



Issue Date	April 6, 2011
------------	---------------

Audit Report Number	2011-LA-1009
---------------------	--------------

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

FROM: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: Special Services for Groups, Los Angeles, CA, Approved Homelessness Prevention and Rapid Re-Housing Program Assistance for Unsupported and Ineligible Participants

HIGHLIGHTS

What We Audited and Why

We audited the Homelessness Prevention and Rapid Re-Housing Program (HPRP) of Special Services for Groups (Special Services) based on the results of a separate audit of the City of Los Angeles Housing Department (Department). Special Services is a subrecipient of the Department's HPRP. HPRP is part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), and auditing Recovery Act programs is one of the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) audit priorities. Our overall audit objective was to determine whether Special Services administered its HPRP in accordance with the Recovery Act and other requirements.

What We Found

Special Services did not always administer its HPRP in accordance with the Recovery Act and other requirements. We reviewed 30 participant files and determined that Special Services approved HPRP assistance for an ineligible participant and 25

participants whose eligibility was not supported. As a result, we questioned the use of \$53,931 in HPRP assistance provided to these participants.

What We Recommend

We recommend that the Director of the Los Angeles Office of Community Planning and Development require Special Services to (1) reimburse its HPRP \$2,300 from non-Federal funds for an ineligible participant whose income exceeded HUD requirements; (2) provide supporting documentation for 25 participants lacking adequate documentation or reimburse its HPRP \$51,631 from non-Federal funds; and (3) establish and implement sufficient HPRP eligibility and documentation policies and procedures for income determinations, homelessness, financial resources, support networks, participant recertification, and subsequent housing options.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided a draft report to Special Services and the Department on March 08, 2011, and held an exit conference with Special Services and Department officials on March 17, 2011. Special Services and the Department provided written comments on March 18, 2011. Special Services generally agreed it needed to improve its policies and procedures, but disagreed that the program participants' eligibility was not adequately documented.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report. The auditee also provided a binder with additional documentation related to the eligibility of the participants we questioned. We did not include this in the report because it was too voluminous; however, it is available upon request.

TABLE OF CONTENTS

Background and Objective	4
Results of Audit	
Finding: Special Services Approved HPRP Assistance for One Ineligible Participant and 25 Participants Whose Eligibility Was Not Supported	6
Scope and Methodology	11
Internal Controls	13
Appendixes	
A. Schedule of Questioned Costs	14
B. Auditee Comments and OIG's Evaluation	15
C. Criteria	25
D. Table of Participant Files Reviewed	29

BACKGROUND AND OBJECTIVES

The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) became Public Law 111-5 on February 17, 2009. The Recovery Act established the Homelessness Prevention and Rapid Re-Housing Program (HPRP), which is regulated by the U.S. Department of Housing and Urban Development (HUD) and administered by its Office of Community Planning and Development.

The Homelessness Prevention and Rapid Re-Housing Program

The purpose of HPRP is to provide homelessness prevention assistance to households that would otherwise become homeless, many due to the economic crisis, and to provide assistance to rapidly rehouse persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. (United States Code) 11302). HPRP provides temporary financial assistance and housing relocation and stabilization services to individuals and families that are homeless or would be homeless but for this assistance.

Special Services for Groups

Special Services for Groups (Special Services) is a nonprofit organization administering HPRP, a program which provides short-term housing assistance to the homeless and at-risk households. Special Services provides intensive case management and one-time financial assistance for rental, security, and utility deposits for the homeless and those at risk of homelessness in Los Angeles, CA. The City of Los Angeles Housing Department (Department) received a \$29.4 million HPRP grant from HUD and contracted with the Los Angeles Homeless Service Authority (Authority) to administer its HPRP as the lead agency. The Department allocated the Authority more than \$28.8 million in HPRP funds to manage the program. Special Services is 1 of 13 subrecipients contracted by the Authority to help administer its HPRP. The Authority allocated \$1.9 million to Special Services to administer a portion of its HPRP. In addition, the Department allocated \$9.5 million to the Housing Authority of the City of Los Angeles. The HPRP funds we reviewed were part of this allocation.

Audit Objective

Our overall audit objective was to determine whether Special Services administered its HPRP in accordance with the Recovery Act and other requirements. The focus of our review was to determine whether Special Services followed eligibility and documentation requirements when it approved participants for HPRP assistance. The audit originated based on the results of a separate audit of the Department.¹ Our audit of the Department found that its policies and

¹ Audit Report 2011-LA-1001, Los Angeles Housing Department (October 25, 2010)

procedures were not adequate to ensure that its subrecipients fully complied with HPRP requirements with regard to assuring that adequate documentation was maintained. We concluded that two audits of Department subrecipients were warranted due to concerns about expenditure eligibility. This is the first of the two audits.

RESULTS OF AUDIT

Finding: Special Services Approved HPRP Assistance for One Ineligible Participant and 25 Participants Whose Eligibility Was Not Fully Supported

Special Services approved HPRP assistance for ineligible participants and participants whose eligibility was not supported. This condition occurred because Special Services did not have adequate written policies and procedures in place to ensure compliance with HPRP requirements. As a result, it approved \$53,931 in financial² assistance for one ineligible participant (\$2,300) and 25 other participants (\$51,361) for whom eligibility was not fully supported. If Special Services cannot provide support for the unsupported participants, these funds were not available to other eligible participants, and Special Services did not fully maximize the effectiveness of the program.

