



**U.S. Department of Housing and Urban Development**  
Office of Inspector General for Audit, Region I  
Thomas P. O'Neill, Jr. Federal Building  
10 Causeway Street, Room 370  
Boston, Massachusetts 02222-1092

Phone (617) 994-8380 Fax (617) 565-6878  
Internet <http://www.hud.gov/offices/oig/>

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**MEMORANDUM FOR:** Anthony P. Scardino, Acting Deputy Chief Financial Officer, F

**FROM:** John A. Dvorak, Regional Inspector General for Audit, Boston Region, 1AGA

**SUBJECT:** Evaluation of the Final Front-End Risk Analysis for the Homelessness Prevention and Rapid Re-Housing Program

### **INTRODUCTION**

For the U.S. Department of Housing and Urban Development's (HUD) front-end risk assessment (FERA) for the new Homelessness Prevention and Rapid Re-Housing program (HPRP), we wanted to determine whether the FERA complied with the Office of Management and Budget's (OMB) guidance for the American Recovery and Reinvestment Act of 2009 (Recovery Act); the Recovery Act's streamlined FERA process; and HUD Handbook 1840.1, REV-3, Departmental Management Control Program.

There are no recommendations in this report. Should you or your staff have any questions, please contact Kevin Smullen, Assistant Regional Inspector General for Audit, at 617-994-8380.

### **METHODOLOGY AND SCOPE**

Using OMB's Implementing Guidance for the American Recovery and Reinvestment Act of 2009, the Act's streamlined FERA process and the Departmental Management Control Program handbook, we evaluated the following factors against the final FERA for HPRP to ensure that the major objectives were sufficiently emphasized:

- **General control environment** (legislative and program/organization structure),
- **Risk assessment** (program objectives/performance measures and program structure/administration),
- **Control activities** (coverage by written and other procedures, systems, and funding/funds control and organizational checks and balances),
- **Information/communication** (management attitude and reporting and documentation), and
- **Monitoring** (monitoring and special concerns or impacts).

We also included our determination on compliance and as to whether the final FERA for HPRP sufficiently and properly emphasized the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting.

We performed our work from April through July 2009 at our offices in Boston, Massachusetts, and Washington, DC. For this report, our work was not conducted in accordance with generally accepted government auditing standards. Under the Recovery Act, inspectors general are expected to be proactive and focus on prevention, thus this report is significantly reduced in scope.

## **BACKGROUND**

The Recovery Act provides \$1.5 billion to help families and individuals who are either homeless or at risk of becoming homeless. The funds will be allocated according to the current Emergency Shelter Grants formula with a grant minimum of \$500,000. These funds can be used to help families or individuals to pay rent, make security deposits, pay utility bills, and cover other housing expenses. The Recovery Act also provides funds to help these families or individuals receive appropriate services related to search and retention. The program developed to administer these funds is HPRP, and it is administered by the Office of Special Needs Assistance Programs (SNAPS) within the Office of Community Planning and Development.

HPRP 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. The assistance will be focused on housing stabilization, linking program participants to community resources and mainstream benefits, and helping them develop a plan for preventing future housing instability.

HPRP allows for four eligible activities including financial assistance, housing relocation and stabilization services, data collection, and evaluation and administration. None of these activities include “hard costs.” By excluding potentially riskier activities, such as new construction, acquisition, and rehabilitation, HPRP will be implemented quickly and with targeted resources. Since “hard costs” are not eligible expenses of the program, the issue of tracking conflicts of interest related to contracting and solicitation of bids was eliminated.

The new funding provided under the Recovery Act will require an ongoing evaluation and analysis of risk and continued monitoring to work toward achieving the goals of the legislation. In applying the Recovery Act implementing guidance regarding risk management, HUD will

incorporate elements of its existing FERA process. The streamlined FERA process will build upon the analysis and work that is underway to implement the Recovery Act provisions, maximizing the use of documents and materials available and supplementing as needed to ensure that internal controls are in place.

OMB's publication, "Implementing Guidance for the American Recovery and Reinvestment Act of 2009," provides an accountability risk framework that shows objectives under phases of the funding life cycle. It lists the following "accountability objectives" that apply to all agencies and programs:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefit of these funds is reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes; and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

OMB's guidance also discusses program-specific risks to be identified through the FERA process. Given the nature and purpose of the Recovery Act, the following objectives require emphasis:

- **Timeliness**—For every program step, it is critical to consider timing and whether the actions can be taken within the required timeframe.
- **Clear and measurable objectives**—All funds will be tracked to show results. It is critical to have clear and measurable outputs and outcomes and to have tracking mechanisms in place.
- **Transparency**—Information about how all funds are awarded, distributed, and used and what results are achieved must be available for the public.
- **Monitoring**—Workable plans for monitoring programs and related funds must be in place and must be carried out.
- **Reporting**—Identifying and tracking all funding under the Recovery Act is critical and must be reported on regularly.

## **RESULTS OF REVIEW**

HUD's final FERA for HPRP disclosed that for each factor the risk was identified, planned action needed, and mitigation techniques use to base its risk rating. Our review has determined that the factors of: general control environment, risk assessment, control activities, information / communication, and monitoring have been adequately addressed and the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting were adequately emphasized in the FERA and resulted in the following.

**Timeliness:** HUD established specific milestone dates for distributing the Recovery Act funding:

March 19, 2009 - HUD announces formula allocations to grantees, which were published at [www.hud.gov/recovery](http://www.hud.gov/recovery).

