



The City of Baltimore, MD

Homelessness Prevention and Rapid Re-Housing Program



Issue Date: November 9, 2012

Audit Report Number: 2013-PH-1002

TO: Charles E. Halm, Director, Office of Community Planning and Development,
Baltimore Field Office, 3BD
//signed//

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The City of Baltimore, MD, Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act 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 the City of Baltimore, MD's administration of its Homelessness Prevention and Rapid Re-Housing Program grant.

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 8L, 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 215-430-6729.



November 9, 2012

The City of Baltimore, MD, Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act Requirements

Highlights

Audit Report 2013-PH-1002

What We Audited and Why

We audited the City of Baltimore's Homelessness Prevention and Rapid Re-Housing Program grant because (1) its \$9.5 million grant was the largest grant in the State of Maryland, (2) it had disbursed \$6.6 million of its grant funds as of December 2011, and (3) we have a mandate to audit American Recovery and Reinvestment Act of 2009 activities. The audit objective was to determine whether the City properly obligated and expended grant funds and monitored activities for compliance with Recovery Act requirements.

What We Recommend

We recommend that the U.S. Department of Housing and Urban Development (HUD) require the City to provide all of the documentation it collected supporting its actions to satisfy the key corrective measures prescribed in HUD's March 16, 2012, monitoring letter and we also recommend that HUD review the documentation provided by the City to demonstrate that it used \$9.5 million in grant funds only for eligible services for eligible participants and require the City to reimburse HUD from non-Federal funds for any amount that it cannot support.

What We Found

The City did not properly obligate and expend grant funds, and it generally did not monitor activities for compliance with Recovery Act requirements. Specifically, the City authorized reimbursements for program expenses based on prorated amounts rather than actual expenses, could not support all expenditures, used grant funds for potentially ineligible activities, and generally did not monitor the activity of its fiduciary agent and subgrantees. In addition, HUD's monitoring review disclosed many problems with the City's administration of the grant.

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BACKGROUND AND OBJECTIVE

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009, which includes \$1.5 billion for a homelessness prevention fund. Funding for this program, called the Homelessness Prevention and Rapid Re-Housing Program, was distributed based on the formula used for the Emergency Shelter Grants program. The purpose of the program is to provide financial assistance and services to prevent individuals and families from becoming homeless and to help those who are experiencing homelessness to be quickly rehoused and stabilized. The funds provide for a variety of assistance, including (1) short-term or medium-term rental assistance; (2) housing relocations; (3) stabilization services, including such activities as mediation, credit counseling, and case management; and (4) financial assistance including security or utility deposits, utility payments, and moving cost assistance. On July 14, 2009, the U.S. Department of Housing and Urban Development (HUD) awarded the City of Baltimore, MD, a \$9.5 million grant.¹ Baltimore Homeless Services, Inc., was the arm of the City government responsible for the grant. The director is Ms. Kate Briddell. Baltimore Homeless Services, Inc.'s main administrative office is located at 620 Falls Way, Baltimore, MD.

The mayor and city council of Baltimore selected the United Way of Central Maryland to serve as fiscal manager of most of the City's grant funds. The City entered into a grant agreement with the United Way of Central Maryland on September 2, 2009. The agreement specified that the United Way would be paid a fee to act as fiscal agent to disburse \$8.8 million in grant funds awarded to the City by HUD. The United Way was responsible for entering into subgrant agreements with homeless service providers selected by the City. The City was responsible for administering the remaining grant funds (see appendix C of this report for details on the distribution of the grant funds).

Program grantees and subgrantees were required to expend at least 60 percent of their grant funds within 2 years of the date on which HUD signed the grant agreement. They were required to expend 100 percent of the grant funds within 3 years from the date on which HUD signed the grant agreement. For the City, the deadline dates were July 14, 2011, and July 14, 2012, respectively. As of July 14, 2011, the City had expended \$5.8 million (61 percent) of its grant, and as of July 14, 2012, it had expended \$9.3 million (97 percent) of its grant. HUD allowed grantees to continue to draw down funds for up to 90 days after the grant period ended, provided that the funds were used to pay for eligible costs that were incurred before the 3-year expenditure deadline. Any costs incurred after the 3-year deadline, including administrative costs, were not eligible grant costs. As of August 30, 2012, the City had expended \$9.5 million² (99.5 percent) of its grant.