One Participant Was Not Eligible for the Program

We identified one participant (#1592721) that exceeded HUD's income requirements for HPRP eligibility. This participant's household income of \$38,480 exceeded 50 percent of the county's area median income of \$35,700 for a three-member household. Special Services determined that the participant was income eligible by incorrectly multiplying the average biweekly income by 2 and multiplying that amount by 12 months. Since the participant was paid on a biweekly basis, the proper way to calculate the participant's income would have been to multiply the participant's average biweekly income by 26 pay periods. Due to this miscalculation, Special Services approved the participant for HPRP assistance when the participant's annual income exceeded HUD's requirements.

The participant's file also contained two other instances of noncompliance. First, Special Services did not sufficiently document participant homelessness. It did not include documentation in the file to show that the participant resided in an emergency homeless shelter or place not meant for human habitation immediately before living in transitional housing. It also did not include sufficient documentation to support that the participant lacked the financial resources to obtain housing or remain in existing housing. Specifically, it did not include a review of the participant's bank accounts or document that the participant did not have a bank account.

² The assistance included rental, security deposits, and utilities.

Special Services' Files Did Not Adequately Support Participant Eligibility

Special Services approved HPRP assistance for 25 of 30 participants reviewed whose HPRP participant eligibility was not adequately supported³. Specifically, 25 did not include proper documentation of the participant's financial resources, 4 did not include proper documentation of the participants' homelessness or risk of homelessness, 1 did not document the participant's lack of support networks, and 1 did not document the participant's lack of other subsequent housing options. Further, Special Services failed to recertify the eligibility of two participants that received medium-term rental assistance lasting longer than 3 months. It also did not make participant income determinations in accordance with HPRP requirements for 18 of 30 files reviewed. The specific deficiencies identified for each of the 25 participants are shown in appendix D. Some examples are discussed below.

Case 1 (Participant #1596226)

Special Services did not determine participant income in accordance with HPRP requirements for participant #1596226. Based on documentation in the file, the participant worked an average of 14.3 hours every 2 weeks and had a salary rate of \$8.30, resulting in wages of \$118.69 each biweekly pay period. As a result, the participant's annual income from employment over 26 biweekly pay periods was \$3,086. The participant also received \$786 in monthly Social Security benefits for a total of \$9,432 per year. In total, we calculated the participant's annualized income as \$12,518 per year. Special Services determined that the participant's annual income was \$7,000. We were unable to determine how it arrived at this income amount. In this instance, the improper income determination did not affect participant eligibility.

The participant file also contained inconsistent and insufficient documentation of homelessness. For example, a self-declaration of homeless status form indicated that the participant was homeless and living on the streets, while the self-sufficiency matrix form indicated that the participant was living in transitional, temporary, or substandard housing and/or the participant's current rent/mortgage payment was unaffordable. Both of these documents were dated March 4, 2010. The caseworker then attempted to obtain third-party verification of temporary housing by requesting a lease agreement and letter from the family providing the housing. The caseworker was unable to obtain this documentation, and the file did not contain other documentation to demonstrate that the participant was living in temporary housing. It was unclear whether the participant was living on the streets, in transitional housing, or in temporary housing immediately before receiving HPRP assistance. However, clearly, Special Services failed to establish the participant's status as homeless or at risk of homelessness immediately before providing HPRP assistance.

³ The deficiencies noted are not independent of one another as one file may have contained more than one deficiency.

Special Services also did not fully demonstrate that the participant lacked financial resources to obtain other appropriate subsequent housing or remain in her existing housing. Specifically, the file did not include a review of the participant's bank accounts or document that the participant did not have a bank account. As a result of the deficiencies described above, \$800 in HPRP assistance provided to the participant was not adequately supported.

Case 2 (Participant #1639919)

Special Services did not include sufficient supporting documentation of participant #1639919's income. The case manager's notes indicated the participant received child support payments. However, the file only contained unemployment compensation documents and did not include documentation of child support or that the child support payments had stopped. Without the child support payment information, we were unable to determine whether the participant was income eligible for HPRP assistance.

We also noted that this participant received Section 8 assistance and had fallen behind in her portion of the rent. To be eligible for HPRP assistance, eviction must be imminent. Although the participant was behind on rent, the file did not include the participant's lease, and it did not include an eviction letter from the landlord. For the participant to be eligible for HPRP assistance, the caseworker must obtain an eviction notice and lease from the participant to show that the participant is being evicted. The file contained a letter from the landlord stating that the tenant was behind in her payments and should call the owner to make arrangements to get current. There was no indication that eviction was imminent.

Special Services also did not properly document the participant's lack of financial resources to obtain other appropriate subsequent housing or remain in her existing housing. The file did not include a review of the participant's bank accounts or document that the participant did not have a bank account. Although Special Services did not obtain sufficient documentation to support the participant's eligibility for the program, it approved \$1,000 in HPRP assistance for this participant.

