Office of the
Inspector General
Commonwealth of Massachusetts

Gregory W. Sullivan
Inspector General

Advisory to Grantees and Sub-Grantees of the Recovery Act Funded Homeless Prevention and Rapid Re-Housing Program (HPRP)

August 2011

Massachusetts Office of the Inspector General

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August 3, 2011

Dear Homeless Prevention and Rapid Re-Housing Program Grantee/Sub-Grantee:

The Massachusetts Office of the Inspector General (OIG) is issuing the attached advisory to assist Massachusetts grantees and sub-grantees of the U.S. Department of Housing and Urban Development's (HUD) Homeless Prevention and Rapid Re-Housing Program (HPRP). The American Recovery and Reinvestment Act of 2009 (ARRA) currently funds HPRP grants. Massachusetts received more than $44.5 million in HPRP ARRA funding. This advisory offers suggestions to increase program efficiency and accountability and to reduce program risks to fraud, waste, and abuse.

The OIG has reviewed ARRA-related grants and projects to identify potential vulnerabilities for fraud, waste, and abuse and other risks that could negatively influence the accountability, transparency, and anti-fraud mandates contained in the statutory language and interpretive guidance of ARRA. Grantees should not construe these issues and recommendations as an outcome of any audit, investigation, or comprehensive program review of a particular grantee.

The OIG based the suggestions contained in this advisory on a review of a majority of HPRP grantees and sub-grantees in Massachusetts including the largest recipients of HPRP funds. The OIG reviewed nearly 75% of the funding received by Massachusetts grant recipients and questioned the use of nearly 4% of these funds. This advisory highlights some of the OIG's key findings.

The OIG also reviewed a sample of applicant HPRP case files and identified a significant number of questionable approvals for rent arrearage payments. It is this Office's opinion that these questionable approvals by grantees stem from weak program guidelines and oversight. This part of the OIG review is on-going and as such, any findings or inclusion of questionable expenditures are not included in this advisory. Nevertheless, the OIG advises grantees and sub-grantees to ensure that all payments to or for applicants are well documented and comply with both the written guidance as well as the spirit/intent of the grant.

Although the issues contained in the advisory are based on a review of the HPRP program, many of the issue that arose and suggestions for future grant administration serve as valuable lessons learned for administering grant money generally. The OIG intends for these issues to assist grantee agencies in addressing and mitigating risk.

Please do not hesitate to contact us if you have any questions, concerns, or require assistance regarding this or any other issue.

Sincerely,

Gregory W. Sullivan

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Inspector General

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Executive Summary

The Massachusetts Office of the Inspector General (OIG) is issuing the following advisory to assist Massachusetts grantees and sub-grantees of the U.S. Department of Housing and Urban Development's (HUD) Homeless Prevention and Rapid-Re-Housing Program (HPRP). The American Recovery and Reinvestment Act of 2009 (ARRA) currently funds the HPRP grants. This advisory offers suggestions to increase program efficiency and to reduce fraud, waste, and abuse and other risks that could negatively affect the accountability, transparency, and anti-fraud mandates contained in the statutory language and interpretive guidance of ARRA.

The HPRP program provides temporary financial assistance and housing relocation and stabilization services for individuals and families who are homeless or at risk for homelessness. Massachusetts grantees received a total of $44,558,792 in HPRP funds. HUD designated the Massachusetts Department of Housing and Community Development (DHCD) the largest grantee. DHCD received a grant of $18,443,744 that it sub-granted to communities throughout the Commonwealth. HUD distributed the remaining $26,115,048 directly to communities. HUD and DHCD distributed HPRP funds to 19 grantees that in turn sub-granted funds to approximately 62 not-for-profit entities (See Appendix A).

The OIG reviewed a sample of municipalities that received grants directly from HUD. This sample accounted for 56% of the grant funds that HUD provided directly to municipalities and 74.5% of the total HPRP funds received by Massachusetts.

The OIG questioned statewide the spending of approximately $1,782,927 or 4% of HPRP funding. This questionable spending could otherwise have benefited another estimated 519 households at risk for homelessness (See Appendices H-1 and H-2). The OIG identified the following specific issues:

- A lack of uniform guidelines allowed sub-grantees to charge a wide range of indirect cost rates under the grant resulting in the program spending more than $203,983 for "expenses" rather than on direct service provision.

- Based on "best practices" identified by HUD, grantees should consider establishing guidelines that require sub-grantees to negotiate with property owners for reductions in rental arrearages owed by program clients. Grantees did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants resulting in the program possibly paying $1,171,431 more than necessary in rental arrearage payments to property owners.

- Grantees do not have a uniform standard to determine a tenant's eligibility under the "but for" and "imminent risk" HPRP provision.

- Most Grantees did not monitor sub-grantees in a timely manner. This allowed sub-grantees to disburse approximately $145,207 in HPRP funds to ineligible recipients. In some cases, grantees monitored sub-grantees, but failed to address sub-grantee non-compliance.

- Grantees did not have written policies governing relocation and storage costs as required by HUD guidelines.

- Request for Proposals (RFP) issued by municipal grantees did not always include a "Certificate of Non-Collusion" form.

- Grantees did not establish performance measurement guidelines as recommended by HUD.

- Contrary to HUD guidelines, grantee RFPs for case management services did not include minimum job qualification requirements.

- Grantees did not comply with HUD guidelines for using an RFP process.

- Grantees and sub-grantees did not establish a written policy to handle security deposit payments as recommended by HUD.

- The OIG identified more than $96,000 in overbilling by sub-grantees.

The OIG recommends that grantees review this information for applicability to their programs. Many of the HPRP issues identified by the OIG may be applicable to other grant programs regardless of whether these programs receive Recovery Act funded grants.

The OIG intends for these findings to assist grantee agencies in the future to address and mitigate risks.

Advisory to Grantees and Sub-Grantees of the Recovery Act Funded Homeless Prevention and Rapid Re-Housing Program (HPRP)

Introduction

The HPRP program provides temporary financial assistance and housing relocation and stabilization services for individuals and families who are homeless or at risk for homelessness. HPRP targets two populations facing housing instability:

1. At Risk - Individuals and families currently in housing, but are at risk of becoming homeless.

2. Homeless - Individuals and families who are already homeless as defined by the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302).

In Massachusetts, grantees received a total of $44,558,792 in HPRP funds of which HUD distributed $26,115,048 directly to municipalities. The OIG reviewed a sample of municipalities that received grants directly from HUD. This sample accounted for 56% of the grant funds that HUD provided directly to municipalities and 75% of the total HPRP funds received by Massachusetts.

For this review, the OIG examined HPRP grant program details, HUD frequently asked questions and toolkits, reports issued by other federal and state oversight agencies and performed on-site file reviews. The OIG also spoke with HUD and DHCD staff, grantees and sub-grantees, and other oversight agencies. The OIG contracted with a private certified public accounting firm, Melanson Heath & Co., P.C. (Melanson) to review certain sub-grantee financial and grant compliance issues identified by the OIG.[1] The OIG has included an executive summary of the Melanson report in Appendix B.

The scope of the OIG's review focused on the following areas:

- HPRP program compliance
  - Grantee and sub-grantee practices reviewed for compliance with HUD regulations and guidelines.

[1] Melanson is a well-respected regional firm with vast experience in the review of municipal and not-for-profit finances as well as expertise in federal grant requirements and federal accounting and auditing standards.

- Administrative and indirect expenses
  - Reviewed indirect expenses billed by sub-grantees for compliance with U.S. Office of Management and Budget (OMB) Circular A-122 HUD rules, and federal regulation 24 CFR §85.36.

- Case manager qualification and salaries
  - Qualification requirements for case managers and housing search professionals comply with HUD guidelines.
  - Compared salaries paid to case managers across grantees.
  - Reviewed time spent to complete each program objective.

- Grantee monitoring efforts
  - Reviewed grantee RFPs to determine grantees complied with federal regulations for a "competitive" procurement process.
  - Determined grantee monitoring and oversight procedures comply with HUD rules and federal regulations.

- Rental arrearage eligibility
  - Determined grantee/sub-grantee policy requires the negotiating of a reduction in paying rent arrearages for program applicants.
  - Determined that grantee/sub-grantee monitor rental arrearage payments for evidence of collusion between property owner and tenant.

- Allocation of financial resources
  - Tested a sample of case files to ensure grantee/sub-grantees only provided HPRP assistance to income eligible recipients.
  - Reviewed grantee performance measure standards for issuing financial assistance benefit the largest number of individuals and families pursuant to grant guidelines.

The following findings and recommendations are based on the OIG review. Grantees and sub-grantees should note that some suggestions take the form of best practices as determined by the OIG and that these practices may be applicable to other grant programs besides HPRP.