The objective of the audit was to determine whether the City properly obligated and expended grant funds and monitored activities for compliance with Recovery Act requirements.

¹ The amount of the grant was \$9,523,896, or \$9.5 million rounded.

² The amount expended as of August 30, 2012, was \$9,472,118, or \$9.5 million rounded.

RESULTS OF AUDIT

Finding: The City Did Not Properly Administer Its Grant According to Recovery Act Requirements

The City did not properly obligate and expend grant funds, and it generally did not monitor activities for compliance with Recovery Act requirements. The City authorized reimbursements for program expenses based on prorated amounts rather than actual expenses, could not support all expenditures, used grant funds for potentially ineligible activities, and generally did not monitor the activity of its fiduciary agent and subgrantees. This condition occurred because the City (1) didn't completely understand its responsibilities under the terms of the grant agreement, (2) wanted to get the grant funding out quickly to comply with obligation and expenditure deadlines, and (3) did not develop and implement a plan to monitor grant activities. As a result, it could not demonstrate that it used \$9.5 million in grant funds only to pay for eligible services for eligible participants. Therefore, these expenditures were unsupported.

Subgrantees Were Not Paid Based on Actual Expenditures

The United Way, the City's fiduciary agent, requested quarterly drawdowns of funds based on a simple proration of the grant amount awarded to each subgrantee, including itself, divided by the length of the grant in months. The City directed the United Way to request funds this way. The United Way requested and received all of its funds using this methodology; however, section IV of the HUD notice of funding allocations and requirements³ limits grant funds to be used only to pay for eligible benefits and costs to assist eligible participants. To illustrate the problem with using this methodology, in August 2010, the City's director of fiscal services performed a reconciliation of funds drawn to reported expenses, which showed that as of the end of June 2010, the City had overdrawn its grant by \$409,845 by using this methodology. The City improperly advanced these funds. HUD regulations at 24 CFR 84.22(e) and program financial management guidance⁴ required subgrantees to be paid on a reimbursement basis only.

³ HUD Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009, effective March 19, 2009

⁴ HUD June 2010 Homelessness Prevention and Rapid Re-Housing Program Webinar: Homelessness Prevention and Rapid Re-Housing Program Financial Management

A Subgrantee Could Not Support Its Use of Funds

Prisoner's Aid Association, a subgrantee, could not produce participant files or records to support the \$270,550 in grant funds it was paid. The current executive director claimed that the City seized the files and alleged that the former executive director transferred participants from the Shelter Plus Care program into the Homelessness Prevention and Rapid Re-Housing Program and billed both HUD programs for the same participants. The United Way terminated its agreement with Prisoner's Aid Association on July 1, 2011.

In addition, although the City paid Prisoner's Aid \$270,550, it drew down \$392,982, or \$122,432 more than it paid out. Also, the expense reports that Prisoner's Aid submitted to the City totaled only \$157,234. As a result, the \$392,982 in funds the City drew down was unsupported. Section IV of the HUD notice of funding allocations and requirements limits grant funds to be used only to pay for eligible benefits and costs to assist eligible participants.

A Subgrantee Could Not Support Its Reported Expenses

Public Justice Center, a subgrantee, requested \$9,333 every month for expenses. This amount was determined by prorating the amount of the grant by its length in months. The expense reports it submitted to the City were not based on actual expenditures. The Center's executive director stated that the attorneys did not charge time to the grant. Their hours were not charged to specific participants. Rather, the grant funding was used to pay the salaries of the legal staff, regardless of the amount of case output related to the grant. In its program financial management guidance, HUD informed grantees and subgrantees that salaries and wages need to be supported by documentation such as job descriptions and time sheets that reflect after-the-fact determination of actual activity of each employee, account for the employee's total time in hours, and are signed by the employee and approved by a supervisor. In addition, for employees who work only on grant activities, the employee must certify at least semiannually that he or she worked only on this program during that period. As a result, the \$336,000 in grant funds the City drew down for this activity was unsupported. Section IV of the HUD notice of funding allocations and requirements limits grant funds to be used only to pay for eligible benefits and costs to assist eligible participants.

