



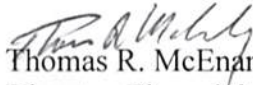
U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

May 4, 2018

MEMORANDUM NO:  
2018-FO-1801

*Memorandum*

TO: Jemine Bryon, Deputy Assistant Secretary for Special Needs, DN  
Meredith DeFraithe, Budget Analyst, Office of National Drug Control Policy

FROM:   
Thomas R. McEnanly  
Director, Financial Audits Division, GAF

SUBJECT: Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs Assistance Continuum of Care, Regarding Drug Control Accounting for Fiscal Year 2017

**Independent Accountant's Review Report**

This report provides the results of our independent attestation review of the U.S. Department of Housing and Urban Development (HUD), Office of Special Needs Assistance Continuum of Care, regarding drug control accounting and associated management assertions for fiscal year 2017 as outlined below.

In accordance with Office of National Drug Control Policy (ONDCP) requirements, HUD made the following assertions:

- HUD reported drug spending in accordance with the methodology approved by ONDCP.
- HUD's drug methodology used to calculate obligations of prior-year budgetary resources by function was approved by ONDCP in accordance with the criteria in section 6b(2) of the ONDCP circular.
- The drug methodology that HUD disclosed in its report was the actual methodology used to generate the required table.
- HUD's methodology for establishing performance targets was reasonable and consistently applied.
- HUD has established adequate performance measures and has a performance reporting system in place to collect performance data and generate accurate reports.

- HUD’s explanation for revising or eliminating performance measures and targets is reasonable.<sup>1</sup>
- HUD’s report reflected the data output generated by a methodology approved by ONDCP.

Each National Drug Control Program agency must submit to the director of ONDCP, not later than February 1 of each year, a detailed accounting of all funds spent by the agency for National Drug Control Program activities during the previous fiscal year (21 U.S.C. (United States Code) 1704(d)(A)). In addition, the accounting must be “authenticated by the Inspector General for each agency prior to submission to the Director.” The accounting and related assertions are the responsibility of HUD’s management and were prepared by HUD personnel as specified in the ONDCP Circular: Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

As required by Federal statute (21 U.S.C. 1704(d)(A)), we reviewed HUD’s Report on Drug Control Accounting, including its written assertions. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibility is to express a conclusion on the subject matter or assertion based on our review. The AICPA standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria. A review is substantially smaller in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria in all material respects or the responsible party’s assertion is fairly stated in all material respects in order to express an opinion. Accordingly, we do not express such an opinion.

We performed review procedures on HUD’s assertions and the accompanying table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

Based upon our review, nothing came to our attention that caused us to believe that management’s assertions, referred to above and included in the accompanying submission of this report, are not fairly stated in all material respects, and the review provides a reasonable basis for the practitioner’s conclusion, based on the criteria set forth in the ONDCP Circular: Accounting of Drug Control Funding and Performance Summary. However, we were unable to issue this attestation report by the due date required by ONDCP because HUD did not complete its final report by the mandated deadline of February 1, 2018.

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<sup>1</sup> HUD’s narrative disclosed changes to performance measures, ongoing efforts to enhance performance data, and plans to establish performance targets.

While this report is an unrestricted public document, the information it contains is intended solely for the use of HUD, ONDCP, and Congress. The purpose of this report is to authenticate HUD's reporting on national drug control spending to the Director of ONDCP. This report is not suitable for any other purpose.

Thank you for the cooperation and participation of HUD personnel in completing the attestation review. If you have any questions or comments to be discussed, please contact me at (202) 402-8216.