Case 3 (Participant #1589235)

Special Services did not properly calculate participant #1589235's annual income. It computed the participant's annual income using 12 monthly pay periods instead of 26. Although Special Services miscalculated the participant's income, it did not affect the participant's income eligibility for HPRP.

Special Services also failed to properly document the participant's lack of financial resources to obtain other appropriate subsequent housing or remain in his existing housing. The file did not include a review of the participant's bank accounts or document that the participant did not have a bank account.

The participant received security deposit assistance and a total of 6 months of HPRP rental assistance. HPRP requires recertification of eligibility at least once every 3 months for all program participants receiving medium-term rental assistance. Although this participant was receiving medium-term rental assistance, Special Services did not conduct a recertification of eligibility for this participant. As a result, it approved \$8,075 in HPRP assistance to a participant whose eligibility was not supported.

Conclusion

Special Services approved \$53,931 in assistance for an ineligible participant and 26 participants for whom eligibility was not adequately supported. We attribute the deficiencies to Special Services' failure to develop and implement sufficient written policies, procedures, and controls. If Special Services cannot provide support for the unsupported participants, these funds could have been made available to other eligible participants and helped maximize the effectiveness of the program.

Recommendations

We recommend that the Director of the HUD Los Angeles Office of Community Planning and Development require Special Services to

- 1A. Reimburse \$2,300 to HPRP from non-Federal funds for the one ineligible participant whose income exceeded HUD requirements.
- 1B. Provide supporting documentation for the eligibility of 25 HPRP participants listed as unsupported in appendix D or reimburse HPRP \$51,631 for participants lacking adequate documentation from non-Federal funds and determine and reimburse any amounts that have been spent since our review for these participants.
- 1C. Establish and implement policies, procedures, and controls to ensure that it sufficiently documents that HPRP applicants lack financial resources to obtain immediate housing or remain in their existing housing, including obtaining bank statements or documenting that the participant does not have a bank account.
- 1D. Establish and implement policies, procedures, and controls to ensure that it sufficiently documents homelessness or risk of homelessness of HPRP applicants.
- 1E. Implement procedures and controls to ensure that it sufficiently documents that HPRP applicants do not have other subsequent housing options.

- 1F. Implement procedures and controls to ensure that it recertifies participants that receive more than 3 months of medium-term rental assistance.
- 1G. Establish and implement sufficient policies, procedures, and controls to ensure that it determines household income in accordance with HPRP requirements.

SCOPE AND METHODOLOGY

We performed our onsite audit work from October 2010 to February 2011 at Special Services' facility located in Los Angeles, CA. The audit generally covered the period October 1, 2009, to September 30, 2010. We expanded our audit period as needed to accomplish our objective. Our methodology included

- Conducting interviews with pertinent personnel at Special Services, including the supervisor, case managers, employees, and accounting staff officials;
- Reviewing the contract between Special Services and the Authority;
- Reviewing accounting policies and procedures as well as accounting records of Special Services to ensure compliance with HPRP regulations;
- Reviewing supporting documentation for invoices submitted to the Authority for reimbursement of HPRP expenses to determine their adequacy and eligibility;
- Reviewing Special Services' written HPRP policies and procedures to determine whether they complied with HPRP regulations;
- Reviewing the programmatic monitoring reports of Special Services provided by the Authority;
- Reviewing Special Services' flowcharts;
- Reviewing Special Services' audited financial statements for fiscal years 2008 and 2009; and
- Reviewing applicable Recovery Act regulations, HPRP laws, the Code of Federal Regulations, and HPRP guidance.

We reviewed 30 participant files using two sampling methodologies. We initially selected 10 files based on a nonstatistical sampling methodology to determine whether we could target specific participant files for review. Based on these 10 files, we concluded that we could not target specific files for review. As a result, we used a random number generator to select an additional 20 files for review. In both samples, our universe was limited to 133 participants who were approved by Special Services to receive HPRP financial assistance (rental, security deposit, and utility payments). The 133 participants in our universe received \$249,131 in HPRP financial assistance.

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 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:

- Controls to ensure that subgrantees follow applicable laws and regulations with respect to the eligibility of HPRP participants and activities.

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:

- Special Services did not have adequate policies and procedures in place to ensure compliance with HPRP requirements (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>
1A	\$2,300	
1B		\$51,631

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. These costs consist of HPRP funds used to assist a participant that was ineligible because she exceeded the income limits.

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. These costs consist of HPRP funds used to assist participants whose eligibility was not supported by adequate supporting documentation.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

March 17, 2011

Ms. Tanya Schulze
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General, Region IX
611 West Sixth Street, Suite 1160
Los Angeles, CA 90017

Dear Ms. Schulze,

We appreciate having the opportunity to review the draft audit report regarding Special Service for Groups' (SSG) Homeless Prevention and Rapid Rehousing program. We are submitting comments, explanations, and proposed changes to the draft's findings and recommendations for consideration for the final report.