A Subgrantee's Participant Files Lacked Documentation

We reviewed six participant files at the Public Justice Center and found that they lacked documentation to demonstrate verification of income. Apparently, income verification was accomplished through telephone interviews with the participants. The executive director stated that the Center did not obtain third-party income verification; it documented only what was discussed during the phone interview. Section 5 of HUD's Homelessness Prevention and Rapid Re-Housing Program Eligibility Determination and Documentation guidance states, in order of preference, that the types of documentation are written third party documentation, oral third party, and applicant self declaration. Self certification for housing status for participants who are at risk of losing their housing is acceptable only in very limited circumstances.

In addition, we found that the files lacked documentation to demonstrate that assisted households' annual income was at or below 50 percent of the area median income. Section 5 of HUD's Homelessness Prevention and Rapid Re-Housing Program Eligibility Determination and Documentation guidance states that documentation of a household's annual income relative to the area median income and indicating grant eligibility must be maintained in the participant file. Section IV of the HUD notice of funding allocations and requirements limits grant funds to be used only to pay for eligible benefits and costs to assist eligible participants.

The City Used Funds for Potentially Ineligible Activities

The City's agreement with the United Way stated that an independent contractor approved by the City would be engaged to process housing choice vouchers for a total fee of \$60,000, payable in 36 consecutive equal monthly installments, commencing with the month after the first payment of funds to the United Way. However, housing choice vouchers are not funded with Homelessness Prevention and Rapid Re-Housing Program grant funds. Further, the City's substantial amendment to its consolidated 2008 action plan for the grant did not address housing choice vouchers. The City drew down \$41,667 for this activity, and this amount was unsupported.

In addition, the City provided \$51,964 in grant funds to Marian House, Inc., under a 2008 Shelter Plus Care program (a separate HUD program) grant agreement that it had in place with Marian House. The agreement did not address the Homelessness Prevention and Rapid Re-Housing Program grant requirements in any way. The purpose of the Shelter Plus Care program is to provide rental assistance in connection with supportive services. The program provides a variety of *permanent* housing choices, accompanied by a range of supportive services

funded through other sources. Homelessness Prevention and Rapid Re-Housing Program grant assistance is not intended to provide long-term support for program participants, nor will it be able to address all of the financial and supportive services needs of households that affect housing stability. Rather, assistance should be focused on housing stabilization, linking program participants to community resources and mainstream benefits, and helping them develop a plan for preventing future instability. Section IV of the HUD notice of funding allocations and requirements limits grant funds to be used only to pay for eligible benefits and costs to assist eligible participants. Therefore, the \$51,964 in funds the City drew down for this activity was unsupported.

The City Did Not Monitor the Program as Required

The City did not monitor its fiduciary agent and subgrantees as required. It monitored only 5 of 15 subgrantees during the grant period. The City acknowledged that it did not monitor its grant as required because it claimed that it lacked resources to conduct the monitoring and the grant expenditure timeframes were too restrictive. It monitored Prisoner's Aid in May 2011 because it noted a discrepancy on a billing record, indicating that participants received benefits under both the Homelessness Prevention and Rapid Re-Housing Program grant and Shelter Plus Care program. Based upon that monitoring review, the United Way terminated its agreement with Prisoner's Aid for cause, effective July 1, 2011. The City also monitored People Encouraging People, a subgrantee, in April 2011, because it noted that the subgrantee was rapidly expending its full allocation of grant funds. The City reviewed 15 participant files and determined that although the files were orderly, much of the required documentation was missing. The City monitored the other three subgrantees only after HUD addressed the City's lack of monitoring during an onsite monitoring review in May 2011. The City's grant agreement made the City responsible for ensuring that each entity that administered all or a portion of its grant funds or received all or a portion of its grant funds to carry out grant-funded activities fully complied with the grant requirements. The City stated in its substantial amendment to its consolidated 2008 action plan that it would be responsible for monitoring grant activities and reporting to HUD. The regulations at 24 CFR 85.40(a) and section V.I of the HUD notice of funding allocations and requirements make grantees responsible for managing the day-to-day operations of grant- and subgrant-supported activities. Grantees must monitor grant- and subgrant-supported activities to ensure compliance with applicable Federal requirements and that performance goals are achieved. Grantee monitoring must cover each program, function, or activity.