Findings

1. A lack of uniform guidelines allowed sub-grantees to charge a wide range of indirect cost rates under the grant resulting in the program spending more than $203,983 for "expenses" rather than on direct service provisions.

HPRP grant guidelines allow grantees and sub-grantees to charge for a wide range of indirect costs (also known as overhead and operating costs). Additionally, DHCD did not issue any additional guidelines pertaining to indirect costs. OMB Circular A-122 defines "Indirect Expenses" as follows:

> Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.... Indirect costs are classified within two broad categories: "Facilities and "Administration."

Under the HPRP grant, HUD has only imposed a 5% cap on a subset of indirect costs classified as administrative costs. OMB defines these administrative costs as "The salaries and expenses of executive officers, personnel administration, and accounting..." HUD places a 10% cap on all indirect costs for many of its grant programs. The OIG found that grantee reimbursement of overhead, and operating costs to sub-grantees ranged from 0% to 17.8% (See Appendix C-3) of total sub-grant costs; approximately one-third did not charge an indirect cost rate. Therefore, some did not charge any overhead rate, while others charged a rate that exceeded the cap limits that HUD usually imposes on grants. A May 2010 Government Accountability Office (GAO) report concluded:

> The funding and treatment of administrative costs varied across other targeted federal homeless grant programs we reviewed. For example, the maximum administrative allowance for grantees ranged from 4 percent to 50 percent for programs with such a provision...in addition, none of the programs we reviewed offered comprehensive direction on eligible and ineligible administrative activities.

A lack of uniform guidelines to address what sub-grantees may charge for indirect costs, coupled with a failure by grantees to ensure the reasonableness or consistency of rates charged by the various sub-grantees, creates risk for waste and abuse involving program expenditures. When questioned by the OIG, a number of grantees did not know whether sub-grantees even charged an indirect cost rate or what rate the sub-grantees had been charging. Some Requests for Proposals (RFP) issued by grantees at the start of the grant cycle as well as subsequent contracts with sub-grantees are silent on the issue of indirect cost rates. As a result, the OIG found that grantee reimbursement of sub-grantee administrative, overhead, and operating costs ranged from 0% to 10.8% (See Appendix C-2). Approximately one-half of sub-grantees we reviewed did not charge an indirect cost rate illustrating program extremes.

Awarding sub-grants to entities whose overhead and operations are more costly than other entities may not be in the best interests of the program. The OIG understands that not all sub-grantees have the same operational costs. However, the grantee must determine what is reasonable for the provision of services. The grantee does not have an obligation to award a contract to a service provider that is say 10% higher in cost than other providers are simply because the service provider has a higher cost structure. Under most other types of procurement, whether for goods or services, the most expensive options are usually not considered. No grantee reviewed by the OIG had established a “reasonable” rate for sub-grantees to charge for indirect, non-administrative expenses.

Without guidelines and with little program coordination between grantees, sub-grantees can charge a wide array of cost rates for the provision of what is essentially the same service. The OIG observed some agencies are more aggressive in seeking HPRP reimbursement of their indirect costs. As a result, grantees paid a wide range of costs for the same service. Several grantees told the OIG that it was up to each sub-grantee to submit indirect expenses.

The OIG believes that grantees should try to determine what a “reasonable” rate is or impose a rate cap or other measure to ensure consistency within and between sub-grantee programs. As the grant is intended to prevent and reduce homelessness, the more funding that is spent on overhead costs and other indirect expenses, the less there may be available for direct service provision. Based on the OIG review, it appears that the sub-grantees rather than the grantees have controlled the amount of indirect costs charged back to the grant under these contractual relationships. In other words, sub-grantees received whatever rate they proposed. The OIG also found that grantees did not require sub-grantees to provide documentation to support their proposed overhead and operating expenses.

The OIG has determined that if all Massachusetts grantees and sub-grantees (including both DHCD sub-grantees and HUD direct grantees) had extended HUD’s 5% cap to include indirect costs, the program would have saved approximately $203,983, or enough to assist 120 additional households at risk for homelessness. (See Appendix C-1)

A number of individuals questioned by the OIG have offered that many grantees have been doing business with a number of the sub-grantees for years under a variety of grant programs. As a result, relationships have developed and there is a level of "trust" between the grantees and sub-grantees; trust that satisfactory service will be provided and that costs charged will be reasonable. Despite this, grantees have a responsibility to spend funds wisely and to meet program objectives, including the provision of services to the largest number of applicants.

Recommendation: The OIG recommends that DHCD work with other Massachusetts grantees to establish a reasonable range of indirect cost rates allowable under the program. Grantees should consider using the HUD established 5% indirect cost rate for administrative expenses for all indirect costs.

2. Based on "best practices" identified by HUD, grantees should consider establishing guidelines that require sub-grantees to negotiate with property owners for reductions in rental arrearages owed by program clients. Grantees did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants resulting in the program possibly paying $1,153,000[2] more than necessary in rental arrearage payments to property owners.

Pursuant to the authority given to HUD under Title XII of the American Recovery and Reinvestment Act of 2009 (ARRA), the HUD Secretary has issued a series of guidelines to HPRP grantees including the identification of "best practices." HUD suggests that grantees "avoid excessive funding to individual households," provide assistance to the greatest number of recipients, consider "capping" the amounts of rental assistance each household may receive, and remain flexible and creative in achieving program goals. HUD offers examples of this creativity, including a "best practice" from Virginia where program clients are helped "to negotiate with landlords to reduce or absolve rental arrears and fees." The OIG review also identified a few program sub-grantees across the state that, although not required to, has attempted to negotiate payment reductions. These sub-grantees have claimed some success in lowering program costs.

To assist individuals and families that are at-risk for homelessness, HPRP guidelines allow agencies to pay rent arrearages to stop eviction proceedings. The OIG found that sub-grantees frequently paid 100% of a tenant's rental arrearage balance. Only a small number of sub-grantees across the state have considered asking property owners to negotiate or "settle" the arrearage.

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2 Grantee rental arrearage payments, as a percentage of total HPRP funds, ranged from 1.2% to 44% with a median of 17%. (See Appendix D-2)

Some property owners may be unwilling to accept lower rental payments. However, a property owner involved in the HPRP program stands to avoid costly legal fees associated with tenant eviction and the potential for up to 18 months of "guaranteed" rent payments for the tenant through HPRP. This provides program sub-grantees with some advantage to negotiate a reduction in rental arrearages. Property owners face a choice, accept a small reduction in the rental arrearage balance, or run the risk of receiving nothing owed to them if they successfully evict a tenant for non-payment of rent.

HPRP permits grantees to relocate tenants if the tenant cannot sustain current rental rates. This ability to relocate applicants can also be an advantage in negotiating reductions in rent arrearages. Negotiations to reduce the arrearage balance, however slight, can provide a substantial savings to the HPRP program. Some grantees informed the OIG that their use of rental arrearage negotiations has been successful and that property owners had been receptive to negotiation rent reductions. Unfortunately, these grantees had not documented the actual savings realized from these negotiations.

The OIG conducted its own analysis to identify the potential savings that might be obtained through negotiation. On average, sub-grantees included in the OIG review paid $2,508 per household for rental arrearage payments. Extending this average to all sub-grantees provides an estimated statewide total of $11,533,306 for arrearage payments. Had sub-grantees negotiated a 10% reduction in arrearage payments the OIG estimates a statewide reduction of rental arrearage payments to property owners to be $1,153,331[3]. This could have provided rental assistance to an additional 467[4] at-risk households. (See Appendix D-1, which illustrates other savings scenarios.)

A recent *Boston Globe* article stated that "the number of homeless families have been increasing, including a 27% increase between 2007 and 2009." This illustrates the need for additional rental funding and the need to stretch available funding, possibly through negotiation with property owners, to the fullest extent possible.

Recommendation: HPRP funding is a finite resource. Reducing payments for rental arrearages allows grantees to service a greater number of individuals and families at risk of becoming homeless. The OIG recommends grantees establish

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[3] The OIG based its estimate on grantees that did not establish a written policy to require sub-grantees to negotiate a reduction in the rental arrearage balance. Limited testing by the OIG and the certified public accounting firm, Melanson Heath and Company (Melanson), revealed that, on occasion, sub-grantees did negotiate a rent reduction. Grantees and sub-grantees reviewed by the OIG stated that they do not track the amount of money saved through negotiation.

[4] $1,153,331 divided by average arrearage payment of $2,500 equals 467

written guidelines requiring negotiations for arrearages payments and that grantees assist sub-grantees in this effort.

Furthermore, some communities require property owners, upon receipt of arrearage payments, to sign a written agreement stating that they will cease eviction proceedings and forego any rental arrearages not covered by the HPRP program. The agreement guarantees that at-risk tenants can remain in their home while receiving HPRP assistance. The OIG recommends that all grantees consider using a form of this agreement.