Special Service for Groups' General Response

Comment 1

We believe that we administered the program in accordance with the American Reinvestment and Recovery Act, Housing and Urban Development and the City of Los Angeles Homeless Prevention and Rapid Rehousing program. Although there are some areas that may require improvement, overall we feel that we have managed the program sufficiently and have provided the supporting documentation for 25 of 26 HPRP participants in question.

Comment 2

From the report's finding, it is very specific to documenting program eligibility and not SSG's overall administration of the program. It determined that we lacked "adequate written policies and procedures in place to ensure compliance with HPRP requirements." Similarly, there was a recommendation "to establish and implement written sufficient HPRP eligibility and documentation policies and procedures for income determination, homelessness, financial resources, support networks, participant recertification, and subsequent housing options." We are in the process of reviewing and revising all our policies and procedures regarding HPRP. After completion, we will forward them to the Los Angeles Homeless Services Authority for review and approval.

Comment 3

It appears that the report centers on the 19 miscalculated income determinations and 26 financial resource documentations. We do not dispute OIG's preliminary finding that SSG initially miscalculated the incomes of the 19 participants and we have subsequently recalculated each participant's income correctly. Based on our recalculations, we determined that 18 of the 19 clients remained eligible and are resubmitting the re-calculated income determinations for the participants (Appendix A). Due to this discovery, we are in the process of finalizing internal controls that will be forwarded to LAHSA for review and final approval. Furthermore, we will be providing training to all staff who are involved in the review and processing of income determinations to ensure that they are clearly aware of the changes in protocol as it relates to the review and evaluation of a participant's income.

Comment 4

Conversely, we disagree with the blanket dismissal of the 26 financial resource documentation deficiencies. As per the City of Los Angeles' and Los Angeles Homeless Services Authority's approved HPRP forms, we believe adequate financial resource documentations were included in the file. The HPRP Eligibility and Documentation guidelines language does not suggest that we document the review or document that the participant does not have a bank account. It only calls for a review of account balances held by the participant.

From our understanding, we are to perform an initial consultation and eligibility screening of HPRP participants. This initial consultation is an assessment of the potential participant to establish that the person meets the "but for this assistance" criteria. We performed assessments for the 26 and determined by review of the potential participants information that they lacked financial resources. Additionally, we recorded the lack of financial resources by checking the box that states "the household lacks the financial resources to obtain immediate housing or remain in its existing housing on the City of Los Angeles' and LAHSA's HPRP approved certification form. Additionally, the certification form requires the HPRP participant to attest to the information provided; and the HPRP representative to acknowledge carrying out the assessment. Both acts meet the documentation guidelines for a statement and assessment for insufficient financial resources. We have forwarded this information to OIG for consideration and are including copies in this response (Appendix B).

Comment 5

Finding: Special Service for Groups approved HPRP Assistance for Ineligible and Unsupported Participants, Page 6, Title and Subsequent Paragraph

We request the title finding to be restated and consistent with the Highlights section to read, “SSG approved HPRP Assistance for one ineligible participant and 26 Unsupported Participants” and the subsequent paragraph to read, “SSG approved HPRP assistance for one ineligible participant and 26 participants whose eligibility is not supported.” Finally, since no determination has been made about the unsupported participants, we request that the following statement be removed, “Special Services cannot provide support for the unsupported participants, these funds were not available for other eligible participants, and Special Services did not fully maximize the effectiveness of the program.”

Comment 6

One Participant Was Not Eligible for the Program, Page 6

We agree the participant in question was ineligible and are going to repay \$2,300 to the HPRP program.

Comment 4

Special Services’ Files Did Not Adequately Support Participant Eligibility

As previously stated in paragraph one of our general response, SSG believes that we have satisfied the documentation of financial resources. Each participant and his or her assigned case manager sign a certification form attesting to the fact that there are insufficient financial resources and acknowledge that a financial assessment has been performed.

Conclusion, page 9

Since there is no final determination for the remaining 25 of the 26 unsupported participants in question, we request the deletion of this sentence, “If Special Services cannot provide support for the unsupported participants, these funds could have been made available to other eligible participants and helped maximize the effectiveness of the program.”

Comment 6

Recommendations, Page 9

1A. Reimburse 2,300 to HPRP from non-Federal funds for the one ineligible participant whose income exceeded HUD requirements.

Since we agree that this participant was ineligible due to our income miscalculation, we will reimburse HPRP \$2,300.

Comment 4

1B. Provide supporting documentation for the eligibility of 26 HPRP participants listed as unsupported in appendix D or reimburse HPRP \$51,631 for participants lacking adequate documentation from non-Federal funds and determine and reimburse any amounts that have been spent since our review for these participants.

Comment 7

With the exception of the one ineligible participant, we believe we have submitted supporting documentation for the remaining 25 of the 26 participants. As explained in our general response on page 1, we feel that we have satisfied the required HPRP financial resource documentation standard by completing participant assessments and approved City of Los Angeles and LAHSA HPRP Certification forms. With the exception of participant 1592721, we think we have supplied supporting documentation for three that did not have homeless or at-risk of homeless verification, one that did not have support networks documentation, and one that lacked subsequent housing options

Comment 9

For undocumented financial resources, we supplied OIG with a signed and dated HPRP Program Pre-Screening and Certification of Understanding document for each identified participant and a signed case note by SSG HPRP staff attesting to the client's lack of financial resources and support networks (Appendix B).