Attachment

cc:

Irving L. Dennis, Chief Financial Officer, F

Neil Rackleff, Assistant Secretary for Community Planning and Development, D

Henry Hensley, Director, Office of Strategic Management and Planning, X

Emily Kornegay, Assistant Chief Financial Officer for Budget, FO

# Appendixes

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## Appendix A

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### HUD's Office of National Drug Control Program Reporting

#### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

#### Resource Summary

Drug Resources	
	FY 2017 Actual
Treatment	\$505.205
<b>Total Drug Resources by Function</b>	<b>\$505.205</b>
Continuum of Care: Homeless Assistance Grants	\$505.205
<b>Total Drug Resources by Decision Unit</b>	<b>\$505.205</b>
Total FTEs (direct only)	-
Total Agency Budget (in Billions)	\$48.0
Drug Resources Percentage	1.05%

#### METHODOLOGY

The Office of Special Needs Assistance Programs in HUD does not have a specific appropriation for drug-related activities. Many of its programs target the most vulnerable citizens in our communities, including individuals with chronic mental health and/or substance abuse issues, persons living with HIV/AIDS, and formerly incarcerated individuals. HUD's annual Continuum of Care (CoC) Program competition requires project applicants to identify the number of persons with chronic substance abuse that they plan on serving. This information is reported to HUD through its grants management site, e-snaps. E-snaps includes validations to ensure internal consistency with the data reported and the data are generally derived from historical records generated from local databases called Homeless Management Information Systems (HMIS). HUD prescribes many requirements for HMIS to ensure consistent data collection and reporting protocols. HUD uses the proportion of those persons, relative to the total number of persons experiencing homelessness that will be served to generate a percent of persons with chronic substance abuse issues that would be served in the CoC Program. In the most recent CoC Program competition, the fiscal year 2017 competition, HUD found that 25.12 percent (rounded) of the total clients had substance abuse issues. HUD then multiplies this number by the CoC appropriation to determine how much money will be spent on serving persons with chronic substance abuse issues. For fiscal year 2017, HUD awarded \$2.011 billion in CoC Program funding, of which \$505.2 million is projected to be spent on persons with chronic substance abuse issues.

#### MATERIAL WEAKNESSES OR OTHER FINDINGS

HUD has not identified any material weaknesses or other findings.

#### REPROGRAMMINGS OR TRANSFERS

HUD did not reprogram or transfer any drug control funds in fiscal year 2017.

**OTHER DISCLOSURES**

HUD has not identified any other disclosures relating to the fiscal year 2017 drug control funds.

**MANAGEMENT ASSERTIONS**

The management assertions for HUD's accounting report are found in the attached: Tab A

**Department of Housing and Urban Development**  
**FY 2017 Performance Summary Report**

**PERFORMANCE MEASURES & PRIOR YEARS PERFORMANCE TARGETS AND RESULTS**

Information regarding the performance of the drug control efforts of HUD is based on data collected from programs receiving funding through the annual CoC program competition. The table and accompanying text below highlight HUD’s drug-related achievements during fiscal year 2016.

Office of Special Needs Assistance Programs					
Selected Measures of Performance	FY 2013 Achieved	FY 2014 Achieved	FY 2015 Achieved	FY 2016 Achieved	FY 2017 Achieved
» Percentage of participants exiting CoC-funded transitional housing, rapid rehousing, and supportive services only projects that move into permanent housing.*	N/A	59.4%	52.0%	47.3%	N/A
» Percentage of participants in CoC-funded permanent supportive housing remaining in or exiting to permanent housing.*	N/A	91.8%	92.9%	93.3%	N/A
» Projected number of participants who report substance abuse as a barrier to housing to be served in CoC-funded projects.	86,140	87,286	76,390	73,755	68,813

\*The data for exits and retention of permanent housing have a 1-year time lag. In each CoC Program Competition, communities report on the performance from the last fiscal year. Thus, in the FY 2017 CoC Program Competition, communities reported on their outcomes from FY 2016.

In the first performance measure – exits from transitional housing, rapid rehousing, and supportive services only projects to permanent housing destinations – there was a decrease between 2015 and 2016 from 52 percent to 47.3 percent. The second measure looks at the percent of persons served in CoC-funded permanent supportive housing projects that remain in or exit to permanent housing. The data from 2016 shows a slight increase from last year – an increase to 93.3 percent. Both of the measures reflect the importance for persons who receive homeless services through HUD funded programs to exit to a stable housing situation.

