one adult or child has a disability.

HUD's regulations at 24 CFR 578.73 state that 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. Section 578.103(a)(10) states that 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.

HUD's regulations at 24 CFR 578.97 state that rents and occupancy charges collected from program participants are program income. Program income earned during the grant term should be retained by the recipient, added to funds committed to the project by HUD and the recipient, and used for eligible activities in accordance with the requirements of 24 CFR Part 578.

HUD's regulations at 24 CFR 578.99(e) state that nonprofit recipients must comply with the requirements of 24 CFR Part 84 and 2 CFR Part 230.

HUD's regulations at 24 CFR 578.103(a) state that the recipient must establish and maintain sufficient records to enable HUD to determine whether the recipient has met the requirements of 24 CFR Part 578.

HUD's regulations at 24 CFR 84.1 state that Federal awards to institutions of higher education, hospitals, and other nonprofit organizations are subject to the uniform administrative requirements, cost principles, and audit requirements for Federal awards at 2 CFR Part 200. Federal awards made before December 26, 2014, will continue to be governed by the regulations in effect and codified in 24 CFR Part 84.

HUD's regulations at 24 CFR 84.21(b)(1) state that recipients' financial management systems must provide for accurate, current, and complete disclosure of the financial results of each federally sponsored project or program. Further, section 84.21(b)(2) states that the systems must provide for records that adequately show the source and application of funds for federally sponsored activities.

Federal regulations at 2 CFR 200.302(b) state that the financial management system of each non-Federal entity must provide for (1) identification, in its accounts, of all Federal awards received and spent and the Federal programs under which they were received; (2) accurate, current, and complete disclosure of the financial results of each Federal award or program; and (3) records

that adequately identify the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

Federal regulations at 2 CFR 200.403 require all costs to be necessary, reasonable, allocable to the award, and adequately documented.

Federal regulations at 2 CFR 200.405 state that a cost is allocable to a Federal award if it is incurred specifically for the award and benefits both the award and other work and can be distributed in proportions that may be approximated using reasonable methods.

Appendix A, section A.2, of 2 CFR Part 230¹⁷ requires all costs to be reasonable, allocable to the award, and adequately documented. Further, section A.4 states that a cost is allocable to a Federal award if it is incurred specifically for the award and benefits both the award and other work and can be distributed in reasonable proportion to benefits received.

¹⁷ Federal regulations at 2 CFR Part 200 superseded regulations at 2 CFR Part 230, effective December 26, 2014.