



To: Renee Ryles, Acting Director, Portland Office of Community Planning and Development, DOF

From: //signed//
Ronald J. Hosking, Regional Inspector General for Audit, OAGA

Subject: The Washington County, OR, Department of Housing Services' Clover Court Project Was Eligible For Continuum of Care Funding

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Washington County Department of Housing Services' application for HUD grant OR0216L0E061500 for the development of Clover Court.

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 8M, requires that OIG post its publicly available reports on the OIG website. 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 913-551-5870.



Audit Report Number: 2017-SE-1001

Date: September 21, 2017

The Washington County, OR, Department of Housing Services' Clover Court Project Was Eligible For Continuum of Care Funding

Highlights

What We Audited and Why

We reviewed the allegations contained in a hotline complaint against the Washington County Department of Housing Services, Hillsboro, OR, to determine whether its application and related submissions to secure U.S. Department of Housing and Urban Development (HUD) grant OR0216L0E061500 were false or misleading or would otherwise cause the Clover Court project to be ineligible for Continuum of Care funding.

What We Found

We found no evidence that the application and related submissions were false or misleading or would otherwise cause the project to be ineligible.

What We Recommend

This report contains no formal recommendations, and no further action is necessary.

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Background and Objective

Continuum of Care Program

The Continuum of Care Program (CoC) promotes a communitywide commitment to the goal of ending homelessness. It funds efforts by nonprofit providers, States, and local governments to quickly rehouse homeless individuals, families, persons fleeing domestic violence, and youth, while minimizing the trauma and dislocation caused by homelessness. The U.S. Department of Housing and Urban Development (HUD) provided more than \$1.9 billion to CoC in fiscal year 2015.

Washington County Department of Housing Services

The Washington County Department of Housing Services (County) serves as the collaborative applicant for the Washington County CoC. The local CoC is a network of service providers and community members aimed at preventing and ending homelessness by providing housing and services to vulnerable populations with special needs. When HUD makes CoC funding available, the County accepts proposals from potential subgrantees, which are reviewed and scored by the members of the local CoC network. As the collaborative applicant, the County takes the winning proposal and submits a grant application to HUD on behalf of the local CoC. From its 2015 CoC funds, HUD awarded the County \$413,057 for the construction and operation of Clover Court.

Clover Court

Clover Court is a proposed six-unit project in Aloha, OR. It will be a permanent supportive housing project that will house chronically homeless individuals suffering from mental illness. Clover Court will be a component of a countywide approach to ending homelessness and will serve individuals who can live independently without constant supervision. The project will have three duplexes, and each of the six studio units will include a full bathroom and kitchenette. It will also include a parking lot and a community building with a common room, laundry facilities, and an office for tenants receiving onsite mental health treatment.



Figure 1 Clover Court aerial



Figure 2 Clover Court development

Hotline Complaint

We received a confidential hotline complaint and conducted an audit to determine whether there was sufficient information to substantiate the complaint.

The complainant alleged that the County and the subrecipient of the Clover Court grant (OR0216L0E061500) provided false information in order to receive HUD homeless assistance funds.

Our objective was to determine whether the County's application and related submissions to secure HUD grant OR0216L0E061500 were false or misleading or would otherwise cause the Clover Court project to be ineligible for CoC funding.

Results of Audit

Finding: The County's Application and Related Submissions Were Factual and Supported the Project's Eligibility

We found no evidence that the County's application and related submissions to secure HUD grant OR0216L0E061500 were false or misleading or would otherwise cause the Clover Court project to be ineligible for CoC funding. Before conducting this audit, we received a hotline complaint alleging that the County and the subrecipient of the Clover Court grant provided false and misleading information in order to receive HUD homeless assistance funds. We focused our review on those allegations. The significant allegations made in the complaint and the results of our review of those allegations are detailed below.

Landslide Risk

The complaint alleged that the County provided false information on its environmental assessment when it stated that the site showed no signs of unstable soils. The complainant cited an online map of landslide risk from the Oregon Department of Geology and Mineral Industries. While this map showed that part of the parcel was at high risk of a landslide, it also stated that it was not as reliable as a site-specific evaluation. The County's environmental assessment included a report from a geologist who reviewed the property and cleared the site for development.

