



Housing Authority of the County of Stanislaus, Modesto, CA

Shelter Plus Care Program

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

**Audit Report Number: 2019-LA-1004
April 17, 2019**



To: Kimberly Nash
Director, Office of Community Planning and Development, San Francisco, 9AD

//SIGNED//

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

Subject: The Housing Authority of the County of Stanislaus, Modesto, CA, Did Not Always Adequately Document Homeless Eligibility in Accordance With Shelter Plus Care Program 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 Housing Authority of the County of Stanislaus' Shelter Plus Care program.

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.



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The Housing Authority of the County of Stanislaus, Modesto, CA, Did Not Always Adequately Document Homeless Eligibility in Accordance With Shelter Plus Care Program Requirements

Highlights

What We Audited and Why

We audited the Housing Authority of the County of Stanislaus' Shelter Plus Care program based on a hotline complaint and concerns expressed by the San Francisco Office of Community Planning and Development regarding the Authority's lack of documentation to support participant eligibility. Our objective was to determine whether the Authority documented participant eligibility related to homelessness and disability in accordance with Shelter Plus Care program requirements.

What We Found

While participants' disabilities were supported, the complaint had some merit as the Authority did not always adequately document participants' eligibility related to homelessness in accordance with U.S. Department of Housing and Urban Development (HUD) requirements. In 1 of the 15 participant files reviewed, the Authority's documents lacked detail to show that the applicant, who was in transitional housing, originally came from the streets or emergency shelters, an additional requirement stated in the notice of funding availability. This condition occurred because Authority staff did not fully understand the requirement and thought the service agency referral was sufficient to verify eligibility. As a result, the Authority could not support that \$13,885 in housing assistance payments and any subsequent payments made were for an eligible participant.

What We Recommend

We recommend that the Director of HUD's San Francisco Office of Community Planning and Development require the Authority to provide supporting documentation for \$13,885 in housing assistance payments and subsequent payments made for the participant for whom eligibility could not be supported or repay its program from non-Federal funds.

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Background and Objective

The Shelter Plus Care program¹ provides permanent housing assistance to homeless individuals with disabilities and their families. Since 1992, the U.S. Department of Housing and Urban Development (HUD) has awarded program funds to State and local governments and public housing agencies to serve a population that has been traditionally hard to reach. These individuals primarily include homeless persons with disabilities, such as serious mental illness, chronic substance abuse, and AIDS and related diseases.

The Housing Authority of the County of Stanislaus administers two Shelter Plus Care grants. The two grants include 96 units of tenant-based vouchers and project-based rental assistance for a 15-unit development. When combined, the Authority was authorized to receive more than \$4.1 million in program funds over a 4-year period.

The Authority works with two service agencies under a memorandum of understanding to administer the program. In addition to providing supportive services to participants, the service agencies provide referrals to the Authority with written verification regarding the participants' homeless and disability status. The Authority is responsible for administering the program in accordance with applicable requirements.

Our audit objective was to determine whether the Authority documented participant eligibility related to homelessness and disability in accordance with Shelter Plus Care program requirements.

¹ The Shelter Plus Care program and two other homeless assistance programs were consolidated by the Homeless Emergency Assistance and Rapid Transition Housing Act of 2009 into a single grant program called the Continuum of Care program.

Results of Audit

Finding: The Authority Did Not Always Adequately Document Homeless Eligibility in Accordance With Shelter Plus Care Program Requirements

While all 15 participants' disabilities were supported, the Authority did not adequately document participant eligibility related to homelessness in accordance with Shelter Plus Care program requirements in 1 of 15 participant files reviewed. This condition occurred because Authority staff did not fully understand the requirements and thought the service agency referral was sufficient to verify eligibility. In addition, the Authority's procedures and documents lacked details that would adequately establish eligibility. As a result, the Authority could not support that \$13,885 in housing assistance payments and subsequent payments made were for an eligible participant.

The Authority Had Inadequate Documentation Related to Homelessness

Using the data from the Authority's accounting system, we identified 47 participants who were admitted into the program from October 1, 2015, to September 30, 2018. We reviewed 15 of the 47 participants for eligibility related to disability and homelessness in compliance with the program's requirements.