Several grantees argued that lowering rental arrearage reimbursements penalizes property owners, many of whom rely on rental payments for income. While the OIG is cognizant of the financial needs of property owners, the process is not as clear as some grantees suggest. In order to recover delinquent rental payments, the only recourse available to property owners is legal eviction. Evictions proceedings take time, cost money, and in the end, offer no guarantee that a property owner will be able to collect the money since many of these tenants are "judgment proof", meaning they have no assets for which to pay a court judgment.

Given a choice between an uncertain outcome through legal eviction and a negotiated settlement, a majority of property owners might choose the HPRP payment. Also, if might be more cost effective for a property owner to accept a reduction in the rent arrearage balance than to pay for the costs of an eviction proceeding. Moreover, more than $1 million dollars in HPRP funds would become available to help an additional 467 households possibly avoid eviction.

3. Grantees do not have a uniform standard to determine a tenant's eligibility under the "but for" and "imminent risk" HPRP provision.

HUD's HPRP guidelines state "HPRP is focused on housing for homeless and at-risk households. It will provide temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or would be homeless but for this assistance." To help grantees and sub-grantees clarify what is meant by the "but for" requirement, HUD issued the *Determination and Eligibility Guide* in March 2010. The guide states:

> To be eligible for HPRP funded prevention assistance, grantees and sub-grantees must document that households would become homeless but for the HPRP assistance. In other words, a household would require emergency shelter or would otherwise become literally homeless in the absence of HPRP assistance....Eviction notice and proof of income alone is not enough to determine eligibility and appropriateness for HPRP. For households who are at-risk of losing their housing, in addition to documenting that the household meets income eligibility criteria and are at-risk of losing their current housing, grantees and sub-grantees must

assess and document the household would become literally homeless "but for" HPRP assistance. This includes assessing and documenting a household's support networks and financial resources and other housing options.

The OIG found that some grantees permit sub-grantees to accept a property owner's "14-day notice to evict" as evidence a tenant is in "imminent risk" of becoming homeless, while others, such as Worcester and Lowell, require evidence that the property owner has begun legal eviction proceedings.

Worcester and Lowell told the OIG that they require documentation of formal legal eviction proceedings because property owners frequently use the 14-day notice to evict as a payment reminder rather than an actual threat of eviction. Therefore, these grantees believe that tenants receiving a 14-day notice to evict do not meet the "imminent risk" threshold required by HUD. One grantee told the OIG that it decided to accept a property owner's 14-day notice to evict as adequate documentation after they received "backlash" from their sub-grantees against having to obtain additional documentation that legal eviction proceedings had begun.

The absence of a uniform statewide standard under the HPRP grant for determining applicant HPRP eligibility increases program vulnerability to fraud, waste, and abuse and allows sub-grantees to treat applicants differently, depending on where they reside. This could result in applicants that are truly at risk in one municipality not receiving assistance because applicants in other municipalities have met lower eligibility standards. In addition, a property owner and/or tenant can falsely claim rent delinquency or imminent eviction to obtain rental payments under the program. Waiting for a property owner to file formally with the court provides some added protection against fraud in that this filing would then be a fraud against the court and a potential false claim.

The OIG has also reviewed a sample of applicant case files and has found a lack of adequate documentation to support applicant income eligibility and the grant's "but for" and "imminent risk" provisions. The OIG is continuing its review and will report its findings under separate cover. However, these preliminary results appear to support the notion that more uniform standards should be developed and that a vulnerability to fraud, waste, and abuse exists where there is an absence of adequate case documentation and the use of standards.

<u>Recommendation</u>: The OIG recommends that grantees require documentation that a property owner has started formal legal eviction proceedings by filing notice with the courts as evidence an applicant meets both HUD's "but for" and "imminent risk" of homelessness requirements.

4. Most grantees did not monitor sub-grantees in a timely manner. This allowed sub-grantees to disburse approximately $145,207 in HPRP funds to ineligible recipients. In some cases, grantees monitored sub-grantees, but failed to address sub-grantee non-compliance.

The OIG found that grantees expended more than half of HPRP grant funds within the first 12 to 15 months of the nearly three-year program. Despite a significant amount of funds expended as of October 2010, four of the seven grantees reviewed by the OIG had not completed on-site inspections of sub-grantee operations. Grantees attributed this lack of inspection to time constraints and the demands of ARRA to spend funds quickly. Federal regulation 24 CFR §85.36 Section B specifies that:

> Grantees and sub grantees will maintain a contract administration system, which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

In addition, HUD HPRP guidelines states: "grantees are responsible for monitoring all HPRP activities, including activities that are carried out by a sub-grantee, to ensure that the program requirements… are met." HUD suggests the use of "periodic monitoring." The goal of "periodic monitoring" is to catch errors in a timely manner, allow sub-grantees to correct internal procedures, and make adjustments in funding allocations to benefit the maximum number of eligible grant recipients. DHCD also considers "periodic monitoring" to be quarterly on-site inspections. The DHCD process consists of two inspection types: 1) a full inspection including a sample review of sub-grantee files and procedures and 2) an abridged inspection consisting of a short site visit to either follow-up on the full inspection and/or to conduct a spot file review. DHCD alternates quarterly between the two inspection types. The result is a quarterly onsite inspection of some type for each sub-grantee.

Reviewing sub-grantee files for compliance with the terms of the grant, grantee requirements, and contract terms is a vital part of program management. HUD guidance states: "Grantees and sub-grantees are responsible for verifying and documenting the eligibility of all HPRP applicants prior to providing HPRP assistance. They are also responsible for maintaining this documentation in the HPRP participant case file once approved for assistance. <u>Grantees with insufficient case file documentation may be found out of compliance with HPRP program…</u>" (Emphasis added by HUD) HUD guidelines also encourage grantees to:

> …carefully review what documentation is included in participant case files through "periodic monitoring" and be sure it is sufficient to document the household meets all articulated eligibility criteria. Two of

> the most common monitoring findings are missing or incomplete eligibility documentation…If HUD determines a grantee is not complying with the requirements of this Notice, or other federal laws, HUD may: direct the grantee to cease insuring grant costs, or require some or all of the grant amounts be remitted to HUD.

By delaying or deferring the on-site inspection process, grantees limit the available options to remedy non-compliance issues, they may be placing grant funds in jeopardy according to HUD guidelines, and they are failing to perform a significant contract management and oversight function. During this review, the OIG noted instances of non-compliant payments, which grantees could have mitigated with timely and effective sub-grantee oversight.

For example, the OIG also reviewed sub-grantee reports prepared by grantees and others. Based on the review, the OIG estimates that statewide, sub-grantees disbursed approximately $145,207[5] in HPRP funds to in-eligible recipients. For example, a grantee conducted a review of a sub-grantee in August 2010 and concluded that, "it was not evident that the agency's HPRP program is in accordance with the original intent of the contract." A list of non-compliant issues identified by the grantee includes:

- None of the files reviewed had case notes present;
- Almost all files lacked third party documentation of cost incurred, particularly as it pertained to rental arrearage;
- There was no evidence that efforts had been made to ascertain the appropriate level of financial assistance for clients;
- None of the files reviewed included income calculations to ascertain whether the program participants were income-eligible;
- Sub-grantees improperly calculated income eligibility requirements;
- HPRP funds disbursed to non-US citizens;
- HPRP funds disbursed to recipients who were also receiving financial assistance from another federal or state subsidy program;
- HPRP funds disbursed to recipients who are "habitually delinquent" and were not at immanent risk of eviction;

[5] Number based on audits conducted by grantees, Melanson Heath and Co., the OIG, and City of Boston (See Appendix E).

- Evidence of potential fraud as a result of: missing or doctored leases; missing rent ledgers, past due rent notices, eviction notices, etc, tenant/ property owner relationships involving family.

In spite of the program deficiencies, the grantee permitted the sub-grantee to continue HPRP operations for an additional three months and disburse nearly $400,000 in HPRP funds.

By comparison, the OIG found one grantee that suspended funding to a sub-grantee due to concerns with case documentation management. The grantee required their sub-grantee to correct the identified deficiencies before funding could resume. To assist grantees with their monitoring process, HUD created a *Sub-grantee Monitoring Toolkit*. The OIG identified only one grantee, the City of Boston, using this toolkit. Recently, the HUD Office of the Inspector General (HUD IG) issued a series of reports pertaining to HPRP programs. The HUD IG also found a number of compliance and documentation issues around the U.S. (See Appendix F for highlights from HUD Office of the Inspector General HPRP audit)

<u>Recommendation</u>: Sound business practice, meaningful contract management, ARRA guidance, HUD guidance, and grant terms require that grantees conduct adequate oversight of sub-grantees. The OIG recommends that grantees perform regular on-site monitoring of sub-grantees using HUD recommended monitoring tools. Grantees should enforce grant and contract terms, and suspend funding to any sub-grantee found to be non-compliant with HPRP regulations or contract requirements. Grantees should continue to withhold HPRP funds until sub-grantees correct all compliance violations and demonstrate their ability to address the underlying causes of their non-compliance. This oversight is also important because HUD may hold grantees financially accountable for sub-grantee violations.