HUD Monitoring Identified Problems With the City's Administration of the Grant

HUD's Headquarters Office of Special Needs Assistance monitored the City's administration of its grant from May 3 to 10, 2011. HUD issued its monitoring letter to the City on March 16, 2012.⁵ The monitoring review identified many problems with the City's administration of the grant and also confirmed our results. HUD found

- Insufficient documentation in five files reviewed at Jobs Housing and Recovery (a City subgrantee) to determine whether participants were certified at 90-day intervals.
- Participant files at Public Justice Center (a United Way subgrantee) and Jobs Housing and Recovery lacked documentation to demonstrate that households met income requirements.
- Participant files contained weak documentation or lacked documentation to demonstrate the "but for" criteria showing that the participants did not have other financial resources or support networks and were without appropriate subsequent housing options.
- The United Way reimbursed subgrantees a fixed amount monthly rather than reimbursing them for actual expenses.
- City employees were paid based on estimates, not on actual time spent working on grant activities. The staff at Public Justice Center was also paid based on estimates rather than actual time spent working on grant activities.
- Jobs Housing and Recovery did not conduct periodic certifications documenting that case managers worked only on grant-related activities.
- The City did not conduct risk assessments of its subgrantees. HUD was concerned about the lack of monitoring, given the substantial amount of funds that had been drawn and the lack of sufficient documentation in the subgrantees' participants' files.

Among its recommendations, HUD made the following key recommendations to the City to

- Immediately stop paying subgrantees monthly based on a predetermined, calculated monthly amount;

⁵ HUD issued its monitoring report after we inquired about it at the January 19, 2012, entrance conference.

- Review 100 percent of subgrantees' expenditures to determine whether there is adequate source documentation;
- Request revised monthly reimbursement requests from each subgrantee, which must include supporting documentation for all grant funds expended monthly;
- Reconcile the new reimbursement requests with its accounting system and document the differences between the amount subgrantees received and the actual amount expended;
- Reimburse the grant line of credit in cases in which subgrantees did not expend the amount that the City advanced;
- Provide a detailed accounting of instances in which funds were advanced to subgrantees that exceeded amounts expended;
- Schedule onsite monitoring visits for all subgrantees and include case file reviews in the monitoring; and
- Develop a monitoring strategy for its grant and begin conducting monitoring immediately.

HUD made many of the same recommendations that we would make based on our audit results. However, the City did not immediately comply with the recommendations. For example, the City did not immediately stop paying subgrantees monthly based on a predetermined, calculated monthly amount as HUD directed. The City stated that it did not do so because it was contractually bound to provide funds to the United Way in advance.