The final measure continues to track the number of persons proposed to be served by HUD’s CoC-funded programs who enter with chronic substance abuse issues. In fiscal year 2017, there was a reduction of 4,942 persons with chronic substance abuse that were projected to be served. This reduction is due to HUD’s decision to encourage its providers to shift from

transitional housing projects (many of which serve persons with chronic substance abuse) to more permanent housing options. HUD believes that the number of persons with chronic substance abuse will likely increase again as other project types are prioritizing the hard to house populations, which often include a substance abuse element. Also, many of the CoCs are choosing to fund rapid rehousing projects in lieu of transitional housing and these rapid rehousing projects generally have a higher turnover rate, allowing CoCs to serve more people experiencing homelessness throughout the year.

As an additional note on performance, between calendar years 2016 and 2017, HUD saw a decline of 5 percent in families experiencing homelessness (27 percent decline since 2010), as reported in HUD's [2017 Annual Homeless Assessment Report \(AHAR\): Part 1 – Point-in-Time Estimates of Homelessness](#).

### **QUALITY OF PERFORMANCE DATA**

HUD has updated its data collection across CoCs to improve the ability for CoCs to understand performance across the entire CoC – not merely at the project level. HUD has collected data across the entire CoC for 2 years now. This process has not only improved HUD's knowledge of performance across an entire CoC but it also has resulted in higher data quality at the project level. HUD requires CoCs to report to HUD their data quality information. HUD includes data quality in its annual CoC Program Competition to incentivize higher data quality. HUD has also switched its data collection system for its CoC-funded projects. This new system requires CoCs to upload their data from their local Homeless Management Information Systems (HMIS). This improves the data quality because the upload process does not accept imported data that has obvious errors. If an import is not accepted the system alerts the recipient to the specific areas of concern and the recipient is required to update their local HMIS to ensure the data is accurate. HUD is confident that this process has forced recipients to clean up their data and provide better data at the CoC level and nationally.

### **MANAGEMENT ASSERTIONS**

The management assertions on the performance information contained in this report can be found in Tab B.

## Management Representations



OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

May 4, 2018

Ms. Helen M. Albert  
Acting Inspector General  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
451 7th Street SW, Room 8254  
Washington, DC 20410

Dear Ms. Albert:

We are providing this letter in connection with your attestation review of HUD's annual submission of fiscal year 2017 funds awarded for the National Drug Control Program. You conducted your attestation to (1) provide negative assurance that nothing came to the attention of the OIG that would cause you to believe our agency's accounting submission to the Office of National Drug Control Policy (ONDCP) was presented other than fairly in all material respects and (2) report whether HUD's submission to ONDCP was in compliance with applicable laws and regulations.

The Department's Continuum of Care Homeless Assistance Grants program supports efforts to eliminate homelessness by financing local solutions that provide housing and supportive services on a short or long-term basis to those experiencing homelessness. While the Continuum of Care (COC) helps support recovery by providing housing resources, HUD does not have a specific appropriation for drug-related activities. Although a COC can utilize funds to help people with chronic substance abuse, they are not required to do so. HUD uses a methodology approved by ONDCP to estimate how many people may have been served with HUD funds based on application data.

We understand and acknowledge that HUD's management is responsible for the fair presentation of the information included within the annual submission to ONDCP in accordance with applicable requirements. We are responsible for making all financial records and related information available to you to conduct the attestation review. Further, we agree to communicate to you the discovery of any material misstatements that would affect the fair presentation of its annual submission to ONDCP. The attestation review does not relieve us of these responsibilities.