5. Grantees did not have written policies governing relocation and storage costs as required by HUD guidelines.

The HPRP grant allows grantees to pay for the relocation and storage costs for any program applicant re-housed by the program. HUD created a *Designing and Delivering HPRP Financial Assistance Guide* that recommends that grantees use the U.S. Uniform Relocation Act (URA) Fixed Residential Moving Cost Schedule to establish limits on moving costs.

CHART 5-1

Uniform Relocation Assistance and Real Property Acquisition Policies Act 2008										
Massachusetts										
Occupant Owns Furniture								Add'l Rooms	No Furniture	
1 Room	*2 Rooms*	*3 Rooms*	*4 Rooms*	*5 Rooms*	*6 Rooms*	*7 Rooms*	*8 Rooms*		*1 Room*	*Add'l Rms*
$500	$650	$800	$950	$1,100	$1,250	$1,400	$1,550	$150	$300	$50

None of the grantees reviewed by the OIG had a written policy governing cost limits for relocation and storage expenses. As a result, sub-grantees are free to spend what they consider reasonable costs for relocation and storage. This creates program inconsistency, creates an overpayment risk, and creates vulnerability for fraud, waste, and abuse in the contracting and payments for these services.

Recommendation: The OIG recommends grantees adopt the Uniform Relocation Act (URA) Fixed Residential Moving Cost Schedule or other acceptable government standard to establish parameters for relocation costs to avoid overpayments. Grantees should also consider the competitive procurement of these services if the URA rates appear high and/or state and federal law requires competitive procurement.

6. Grantees did not establish performance measurement guidelines as recommended by HUD.

The OIG did not find evidence that grantees established performance measures to monitor sub-grantee program performance as recommended by HUD. In fact, grantees frequently had to create “custom” reports to provide “performance measure” information requested by the OIG. HUD’s *HPRP Performance Measurement Guide* states:

> At a minimum, programs should set program performance targets for the measures HPRP grantees will be reporting to HUD…If a program does not meet its outcomes, staff should try to understand why and see if they can learn from experience to improve the program. Conversely, if the program exceeds its goals, it should attempt to identify which aspects of the program contribute to success, so staff can share effective practices and replicate results. Exceeding a goal, however, may indicate that the performance target was set too low or the program is selecting participants with fewer barriers who may be more likely to succeed. In those cases, the performance targets may need to be adjusted.

HUD guidance recommends a number of performance measurement options for the program. The OIG found only one grantee using at least part of the HUD recommended measures. The following are some of the program elements HUD recommended using as the basis for creating performance measurement and reporting templates: basis of applicant rental subsidies, subsidy components, market basis for subsidies and rents, subsidy timelines and graduated subsidy schedules, subsidy limits, average subsidies, households served, sub-grantee case management hours/time spent, sub-grantee task completion.

Performance measures require grantees to monitor sub-grantee performance, determine if funds are well spent and if clients are being served. Measures also provide information to improve program effectiveness and efficiency and to help decide whether to continue with the same approach/methods or if resources investments should be shifted from one activity to another.

Recommendation: Grantees should establish performance measures both for individual sub-grantees and across sub-grantees. Establishing performance measures allows grantees to monitor sub-grantee performance and to ensure that sub-grantees use HPRP resources effectively.

7. Contrary to HUD guidelines, grantee RFPs for case management services did not include minimum job qualification requirements.

In June 2009, HUD issued a guideline that, “strongly encourages grantees to set minimum qualifications or credentials for case managers since they are the ones who will determine participant eligibility and therefore the program’s compliance with the HPRP notice.” In November 2009, HUD added that, “Highly skilled and effective case management is a core component of HPRP services. The case manager assesses household needs, determines the best plan of action to address those needs, and facilitates access to services and resources necessary for long-term housing stabilization.”

The OIG reviewed the RFPs of seven grantees to assess compliance with HUD qualification and credentialing recommendations. None of the grantee RFPs reviewed specified minimum educational and professional standards necessary for hiring case managers.

The OIG found that the educational background of case managers hired through the program ranged from a high school diploma to a Master’s Degree in Social Work. The salary paid to case managers varied accordingly from $16,900 to $55,000 with a median salary of $35,000 (See Appendix G-1).

The disparity in the credentials and skill level of case managers increases the risk of inferior client services, poor case documentation and errors, waste, and abuse in service provision. The lack of standards and consistency across sub-grantees may also mean that some grantees are overpaying while others are underpaying for staff. Similar to the indirect cost issues addressed earlier in the report, overpaying for staff reduces the amount of HPRP funds available to help individuals and families in need. A number of grantees informed the OIG that they were unaware of HUD's recommendation to establish minimum qualification and credentials. However, grantees acknowledged that establishing qualification and credentials for case managers would be beneficial.

Recommendation: The OIG recommends that DHCD, grantees, and sub-grantees develop statewide qualifications for case managers, housing inspectors; housing search professionals, and credit counselors and other professionals employed under the HPRP program (Appendix G-2 contains a sample HPRP case manager job description). The OIG recommends agencies include qualification and credential requirements in RFPs when hiring service professionals. In addition, the OIG recommends agencies consult state labor rates, prevailing wage rates, and/or the U.S. Bureau of Labor and Statistics Occupational Outlook Handbook when developing salary ranges for these positions to ensure reasonableness and program consistency.

8. Grantees did not comply with HUD guidelines requiring use of a Request for Proposal (RFP) process.

HUD guidelines require grantees to inform HUD what method they plan to use to select sub-grantees. All grantees reviewed by the OIG selected "Competitive Process" as the method they used to procure sub-grantee services.

Moreover, grantees must follow 24 CFR §85.36[6], which states, "All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Sec. 85.36...unless procurement by noncompetitive proposals is infeasible (i.e. sole source, emergency procurement, etc.). Grantees in Massachusetts chose to use an RFP process to meet the competitive procurement requirement.

HUD guidelines require RFPs to include certain provisions. The OIG review found that many of the RFPs did not contain all required provisions. Below is a list of requirements commonly omitted from grantee RFPs:

- A standard HPRP budget template and specifications as to what performance standards proposers had to meet under the program.

- Minimum educational and skill qualifications for case managers.

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[6] Federal procurement policies and requirements for non-profit subrecipients are contained in 24 CFR §84 and for States and local governments in 24 CFR §85.

- A description of methods used by grantees and sub grantees for conducting technical evaluations of the proposals received and for selecting awardees.

- A requirement that sub-grantees ensure the actual rental costs of units assisted comply with HUD's standard of "rent reasonableness."

- HMIS[7] reporting dates.

Recommendation: Grantees must follow HUD guidelines and 24 CFR §85.36 to procure services using federal grant funds.

9. Grantees and sub-grantees did not establish a written policy to handle security deposit payments as recommended by HUD.

None of grantees or sub-grantees reviewed by the OIG had a written policy regarding the handling of security deposit payments for program clients.

HPRP regulations permit grantees and sub-grantees to use HPRP funds, "to pay for security deposits, including utility deposits, for eligible program participants." "The maximum amount of HPRP funds that may be provided for a security deposit is the equivalent of two months' rent, though grantees can establish more stringent limits." HUD guidance instructs to grantees and sub-grantee to handle security deposits as follows:

> A grantee or its sub-grantees can set a policy about the return of security and/or utility deposits. If the [property owner or tenant returns the] deposit to the agency, the money must be treated as program income. If program income is incurred during the 3-year HPRP grant period, it is ordinarily deducted from total allowable costs. If an agency is administering a grant of $20,000 and receives back $2,000 from returned security deposits, they must use that money for program costs and only drawdown $18,000 of their grant amount.
>
> If the deposits are sent back to the agency after the end of the HPRP grant period, however, there are no federal requirements governing the disposition of program income earned after the end of the award period.
>
> Alternately, the grantee may allow the household to keep the deposit and use it towards their next unit. HUD has not established specific guidelines regarding security and utility deposit amounts, but HPRP grantees may refer to or adapt existing models from other programs, e.g. the HOME Investment Partnerships Act.

[7] HMIS stands for Housing Management Information System (a HUD data system).

If a property owner or tenant returns a security deposit to a grantee/sub-grantee during the grant period, the agency is required to treat the money as "program income." If the grantee permits the property owner or tenant to keep the money, the security deposit is taxable income to the recipient.

