



# County of San Diego, San Diego, CA

## Continuum of Care Grants

**Office of Audit, Region 9  
Los Angeles, CA**

**Audit Report Number: 2018-LA-1002  
February 23, 2018**

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

**//SIGNED//**

**From:** Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

**Subject:** The County of San Diego, San Diego, CA, Did Not Support Continuum of Care Match and Payroll Costs in Accordance With Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the County of San Diego's Continuum of Care grants.

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 213-534-2471.



**Audit Report Number: 2018-LA-1002**

**Date: February 23, 2018**

**The County of San Diego, San Diego, CA, Did Not Support Continuum of Care Match and Payroll Costs in Accordance With Requirements**

## Highlights

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### What We Audited and Why

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We audited the County of San Diego's Continuum of Care program funds received from the U.S. Department of Housing and Urban Development (HUD). We audited the County because HUD had not reviewed its Continuum of Care grant program in more than 10 years and as a spinoff of an audit of a County subgrantee, Mental Health Systems, Inc. (2017-LA-1003, issued June 2, 2017). Our audit objective was to determine whether the County administered its Continuum of Care grants in accordance with HUD requirements, focusing on match requirements and payroll costs.

### What We Found

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The County did not have adequate records to support a portion of the match fund requirement for its subgrantees. This condition occurred because the County did not adequately verify match contribution amounts identified by its subgrantees. As a result, HUD had no assurance that the County's subgrantee met the match requirement for \$54,473 in Continuum of Care grant funds, and the County was at risk of having to repay HUD due to a lack of sufficient documentation to support that it complied with Federal regulations regarding matching contributions.

Also, the County did not have adequate records to support retroactive administrative expenses for payroll for one employee. As a result, HUD had no assurance that at least \$12,109 charged to the various Continuum of Care grants belonged to those grants and was spent appropriately.

### What We Recommend

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We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the County to (1) support match fund amounts from one of its subgrantees or repay HUD \$54,473 from non-Federal funds, (2) develop written subgrantee monitoring procedures to include confirmation of match funds, (3) develop and implement a written plan for its subgrantees to submit match supporting documentation, (4) support retroactive payroll costs or repay HUD \$12,109 from non-Federal funds, (5) identify and support retroactive payroll for the remaining grants, and (6) develop additional procedures and controls to ensure that payroll costs charged to the grant reconcile to actual hours worked on the grants.

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# Background and Objective

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The Continuum of Care program was authorized under the McKinney-Vento Homeless Assistance Act, as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.<sup>1</sup> The Continuum of Care program (1) promotes communitywide commitment to the goal of ending homelessness; (2) provides funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; (3) promotes access to and effective use of mainstream programs by homeless individuals and families; and (4) optimizes self-sufficiency among individuals and families experiencing homelessness.

The County of San Diego's Department of Housing and Community Development provides housing assistance and community improvements that benefit low- and moderate-income persons. The Department provides services to County residents through rental assistance, minor home improvement loans, first-time home-buyer assistance, and public improvement programs. These programs reduce blight, improve neighborhoods, and alleviate substandard housing. They also increase the supply of affordable housing by preserving housing stock and stimulating private-sector production of lower income housing units.

The Continuum of Care program is designed to promote communitywide commitment to end homelessness. The program funds nonprofit providers and State and local governments that quickly rehouse homeless individuals and families.

The County received 33 Continuum of Care grants between 2014 and 2017<sup>2</sup> from the U.S. Department of Housing and Urban Development (HUD) totaling more than \$7.8 million, which it passed on to various subgrantees to administer the grants (appendix E). The subgrantees included in our review were

- Mental Health Systems, Inc.,
- Solutions for Change,
- Interfaith Community Services,
- County of San Diego Housing Authority,
- Kurdish Human Rights, and
- Crisis House.

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<sup>1</sup> The Act streamlined HUD's homeless grant programs by consolidating the Supportive Housing Program, Shelter Plus Care, and Single Room Occupancy grant programs into the Continuum of Care program. Unless otherwise noted in this audit report, the term "program" refers to the Supportive Housing Program, the Continuum of Care program, or both programs.