Conclusion

The City did not properly obligate and expend grant funds, and it generally did not monitor activities for compliance with Recovery Act requirements. HUD's monitoring of the City's administration of the grant disclosed many problems with the City's administration of the grant and also confirmed our results. This occurred because the City (1) didn't completely understand its responsibilities under the terms of the grant agreement, (2) wanted to get the grant funding out quickly to comply with obligation and expenditure deadlines, and (3) did not develop and implement a plan to monitor grant activities. As a result, it could not demonstrate that it used \$9.5 million in grant funds only to pay for eligible services for eligible participants.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Community Planning and Development require the City to

- 1A. Provide all of the documentation it collected supporting its actions to satisfy the key corrective measures prescribed in HUD's March 16, 2012, monitoring letter calling for the City to
- Review 100 percent of subgrantees' expenditures to determine whether there is adequate source documentation;
 - Request revised monthly reimbursement requests from each subgrantee, which must include supporting documentation for all program funds expended monthly;
 - Reconcile the new reimbursement requests with its accounting system and document the differences between the amount subgrantees received and the actual amount expended;
 - Reimburse subgrantees for the actual amounts they expended if it reimbursed less than the actual eligible amount; and
 - Reimburse its program line of credit in cases in which subgrantees did not expend the amount that the City advanced.

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

- 1B. Review the documentation provided by the City in recommendation 1A to demonstrate that it used \$9,472,118 in grant funds only for eligible services for eligible participants and require the City to reimburse HUD from non-Federal funds for any amount that it cannot support.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Relevant background information.
- The Recovery Act, Office of Management and Budget implementation guidance, and applicable HUD regulations and guidance.
- The City's monitoring reports, accounting records, single audit report for fiscal year 2010, grant agreement, subgrant agreements, policies and procedures, and organizational chart.
- HUD's March 16, 2012, report from its monitoring of the City's grant and supporting documentation.
- Drawdown reports for the City's grant from HUD's Integrated Disbursement and Information System.

We also interviewed the City's staff, subgrantee employees, and officials from HUD's Headquarters Office of Special Needs Assistance Programs and its Baltimore Office of Community Planning and Development.

We conducted our onsite audit work from January through July 2012. We performed our work at the office of Baltimore Homeless Services, Inc., located at 620 Falls Way, Baltimore, MD; the City of Baltimore Mayor's Office of Human Services, located at 4 South Frederick Street, Baltimore, MD; and our offices located in Baltimore, MD, and Philadelphia, PA. The audit covered the period September 2009 through December 2011 but was expanded when necessary to include other periods. To achieve our audit objective, we relied in part on computer-processed data from City's accounting system. We used the computer-processed data to determine the amount of grant funds the City paid to its subgrantees. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We visited and reviewed records at two subgrantees: Prisoners Aid Association of Maryland, Inc., and Public Justice Center, Inc. Their subgrants were valued at \$463,800 and \$336,000, respectively, and in total represented 8 percent⁶ of the City's \$9.5 million grant. We selected these subgrants for review because the City terminated its agreement with Prisoner's Aid on July 1, 2011, and the Public Justice Center was reporting the same amount of expenses every month. We did not visit additional subgrantees because the investment of additional audit resources was not going to change the overall conclusion or potential recommendations for corrective action regarding the City's administration of the grant. HUD's review disclosed many problems with the City's administration of the grant and also confirmed our results. HUD had recommended that

⁶ $(\$463,800 + \$336,000 = \$799,800) (\$799,800 / \$9,523,896 = .08)$

the City review 100 percent of subgrantees' expenditures to determine whether they were adequately supported by source documentation.

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.

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:

- Policies and procedures that management has implemented to reasonably ensure that subgrantees are reimbursed for actual expenditures.
- Policies and procedures that management has implemented to reasonably ensure that the program meets its objectives.
- 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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The City did not ensure that it paid its subgrantees, based on actual expenditures, only for eligible services for eligible participants.
- The City generally did not monitor the activity of its fiduciary agent and subgrantees.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Unsupported 1/
1B	\$9,472,118

- 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

Ref to OIG Evaluation

Auditee Comments



STEPHANIE RAWLINGS-BLAKE
Mayor

October 5, 2012

Mr. John P. Buck
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Wanamaker Building
100 Penn Square East, Suite 10205
Philadelphia, PA 19107-3380

RE: City of Baltimore – Homelessness Prevention and Rapid Re-Housing Program Audit – Draft Report

Dear Mr. Buck:

Thank you for the opportunity to provide rebuttal to the Draft Report for this Audit. We appreciate your staff's time and attention to this matter.