While all 15 participants' disabilities were supported by verification documents, the Authority did not have adequate documentation to show that 1 of the 15 participants reviewed met the eligibility requirement related to homelessness in accordance with Shelter Plus Care program requirements. Specifically, the notice of funding availability required applicants coming from transitional housing to have originally come from the streets or emergency shelters. (See appendix C.) However, the Authority did not have adequate documentation to show that one applicant,² who was in transitional housing, originally came from the streets or emergency shelters.

This condition occurred because Authority staff did not fully understand the requirements. Authority staff relied on a referral letter, which stated that the applicant was "living in transitional housing at this time." Authority staff thought the referral was sufficient to verify eligibility. In addition, the Authority's procedures and documents lacked details regarding applicants' living situations before transitional housing that would adequately establish eligibility. As a result, the Authority could not support that \$13,885 in housing assistance payments and subsequent payments made were for an eligible participant.

² This applicant was admitted into the Authority's Shelter Plus Care program in January 2017, before HUD's monitoring review and the Authority's corrective action (see the discussion of HUD's monitoring review in the next section).

The Authority Took Corrective Action

In September 2017, HUD monitored the Authority's Shelter Plus Care program and had a similar finding. In that monitoring report, HUD found that the Authority accepted service agency referrals that lacked detail on the applicants' living situation before entering transitional housing. In response to HUD's monitoring review finding, the Authority took corrective action and revised its procedures and application packet to ensure that future applicants coming from transitional housing provide information regarding their prior living situation³.

Recommendation

We recommend that the Director of HUD's San Francisco Office of Community Planning and Development require the Authority to

- 1A. Provide supporting documentation for the participant's eligibility (tenant code t0019221) or repay its program \$13,885 from non-Federal funds for the housing assistance payments and any subsequent payments made.

³ The Authority has had one new admission since implementation of the corrective action so there was an insufficient number of admissions to evaluate the effectiveness of the corrective action.

Scope and Methodology

We performed our audit fieldwork from October to November 2018 at the Authority's office in Modesto, CA. Our audit period covered housing assistance payments made for Shelter Plus Care program participants who were newly admitted to the program between October 1, 2015, and September 30, 2018.

To accomplish our objective, we

- reviewed applicable HUD requirements,
- reviewed the Authority's internal policies and procedures,
- interviewed appropriate HUD personnel from the Office of Community Planning and Development and Authority personnel,
- reviewed the Shelter Plus Care program housing assistance payments from the Authority's accounting system, and
- reviewed the Authority's participant files.

We relied on data maintained by the Authority's accounting system. Specifically, we relied on the accuracy of data extracted from its database containing participant names and their corresponding housing assistance payments. We performed a data reliability assessment and determined that the data were sufficiently reliable for our audit objective. The audit universe included housing assistance payments made for Shelter Plus Care program participants who were newly admitted into the program from October 1, 2015, to September 30, 2018. The audit universe consisted of 47 participants with housing assistance payments totaling \$515,347.

We randomly selected a sample of 15 participants with \$163,515 in housing assistance payments for the audit. This sampling method did not allow us to make a projection to the universe, but it was sufficient to meet the audit objective. We reviewed the supporting documents in the participant files to determine whether the Authority documented participant eligibility related to homelessness and disability in accordance with requirements.

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.

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 the Authority adequately documented participants' eligibility related to homelessness and disability.

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:

- The Authority's controls were insufficient to ensure that eligibility related to homelessness for one participant was adequately documented (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/
1A	\$13,885
Total	13,885


- 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 a legal interpretation or clarification of departmental policies and procedures. In this instance, the unsupported costs associated with recommendation 1A represent \$13,885 in housing assistance payments made for a participant whose eligibility related to homelessness was not adequately supported.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



Stanislaus Regional Housing Authority
Alpine ■ Amador ■ Calaveras ■ Inyo ■ Mariposa ■ Mono ■ Stanislaus ■ Tuolumne Counties

March 26, 2019

Ms. Tanya E. Schulze
Regional Inspector General for Audit, 9DGA
300 N. Los Angeles Street, Suite 4070
Los Angeles, California 90012

Dear Ms. Schulze:

Thank you for the opportunity to comment on this draft audit report. The Housing Authority County of Stanislaus appreciates the feedback received during the audit in order to better serve the community in the administration of Federally funded housing programs.