<sup>2</sup> This number includes original Shelter Plus Care grants (see footnote 1) that had a 5-year grant term and started before 2014 but ended within our scope.

Our audit objective was to determine whether the County administered its Continuum of Care grants in accordance with HUD requirements, focusing on match requirements and payroll costs.

# Results of Audit

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## **Finding 1: The County Did Not Have Adequate Records To Support That Subgrantees Met Match Fund Requirements**

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The County did not have adequate records to support a portion of the match fund requirement for one of its subgrantees. This condition occurred because the County did not adequately verify match contribution amounts identified by its subgrantees. As a result, HUD had no assurance that the County's subgrantee met the match requirement for \$54,473 in Continuum of Care grant funds, and the County was at risk of having to repay HUD due to a lack of sufficient documentation to support that it complied with Federal regulations regarding matching contributions.

### **The County Did Not Verify Amounts Listed on Self-Certifications**

Program regulations under 2 CFR (Code of Federal Regulations) 200.306 state that match funds need to be verifiable (appendix C); however, the County did not ensure that this was the case. Before receiving a Continuum of Care grant from the County, a subgrantee provided a commitment letter to the County, stating the amount of in-kind matching services it would provide for the duration of the grant. Once the grant ended, the subgrantee provided the County with a supportive services match report for its grant. This document showed the supportive service(s) provided and the value of such services. Contained in this report was the match requirement total and the total service match, along with a signature. However, both the County and subgrantees stated that the County did not verify the match amounts. The County also did not review the support as part of annual subgrantee monitoring. It believed the self-certifications were adequate and relied on the contracts between the County and each subgrantee, which stated, "Subrecipient must maintain records of the following: documentation verifying compliance with match requirements."

### **The Subgrantees Lacked Adequate Supporting Match Documentation**

We contacted subgrantees Mental Health Systems, Inc., Solutions for Change, Interfaith Community Services, and the County of San Diego Housing Authority<sup>3</sup> to determine whether they had supporting documentation for a sample of match fund amounts reported to the County. Solutions for Change, Interfaith Community Services, and the County of San Diego Housing Authority<sup>4</sup> was able to provide adequate supporting documentation for all of its grants reviewed. Mental Health Systems, Inc., provided adequate supporting documentation for all but one of its

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<sup>3</sup> Mental Health Systems, Inc., is the supportive service provider for the County of San Diego Housing Authority clients. It was also contacted for documentation on the respective grants.

<sup>4</sup> Additional information provided by the County as part of its response to the report showed that Interfaith Community Service and the County of San Diego Housing Authority met the match requirement.

grants reviewed. The respective portion of grant funds that did not have its 25 percent match support totaled \$54,473 (appendix D).

### **Match Funds Are Statutorily Required for the County's Grant Fund Eligibility**

When applying for Continuum of Care grants as part of the notice of funds availability process, part of the consideration for the grant is past performance. Under past performance requirements, it states that in evaluating applications for funding, HUD will take into account an applicant's past performance in managing funds, including but not limited to receipt of promised matching or leveraged funds. Before being awarded program funds, grantees are required to list in their project application all sources of match (cash and in-kind commitments). Therefore, if HUD had known that the County would not meet the required 25 percent match, it could have adversely affected the award of the Continuum of Care grants. Also, matching contributions are statutorily required as part of the Continuum of Care program.

### **Conclusion**

The County did not have adequate records to support the Continuum of Care match funds requirement for one of its subgrantees. It had not implemented a process to confirm match funds through its monitoring review and required only a self-certification from subgrantees. As a result, HUD had no assurance that the County's subgrantees contributed all of the pledged matching funds. Not having the required match funds would affect the County's eligibility for the grant funds, and the program was not fully maximized as intended. Therefore, the eligibility of the applicable \$54,473 in Continuum of Care grant funds received was questionable.

### **Recommendations**

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the County to

- 1A. Support the unsupported amount of match for its subgrantee or repay HUD \$54,473 from non-Federal funds (appendix D).
- 1B. Implement written procedures to include the confirmation of match funds as part of its annual monitoring reviews of each subgrantee.
- 1C. Develop and implement a written plan for its subgrantees to provide and submit supporting documentation for match funds at the end of each grant term.