Recommendation: Grantees should establish a written policy for the payment and receipt of security deposits. The grantee/sub-grantee should have both the property owner and tenant/applicant sign the agreement to ensure that there is no confusion regarding the use of security deposit and when and how the property owner should return the deposit to the grantee/sub-grantee.

10. The OIG identified more than $96,000 in overbilling by sub-grantees.

Under its contract with the OIG, Melanson identified questionable indirect cost charges paid to sub-grantees. Melanson concluded that sub-grantees billed eligible costs as both program costs and administrative costs, two distinct line items. This resulted in double-billing for the same cost. Grant guidelines place a cap of 5% on administrative costs. Sub-grantees are allowed to charge an additional indirect cost rate for other than administrative items. Either by mistake or in an attempt to evade the 5% cap, some sub-grantees bill for administrative costs under both cost rates. This led to more than $96,000 in overbilling. (See Appendix B for an executive summary of the Melanson report.)

In addition, some sub-grantees billed for certain costs based on a percentage allocation formula rather than for actual costs. According to grant guidelines, all bills must be based on actual costs. Even the indirect cost rates referred to previously must be based on actual costs. Assigning cost on a percentage basis is arbitrary and lacks the accountability and transparency of actual cost distribution.

Recommendation: Grantees should ensure the reasonableness of cost rates and that sub-grantees understand that only actual costs may be billed for under the grant. Sub-grantees should be required to maintain an adequate audit trail for all costs incurred for the indirect cost rates used.

11. Risk Assessments: The HPRP grant is at a high risk for fraud, waste, and abuse.

HPRP is a new grant program and is therefore considered a high risk for fraud, waste, and abuse. In addition, federal guidance considers all ARRA grants to be high risk as well. To mitigate these risks, grantees should consider conducting a risk assessment exercise to identify program areas vulnerable for fraud, waste, or abuse and at risk for inefficiencies. Once grantees, identify these risks, they can act to mitigate these risks.

Recommendation: All grantees should perform a program risk assessment for new grants and/or ARRA-funded grants to mitigate potential vulnerabilities. Risk assessment resources are available through various public, private, and not-for-profit sources, including the Massachusetts State Comptroller and the Community Action Program Legal Services, Inc. (CAPLAW). This Office's findings offer a helpful starting place for such assessment.

12. Many grantees and sub-grantees do not have adequate policies in place to prevent fraud, waste, or abuse.

Anti-fraud policies are vital for accountability, transparency, and the maintenance of a robust control environment. Organizations are vulnerable to both internal and external fraud. Developing an anti-fraud policy makes it clear that your organization will not tolerate fraud by employees and vendors and takes potential fraud seriously. The language in these policies should be detailed and specific to the appropriate behavior of employees.

Recommendation: All grantees should develop anti-fraud policies and ensure that employees and sub-grantees understand the state conflict of interest laws (M.G.L. c. 268A). Recommended measures for use with an anti-fraud policy include, but are not limited to, periodic training, assistance and complaint hotlines, whistleblower posters, embedding of anti-fraud policies and procedures within program guidance, and a zero-tolerance of fraud by management. Grantees should distribute these policies to all employees and actively enforce these policies.

13. Recipients of ARRA funding are required to report suspected fraud, waste, or abuse to appropriate oversight agencies.

The OIG has learned from its ARRA grant oversight that some grantees/sub-grantees may have encountered possible fraud by individual recipients of or applicants for grant benefits. For example, grantees have found that applicants may have submitted false or misleading income information in order to qualify under program eligibility requirements. The OIG informed grantees of their responsibility to refer these cases of suspected fraud to appropriate authorities. The OIG found that some grantees remained unaware of this requirement and believed that a denial of the benefit application would be sufficient. Denial of the benefits alone is not sufficient; grantees must report this suspected fraud.

The following information is an excerpt from an advisory released previously by the OIG that may be applicable to sub-grantees:

> If you or your firm receives federal funding either directly or indirectly to provide goods or services to the government then you may be a "contractor." Contractors and their employees have an obligation under

federal law and regulation to report fraud, waste, or abuse to federal authorities.

You may be in violation of and subject to prosecution under the Federal False Claims Act if you know of a crime and fail to report the crime. For example, if you know that the business you work for is sending invoices with false information to the government and you fail to report it, even if you did not assist with the preparation of the invoice you may be in violation of the law.

According to federal regulations, you must "timely notify" the relevant Federal Office of Inspector General (OIG) [each major federal agency has an Inspector General] whenever there is "credible evidence" that a violation of criminal law or the False Claims Act has occurred. You must disclose this evidence when you believe that fraud, bribery, gratuity, or conflict of interest violations have occurred in the award, performance, or closeout of a contract, subcontract, grant, or agreement.

The OIG released this advisory to inform grantees, recipients, contractors, and others of their legal reporting responsibility. This advisory is available at http://www.mass.gov/ig/oigarra/contractor_fraud.htm.

Recommendation: Individuals, grantees, and sub-grantees must report suspected fraud, waste, or abuse to appropriate oversight agencies. Grantees should ensure that reporting policies exist in the programs they oversee.

Conclusion

The OIG believes that grantee monitoring of sub-grantees needs significant improvement. The OIG review found a number of procedural and financial issues within the administration of the program that may have negatively influenced program performance.

The OIG questioned statewide approximately $1,782,927 or 4% of HPRP funding. These funds could otherwise have benefited another estimated 519 households at-risk for homelessness (See Appendices H-1 and H-2). The OIG identified the following specific issues:

- A lack of uniform guidelines allowed sub-grantees to charge a wide range of indirect cost rates under the grant resulting in the program spending more than $203,983 for “expenses” rather than on direct service provisions.

- Grantees did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants resulting in the program possibly paying

$1,171,431 more than necessary in rental arrearage payments to property owners.

- Grantees do not have a uniform standard to determine a tenant's eligibility under the "but for" and "imminent risk" HPRP provision.

- Most Grantees did not monitor sub-grantees in a timely manner. This allowed sub-grantees to disburse approximately $145,207 in HPRP funds to ineligible recipients. In some cases, grantees monitored sub-grantees, but failed to address sub-grantee non-compliance.

- Grantees did not have written policies governing relocation and storage costs as required by HUD guidelines.

- Request for Proposal (RFP's) issued by municipal grantees did not always include a "Certificate of Non-Collusion" form.

- Grantees did not establish performance measurement guidelines as recommended by HUD.

- Contrary to HUD guidelines, grantee RFPs for case management services did not include minimum job qualification requirements.

- Grantees did not comply with HUD guidelines for using an RFP process.

- Grantees and sub-grantees did not establish a written policy to handle security deposit payments as recommended by HUD.

- The OIG identified more than $96,000 in overbilling by sub-grantees.

The OIG based the suggestions contained in this advisory on a review of a majority of HPRP grantees and sub-grantees in Massachusetts including the largest recipients of HPRP funds. The OIG reviewed nearly 75% of the funding received by Massachusetts grant recipients and questioned the use of nearly 4% of these funds. This advisory highlights some of the OIG's key findings.

The OIG hopes this advisory assists your program in identifying risks with the HPRP grant program and protecting the integrity of ARRA spending.

Appendix A: HPRP Grantees[8]

HPRP Massachusetts Grantees		
Grantees	**Total Award**	**% of Mass $**
Boston	*$8,209,151*	18.4%
City of Arlington	*533,800*	1.2%
City of Brockton	*610,110*	1.4%
City of Cambridge	*1,302,128*	2.9%
City of Chicopee	*531,528*	1.2%
City of Fall River	*1,232,852*	2.8%
City of Holyoke	*551,671*	1.2%
City of Lawrence	710,503	1.6%
City of Lowell	*979,048*	2.2%
City of Lynn	*1,033,392*	2.3%
City of Medford	*716,681*	1.6%
City of New Bedford	*1,228,020*	2.8%
City of Newton	*923,339*	2.1%
City of Pittsfield	*613,738*	1.4%
City of Quincy	*848,274*	1.9%
City of Somerville	*1,181,067*	2.7%
City of Springfield	*1,700,802*	3.8%
City of Worcester	*1,904,831*	4.3%
Malden Redevelopment Authority	*636,677*	1.4%
Town of Brookline	*667,436*	1.5%
Total Direct Grants	*26,115,048*	58.6%
DCHD Awards	*18,443,744*	41.4%
Total Massachusetts HPRP Awards	*44,558,792*	100.0%

8 Grantees selected for review by the OIG are highlighted.

Appendix B-1:Executive Summary - HAP Housing, Inc.

The Office of the Inspector General (OIG) asked us to review indirect costs billed by HAP Housing, Inc. (HAP) to the City of Springfield (Springfield). At issue is an 8.5% fee (entitled "Financial Assistance, Administration") HAP adds to all direct financial assistance it disburses.