The draft report indicates the following was identified by the HUD Office of Inspector General:


Finding: The Authority did not always adequately document homeless eligibility in Accordance with Shelter Plus Care Program requirements:

While participants' disabilities were supported, the complaint had some merit as the Authority did not always adequately document participant's eligibility related to homelessness in accordance with HUD requirements.

In one of the fifteen participant files reviewed, the Authority's documents lacked detail to show that the applicant, who was in transitional housing, originally came from the streets or emergency shelters, an additional requirement stated in the notice of funding availability. This condition occurred because Authority staff did not fully understand the requirement and thought the service agency referral was sufficient to verify eligibility. As a result, the Authority could not support that \$13,885 in housing assistance payments and any subsequent payments made were for an eligible participant.

The Authority Took Corrective Action: In September, 2017, HUD monitored the Authority's Shelter Plus Care Program and had a similar finding. In that monitoring report, HUD found that the Authority accepted service agency referrals that lacked detail on the applicant's living situation before entering transitional housing. In response to HUD's monitoring review funding, the Authority took corrective action and revised its procedures and application packet to ensure that future applicants coming from transitional housing provide information regarding their prior living situation.

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**Ref to OIG
Evaluation**

Recommendation:

We recommend that the Director of HUD's San Francisco Office of Community Planning and Development require the Authority to

- 1A. Provide supporting documentation for \$13,885 in housing assistance payments and subsequent payments made for the participant for whom eligibility could not be supported or repay its program from non-Federal funds.

Auditees Response to Draft Audit Report:

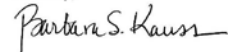
The Housing Authority appreciates the overall positive results of the OIG draft audit report and for providing the Housing Authority the opportunity to comment. The OIG finding is based on one client file of the fifteen files reviewed inadequately supporting the homeless eligibility status of an applicant prior to entry into transitional housing. The original homeless eligibility documentation was a third-party document from the referring service agency identifying the applicant as formerly homeless prior to entering transitional housing. Upon request from the OIG, the Housing Authority submitted case notes from the referring service agency as documentation. The Housing Authority believes this eligibility determination is consistent with § 582.301 Recordkeeping for Homeless status in the HEARTH Act Regulations:

"The procedures must establish the order of priority for obtaining evidence as third-party documentation first, intake worker observations second, and certification from the person seeking assistance third. However, lack of third-party documentation must not prevent an individual or family from being immediately admitted to emergency shelter, receiving street outreach services, or being immediately admitted to shelter or receiving services provided by a victim service provider, as defined in section 401(32) of the McKinney-Vento Homeless Assistance Act, as amended by the HEARTH Act."

The Housing Authority requests that its comments be added as comments to the draft report.

Thank you for the opportunity to respond.

Sincerely,



Barbara S. Kauss
Executive Director

Comment 1

OIG Evaluation of Auditee Comments

Comment 1 We appreciate the Authority taking the time to review and respond to the audit report. We agree that the service agency referral in the participant file and the case notes from the referring service agency obtained upon OIG's request were third-party documents. However, neither document showed the applicant came from the streets or an emergency shelter before entering transitional housing to adequately establish eligibility. Therefore, the finding remains unchanged. The Authority can work with HUD during audit resolution to resolve the matter.

Appendix C

Criteria

Notice of Funding Availability for Continuum of Care Program Competition for Fiscal Year 2015 shows the following requirement:

- (4) The population to be served must meet program eligibility requirements as described in the Act [the McKinney-Vento Homeless Assistance Act], and the project application must clearly establish eligibility of project applicants. This includes the following additional eligibility criteria for certain types of projects:
 - (a) The only persons who may be served by any non-dedicated permanent supportive housing beds are those who come from the streets, emergency shelters, safe havens, institutions, or transitional housing.
 - i. Homeless individuals and families coming from transitional housing must have originally come from the streets or emergency shelters.