Nearby Services

The complaint alleged that the County provided false information on its environmental assessment when it stated that the site was within walking distance or a short bus ride from many commercial facilities and close to mental health treatment providers. While the nearest grocery stores are a mile from the project and mental health care providers are even farther, a local bus stop is next to the property and can get tenants to grocery stores and restaurants in 5 minutes. Also, the subrecipient will provide the tenants transportation to its clinic, and the tenants will have the option of visiting a closer mental health clinic that is not operated by the subrecipient.

Socioeconomic Impact

The complaint alleged that the County provided false information on its environmental assessment when it stated that the project will not have an adverse impact on the neighborhood. The complaint claimed that the County and subrecipient downplayed the proximity of the two elementary schools nearby and noted that the tenants would not be supervised. While the two elementary schools are 0.2 and 0.5 miles from the project, we found no evidence that the County and subrecipient tried to downplay this information. Further, Clover Court will house only tenants who do not need supervision.

Prior Safety Issues

The complaint alleged that the County and subrecipient tried to conceal safety incidents from the subrecipient's past that would disqualify it from the project. The complaint provided media

reports highlighting various incidents and safety concerns involving tenants at other projects run by the subrecipient. While the subrecipient had safety issues with its tenants in the past, local HUD and law enforcement officials considered the subrecipient to be an asset in the community's approach to housing the mentally ill. Also, these incidents do not disqualify the subrecipient from participating in CoC. We observed no attempt by the County or subrecipient to conceal these incidents; instead, they openly discussed them with the community.

Project Type

The complaint alleged that the project was ineligible because the County's application did not state that Clover Court was either a "reallocated project" or a "permanent supportive housing bonus project." However, on multiple pages, the application identifies Clover Court as a permanent supportive housing bonus project.

Project Cost

The complaint alleged that the project's cost per square foot was too high and was thus a red flag for waste and abuse of Federal funds. However, HUD focuses on cost per unit instead of cost per square foot, and Clover Court's cost is comparable to that of other recent projects in the area.

Property Flipping

The complaint alleged that the subrecipient could be planning to use the grant funds to construct Clover Court and then flip the property for a profit. As red flags, the complaint cited the subrecipient's recent property sales and the different project addresses appearing on the revised applications. Zoning issues prompted the address changes, and the County donated a vacant property it owned for the project. When it transferred ownership to the subrecipient, the County attached a restrictive covenant to the property requiring the subrecipient to operate Clover Court as permanent supportive housing and provide supportive services for 15 years. If it fails to do so within the first 10 years, the subrecipient will have to repay all of the grant funds to HUD.

Further, if the subrecipient sells the property during this timeframe, HUD must approve the sale and may impose terms and conditions to limit any undue benefits from the sale or disposition of the property.

Hasty Selection

The complaint alleged that the County did not exercise due diligence when it selected Clover Court. To support this claim, the complaint quoted a county commissioner who was concerned that the grant funds would be lost if the County did not act quickly. The desire to act quickly to avoid losing grant funds is not proof of a violation, and we did not see evidence of a violation during our review. The County chose this property after a review of available land meeting the zoning requirements necessary to build the six-unit project. In addition, being located on a bus line made this site more appealing than others in the County.

Conclusion

We found no evidence that the County violated any HUD requirements. We found support for certain facts in the hotline complaint but did not find proof that the County's application and related submissions were false or misleading or caused the project to be ineligible.

Recommendations

This report contains no recommendations, and no further action is necessary.

Scope and Methodology

We performed our fieldwork at the County's office at 111 Northeast Lincoln Street, Suite 200-L, Hillsboro, OR, from July 31 through August 4, 2017. Our audit period covered July 1, 2015, through June 30, 2017.

To accomplish our objective, we interviewed County and HUD staff, visited the property site, and reviewed

- applicable Federal regulations,
- the County's CoC application for Clover Court,
- the County's environmental assessment for Clover Court,
- notes from the County's outreach to the community,
- media reports involving the subgrantee and other HUD-funded projects in the area,
- maps of the local area, and
- the deed and restrictive covenant for the property.

Sample Selection

Our audit focused on the application process for one project, so no sampling was necessary.

We did not rely on computer-processed data for our audit. We drew our conclusions about the allegations from supporting documentation and our observations.

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 to ensure that statements on HUD grant applications were accurate and true.
- Policies and produces to ensure that the environmental assessment was properly performed.
- Policies and procedures to ensure that the project selection process was fair and proper.
- Policies and procedures to ensure that construction costs were reasonable.

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.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the County's related internal controls.

Appendixes

Appendix A

Auditee Comments

The County declined the opportunity to provide a written response.