## Finding 2: The County Did Not Adequately Support Retroactive Payroll Expenses

The County did not adequately support its Continuum of Care administrative expenses. This condition occurred because the County did not have adequate procedures and controls to ensure that retroactive payroll costs reconciled to the applicable timesheet documentation. As a result, HUD had no assurance that all retroactive administrative fees charged to the various Continuum of Care grants belonged to those grants.

### The County’s Retroactive Payroll Expenses Did Not Reconcile

The County had experienced various delays in getting its grant agreements approved and signed by all parties and getting a program code entered into Oracle, the County’s accounting system, which led to an alternative process for tracking and paying payroll expenses during that period. An example of such delays is grant CA0689L9D011502 as shown in the chart below.<sup>5</sup>

Grant period	HUD signed	County signed grant agreement	County signed subgrant <sup>6</sup>	Subgrantee signed subgrant	Entered into Oracle by the County
February 1, 2016, to January 31, 2017	June 22, 2016	July 8, 2016	February 9, 2017	December 20, 2016	March 1, 2017

This grant was not opened in Oracle until after the grant term ended. As a result, one employee had to charge payroll hours to other grants and projects until the grant could be entered into the accounting system. The time was initially charged to supplemental funding sources approved by HUD, such as Safe Housing Coordination, Behavioral Health Services, or Community Development Building Grant. Once the grants were assigned a project number and added to Oracle, the County retroactively charged the Continuum of Care grants. However, the supporting timesheet documentation used by the County for its HUD Line of Credit Control System (LOCCS<sup>7</sup>) draws charged the other projects, instead of the Continuum of Care grants on which the employee spent her time. The hours charged frequently did not match to the hours attributed to the supplemental funding sources on the timesheets, and the County did not maintain adequate reconciliation records. The County did not provide adequate documentation to show which Continuum of Care grants the employee was working on or how many hours were spent working on those grants as required by program regulations under 2 CFR 200.430, which state, “...salaries and wages must be based on records that accurately reflect the work

<sup>5</sup> While this is an example, it is not an isolated incident and we found similar delays for other grants on behalf of all parties involved. However, it should be noted that the County went through a realignment within the agency which contributed to the delays on its behalf.

<sup>6</sup> The grant agreement is first signed by HUD and the County and then the County enters into a subgrant contract with its subgrantee(s), which is signed by the County and its subgrantee.

<sup>7</sup> LOCCS is HUD’s primary grant disbursement system, handling disbursements for most HUD programs.

performed.” As a result, the County was unable to support \$12,109 in payroll expenses charged to administrative fees for four grants. See the table below.

**Unsupported payroll costs**

Count	Grant number	Unsupported payroll amount <sup>8</sup>
1	CA0689L9D011502	\$3,468
2	CA0880L9D011501	2,197
3	CA0881L9D011501	2,531
4	CA0945L9D011506	3,914
		<b>12,109</b>

**Conclusion**

The County did not adequately support the administrative expenses for retroactive payroll related to one employee. This condition occurred due to a lack of procedures and controls to ensure that documentation was maintained to reconcile retroactive grant charges. As a result, HUD had no assurance that all retroactive payroll charges to the various Continuum of Care grants belonged to those grants and were spent appropriately. This issue also called into question the retroactive payroll applicable to the remaining grants with similar administrative charges that we were not able to test during the course of the audit<sup>9</sup> (appendix E).

**Recommendations**

We recommend that the Director of HUD’s Los Angeles Office of Community Planning and Development require the County to

- 2A. Support sampled retroactive payroll costs totaling \$12,109, which correspond to the actual time attributed to grants CA0689L9D011502, CA0880L9D011501, CA0881L9D011501, and CA0945L9D011506, or reimburse HUD from non-Federal funds.
- 2B. Identify retroactive payroll for remaining grants (CA1162L9D011504, CA1024L9D011501, CA0694L9D011508, and CA0693L9D011508) and provide adequate documentation to support the cost or repay HUD from non-Federal funds.
- 2C. Develop and implement additional procedures and controls to ensure that payroll costs charged to the grant reconcile to actual hours worked on the grants.