Through February 11, 2011, HAP had billed the City of Springfield $545,268 in financial assistance including the 8.5% fee of $39,368 for "Financial Assistance, Administration." HAP bills Springfield for Direct Financial Assistance, Housing Rehabilitation and Stabilization services and an administrative cost rate of 2.5% of program costs.

It is our opinion that many of the costs included in the 8.5% fee are administration costs either limited by the 2.5% administrative fee or duplicative of costs billed under the Housing and Rehabilitation Services. Our calculation of the eligible costs identified as part of the 8.5% results in HAP over billing Springfield by $34,183 (See Appendix 2). HAP also charged an administrative rate in their first billing at 4.021% rather than the allowable 2.5%. The amount of that overcharge is $1,166. Total questioned costs amount to $35,739.

In addition, we noted that HAP billed Springfield for mileage and administrative costs based on a percentage basis rather than actual time in violation of HUD guidelines (we determined the potential variance to be not material).

There were additional findings related to our examination of the files including documentation of rent reasonableness, developing policies over the return and accountability for security deposits, and documentation regarding the negotiation of rental arrears.

Appendix B-2: Executive Summary - Jewish Family & Children's Services (JF&CS)

The Office of the Inspector General (OIG) asked us to review the Overhead and Operating costs billed to City of Newton by JF&CS. Specifically we reviewed:

- The allocated "overhead and operating" expense reported by JF&CS.
- The "Professional Liability Insurance" included in the "blended" hourly rate charged by JF&CS.
- The classification of "JF&CS Overhead on Expenses" charged by JF&CS.
- The appropriateness of a "blended" hourly rate charged by JF&CS.

The contract between the City of Newton and JF&CS for Housing Rehabilitation and Stabilization services uses a blended hourly labor rate rather than actual costs incurred in violation of HUD guidelines.

The blended hourly rate includes various costs consisting of: Salary and Fringe benefits, a 16.62% approved indirect cost rate, and overhead and operating expenses.

Based on our review, we determined that the cost included in the 16.62% "indirect cost" rate represent an allocation of administrative costs, which are limited to 5% and were duplicative of other costs included in the blended rate calculation. JF&CS and their Sub-grantees also charged specific administrative costs to the program.

Our calculation of the 16.62% rate charged to the program through requisition # 18 amounts to $27,018. In addition, JF&CS billed the program in excess of the costs documented in their blended rate proposal. These additional amounts billed do not represent an eligible cost and amount to $15,107. The total amount of duplicative costs equals $42,125.

In addition, we selected a sample of 20 case files for compliance with HUD eligibility guideline. Our review identified two potential payments to ineligible recipients:

1. JF&CS reimbursed $1,224 for rental arrearages that were several years old. We question whether this payment is eligible under the grant, as it appears the recipient was not at immediate risk of eviction. In addition, the participant was receiving Federal Section 8 housing reimbursements

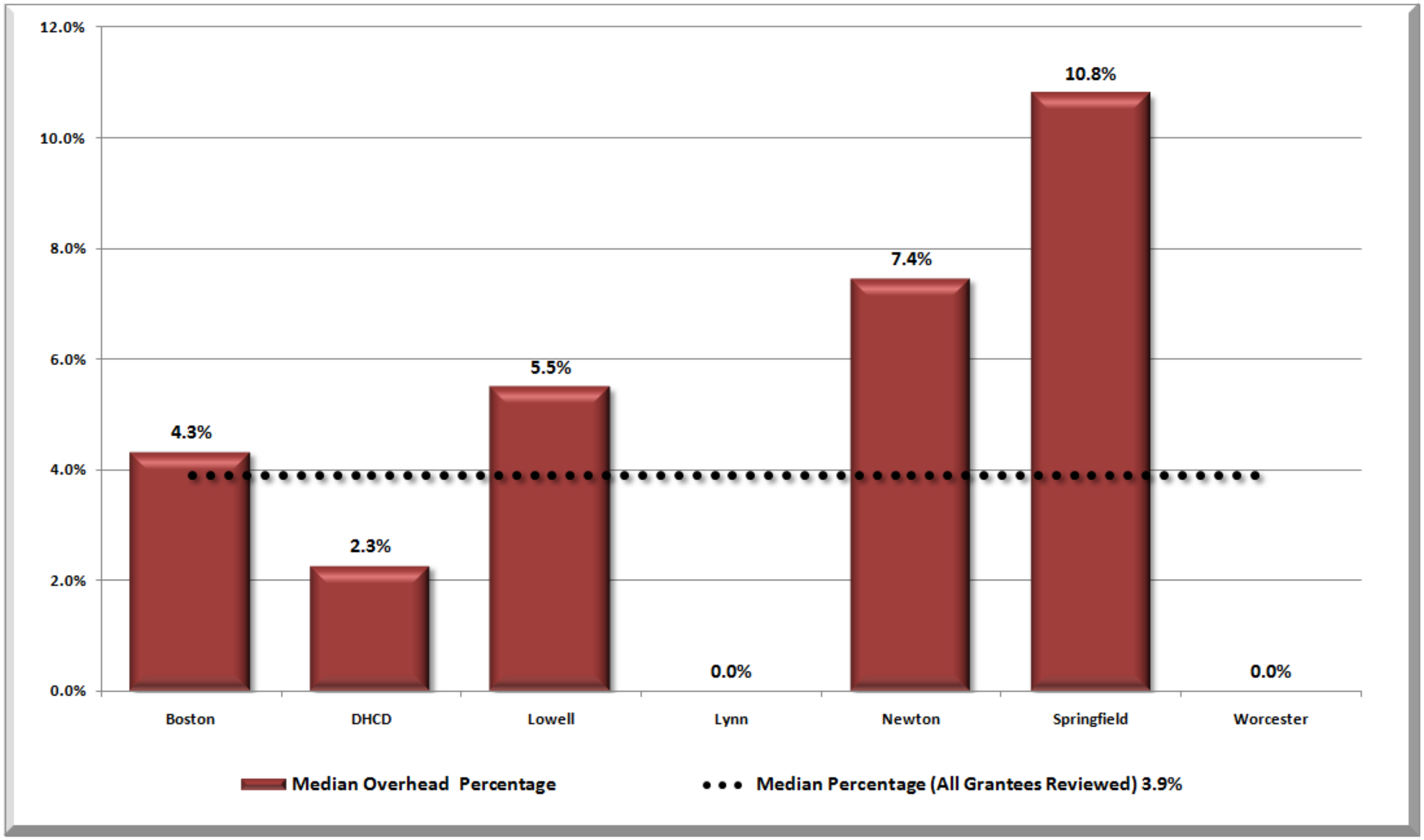
for half of the rental payments. Under HUD HPRP requirements, the remaining cost is not eligible for reimbursement under this program.

2. JF&CS paid one property owner $10,040 in rental arrears based on an agreement between the tenant and property owner to provide occupancy in advance of HPRP grant funding. The agreement specified the property owner would receive rental payments from HPRP proceeds after the tenant applies for assistance.

Appendix C-1: Potential Savings by Limiting Overhead and Operating Costs to HUD 5% Cap