May 18, 2009 - Grantees submit their applications to HUD.

July 2, 2009 - HUD approves or disapproves applications.

September 1, 2009 - HUD executes grant agreements with grantees.

September 30, 2009 - Grantees must obligate funds to their subgrantees.

Grantees are to expend 60 percent of HPRP grant funds within two years of the date that funds are available to grantees for obligation (the date that HUD signs the grant agreement). HPRP grantees must also expend 100 percent of their allocations within three years of the date that funds are available for obligation. The target completion date for this process is September 1, 2012.

**Clear and measurable objectives:** Mechanisms are in place to measure and track outputs and outcomes. HUD has identified the risk measures and how these measures will be evaluated. Outputs and outcomes will be tracked through the Integrated Disbursement and Information System (IDIS) and the Homeless Management Information System (HMIS).

HUD indicated that IDIS needed upgrades to allow grantees to draw down funds using accounting codes eligible under HPRP. HUD has taken the necessary steps of identifying the risk and the risk mitigation techniques (what is in place) and has proposed a solution and a targeted resolution date. Also, grantees will use their local HMIS for performance reporting efforts. HMIS is an electronic data collection application that is managed and operated locally and that facilitates the collection of information on persons who are homeless or at risk of becoming homeless. By statute, HPRP grantees are required to report client-level data in HMIS or a comparable database. The target completion date for this objective is October 31, 2009.

**Transparency:** HUD has taken action to ensure that information is available to the public. HUD expects that the transparency requirements of the Recovery Act, including the requirement to publish both spending and recipient performance reports, should create accountability among its managers and grantees. HUD will use its reporting systems in place with IDIS and HMIS to generate automated spreadsheets that provide early detection of problem grantees and data entry issues.

In addition, HUD SNAPS continues to enhance the one-stop Web information portal on homeless assistance, the Homelessness Resource Exchange (at [www.hudhre.info](http://www.hudhre.info)). This Web site provides funding and programmatic information, and it also contains a variety of data related to homeless assistance. SNAPS continues to develop the annual homeless assessment report, which will provide Congress and the public with homeless data to foster a better understanding of the issue of homelessness. By using information collected through HMIS, HUD was able to provide a baseline for future reports that will provide direct year-to-year comparisons of numbers and characteristics of homeless persons and their patterns of service use. This report

will be available at <http://ahar.hmis.info>. The target completion date for this objective is October 31, 2009.

**Monitoring:** HUD is hiring additional staff dedicated to HPRP. The staff will be responsible for identifying and selecting grantees to monitor; the monitoring teams will examine the use of program funding and ensure that payments are made only for eligible activities. In addition to monitoring, day-to-day management will include document tracking by a program assistant and oversight by specialty staff, such as environment specialists or financial analysts. The oversight activities will include reviews conducted by a program manager and an Office of Community Planning and Development director. HUD will also use its reporting systems in place, with IDIS and HMIS, to generate automated spreadsheets that provide early detection of problem grantees and data entry issues. The target completion date for this objective is October 31, 2009.

**Reporting:** HUD’s grantees will be required to self-report monthly on the use of HPRP funds through IDIS. HUD will perform remote monitoring through an IDIS download of project-level data. HPRP grantees and subgrantees will also collect client-level data through HMIS. The required data elements to be collected in HMIS for the new program will be included in the revised HMIS data and technical standards, expected to be published later in 2009. HUD will modify HMIS data standards to ensure that they are included in the system.

Initial performance report: Grantees will provide information required by HUD and specified by Recovery Act guidance, such as nonprofit and state subgrantees and award amounts, the process used to award funds to these organizations, the allocation of HPRP funds to the four eligible HPRP activity categories (financial assistance, housing relocation and stabilization services, data collection and evaluation, and administration), and the estimated number of individuals and households to be served.

Quarterly performance report: Grantees will report items such as the number of persons and households served, persons served by component and service activity, homeless status, housing stability, and the number of jobs created. Also, starting in 2010, all quarterly performance reports will be entered directly into the electronic grants management system called *e-snaps*, administered by SNAPS.

Annual performance report: Grantees will report on outputs, such as the number of persons served and the demographic characteristics of persons served, funds expended by activity type, the number of jobs created and retained, and outcomes related to housing stability to be specified by HUD.

The timelines for reporting is as follows:

Report type	Report period
<b>Initial performance report</b> - Serves as the first quarterly performance report. Due October 30, 2009.	Date of HUD obligation of funds to grantee through September 30, 2009
<b>Quarterly performance reports</b> - Due 30 days after the end of each fiscal quarter in	October 1 - December 31 > January 1 - March 31 April 1 - June 30 > July 1 - September 30

which HPRP funds are expended.	
<b>Annual performance report</b> - Due 60 days after the end of the federal fiscal year for each fiscal year in which HPRP funds are expended.	October 1 - September 30

The target completion date for this objective is October 31, 2009.

### **Conclusion**

Our review of the final FERA for HPRP disclosed that for each factor the risk was identified, planned action needed, and mitigation techniques use to base its risk rating. Our review also has determined that the factors of: general control environment, risk assessment, control activities, information/communication, and monitoring have been adequately addressed and the major program objectives of timeliness, clear and measurable objectives, transparency, monitoring, and reporting were adequately emphasized.

### **RECOMMENDATIONS**

Based on the results of this audit, this memorandum report contains no recommendations.