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<sup>8</sup> The \$1 difference in total is due to rounding.

# Scope and Methodology

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We performed our audit work at the County's office located at 3989 Ruffin Road, San Diego, CA, from June through October 2017. Our audit generally covered the period January 2014 through September 2017.

To accomplish our objective, we performed the following:

- Reviewed HUD's grant agreements with the County and information found in LOCCS.<sup>10</sup>
- Reviewed grant agreements between the County and its various subgrantees.
- Reviewed Federal regulations at 2 CFR 200.306 and 200.430 and HUD regulations at 24 CFR Part 578.
- Reviewed County policies and procedures.
- Reviewed County accounting records and audited financial statements for fiscal years 2015 and 2016.
- Reviewed County organizational charts.
- Reviewed County drawdowns, supporting documentation, and timesheets.
- Interviewed appropriate County employees.
- Interviewed appropriate subgrantee staff at Mental Health Systems, Inc., Solutions for Change, Interfaith Community Services, and the County of San Diego Housing Authority.

The County had 33 grants within our audit period; however, we narrowed our scope to eliminate the 5 Shelter Plus Care grants (see the footnote in the Background and Objective section), 6 grants from subgrantees that were no longer part of the County's Continuum of Care grant program, and 1 grant that was declined by the subgrantee. We attempted to review match funds for the remaining 21 grants in our audit scope. However, due to the difficulty in obtaining documentation from multiple grantees and audit resource limitations, we were able to review

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<sup>10</sup> LOCCS is HUD's primary grant disbursement system, handling disbursements for most HUD programs.

only 13, including at least 1 grant applicable to each major subgrantee and focusing on the most recent grants. The sample results could not be projected.

We initially tested the County's program expenses for its 11 Continuum of Care grants for the 2016-2017 grant term because those grants were the most recent in our audit scope. We obtained a list of draws (vouchers) made for each grant from LOCCS and determined that the total universe of draws was 71. We used Excel to randomly select one paid voucher for each of the 11 grants,<sup>11</sup> except grant CA0690L9D011502 had only 2 paid vouchers so we reviewed both. We performed further testing of payroll draw amounts based on issues identified in the initial sample. Of the 11 grants from our initial sample, 10 had retroactive administrative fee payroll vouchers for testing; however, due to resource limitations, we were able to review only 4 of the 10 grants. We used a table containing all the Continuum of Care grants for 2016-2017, in which the County listed the date on which each of the grants was opened in Oracle, to work our way through the retroactive payroll. The consistent issues with all retroactive payroll vouchers tested called into question the untested amounts for the remaining six grants.

We found that data contained in source documentation provided by the County agreed with data contained in the LOCCS. We also found that information regarding matching funds received from the County matched data received from its subgrantees. We, therefore, assessed the data from the County to be sufficiently reliable for our use during the audit.

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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>11</sup> Grant CA0689L9D011502 had only one paid voucher.

# Internal Controls

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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:

- Effectiveness and efficiency of program operations – Implementation of policies and procedures to ensure that program funds are used for eligible purposes.
- Reliability of financial information – Implementation of policies and procedures to reasonably ensure that relevant and reliable information is obtained to adequately support program expenditures.
- Compliance with applicable laws and regulations – Implementation of policies and procedures to ensure compliance with applicable HUD rules and requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

### **Significant Deficiencies**

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

- The County did not have adequate policies and procedures to ensure that matching funds were fully contributed under grant agreements and Federal regulations (finding 1).
- The County did not have controls to ensure that payroll-related administrative fees were used in accordance with Federal regulations (finding 2).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Unsupported 1/</b>
1A	\$54,473
2A	12,109
<b>Totals</b>	<b>66,582</b>

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve legal interpretation or clarification of departmental policies and procedures.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1


Comment 2

Comment 3

Comment 4

Comment 5

Comment 3



**County of San Diego**  
**HEALTH AND HUMAN SERVICES AGENCY**  
 HOUSING AND COMMUNITY DEVELOPMENT SERVICES  
 3989 RUFFIN ROAD, SAN DIEGO, CA 92123  
 (858) 694-4801 • FAX (858) 467-9713

