




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

June 19, 2017

MEMORANDUM NO:
2017-FO-0802

Memorandum

TO: Courtney Timberlake, Deputy Chief Financial Officer, F
Meredith DeFraitas, Budget Analyst, Office of National Drug Control Policy

FROM: 
Thomas R. McEnany
Director, Financial Audits Division, GAF

SUBJECT: Independent Attestation Review: U.S. Department of Housing and Urban
Development, Office of Special Needs Assistance Continuum of Care, Regarding
Drug Control Accounting for Fiscal Year 2016

Independent Accountant's Report

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 Assistance Continuum of Care, regarding drug control accounting and associated management assertions for fiscal year 2016 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 actual methodology used to generate the required table.
- HUD's methodology to establish performance targets was reasonable and consistently applied.

- HUD has established adequate performance measures and has a performance reporting system in place 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)(A)). In addition, the accounting must be “authenticated by the Inspector General for each agency prior to submission to the Director.” 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 January 18, 2013.

As required by Federal statute (21 U.S.C. 1704(d)(A)), 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 and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is to express an opinion on management’s assertions contained in its report. Accordingly, we do not express such an opinion.

We performed review procedures on HUD’s assertions and the accompanying table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

Based upon our review, nothing came to our attention that caused us to believe that management’s assertions, referred to above and included in the accompanying submission of this report, are not fairly stated in all material respects, based on the criteria set forth in the ONDCP circular: Accounting of Drug Control Funding and Performance Summary. However, we were unable to issue this attestation report by the due date required by ONDCP because HUD did not complete its final report by the mandated deadline of February 1, 2017.

While this report is an unrestricted public document, the information it contains is intended solely for the use of HUD, ONDCP, and Congress. It is not intended to be used by anyone other than these parties.

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

Thank you for the cooperation and participation of HUD personnel in completing the attestation. If you have any questions or comments to be discussed, please contact me at (202) 402-8216.

cc:

Clifford Taffet, General Deputy Assistant Secretary for Community Planning & Development, D
Henry Hensley, Director, Office of Strategic Management and Planning, X
Sarah Lyberg, Assistant Chief Financial Officer for Budget, FO

Appendixes

Appendix A

HUD ONDCP Reporting

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

Resource Summary

Drug Resources	FY 2016 Actual
Treatment	\$490.488
Total Drug Resources by Function	\$490.488
Continuum of Care: Homeless Assistance Grants	\$490.488
Total Drug Resources by Decision Unit	\$490.488
Total FTEs (direct only)	-
Total Agency Budget (in Billions)	\$47.8
Drug Resources Percentage	1.03%

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 plan on 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 2016 competition, HUD found that 24.86 percent of the total clients had substance abuse issues. HUD then multiplies this number by the CoC appropriation to determine how much money will be spent on serving persons with chronic substance abuse issues. In fiscal year 2016, HUD awarded \$1.953 billion in CoC Program funding of which \$490.5 million was 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 2016.

OTHER DISCLOSURES

HUD has not identified any other disclosures relating to the fiscal year 2016 drug control funds.

MANAGEMENT ASSERTIONS

The management assertions for HUD's accounting report are found in the attached: Tab A

Department of Housing and Urban Development
FY 2016 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. The table and accompanying text below highlight HUD's drug-related achievements during fiscal year 2015.

Office of Special Needs Assistance Programs					
Selected Measures of Performance	FY 2012 Achieved	FY 2013 Achieved	FY 2014 Achieved	FY 2015 Achieved	FY 2016 Achieved
» Percentage of participants exiting CoC-funded transitional housing, rapid rehousing, and supportive services only projects that move into permanent housing.*	N/A	N/A	59.4%	52.0%	N/A
» Percentage of participants in CoC-funded permanent supportive housing remaining in or exiting to permanent housing.*	N/A	N/A	91.8%	92.9%	N/A
» Projected number of participants who report substance abuse as a barrier to housing to be served in CoC-funded projects.	N/A	86,140	87,286	76,390	73,755

*The data for exits and retention of permanent housing have a 1-year time lag. In each CoC Program Competition, communities report on the performance from the last fiscal year. Thus, in the FY 2016 CoC Program Competition, communities reported on their outcomes from FY 2015.

HUD continues to update how it collects data on performance. As part of this process, the performance measures have been slightly revised to align. HUD expects to make at least one more change to the data for these measures, which will impact the performance measures for this report over the next two years. At this time, HUD has not set targets because it is still collecting sufficient data to make such determinations. As more data is available, HUD will set targets and track progress.