Comment 3

For income determination, we submitted the participant's proof of income and income verification. Moreover, we recalculated the annual income for each identified participant using the HUD pre-scribed calculation criteria. The revised income determination sheet shows income amounts for all eligible participants identified in the report (Appendix A).

Comment 8

For undocumented subsequent housing options and undocumented support networks, we provided a signed and dated HPRP Pre-Screening and Certification of Understanding document for each identified client, the HPRP Self-Sufficiency Matrix, for which question 10 specifically assess for Available Support Networks, and a case note signed by staff (Appendix B).

For undocumented homelessness, we furnished the following for each participant (Appendix C):

Comment 7

1639919—a signed and dated original self-declaration from both applicant and HPRP staff person which documents the attempt to obtain third party documentation;

1588371— a signed and dated original self-declaration from both applicant and HPRP staff person which documents the attempt to obtain third party documentation;

1596226 – A signed and dated original self-declaration from both applicant and HPRP staff person which documents the attempt to obtain third party documentation.

It is our belief that the aforementioned provided documentation satisfies the HUD HPRP documentation standards.

1C-1E Establish and implement policies, procedures, and controls...

Comment 10

SSG is in the process of finalizing the various written policies, procedures, and internal controls. Upon completion; they will be forwarded to LAHSA for review and approval.

1F. Implement procedures and controls to ensure that it recertifies participants that receive more than 3 months of medium-term rental assistance.

Comment 11

We performed certifications on the two people in question. We have forwarded this information to OIG for review and are including the copies in this report (Appendix D). Also, we are preparing procedures and controls for LAHSA's review and approval; and staff in charge of recertification are undergoing training.

1G. Establish and implement sufficient policies, procedures, and controls to ensure that it determines household income in accordance with HPRP requirements.

Comment 10

We have provided all assessment specialists and case managers with an excel spreadsheet that incorporates data elements of HUD's income determinants including embedded formulas to minimize any errors in computing income. In addition, staff have been retrained in calculating income. We are in the process of finalizing written instruction on how to determine household income and afterwards will train staff on the excel sheet's use.

Table of Deficiencies Appendix D

Comment 12

No HPRP assistance was awarded to 1640904. We request all information pertaining to this participant be removed thereby reducing the number of financial resource and income determinations on the chart.

Comment 13

In conclusion, we have worked hard to refine our management of the HPRP program and ensure that eligible participants receive financial assistance. Though we are in disagreement about the documentation of financial resources, we feel that we have complied with HPRP general policies and procedures set forth by the City of Los Angeles' HPRP Program and the Los Angeles Homeless Services Authority. We have instituted improved internal controls related to program eligibility documentation.

As stated on page 1, we anticipate submitting revised policies, procedures, and internal controls for HPRP to LAHSA before April 30, 2011 for review and approval.

We hope that you will consider our comments and suggested revisions as you prepare your final report. Please feel free to contact me at 213-553-1800 or hhata@ssgmain.org or Veronica Lewis, the Division Director at 323-948-0414 or ylewis@ssgmain.org. In addition, please include Beth De Los Santos, Fiscal Manager at bdellossantos@ssgmain.org and Hayley Levy, Director of Administration at hlevy@ssgmain.org on your responses.

Sincerely,

Dr. Herbert Hatanaka
Executive Director

CC's:

LAHD: Douglas Guthrie, Darryl Booker, Suzette Flynn

LAHSA: Michael Arnold, Steve Andryszewski, Victoria Saenz-Brown

SSG: Hayley Levy, Beth De Los Santos, Veronica Lewis, Kelvin Driscoll

APPENDIX: A - D

OIG Evaluation of Auditee Comments

- Comment 1** We disagree that Special Services administered the program in accordance with the Recovery Act and other requirements. The additional documentation provided with its response supported the eligibility for 1 of the 26 HPRP participants in question.
- Comment 2** We recognize that Special Services has taken steps to remedy weaknesses identified during our audit. As discussed during the exit conference, the audit resolution process will provide Special Services ample opportunity to present corrective actions for each recommendation to HUD.
- Comment 3** We evaluated Special Services' revised income calculations for the 18 participants. Of the 18 participants, Special Services did not provide sufficient income documentation for 2 of the participant files. Participant file #1639919 is missing child support income documentation and participant file #1592964 does not have sufficient payroll documentation to determine the frequency of the participant's income.
- Comment 4** Special Services provided documentation in appendix B of its response regarding the financial resources of the 26 participants identified in the audit report. However, most of these documents were not in the participant files at the time of review, nor were they provided to OIG when we informed Special Services of the missing documentation during our field work. Further, we found that the documentation provided was not sufficient to show that Special Services assessed the participants' bank account balances.
- We disagree with Special Services' position that its participant files contained sufficient documentation to substantiate the participants' lack of financial resources. We further disagree that HUD's guidance does not require a review of the participant's bank account(s) or documenting the lack of bank account(s). The HPRP Eligibility and Documentation Guidance specifically states "assessment form or other documentation must include review of current account balances in checking and savings accounts held by the applicant household." Account balances cannot be reviewed without the bank statements. Therefore, bank statements are required. The sufficiency of the financial resources documentation provided by Special Services can be addressed during the audit resolution process with HUD.
- Comment 5** We agree and made the requested revision.
- Comment 6** We disagree with Special Services' request to remove the last sentence of the finding. If Special Services cannot provide adequate documentation for the eligibility of the 25 unsupported participants, these funds must be made available to other eligible participants in order to maximize the effectiveness of the program.