**NICK MACCHIONE, FACHE**  
AGENCY DIRECTOR

**DAVID ESTRELLA**  
DIRECTOR, HOUSING AND COMMUNITY DEVELOPMENT SERVICES

February 12, 2018

Tanya E. Schulze  
 Regional Inspector General for Audit  
 Tschulze@hugoig.gov

Dear Ms. Schulze,

County of San Diego (COSD) Housing and Community Development Services (HCDS) concurs with the recommendations of the Office of Inspector General (OIG) related to programmatic procedures for oversight and monitoring of sub-grantees as well as HCDS internal controls for payroll reconciliations. HCDS management will immediately implement recommended program and procedure enhancements, and will coordinate with the Director of the Los Angeles Office of Community Planning and Development for the U.S. Department of Housing and Urban Development (HUD), to ensure implemented solutions meet all HUD regulatory requirements. Additionally, HCDS will obtain supporting documentation for the remaining sub-grantees as noted in the OIG report to ensure match fund requirements are supported, or take appropriate measures for grant repayment if support is insufficient. Appendix D of the draft audit report consists of a schedule for four grants of which OIG was unable to verify adequate matched funds as required by the Continuum of Care grant regulations. Our review noted that the schedule prepared by OIG calculated the required match based upon the original authorized amount for each of the four grants questioned. COSD review determined that actual grant disbursements, which were less than amount authorized, lessened the required match.

In two instances, CA0693L9D011508 and CA0694L9D011407, (Schedules 1 and 2), the difference resulted in the match that was verified by OIG during audit work being of sufficient value to meet the recalculated match requirements.

Interfaith Community Services (ICS) was able to produce additional supportive services documentation for grant CA0693L9D011407 (Schedule 3) which, along with the match recalculation, is of sufficient value to meet the required match.

COSD staff is actively working with Mental Health Systems (MHS) to obtain source system verification of supportive services for grant CA0880L9D011501. MHS has provided a summary of services provided, as well as estimated values. We are not including those items in the value of supported match verified by COSD as documented in Schedule 4 below. As additional services match are verified, COSD will work with HUD Los Angeles to update potential grant match fund shortfall.

**Schedule 1: Grant CA0693L9D011508 - Matched funds requirement met**

Sub-Grantee	Grant Disbursed	Required Match	Supported Match Verified by OIG	Amount Short
Interfaith Community Services (ICS)	\$168,119	\$42,030	\$45,875 <sup>1</sup>	N/A

Supporting documentation is provided as follows:

- Exhibit A: eLOCCS report; Grant Detail
  - Total Vouchers Disbursed \$358,649.57 (A-1)
- Exhibit A-1: eLOCCS report; Grant Detail

*Serving as the Housing Authority of the County of San Diego*

\* Exhibits available upon request.



## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

- Rental Assistance Disbursed Amount \$340,300.88 (A-2)
- Exhibit A-2; eLOCCS report; Budget Line Detail
  - Rental Assistance Vouchers \$340,300.88 (A-2 match)
- Exhibit A-3; COSD Revenue Detail Report (Oracle)
  - ICS Grant draw down \$168,119.20 (A-3)

**Schedule 2: Grant CA0694L9D011407 – Matched funds requirement met**

Sub-Grantee	Grant Disbursed	Required Match	Supported Match Verified by OIG	Amount Short
County of San Diego Housing Authority (COSDHA)	\$315,709	\$78,927	\$112,323 <sup>2</sup>	N/A

Supporting documentation is provided as follows:

- Exhibit B: eLOCCS report; Grant Detail
  - Total Vouchers Disbursed \$355,333.87 (B-1)
- Exhibit B-1: eLOCCS report; Grant Detail
  - Rental Assistance Disbursed Amount \$315,709.22 (B-2)
- Exhibit B-2; eLOCCS report; Budget Line Detail
  - Rental Assistance Vouchers \$315,709.22 (B-2 match)

**Schedule 3: Grant CA0693L9D011407 – Matched funds requirement met**

Sub-Grantee	Grant Disbursed	Required Match	Supported Match Verified by OIG	Supported Match Verified by COSD	Amount Short
ICS	\$173,962	\$43,491	\$39,919 <sup>3</sup>	\$67,229	N/A