We confirm, to the best of our knowledge and belief, the following representations and assertions made to you during the attestation review. These representations pertain to HUD's fiscal year 2017 Budget and Performance Summary for their accounting submission to ONDCP:

**Written Assertions and Representations (Attestation Regulations- Ref: SSAE-210- par .11 and .33)**

1. We are responsible for the fair and accurate presentation of the subject matter based on the criteria and in accordance w/applicable laws and requirements. We reported the FY17 detailed accounting and performance results data regarding "National Drug Control Program" activities

[www.hud.gov](http://www.hud.gov)

[espanol.hud.gov](http://espanol.hud.gov)



2. We have identified and reflected all relevant matters in the measurement or evaluation of the subject matter.
3. We have identified and disclosed to you all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
4. We are responsible for:
  - a. the subject matter data and related assertion;
  - b. selecting the criteria, when applicable; and
  - c. determining that such criteria are appropriate for the responsible part's purposes.
5. We have identified and disclosed to you any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion.
6. We provided you all relevant information and access.
7. We believe the effects of any uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter.
8. The methodology and significant assumptions used to make material estimates are reasonable.
9. We have identified and disclosed any deficiencies in internal control relevant to the engagement that we are aware of.
10. We have no knowledge of any actual, suspected, or alleged fraud or noncompliance with laws and/or regulations affecting the subject matter or of any other matter affecting the subject.

**Written Assertion Requirements (ONDCP Regulations- Detailed Accounting Submission)**

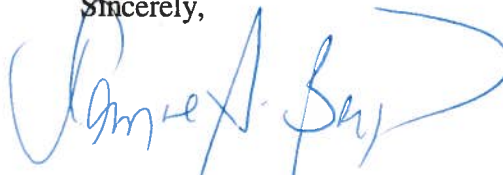
1. Obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these Budget Decision Units.
2. The drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit is based on reliable data in which the data's availability, timeliness, and relevance were considered.
3. The financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.
4. The drug methodology described in the report was the actual methodology used to generate the required data table.

4. The drug methodology described in the report was the actual methodology used to generate the required data table.
5. The data presented is associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogramming or transfers affecting drug-related resources in excess of \$1 million.
6. The data presented is associated with obligation against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 USCC 1703(f) and Section 9 of the ONDCP Circular, *Budget Execution*.

**Written Assertion Requirements (ONDCP Regulations- Performance Summary Submission)**

1. The Performance reporting system is appropriate and applied. The agency has a system to capture performance information accurately and the system is properly applied to generate the performance data. The reporting systems used are current, reliable, and an integral part of the agency's performance management processes.
2. Explanations for not meeting performance targets are reasonable, if applicable. Recommendations concerning plans and schedules for meeting future targets or for revising targets or eliminating performance measures is reasonable.
3. Methodology to establish performance targets is reasonable and consistently applied. The methodology described to establish performance targets for the current year is reasonable given past performance and available resources.
4. Adequate performance measures exist for all significant drug control activities. We have established at least one acceptable performance measure for each Drug Control Budget Decision Unit identified in reports required for which a significant amount of obligations (\$1,000,000 or 50% of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure reflects the intended purpose of the relevant National Drug Control Program activity.

Sincerely,



Jemine A. Bryon  
Deputy Assistant Secretary  
for Office of Special Needs

Attachment

cc:

Neal J. Rackleff, Assistant Secretary for CPD, D  
Lori Michalski, Acting General Deputy Assistant Secretary, D

Lisa Abell, Director, CPD Budget, DOTB  
George Tomchick, Deputy Chief Financial Officer, F  
Norman Suchar, Director, SNAPS, DNS  
Tonya Proctor, Deputy Director, SNAPS, DNS  
William Snow, Specialist, SNAPS, DNS  
Danielle Palmer, Financial Operations Analyst, CFO Funds Control Assurance Division, FMC  
Emily M. Kornegay, Assistant CFO for Budget, FO  
Christopher J. Rupar, Director, Program Budget Development Division, FOP  
Rachel Johnson, Branch Chief, OCFO Community Development Research  
and Equal Opportunity, FOPC  
Marsha Baker, Director, Funds Control Assurance Division, FMC  
Mary Didier, Chief, OCFO, Housing Assistance Mortgage Credit & Direct Loans, FOPA

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