



The Commonwealth of Massachusetts

Office of the Inspector General

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August 3, 2011

Hon. Setti D. Warren, Mayor
City of Newton
City Hall
100 Commonwealth Ave
Newton, MA 02467-3843

Dear Mayor Warren:

The Massachusetts Office of the Inspector General (OIG) reviewed a \$923,339 Homeless Prevention and Rapid Re-housing Program grant (HPRP) awarded by the U.S. Department of Housing and Urban Development (HUD) under the American Recovery and Reinvestment Act of 2009 (ARRA) to the City of Newton's Department of Community Development and Planning (Newton).

The OIG is reviewing ARRA-related grants to identify potential vulnerabilities to 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. Readers should not construe this report as an investigation of the program or a comprehensive programmatic review. The OIG intends this review to assist the City of Newton to identify and address risks.

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:

- At Risk - Individuals and families currently in housing, but are at risk of becoming homeless.
- Homeless - Individuals and families who are already homeless as defined by the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302).

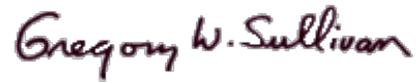
To implement this grant, Newton used sub-grantees and chose a not-for-profit agency, Jewish Family & Children Services (JF&CS) to be Newton's "Lead Agency" for the management of this grant. JF&CS subsequently contracted with six other not-for-profit agencies to assist in providing HPRP services (See Appendix B). These sub-grantees reported directly to JF&CS. Newton staff told the OIG that they did have a clear plan for the HPRP program when hiring JF&CS. As a result, Newton granted JF&CS significant authority to design, implement, and manage the program.

The OIG review found that Newton also ceded oversight and control of the program to JF&CS as well. The OIG concluded that Newton's limited oversight also contributed to overcharges and procedural lapses that have led the OIG to question the use of \$80,073 or 8.7% (See Appendix F) of the Newton HPRP grant (The highest percentage of any grantee reviewed by the OIG). The OIG review identified the following specific findings:

- In violation of HUD guidelines, Newton required sub-grantee JF&CS to use a "blended" hourly rate for case management and legal services resulting in JF&CS billing Newton for ineligible and duplicate costs totaling \$27,018.
- In violation of 24 CFR §85.36(C)1, Newton arbitrarily raised the JF&CS hourly rate which increased case management costs by \$15,107.
- A lack of uniform job qualification requirements for case managers resulted in Newton paying \$50,964 more in salary compared to the median salary paid by other grantees.
- 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. Newton did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants, resulting in the program possibly paying \$17,931 more than necessary in rental arrearage payments to property owners.
- Newton did not comply with HUD guidelines requiring use of a Request for Proposals (RFP) process.
- JF&CS disbursed over \$11,224 in financial assistance to two potentially ineligible recipients.

The OIG has also issued an advisory of potential program risks identified after a review of a sample of HPRP grantees in Massachusetts (See Appendix A). The OIG issued the advisory to help agencies mitigate risk. Newton should review the advisory for applicability to its grant program. We appreciate Newton's assistance and cooperation in this review.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan
Inspector General

Attachments

cc: Lowell Haynes, Community Development Planner, City of Newton
Seymour J. Friedland, PhD, CEO, JF&CS
Meredith Joy, Director of Basic Needs, JF&CS
Candace Havens, Director of Planning, City of Newton
Kristen Ekmalian, Assistant Regional Inspector General for Audit, HUD
Melanson Heath & Company, P.C.

Review of the City of Newton's Recovery Act Funded Homeless Prevention and Rapid Re-Housing Program Grant

Findings

- 1. In violation of HUD guidelines, Newton required sub-grantee Jewish Family and Children's Service (JF&CS) to use a "blended" hourly rate for case management and legal services resulting in JF&CS billing Newton for ineligible and duplicate costs totaling \$27,018.**

In violation of HUD guidelines, Newton's RFP required potential sub-grantees to submit a blended hourly rate for "Housing Rehabilitation and Stabilization Services" (which includes Case Management, Legal Services, Outreach and Engagement, and Credit Repair Services). HUD guidelines specify that,

Timesheets, activity tracking logs, etc need to document the actual time the staff worked. Salaries and wages need to have supporting documentation (job descriptions) that shows they are necessary and reasonable. Time sheets must be maintained for all personnel whose time in whole, or in part, is charged to HPRP. Those time sheets must:

- Reflect "after-the-fact determination" (cannot be done ahead of time) of actual activity of each employee;
- Account for employee's total time – and actual time, not percentages (Indicate total number of hours worked each day);
- Be prepared at least monthly and coincide with one or more payrolls;
- Be signed by employee and approved by supervisor.