Supporting documentation is provided as follows:

- Exhibit C: eLOCCS report; Grant Detail
  - Total Vouchers Disbursed \$381,645.72 (C-1)
- Exhibit C-1: eLOCCS report; Grant Detail
  - Rental Assistance Disbursed Amount \$358,991.97 (C-2)
- Exhibit C-2; eLOCCS report; Budget Line Detail
  - Rental Assistance Vouchers \$358,991.97 (C-2 match)
- Exhibit C-3; COSD Revenue Detail Report (Oracle)
  - ICS Grant draw down \$173,962.23 (C-3)

Match Support Documentation

- Exhibit C-4; Supportive Services Match Cover Report
  - Interns (Case Management and Mental Health Services) - Exhibit C-5 - \$40,590
  - Mental Health Services – Exhibit C-6 - \$22,123
  - Education – Exhibit C-6 - \$1,568
  - Meals, Pantry Shelter – Exhibit C-7 - \$2,947.50
  - Total Service Match - \$67,228.50 (C-4<sub>(a)</sub>)
- Exhibit C-5; Family Housing Interns
  - Cover sheet summary – C-5(1)
  - Supportive letter intern rate – C-5(2)
  - Volunteer Logistics time record reports – C-5(3) thru C-5(14)
- Exhibit C-6; Shelter Plus Client Records
  - Mental Health Services – C-6(a)

Comment 4

## Auditee Comments and OIG's Evaluation

**Ref to OIG  
Evaluation**

### Auditee Comments

Comment 5

- o Education – C-6(b)
- Exhibit C-7; Pantry Slips
  - o Meals served – C-7

**Schedule 4: Grant CA0880L9D011501 – Matched funds requirement match in progress**

Sub-Grantee	Grant Disbursed	Required Match	Supported Match Verified by OIG	Additional Supported Match Verified by COSD	Amount Remaining Short
Mental Health Systems (MHS)	\$67,251	\$16,813	\$2,282	\$900	\$13,631

Supporting documentation is provided as follows:

- Exhibit D: eLOCCS report; Grant Detail
  - o Total Vouchers Disbursed \$69,447.89 (D-1)
- Exhibit D-1: eLOCCS report; Grant Detail
  - o Rental Assistance Disbursed Amount \$67,250.89 (D-2)
- Exhibit D-2: Client Services Listing
  - o Mental Health Services Support (as verified by OIG) - \$2,281.98
- Exhibit D-3: Donation Letter
  - o Donation value - \$900

If you need additional information or have any questions, please contact Nicholas Martinez, Chief of Operations at (858) 694-4802 or [Nicholas.Martinez@sdcounty.ca.gov](mailto:Nicholas.Martinez@sdcounty.ca.gov).

Sincerely,



DAVID ESTRELLA, Director  
Housing and Community Development Services  
County of San Diego - Health & Human Services Agency

<sup>1</sup> OIG draft audit report indicated their audit work has verified this match amount.

<sup>2</sup> OIG draft audit report indicated their audit work has verified this match amount.

<sup>3</sup> OIG draft audit report indicated their audit work has verified this match amount.

## OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the County's acknowledgement of the need for improvements to programmatic procedures for oversight and monitoring of its sub-grantees as well as HCDS internal controls for payroll reconciliations.
- Comment 2 We agree with the County's position that the required match should be based on the actual grant disbursements and have adjusted the report to reflect these amounts. We adjusted appendix D, column C to reflect grant amount disbursed instead of the total grant amount. Grants that met the match based on the revised calculations were removed from the spreadsheet and questioned costs. Based on this change and the additional match support provided with the response, we have eliminated the recommendation for HUD to require the County to provide match support for its remaining grants.
- Comment 3 We agree grant CA0693L9D011508 and CA0694L9D011407 met the match requirements. The report was changed to reflect this amount.
- Comment 4 We agree the actual amount expended and drawn for grant CA0693L9D011407 was lower than the original grant amount shown on the contract between HUD and the County and also between the County and its subgrantee. We also reviewed the additional supportive services documentation provided with the County's response and found it sufficient to cover the remaining required match amount. As a result, we agree grant CA0693L9D011407 met the match requirement and the report was changed to reflect this adjustment.
- Comment 5 We agree the grant funds expended for the MHS grant CA0880L9D011501 was \$67,251. In addition, we reviewed the additional \$900 of match support provided with the County's response and updated the total match funds provided. We appreciate the County's commitment to working with HUD during the audit resolution process to update and verify the potential match fund shortfall.