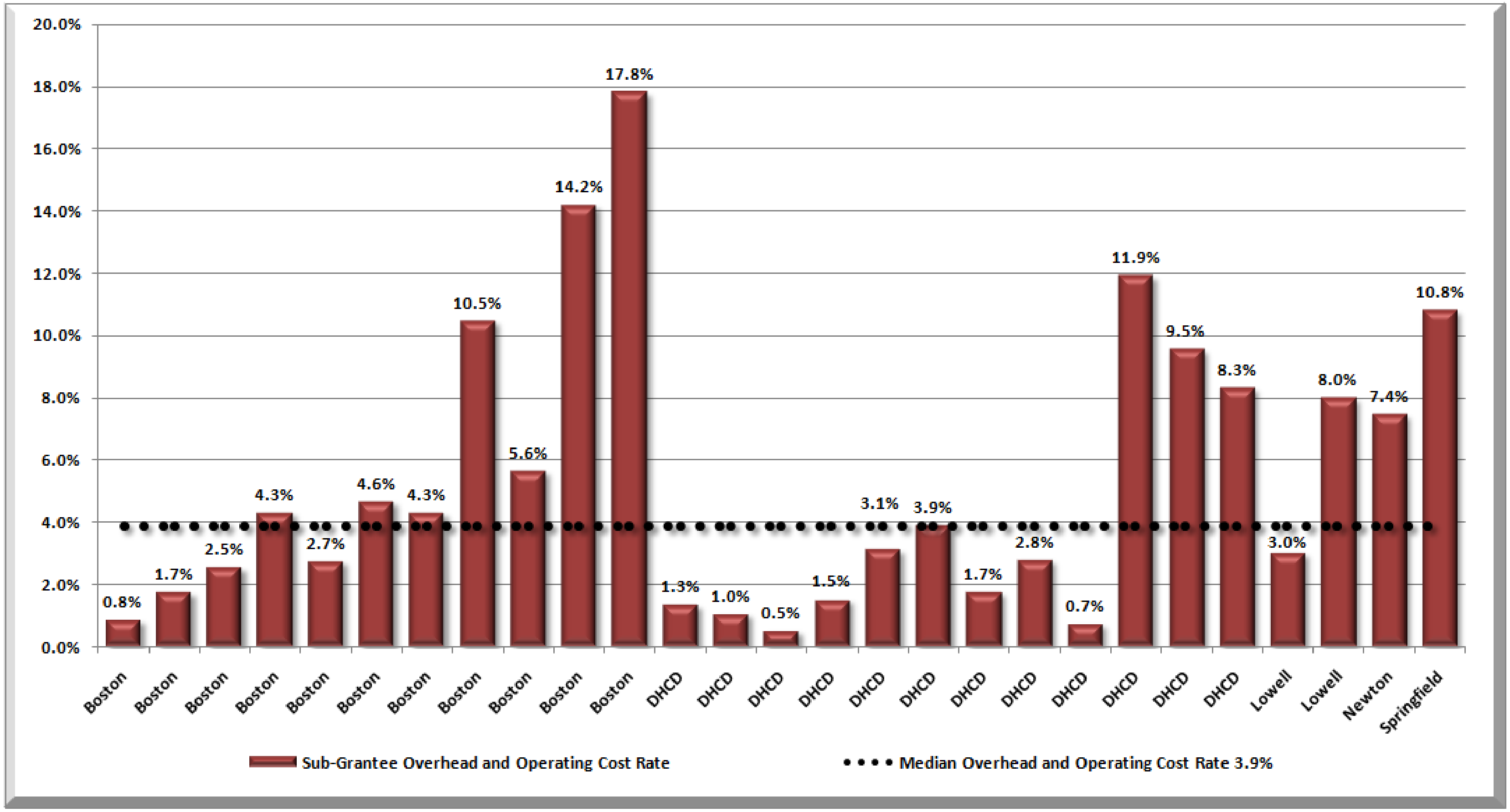
Grantee	Amount of Overhead Charged	Amount Using HUD 5% Cap	Potential Savings
Boston	$157,497	$141,409	$12,756
DND	718,315	951,396	95,996
Lowell	6,885	46,505	2,235
Lynn	-	51,670	-
Newton	116,002	46,167	23,670
Springfield	211,733	174,103	69,326
Worcester	-	-	-
Totals			$203,983

Appendix C-2: Median Overhead and Operating Cost Rate/Grantee[9]



9 The Grantee median rate based only on the sub-grantees that billed grantees for overhead and operating expenses (48% of sub-grantees billed grantees for overhead and operating expenses, 52% did not).

Appendix C-3: Median Overhead and Operating Cost Rate per Sub-Grantee[10]



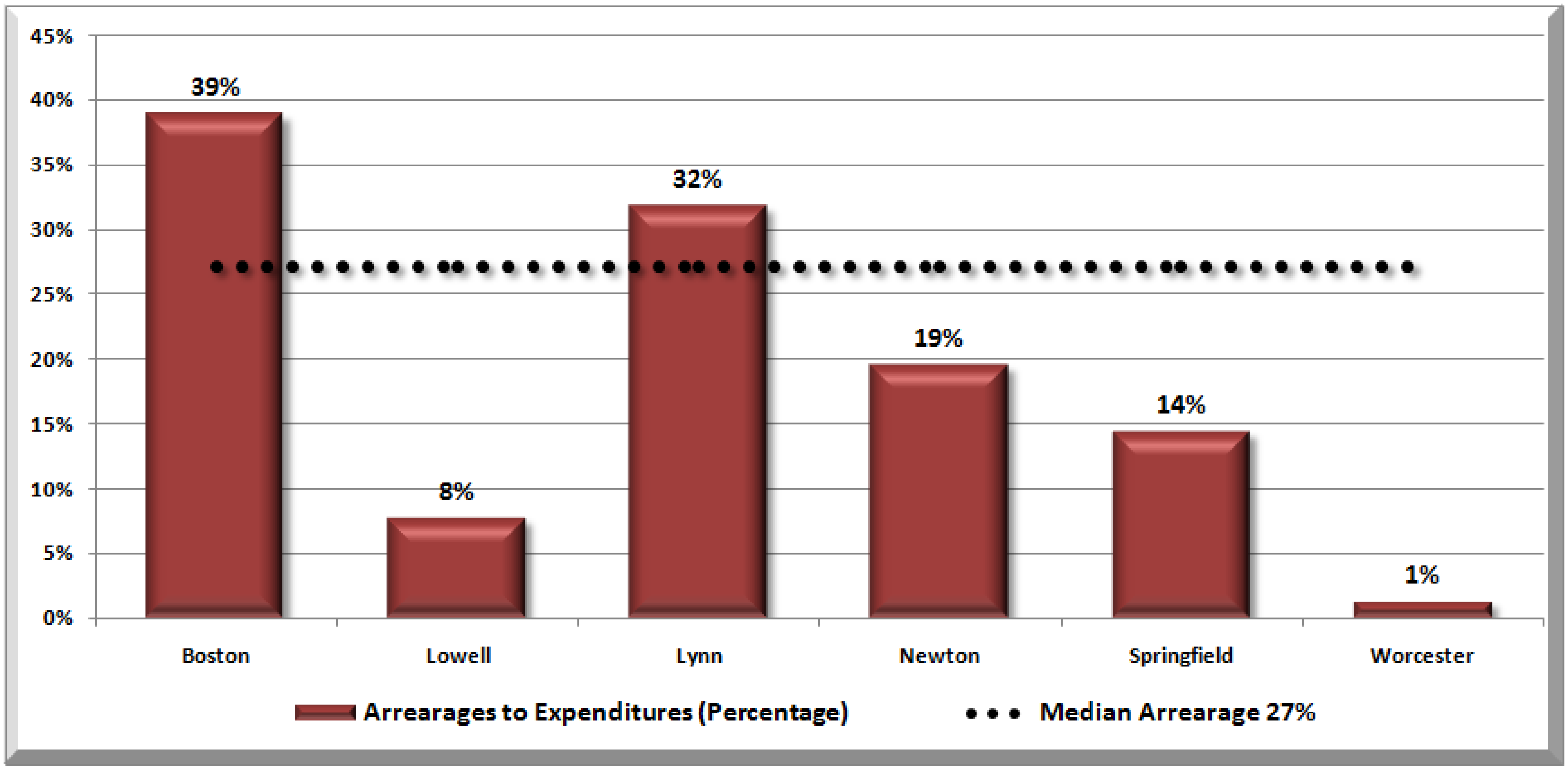
10 Graph lists only sub-grantees who billed grantees for overhead and operating costs (48% billed grantees, 52% did not.)

Appendix D-1: Potential Statewide Rental Arrearage Savings

Potential Statewide Savings By Negotiating a Reduction in Rental Arrearage Balance					
Estimated Total Arrearage Payments	Average Statewide Rental Arrearage Payment	Percent of Statewide Rental Arrearage Savings	Potential Arrearage Savings per Household[11]	Potential Arrearage Savings[12]	Potential Additional Households[13]
$12,348,665	$2,681	2%	$54	$246,973	94
12,348,665	2,681	5%	134	617,433	242
12,348,665	2,681	10%	268	1,234,866	512
12,348,665	2,681	15%	402	1,852,300	813
12,348,665	2,681	20%	536	2,469,733	1,152

11 Savings per household is determined by multiplying the "Percent of rental arrearage savings" by the "Estimated total arrearage payments."
12 Estimated arrearage savings is determined by multiplying the "Estimated Households Receiving Arrearage Assistance" by "Estimated Savings per Household."
13 Arrearage savings is determined by multiplying the "Estimated Households Receiving Arrearage Assistance" by "Estimated Savings per Household."

Appendix D-2: Rental Arrearage Payments per Grantee (as a Percentage of Funding)



Appendix E: Funds Paid to Potentially Ineligible Recipients[14]

Funds Paid to Potentially Ineligible Recipients	
Grantee	**Amount**
Boston	$86,000
Lynn	10,229
Newton	11,224
Total (Grantees Reviewed)	107,453
Projected Statewide Amount	145,207

[14] The OIIG estimated the projected statewide amount by extrapolating the percentage paid to "Potential Ineligible Recipients" by grantees reviewed by the OIG to the remaining grantees.