Comment 7 We disagree that the documentation provided cleared the three instances of undocumented homelessness or risk of homelessness. Details of the specific cases are described below.

Participant #1596226 – Special Services provided a revised version of its “Self-Declaration of Housing Status” form for this file. The form was revised to correct the housing status and initialed by one of its employees on February 23, 2011. Since the original documentation was signed by the participant and case manager on March 4, 2010 (after intake), this was insufficient documentation to resolve the deficiency. In addition, the file contained numerous inconsistencies with its homelessness or risk of homelessness documentation. For example, Special Services’ self-sufficiency matrix indicated that the participant was living in transitional or temporary housing, while the self declaration of homelessness form indicated that the participant was homeless and living on the streets. Both forms are dated March 4, 2010. Other documents in the file showed that the participant was living with family on February, 2, 2010 and that the case manager attempted third party verification of a lease agreement for a host family on May 10, 2010. This gave the appearance that the participant may have lived with family and did not live on the streets or in transitional housing at the time of entry into the HPRP. Regardless of the participant’s specific housing situation at the time of program entry, the participant file did not include sufficient documentation of the household’s homelessness or risk of homelessness. Special Services will need to provide appropriate supporting documentation during the audit resolution process with HUD and establish and implement policies, procedures, and controls to ensure that it sufficiently documents homelessness or risk of homelessness of HPRP applicants.

Participant #1588371 – Special Services’ “Self-Declaration of Housing Status” form stated that the participant was going to be evicted within 15 days from December 3, 2009. However, a copy of an eviction notice from the landlord was not included in the file. Special Services’ “Prescreening Tool” form stated that the landlord was not accepting Section 8 vouchers and would be evicted by December 19, 2009. However, there was no support in the file to show that the landlord was no longer accepting Section 8 vouchers. Special Services provided case notes stating that the participant was staying with friends but its response did not include an eviction notice or a lease agreement from the host family.

Participant #1639919 – The participant file indicated that the participant was a Section 8 tenant who was 6 months behind on rent as of February 9, 2010. However, the file did not contain any other documentation to show that the participant would be evicted. There were also inconsistencies in the file regarding the participant’s homelessness or risk of homelessness. For example, one of the documents indicated that the participant was living with friends, while another indicated that the participant was being evicted from a Section 8 unit. Special Services provided a “Self-Declaration of Housing Status” form with its response on March 18, 2011. This form was not in the participant file at the time of our

review. Due to the inconsistencies of the participant's housing status in the file, OIG cannot conclude that this documentation is sufficient to support the participant's eligibility. Special Services can work with HUD to clear this issue during the audit resolution process.

Comment 8 We disagree that the documentation provided cleared the deficiencies related to lack of support networks and other subsequent housing options. Special Services did not provide sufficient documentation to demonstrate that participant #1601214 lacked support networks and other subsequent housing options. The Special Services' form titled "HUD MINIMUM ELIGIBILITY CRITERIA PRESCREENING TOOL" was a standard form used in all of Special Services' files that was signed and dated by the case manager to show that the participant lacked support networks and other subsequent housing options at the time of program entry. Participant file #1601214 did not contain this form. Special Services' provided the "HPRP Self-Sufficiency Matrix" as support in its response. However, the form for participant #1601214 indicated that the participant had "Strong support from family or friends; household members support other's efforts". Based on this documentation, it appeared that the participant had support from family or friends. Therefore, Special Services did not support that the participant lacked support networks needed to obtain housing.

Special Services also provided "Client Progress Notes" for participant #1601214 with its response which stated "At this time the participant lacks the financial resources and support networks needed to obtain appropriate housing. As well the participant has not (sic) subsequent housing options". A similar document was provided for each of the 25 unsupported participant files identified during our review. However, the case note for this specific participant was the only one that included the "no subsequent housing options" portion in order to address this specific file deficiency. This document was not in the file at the time of our review. Further, when OIG asked the case managers during the audit for support for the deficiencies identified during each of our file reviews, the case managers indicated that all documentation was maintained in the participant files. This gave the appearance that the case notes were not completed at the time the participant was approved for assistance. Therefore, we did not accept this documentation. Special Services can work with HUD during the audit resolution process to resolve these deficiencies.

Comment 9 Special Services did not provide sufficient supporting documentation of financial resources and support networks. Please see comments 4 and 13.

Comment 10 We acknowledge that Special Services is implementing new policies, procedures, and controls. The new policies and procedures can be provided to HUD during the audit resolution process.