## Appendix C

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### Criteria

#### **2 CFR Part 200, Uniform administrative requirements, cost principles, and audit requirements for Federal awards**

##### **2 CFR 200.306, Cost sharing or matching**

(a) Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity. See also §§ 200.414 Indirect (F&A) costs, 200.203 Notices of funding opportunities, and Appendix I to Part 200—Full Text of Notice of Funding Opportunity.

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

##### **2 CFR 200.430, Compensation—personal services.**

###### *(i) Standards for Documentation of Personnel Expenses*

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE [institutions of higher education], this per the IHE's definition of IBS [institutional base salary]);

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h) (1) (ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

## **24 CFR Part 578, Continuum of Care Program**

### **24 CFR 578.73, Matching requirements**

(a) *In general.* The recipient or subrecipient must match all grant funds, except for leasing funds, with no less than 25 percent of funds or in-kind contributions from other sources. For Continuum of Care geographic areas in which there is more than one grant agreement, the 25 percent match must be provided on a grant-by-grant basis.

### **County's Subgrantee Contract**

**5.1 Record Keeping.** Subrecipient must establish and maintain sufficient records to enable HUD to determine whether Subrecipient is meeting the requirements of the CoC [Continuum of Care] Program regulations at 24 CFR 578. Subrecipient must maintain records of the following:

- a) Homelessness status;
- b) At risk homelessness status (if applicable);
- c) Records of reasonable belief of imminent threat of harm (where applicable);
- d) Annual income (for programs where the participant pays rent or an occupancy charge);
- e) Program participant records, including records regarding services and assistance provided and, if applicable, compliance with termination of assistance requirements;
- f) Housing quality standard inspections (for programs that provide permanent housing)
- g) Documentation verifying compliance with match requirements (including, for in-kind match, records documenting service hours provided);
- h) Compliance with conflict of interest requirements;
- i) Compliance with homeless participation requirements;
- j) Compliance with faith-based activities requirements; and
- k) Records related to any procurement.

## Appendix D

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### Match Questioned Costs

Sub-grantee (A)	Grant number (B)	Grant amount disbursed (C)	Required match fund amount (D)	Supported match amount (E)	Amount short (F)	Per-centage short on match (G)	Questioned costs <sup>12</sup> (H)
MHS*	CA0880L9D011501	\$67,251	\$16,813	\$3,182	\$13,631	81%	\$54,473
<b>Total</b>							<b>\$54,473</b>

\* Mental Health Systems, Inc.

#### Table explanations

- Column D – This is 25 percent of the grant amount in column C.
- Column E – This is the amount the subgrantee was able to support with in-kind match.
- Column F – This is the difference between the required match fund amount and supported match fund amount (D – E).
- Column G – This is supported match amount (E) divided by required match amount in (D).
- Column H – This is the result of column (C) multiplied by column (G).

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<sup>12</sup> Typically, if a grantee failed to provide the required matching fund requirement, it would be required to repay 100 percent of the grant. In this case, the grantee did not provide 100 percent of the match fund, so we questioned a percentage of the grant amount.