The change to the first performance measure expanded the universe of CoC-funded projects analyzed from just transitional housing to include transitional housing, rapid rehousing, and supportive services only projects. The fiscal year 2015 data shows that 52.0 percent of persons exiting these project types go to permanent housing destinations. The second measure was

updated to remove the 6-month timeframe requirement and instead looks at the percent of persons served in CoC-funded permanent supportive housing projects that remain in or exit to permanent housing. The data from fiscal year 2015 shows that 92.9 percent of persons exiting CoC-funded permanent supportive housing remain in or exit to permanent housing destinations. Both of these measures reflect the importance for persons who receive homeless services through HUD funded programs to exit to a stable housing situation.

The final measure continues to track the number of persons proposed to be served by HUD's CoC-funded programs who enter with chronic substance abuse issues. Historically, it relied on data submitted in Annual Performance Reports (APRs). Due to updates to that system, HUD is not currently able to provide the data on who was served during the year with chronic substance abuse, but is able to report how many participants with chronic substance abuse recipients plan on serving in projects. This measure allows some longitudinal analysis about how many total persons with chronic substance abuse projects plan to serve. In fiscal year 2016, there was a reduction of 2,635 persons with chronic substance abuse that were projected to be served. This reduction is due to HUD's decision to encourage its providers to shift from transitional housing projects (many of which serve persons with chronic substance abuse) to more permanent housing options. HUD believes that these numbers will continue to increase but the immediate impact of changing the housing type will likely be offset over time. This also masks that the number of persons served over the course of a year may have gone up because the turnover in the projects that were cut tends to be more than half of what the turnover of many of these new programs are likely to be (which are rapid rehousing projects).

As an additional note on performance, between calendar years 2015 and 2016, HUD saw a decline of 17 percent in veterans experiencing homelessness (nearly 50 percent decline since 2010) and a 5 percent decline in families experiencing homelessness, as reported in HUD's [2016 Annual Homeless Assessment Report \(AHAR\): Part 1 – Point-in-Time Estimates of Homelessness](#).

QUALITY OF PERFORMANCE DATA

HUD is in the process of changing its performance requirements and is also updating how it collects performance data. HUD believes these changes will provide a more accurate picture of local performance and will assist communities to better assist persons experiencing homelessness to achieve stability and independence. While HUD does not collect specific performance metrics on persons with chronic substance abuse issues, it will be collecting performance data on the homeless population in general that will best reflect local progress. These measures will include the length of time people experience homelessness, the percent of persons who return to homelessness, and the number of persons who experience homelessness for the first time.

MANAGEMENT ASSERTIONS

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

Management Representations



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000**

June 15, 2017

Helen M. Albert
Acting Inspector General
U.S. Department of Housing and Urban Development Office of Inspector General
451 7th Street SW
Washington, DC 20410

Dear Acting Inspector General Albert:

We are providing this letter in connection with your attestation review of HUD's annual submission of fiscal year 2016 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.

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 2017 Budget and Performance Summary for their accounting submission to ONDCP:

Representations in accordance with Laws and Regulations

1. We are responsible for HUD's compliance with applicable laws and regulations.
2. We have identified and disclosed to you all laws and regulations and related financial records that have a direct and material effect on the determination of amounts reported within the submission to ONDCP.
3. There are no
 - a) violations or possible violations of laws or regulations whose effects we should evaluate for disclosure in the annual submission to ONDCP or,
 - b) unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.

We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be disclosed in the annual submission to ONDCP in accordance with SFFAS No. 5. We have not consulted legal counsel concerning litigation, claims, or assessments.” (See FAM 1002.24).

4. We are not aware of any violations of the Antideficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) in our annual submission to ONDCP (or, we have reported all known violations of the Antideficiency Act) and through the date of this letter.
5. We provided the practitioner with all relevant information and access.
6. All relevant matters are reflected in the subject matter and assertions.
7. 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.
8. 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 have been disclosed.
9. Significant assumptions used to make material estimates are reasonable.
10. We provided the practitioner with all relevant information and access.
11. All relevant matters are reflected in the subject matter and assertions.
12. All known matter 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.
13. 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 have been disclosed.
14. Significant assumptions used to make material estimates are reasonable.

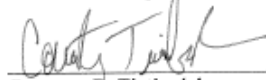
Assertions in accordance with ONDCP regulations¹:

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.

¹ ONDCP Circular: Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013

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. Methodology described within our submission 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- Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Budget Decision Unit identified in reports required by section 6a(1)(A) for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure must reflect the intended purpose of the relevant National Drug Control Program activity.
5. Obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these Budget Decision Units, if applicable.
6. The drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit for those multi-mission agencies are reasonable and accurate.
7. The drug methodology disclosed was the actual methodology used to generate the tables required. Calculations are sufficiently well documented to independently reproduce these data. Calculations also provide a means to ensure consistency of data between reporting years.
8. The data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogramming's or transfers affecting drug-related resources in excess of \$1 million.
9. The data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21U.S.C. § 1703(f) and Section 9 of the ONDCP Circular, Budget Execution.


Henry Hensley
Performance Improvement Officer


Courtney B. Timberlake
Deputy Chief Financial Officer

Attachment