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TO: William Vasquez, Director, Office of Community Planning and Development,
9DD

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FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: St. Vincent de Paul Village, Inc., San Diego, CA
Supportive Housing Program

HIGHLIGHTS

What We Audited and Why

We audited the use of Supportive Housing Program funds by St. Vincent de Paul Village, Inc. (St. Vincent de Paul Village), because it is a large organization receiving more than \$4 million in grants annually. Our objective was to determine whether St. Vincent de Paul Village used supportive housing grants in accordance with U.S. Department of Housing and Urban Development (HUD) requirements and the grant agreements.

What We Found

St. Vincent de Paul Village generally administered its supportive housing grants in accordance with HUD requirements. Identity-of-interest contracts between St. Vincent de Paul Village and its associated nonprofit, SVDP Management, Inc., were reasonable, although contract documents did not include all clauses required by Office of Management and Budget Circular A-110. Also, grant expenditures were eligible and supported in accordance with HUD requirements and the grant agreements, and adequate written procedures were in effect.

We provided the auditee the final report on February 9, 2009.

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BACKGROUND AND OBJECTIVE

St. Vincent de Paul Village, Inc. (St. Vincent de Paul Village), is a faith-based nonprofit 501(c)3 corporation that provides a range of services, including transitional housing, to homeless individuals and families through five supportive housing programs. Two of the programs, Solutions 2-5 and Solutions 4, include activities by subrecipient nonprofit organizations, which the U.S. Department of Housing and Urban Development (HUD) calls “sponsors.” St. Vincent de Paul Village is funded through donations and grants from federal, state, and local governments. Federal grants include five concurrent HUD supportive housing grants for five separate programs run by St. Vincent de Paul Village. These grants are renewed annually.

St. Vincent de Paul Village’s Supportive Housing Program grants include the following:

Program name	Population served	Annual grant amount
Solutions 2-5	472 beds for single youth and adults	\$1,699,096
Fresh Start	150 beds for single adults	\$619,024
Family Living	110 beds for families	\$513,713
Solutions 4	154 beds for 25 families and 62 single adults	\$890,000
Toussaint Academy	30 beds for single youth	\$402,182
Total		\$4,124,015

Under separate contracts, SVDP Management, Inc. (SVDP Management), an affiliated nonprofit, provides administrative, security, maintenance, and food services to programs run by St. Vincent de Paul Village.

Our objective was to determine whether St. Vincent de Paul Village used Supportive Housing Program grant funds in accordance with HUD requirements and the grant agreements.

RESULTS OF AUDIT

St. Vincent de Paul Village Generally Administered Its Supportive Housing Program in Accordance with HUD Requirements

St. Vincent de Paul Village generally administered its Supportive Housing Program in accordance with HUD requirements. Specifically, its (1) contracts with its associated nonprofit, SVDP Management, were priced reasonably and properly allocated to the grant programs, (2) expenditures were eligible and adequately supported, (3) internal controls and financial management systems were adequate, and (4) matching funds were provided as required.

Contracts Were Reasonably Priced and Properly Allocated to the Grant Programs

In addition to administration, services contracted to SVDP Management included providing meals for the transitional housing residents, security, and maintenance. Although supportive housing grants paid for only a portion of the contracts, project budgets (including both grant funds and matching funds) for these services totaled more than \$2.2 million for grants starting in 2007. We reviewed the basis for the contracts' pricing and found the amounts to be reasonable, based on actual costs. The contracts were entered into in 2003, based on an average of actual costs to provide the services during 2001 and 2002. No changes were made in 2004, but starting in 2005, the prices were adjusted annually based on changes in the Consumer Price Index. Food service contracts were allocated to grant programs based on the number of meals served for each program, and the other contracts were allocated based on the number of square feet occupied by each program's residential area. SVDP Management maintained adequate accounting records and supporting documentation to show the actual costs to provide services under each contract. In the years 2005 through 2007, costs exceeded the contract prices.

The contract documents did not include clauses required by the Office of Management and Budget (OMB), to ensure equal employment opportunity, and the Contract Work Hours and Safety Standards Act. In addition, the contracts reviewed did not always contain adequate descriptions of scope and quantity for services provided. For example, under the food contracts, SVDP Management is to provide three nutritionally balanced prepared meals each day for transitional housing residents. The description of services in the contracts, however, is limited to three sentences: "The Food Service shall provide prepared meals for the Client. Other services will be provided as stipulated from time to time by the Client. The food service will provide all equipment and supplies necessary to serve meals and clean-up for the client."