## Appendix E

### Grants Reviewed for Match and Retroactive Payroll

Count	Subgrantee	Grant number	Grant term	Grant amount	Match reviewed	Retroactive payroll reviewed
1	Mental Health Systems, Inc.	CA0689L9D011502	2/1/2016 to 1/31/2017	\$122,045	yes	yes*
2	Solutions for Change	CA0690L9D011502	2/1/2016 to 1/31/2017	105,907	yes	no
3	Interfaith Community Services	CA0693L9D011508	7/1/2016 to 6/30/2017	216,618	yes	no **
4	Mental Health Systems, Inc.			85,508	yes	no **
5	Solutions for Change			164,733	no	no **
6	Mental Health Systems, Inc.	CA0880L9D011501	7/1/2016 to 6/30/2017	69,996	yes*	yes*
7	Mental Health Systems, Inc.	CA0881L9D011501	7/1/2016 to 6/30/2017	114,249	yes	yes*
8	County of San Diego Housing Authority	CA1162L9D011504	7/1/2016 to 6/30/2017	160,289	no	no **
9	County of San Diego Housing Authority	CA0694L9D011508	10/1/2016 to 9/30/2017	670,259	no	no **
10	Kurdish Human Rights and Crisis House	CA0945L9D011506	10/1/2016 to 4/30/2017	195,440	no	yes*
11	Solutions for Change	CA1024L9D011501	11/8/2016 to 11/7/2017	48,608	no	no **
<b>2016-17 Continuum of Care grants subtotal</b>				<b>1,953,652</b>		
12	Mental Health Systems, Inc.	CA0689L9D011401	2/1/2015 to 1/31/2016	109,322	yes	no
13	Solutions for Change	CA0690L9D011401	2/1/2015 to 1/31/2016	95,247	no	no
14	County of San Diego Housing Authority	CA1247L9D011300	3/1/2015 to 2/28/2016	192,902	no	no

Count	Subgrantee	Grant number	Grant term	Grant amount	Match reviewed	Retroactive payroll reviewed
15	Alpha Project and Volunteers of America	CA1162L9D011403	9/1/2015 to 6/30/2016	94,731	no	no
16	Interfaith Community Services	CA0693L9D011407	7/1/2015 to 6/30/2016	199,750	yes	no
17	Mental Health Systems, Inc.			78,459	yes	no
18	Solutions for Change			153,635	no	no
19	County of San Diego Housing Authority	CA0694L9D011407	10/1/2015 to 9/30/2016	626,099	yes	no
20	Kurdish Human Rights	CA0945L9D011405	10/1/2015 to 9/30/2016	183,903	no	no
<b>2015-16 Continuum of Care grants subtotal</b>				<b>1,734,048</b>		
21	County of San Diego Housing Authority	CA1211L9D011200	3/18/2014 to 3/17/2015	196,340	no	no
22	Volunteers of America	CA1162L9D011302	4/1/2014 to 3/31/2015	143,921	no	no
23	Interfaith Community Services	CA0693L9D011306	7/1/2014 to 6/30/2015	193,632	no	no
24	Mental Health Systems, Inc.			76,896	yes	no
25	Solutions for Change			149,794	yes	no
26	County of San Diego Housing Authority	CA0694L9D011306	10/1/2014 to 9/30/2015	610,787	no	no
27	Kurdish Human Rights	CA0945L9D011304	10/1/2014 to 9/30/2015	179,439	no	no
<b>2014-15 Continuum of Care grants subtotal</b>				<b>1,550,809</b>		
28	County of San Diego Housing Authority	CA0694L9D011205	10/1/2013 to 9/30/2014	623,331	no	no
<b>2013-14 Continuum of Care grants subtotal</b>				<b>623,331</b>		
29	Mental Health Systems, Inc.	CA0881C9D100900	7/1/2011 to 6/30/2016	498,586	no	no
30	Mental Health Systems, Inc.	CA0880C9D100900	7/1/2011 to 6/30/2016	263,232	no	no



Count	Subgrantee	Grant number	Grant term	Grant amount	Match reviewed	Retroactive payroll reviewed
31	Solutions for Change	CA1024C9D101000	11/8/2011 to 11/7/2016	213,351	no	no
<b>2011 Shelter Plus Care grants subtotal</b>				<b>975,169</b>		
32	Volunteers of America	CA0690C9D100800	2/3/2010 to 2/2/2015	461,261	no	no
33	Mental Health Systems, Inc.	CA0689C9D100800	2/5/2010 to 2/4/2015	552,614	no	no
<b>2010 Shelter Plus Care grants subtotal</b>				<b>1,103,875</b>		
<b>Grants grand total</b>				<b>7,850,884</b>	<b>12</b>	<b>4</b>

\* Includes costs questioned under recommendation 1A and 2A

\*\* Subgrants to be reviewed according to recommendation 2B