Below I will indicate the particular section of your Office's report and our response:

WHAT WE FOUND

The City of Baltimore did not authorize reimbursement for program expenses based on prorated amounts rather than actual expenditures. The City of Baltimore provided advanced funds from the City's accounts to provide funding to the sub-providers. Funds were drawn from HUD based on reported expenditures.

MOHS will admit that the first three quarters of the grant were drawn (total of 6 draws) based on payments issued to United Way and not reported expenditures from sub-providers, but MOHS immediately ceased that process in August 2010. As a result all draws completed from that point on were based on expenditure reports submitted by the providers.

SUBGRANTEES WERE NOT PAID BASED ON ACTUAL EXPEDITURES

Based on the terms of the contract developed between the UWCM and the MOHS, City of Baltimore funds were to be provided to UWCM so they could process monthly disbursements to the providers in advance. This method was determined to be the best method to provide a positive cash flow for the providers for this program. No HUD monies were advanced to providers.

In year one of this grant (7/1/09 to 6/30/10), the City of Baltimore had overdrawn Federal funds based on cash payments to the United Way rather than reported expenditures from providers; for a net of \$409,845.33. MOHS was without a Fiscal Director from April 2010 through August 2010. When the current Fiscal Director was hired, this practice was immediately ceased. As a result, no funds were drawn in the July 2010 to September 2010 quarter.

A SUBGRANTEE COULD NOT SUPPORT ITS USE OF FUNDS

On May 13, 2011, Prisoners Aid Association of Maryland, Inc. was monitored by MOHS. At that time, PAA, Inc was able to produce only four client files for their program. At that time, we attempted to work with the vendor to produce the additional files. The vendor was undergoing a transition in leadership. They were unable to produce appropriate documentation; therefore, MOHS directed UWCM to terminate their contract. PAA, Inc. notified by

*Mayor's Office of Human Services
Homeless Services Program – 4 S. Frederick Street, 3rd Floor, Baltimore, MD 21202*

Comment 1

Comment 1

Comment 1

Comment 2

Comment 3

mail that effective 7/1/2011 they were terminated from the HPRP program. The funds that were awarded, but not utilized by PAA, were reallocated to other providers.

Comment 3

However, the allocations in IDIS were not updated by programmatic staff to support the level of funding granted by the United Way of Central Maryland. Therefore, the Fiscal Director improperly directed the fiscal staff to draw funds from other funded projects in IDIS in order to reimburse itself. The excess funds drawn under the Prisoners Aid Association of Maryland, Inc. IDIS activity number (6631) were funds that were distributed for the reallocated monies – although this was not reflected in the IDIS line items. The total expenditures reported by PAA, Inc. is documented in the MOHS files for the full \$231,956.80.

Comment 3

THE CITY USED FUNDS FOR POTENTIALLY INELIGIBLE ACTIVITIES

The \$41,667.00 that appears to be drawn to fund Housing Choice Vouchers was, in fact, used to fund a staff person, to process Housing Choice Vouchers for HPRP-eligible clients who were coming from the Rapid Re-Housing project; thereby expanding the Housing First program, as stated in the 2008 Substantial Amendment.

Comment 3

The Marian House agreement was BOE approved on a SPC boiler plate in error. MOHS had an original SPC agreement with Marian House, C#33224. The contract was extended and amended with additional HPRP funds \$71,053.00. The language of the contract was not amended in title or terms to accommodate the HPRP requirements. Marian House used the funds to ensure that clients were not discharged into homelessness.

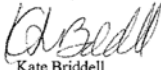
THE CITY DID NOT MONITOR THE PROGRAM AS REQUIRED

The City of Baltimore was delinquent in monitoring the programs sub-providers as required, because we lacked resources to conduct an appropriate level of monitoring, both fiscally and programmatically.