Comment 11 We reviewed the recertification documentation for the two participants in question and it appeared that Special Services did not conduct a complete recertification of the participants' eligibility. Special Services can address the recertification deficiencies with HUD during the audit resolution process.

Comment 12 We agree and have removed all deficiencies related to this participant from the report.

Comment 13 We acknowledge Special Services intentions to further improve its program and agree that improved policies, procedures, and controls should help to ensure that Special Services follows all HPRP requirements. We disagree with Special Services' position that its participant files contained sufficient documentation to substantiate the participant's lack of financial resources. Special Services will have the opportunity to address the recommendations and all deficiencies identified in the finding during the audit resolution process with HUD. Please also see comment 2 and 4.

Appendix C

CRITERIA

A. The Recovery Act became Public Law 11-5 on February 17, 2009. The Recovery Act establishes the Homelessness Prevention Fund. The homelessness prevention portion of the Recovery Act falls under Title XII Transportation, Housing and Urban Development, and Related Agencies.

B. HUD Federal Register Notice FR-5301-N-01 advised the public of the allocation formula and allocation amounts, the list of grantees, and requirements for the Homelessness Prevention Fund, hereafter referred to as the “Homelessness Prevention and Rapid Re-Housing Program (HPRP),” under Title XII of the Recovery Act.

C. HUD Federal Register Notice FR-5307-N-01, Other Federal Requirements, Section VII, G. Uniform Administrative Requirements states, “All States, Territories, Urban Counties, and Metropolitan cities receiving funds under HPRP shall be subject to the requirements of 24 CFR part 85.”

D. HUD Federal Register Notice FR-5307-N-01, Requirements for Funding, Section IV, states,

“A. Eligible Activities

1. Financial Assistance

a. Rental Assistance

(1) After 3 months, if program participants receiving short-term rental assistance need additional financial assistance to remain housed, they must be evaluated for eligibility to receive up to 15 additional months of medium-term rental assistance, for a total of 18 months. HUD requires grantees and subgrantees to certify eligibility at least once every 3 months for all program participants receiving medium-term rental assistance.”

E. HUD Federal Register Notice FR-5307-N-01, Post-Award Process Requirements, Section V, states,

“F. Responsibility for Grant Administration

Grantees are responsible for ensuring that HPRP amounts are administered in accordance with the requirements of this Notice and other applicable laws. Each grantee is responsible for ensuring that its subgrantees carry out the HPRP eligible activities in compliance with all applicable requirements.”

F. HUD Federal Register Notice FR-5307-N-01, Post-Award Process Requirements, Section V, states,

“I. Monitoring

Grantees are responsible for monitoring all HPRP activities, including activities that are carried out by a subgrantee, to ensure that the program requirements established by this Notice and any subsequent guidance are met.”

G. HPRP Eligibility Determination and Documentation Guidance, revised March 17, 2010, states,

“Other Subsequent Housing Options:

- Assess with applicant all other appropriate (i.e., safe, affordable, available) subsequent housing options.
- Verify that no other appropriate subsequent housing options are available.
- Assessment Form or Other Documentation Must:
 - Be documented by HPRP case manager or other authorized staff.
 - Include assessment summary or other statement indicating that applicant has no other appropriate housing options.
 - Be signed and dated by HPRP case manager or other authorized HPRP staff.
- Include assessment indicating no other subsequent housing options in participant case file.”

H. HPRP Eligibility Determination and Documentation Guidance, revised March 17, 2010, states,

“Financial Resources and Support Networks:

- Assess with applicant all financial resources AND support networks (i.e., friends, family or other personal sources of financial or material support).
- Verify that applicant lacks financial resources and support networks to obtain other appropriate subsequent housing or remain in their housing.
- Assessment Form or Other Documentation Must:
 - Be documented by HPRP case manager or other authorized staff.
 - Include review of current account balances in checking and savings accounts held by applicant household.
 - Include assessment summary or other statement indicating that applicant lacks financial resources and support networks to obtain other appropriate subsequent housing or remain in their housing.
 - Be signed and dated by HPRP case manager or other authorized HPRP staff.
- Include assessment indicating insufficient financial resources and support networks in participant case file.”

I. HPRP Eligibility Determination and Documentation Guidance, Revised March 17, 2010, states,

“Income Definition Income is all money that goes to, or on behalf of, the head of household or spouse (even if temporarily absent) or to any other household member. Annual income includes the current gross income of all adult household members and unearned income attributable to a minor (e.g. child support, TANF payments, SSI payment, and other benefits paid on behalf of a minor).

Income Calculation After determining and documenting specific sources of income that must be included in the income calculation for each household, grantees then calculate the household's annual income.

Annualizing Wages and Periodic Payments

When calculating income based on hourly, weekly or monthly payment information, add the gross amount earned in each payment period that is documented and divide by the number of payment periods. This provides an average wage per payment period. Depending on pay periods used by the employer or the schedule of periodic payments, the following calculations convert the average wage into annual income:

- Hourly Wage, multiplied by hours worked per week, multiplied by 52 weeks.
- Weekly Wage multiplied by 52 weeks.
- Bi-Weekly (every other week) Wage multiplied by 26, bi-weekly periods.
- Semi-Monthly Wage (twice a month) multiplied by 24, semi-monthly periods.
- Monthly Wage multiplied by 12 months.