Appendix F: Highlights from HUD Office of the Inspector General Audit Reports on HPRP

Below is a sample of findings from three HUD OIG audit reports. The HUD OIG is stressing the need for thorough documentation to support income eligibility and HPRP financial assistance.

1. Audit Report Number 2010-SE-1004 (Washington State – August 2010)

- HUD OIG payment of $2,300 to non-income eligible recipient – grantee miscalculated recipient income by incorrectly multiplying the average bi-weekly income by two and multiplying the amount by twelve.
- Case files lacked adequate supporting documentation – the grantee must provide HUD OIG with documentation or reimburse $51,631 to HPRP with non-federal funds.

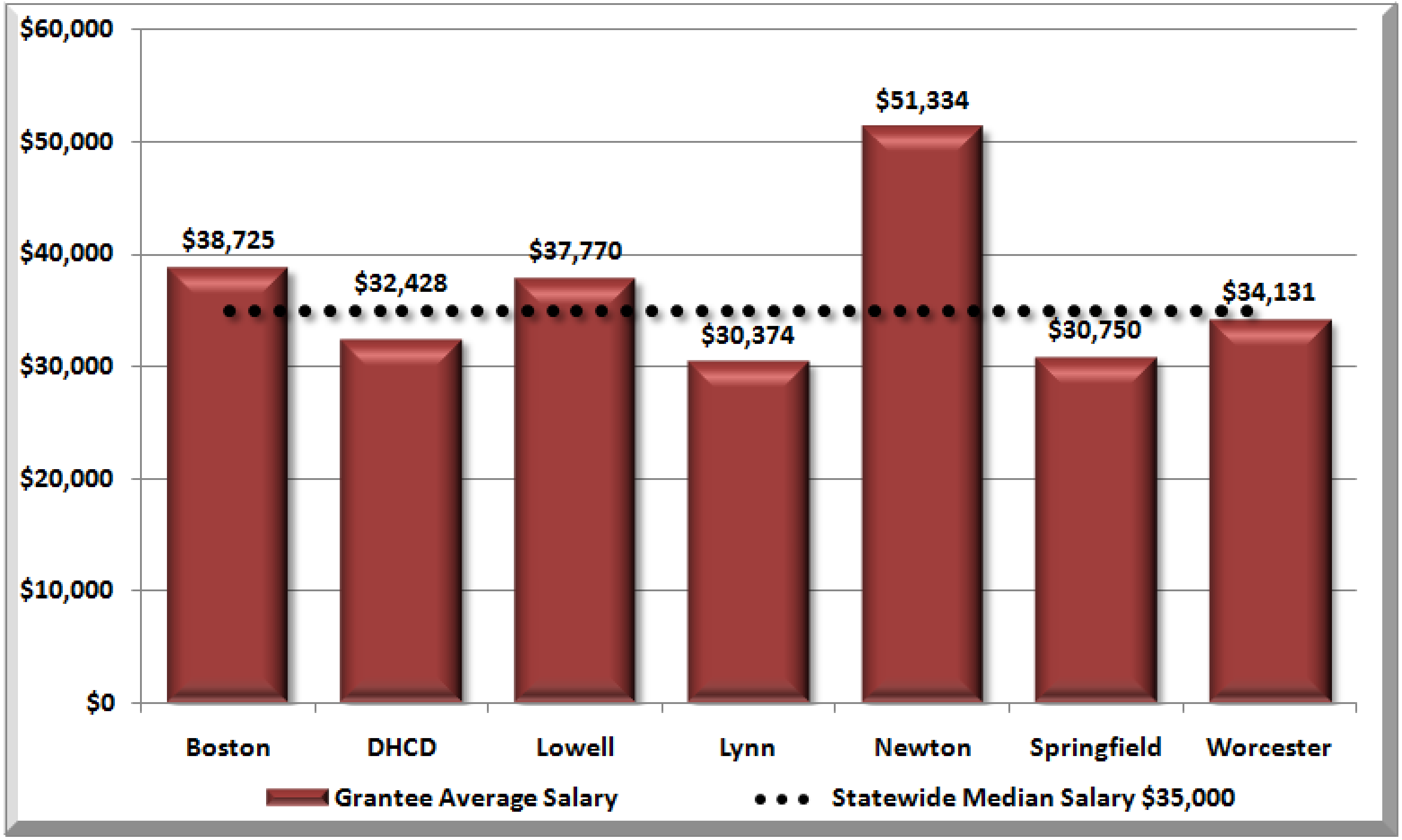
2. Audit Report Number 2011-LA-1009 (Los Angeles Sub-Grantee – April 2011)

- Agency paid more than $170,000 for ineligible participants and/or participants whose eligibility the agency failed to adequately document.

3. Audit Report Number 2011-LA-1005 (San Francisco - December 2010)

- Grantee required to repay (with non-federal funds) $8,320 for payments to ineligible participants, including undocumented immigrants and participants not at imminent risk of homelessness.
- Case files did not contain adequate documentation of income verification – grantee must provide HUD OIG with documentation or reimburse $31,172 to HPRP with non-federal funds.
- Sub-grantees began assisting participants in October 2009; however, the city did not perform its first onsite monitoring until July 2010. The HUD OIG recommended the City implement effective monitoring procedures to ensure review are timely.

Appendix G-1: Average Case Worker Salary Paid by Grantee[15]



[15] The Office of the Inspector General calculated the Statewide Median Salary of $35,000 based on salary information submitted by grantees reviewed.

Appendix G-2: Case Manager (Sample) Job Description[16]

West Valley Community Services (California)[17]
Job Description
Title: Case Manager
Responsible To: HMIS/HPRP Coordinator
Main Job Tasks and Responsibilities

- Assist in identifying and engaging eligible program participants for the HPRP program
- Complete initial referral application with prospective program participant
- Submit initial referrals to the appropriate HPRP service provider with all required documentation attached
- Conduct regular training with Service Providers concerning Case Management of HPRP clients
- Review documentation for all Service Providers seeking reimbursement for HPRP financial assistance
- Complete a comprehensive assessment with program participants who have been accepted to the HPRP program
- Develop a Housing Services Plan with each program participant
- Coordinate with local resources to identify available affordable units
- Support program participants in securing and filling out leasing applications
- Aid program participants in coordinating their move-in, access furniture, and utility set as required by their lease
- Schedule regular home visits for each program participant with services focusing on housing stability
- Coordinate appropriate linkages to available mainstream services (i.e., mental health services, addiction recovery programs, medical appointments and employment resources)
- Arrange for transportation as needed
- Maintain accurate and complete weekly case notes for all program participants assigned to caseload within the AWARDS HMIS system
- Input accurate and complete data in AWARDS client database

[16] **NOTE**: the Office of the Inspector General (OIG) has included this job description for reference purposes only. The OIG does not necessarily support this description as a model. Job descriptions should be prepared in consultation with HUD, DHCD, and/or others with direct knowledge of grant requirements

[17] Reprinted with the permission of West Valley Community Services Cupertino, CA

- Collaborate with program participants to complete required three month assessments
- Coordinate with Executive Director to maximize use of volunteers in HPRP program
- Other related program tasks as assigned

Education and Experience

- Bachelor of Social Work
- Five years' experience in a social services field
- Experience working with HUD Programs is a plus
- Ability to work with persons with serious mental illness and/or substance addiction is critical
- Knowledge of Word, Excel, and Homeless Management Information System databases is required

Key Competencies

- Empathy, patience, and persistence are fundamental characteristics required for this position
- Must be a self-starter, have excellent written and oral communication skills as well as excellent interpersonal and organizational skills
- Professional personal presentation
- Knowledge in information management
- Organization and planning proficiency
- Attention to detail
- Initiative
- Reliability
- Stress Tolerance

Appendix H-1: Questionable Use of Funds[18]

HPRP - Questionable Use of Funds					
Grantee	**Grant Amount**	**Dollar Value of Findings**	**Finding as a Percent of Grant Dollars**	**Median Financial Assistance Per Household**	**Potential Additional Households to be helped**
Boston	$8,209,151	$629,985	8%	$5,887	107
DHCD	18,443,743	406,785	2%	3,459	118
Lowell	979,048	31,916	3%	3,825	8
Lynn	1,033,392	61,899	6%	2,033	30
Newton	923,339	102,991	11%	6,036	17
Springfield	1,700,802	92,391	5%	810	114
Worcester	1,904,831	2,234	0%	4,190	1
OIG Reviewed Grantees	33,194,306	**1,328,201**	4%		**395**
Estimated Statewide (All Grantees)	44,558,792	**1,782,927**	4%		**534**

18 "Median Financial Assistance" Total Financial Assistance disbursed divided by the total number of unique households served (per March 31, 2011 report to HUD. "Potential Additional Households: "Findings" divided by "Median Financial Assistance."

Appendix H-2: Questionable Use of Funds by Grantee (percentage of grant)