Overall, this grant was difficult to administer. HUD HQ consistently stated “we are building this plane as we are flying it.” Guidance was negligible, at best, and was issued via FAQs on the HUDhre.info website. The HUD Baltimore Field Office staff only provided oversight during the HUD HQ monitoring. The HUD HQ monitoring visit did not produce a report until 10 months later, after an intervention from the HUD IG Office, during this Audit.

Thank you, again, for the opportunity to present rebuttal information and the opportunity to submit this written statement. We look forward to working with the Field Office staff to demonstrate that while some of the paperwork was not completed or kept in a standard we would like, that no waste, fraud, or abuse was conducted during the course of administering this ARRA-funded project.

Sincerely,



Kate Briddell

Director – Homeless Services Program, Mayor’s Office of Human Services

CC: Olivia D. Farrow, Esq. – Director – Mayor’s Office of Human Services
Mark Graves – Fiscal Director – Mayor’s Office of Human Services

OIG Evaluation of Auditee Comments

- Comment 1** We disagree with the City's statements. The City acknowledges in the second paragraph of its written response that for the first three quarters of the grant it drew down funds based on payments it made to the United Way and not reported expenditures from sub-providers. The City asserts that it ceased that process in August 2010, and that no HUD monies were advanced to providers. However, we compared the City's electronic funds transfers to its draws of grant funds from HUD and it showed that the City made three electronic transfers of \$886,869 each to provide funds to the United Way for the quarters October to December 2010, January to March 2011, and April to June 2011, on September 30, 2010, January 6, 2011, and April 4, 2011. These transactions indicate that the City was advancing funds based on a prorated amount. Although the City may have been using funds other than its grant funds for the electronic funds transfers, this process had the same effect because the City made three draws of grant funds from HUD of \$886,869 each on November 5, 2010 (36 days after the electronic funds transfer), January 19, 2011 (13 days after the electronic funds transfer), and April 7, 2011 (3 days after the electronic funds transfer). Moreover, during its monitoring review, HUD found that the United Way was providing a fixed amount of funding to the subgrantees that was calculated by dividing the subgrantee's allocation of funds by the length of the grant (36 months). Thus the United Way provided funds to subgrantees based on a prorated amount rather than reimbursing them for actual expenses.
- Comment 2** After the exit conference, the City provided documentation to show that there was an error in its records and that it had overdrawn its grant by only \$409,845 as of June 2010, rather than the nearly \$1.1 million that it initially reported to us during the audit. We revised the figure in the final audit report.
- Comment 3** As part of the normal audit resolution process, the City needs to provide documentation to the Baltimore Office of Community Planning and Development to demonstrate that the related expenditures were eligible and supported.

Appendix C

DISTRIBUTION OF THE CITY'S GRANT FUNDS

	<u>Amount drawn</u>	<u>Total</u>
Funds administered by Baltimore Homeless Services:		
Utility assistance	\$ 224,014	
Jobs Housing and Recovery	\$ 154,831	
Administrative fee	\$ 111,949	
Marian House, Inc.	\$ 51,964	
Data collection and evaluation	\$ 48,992	
Subtotal		<u>\$ 591,750</u>
 Funds administered by the United Way:		
Baltimore City Department of Social Services-Homeless Emergency Environmental Services Unit	\$1,594,067	
Baltimore Healthcare Access, Inc.	\$1,050,000	
St. Vincent de Paul of Baltimore, Inc.	\$1,045,303	
Associated Catholic Charities	\$1,042,000	
Health Care for the Homeless, Inc.	\$ 884,106	
People Encouraging People	\$ 689,922	
AIDS Interfaith Residential Services, Inc.	\$ 600,000	
Legal Aid Bureau	\$ 549,593	
Prisoners Aid Association of Maryland, Inc.	\$ 392,982	
Public Justice Center, Inc.	\$ 336,000	
Homeless Persons Representation Project	\$ 285,000	
Fusion Partnerships	\$ 273,644	
Administrative fee	\$ 96,084	
Subcontractor fee	\$ 41,667	
Subtotal		<u>\$8,880,368</u>
Total		<u>\$9,472,118</u>