We did not observe any adverse effects from the contracts' omissions; however, we discussed the need for new contracts with grantee officials, and they agreed to ensure that all contracts meet OMB requirements.

Program Expenditures Were Eligible and Supported with Adequate Documentation

We tested program expenditures by selecting five grant draws (one from each program) totaling \$264,969 to review for eligibility and supporting documentation. Less than 1 percent of the expenditures were not eligible and/or did not have adequate supporting documentation. We determined that the amount was immaterial.

Internal Controls and the Financial Management System Were Adequate

The financial management of St. Vincent De Paul Village was contracted out to SVDP Management. Therefore, all financial-related transactions, including requests for supportive housing funds for St. Vincent De Paul Village and its sponsors, were conducted by SVDP Management.

SVDP Management's accounting system was adequate to conduct financial transactions related to HUD supportive housing grants and to ensure reliability of financial reporting. Further, SVDP Management had adequate segregation of duties regarding the approval of supportive housing funding and drawdown requests. Draws from HUD's Line of Credit Control System were conducted only after a review of reimbursement requests from St. Vincent de Paul Village or its project sponsors. The reimbursement requests were subject to four levels of review before being approved for payment. In addition, SVDP Management's accounting policies and procedures reasonably assured that disbursements of grant funds were consistent with laws and regulations.

Matching Funds Were Provided as Required

We tested St. Vincent de Paul Village's provision of matching funds during our review of grant draws and found that the grantee exceeded match requirements. By statute, grant funds cannot account for more than 75 percent of the operating budget. For each draw tested, supporting documentation showed that St. Vincent de Paul Village spent between one and one-half and four times the amount of grant funds drawn for eligible activities.

Conclusion

St. Vincent de Paul Village generally administered its supportive housing program in accordance with HUD requirements.

SCOPE AND METHODOLOGY

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our audit work in San Diego, California, and our audit generally covered the period January 2006 through March 2008. We expanded our scope when necessary. Our universe included the supportive housing grants awarded to St. Vincent de Paul Village with program years starting operations in 2006 or 2007 and ending in 2007 and 2008. These grants included two one-year grants for each of St. Vincent de Paul Village's five supportive housing projects. We selected one grant for each project for review, with a combined award of \$4,124,015. The grants reviewed were:

- Solutions 2-5; CA16B501004
- Fresh Start; CA16B501006
- Family Living Center; CA16B601003
- Solutions 4; CA16B601010.
- Toussaint Academy; CA16B601007

We reviewed policies and procedures related to accounting, monitoring, and internal controls to determine whether St. Vincent de Paul Village and its administrative services contractor, SVDP Management, administered the grants in accordance with HUD requirements and provided adequate oversight of subrecipients/project sponsors. We also conducted site visits to project sites and observed supportive service activities. More specifically, to accomplish the survey, we performed the following:

- Reviewed relevant HUD regulations and OMB circulars;
- Reviewed pertinent records maintained by HUD's Office of Community Planning and Development and SVDP Management;
- Interviewed officials from HUD's Office of Community Planning and Development, St. Vincent de Paul Village, and SVDP Management;
- Reviewed service contracts between St. Vincent de Paul Village and its associated nonprofit, SVDP Management, including cost analyses and methods of allocating costs to grants;
- Reviewed SVDP Management's written policies and procedures associated with the supportive housing program;
- Tested one grant draw for each of the five grant programs, for a total of \$264,968.83, reviewing all associated invoices, payments, and salaries to determine whether the expenditures were eligible and supported by adequate documentation; and
- Tested provision of matching funds.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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 objectives:

- Policies and procedures to ensure that accounting methods, financial management, and record-keeping systems are adequate.
- Policies and procedures to ensure that grant expenditures are eligible and adequately supported.
- Policies and procedures to ensure that audit findings are resolved effectively and efficiently.
- Policies and procedures to ensure that monitoring of subrecipients/project sponsors is adequate.
- Policies and procedures to ensure the effectiveness and efficiency of program operations.
- Compliance with applicable laws, regulations, and provisions of grant agreements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

We did not find any significant weaknesses in internal controls.