Documentation of a household's annual income relative to Area Median Income and indicating HPRP eligibility (50% of AMI or less) must be maintained in the participant file.”

J. HPRP Eligibility Determination and Documentation Guidance, Revised March 17, 2010, states,

“Housing Status Documentation

1. Rapid Re-Housing Documentation:

- a. Sleeping in an Emergency Shelter – Written Homeless Certification
 - Obtain signed and dated original Homeless Certification from shelter provider. A Homeless Certification is a standardized form that, at a minimum, contains the following:
 - Name of the shelter program
 - Statement verifying current shelter occupancy of HPRP applicant
 - Signed and dated by authorized shelter provider representative
 - Include Homeless Certification in HPRP participant file.
- b. Sleeping in an Emergency Shelter – Emergency shelter provider letter
 - Obtain letter from emergency shelter provider.
 - Letter must:
 - Be on shelter provider letterhead
 - Identify shelter program
 - Include statement verifying current shelter occupancy of HPRP applicant, including most recent entry and exit dates.
 - Be signed and dated by shelter provider.
 - Include emergency shelter provider letter in participant file.
- c. Place Not Meant for Human Habitation – Written homeless certification

- Obtain signed and dated original Homeless Certification from homeless street outreach provider (may include other third-party referral source, such as a local law enforcement agency). A Homeless Certification is a standardized form that, at a minimum, contains the following:
 - Name of the outreach program
 - Statement verifying current living situation of HPRP applicant
 - Signed and dated by authorized outreach provider representative
- Include Homeless Certification in HPRP participant file.
- d. Place Not Meant for Human Habitation – Self-declaration
 - Obtain signed and dated original self-declaration from applicant.
 - HPRP worker must document attempt to obtain written third party verification and sign self-declaration form.
 - Include self-declaration in participant file.
- e. Transitional Housing – Written homeless certification
 - Obtain signed and dated original Homeless Certification from transitional housing provider. A Homeless Certification is a standardized form that, at a minimum, contains the following:
 - Name of the Transitional housing program
 - Statement verifying current transitional housing occupancy of HPRP applicant.
 - Statement indicating the HPRP applicant is graduating from or timing out of the transitional housing program.
 - Statement verifying the HPRP applicant was residing in emergency shelter or place not meant for human habitation immediately prior to transitional housing admission.
 - Signed and dated by authorized transitional housing provider representative.
 - Include Homeless Certification in HPRP participant file.

2. Homelessness Prevention Eligibility Documentation

- a. Other Housing Occupied by Applicant without payment rent (including housing shared with friends or family)
 - Obtain copy of eviction letter (typed or handwritten) and copy of lease or other written occupancy agreement.
 - Eviction Letter must:
 - Identify the HPRP applicant and unit where HPRP applicant is residing.
 - Indicate that applicant must leave owner's/renter's housing.
 - Be signed and dated by the host owner/renter.
 - Include eviction letter and copy of lease in participant file.
- b. Other Housing Occupied by Applicant without paying rent (including housing shared with friends or family)
 - Obtain signed and dated original self-declaration from applicant.
 - HPRP worker must document attempt to obtain third party documentation and sign self-declaration form.
 - Include self-declaration in participant file.”

Appendix D

TABLE OF PARTICIPANT FILES REVIEWED

Table of participant files reviewed

Participant ID	Unsupported	Ineligible	Financial resources	Income determination	Subsequent housing options	Support networks	Homeless/risk of homelessness	Recert. for medium-term rental asst.
1631679	\$ 2,158		X	X				
1631266	\$ 1,105		X					
1636791				X				
1640904 ¹								
1552569	\$ 2,950		X	X				
1619614	\$ 1,950		X	X				
1639919	\$ 1,000		X	X			X	
1653293	\$ 2,280			X				
1650781	\$ 1,400		X	X				
1641811	\$ 4,750		X					X
1592538	\$ 1,950		X	X				
1589235	\$ 8,075		X	X				X
1588374	\$ 2,100		X					
1601214	\$ 1,400		X	X	X	X		
1567726	\$ 1,353		X	X				
1592721		\$ 2,300	X	X			X	
1595217	\$ 1,450		X					
1599238				X				
1530421	\$ 400		X					
1601950								
1607310	\$ 2,769		X					

Table of participant files reviewed

Participant ID	Unsupported	Ineligible	Financial resources	Income determination	Subsequent housing options	Support networks	Homeless/risk of homelessness	Recert. for medium-term rental asst.
1606858	\$ 1,100		X					
1606123	\$ 1,550		X	X				
1588371	\$ 1,800		X				X	
1595276	\$ 500		X	X				
1596226	\$ 800		X	X			X	
1589672	\$ 1,793		X	X				
1599862	\$ 2,198		X					
1588619	\$ 750		X					
1592064	\$ 4,050		X	X				
Totals	\$ 51,631	\$ 2,300	25	18	1	1	4	2

¹ Special Services did not approve assistance for this participant. Therefore, we are not questioning any costs or deficiencies related to this file.