The blended rate submitted by JF&CS combined staff time costs for fringe benefits, payroll taxes, workers compensation, professional liability insurance, occupancy, and operating expenses.

JF&CS was the only agency reviewed by the OIG to use a blended rate. The other grantees and sub-grantees reviewed by the OIG billed each employee separately based on the actual number of hours worked, versus estimating time based on a blended rate.

The OIG was concerned that the blended rate may have violated HUD guidelines and potentially included ineligible and duplicate expenses. As a result, the OIG contracted with the certified public accounting firm, Melanson Heath and Company, P.C.¹ (Melanson), to conduct an in-depth analysis of the underlying rate costs. Below is a summary of Melanson's findings (See Appendix G for additional excerpts of the Melanson report.)

The use of a blended rate for Housing Rehabilitation and Stabilization Services is an unusual approach. The costs included in the blended rate are standard costs and not actual costs. For example, the rate for Case Management includes a fixed hourly rate for the Case Manager, Supervisor and Program Director. The blended rate also assumes 90% of the Case Manager's time, 8% of the Supervisor's time, and 2% of the Program Director's time in the blended rate. Accordingly, these allocations are based on fixed rates and percentages rather than actual costs. In addition, the allocation for Professional Liability Insurance is a set 7.5% rather than the actual premium cost allocated on a [Full-Time Equivalent] FTE basis. The cost of Professional Liability Insurance is an eligible operating cost if allocated properly. Occupancy and Operating Expenses included in the Blended rate are defined amounts and do not reflect the actual costs associated with those services. Because the costs charged to the program are based on pre-calculated amounts, rather than actual costs incurred, we do not believe that a blended rate is an appropriate vehicle to charge costs into the program.

The blended rate also included an overhead charge on expenses of 16.62%. We were provided the basis for that charge which turned out to be the approved indirect cost rate available to JF&CS. Indirect costs are eligible to be charged to the program subject to the 5% cap on administrative costs for administrative costs included in the indirect cost rate calculation.

The 16.62% indirect cost rate as approved [by the Cognizant Federal Agency] is an administrative cost not an overhead or operating cost eligible to be charged to the program. The blended rate already includes the cost of Supervisory and Program Director salaries as well as program occupancy and

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.

operating expenses. Accordingly, we do not believe the 16.62% rate can be added to the costs billed.

Newton's RFP, in violation of HUD guidelines, improperly required JF&CS to submit a blended hourly rate for Housing Rehabilitation and Stabilization Services. As a result, Melanson calculated that JF&CS overbilled Newton \$27,018 in ineligible costs and duplicate expenses.

Recommendation: Newton should request that JF&CS repay funds received for ineligible costs and duplicate expenses back to the grant. For the remainder of the grant, Newton should ensure that JF&CS and the other sub-grantees appropriately track, document and invoice expenses including adjusting the blended rate pursuant to Melanson's findings. For future grants, Newton should require sub-grantees/vendors to provide supporting details for all direct and indirect costs to minimize the risk of overbilling and to ensure compliance with all grant requirements. Contracts should require sub-grantees/vendors to bill based on actual time incurred and not percentages.

2. Newton violated federal regulations by arbitrarily increasing payments to JF&CS by \$15,107.

In response to Newton's RFP, JF&CS proposed an hourly rate of \$48.48 for case management, housing search, outreach, and credit repair services and \$53.73 for legal services. However, the hourly rates listed in the contract were \$50 (\$1.52 per hour higher) and \$60 (\$6.27 per hour higher) respectively. Newton staff explained to the OIG that Newton increased all the proposed rates to ensure consistency among the sub-grantees, in other words, to pay the same rounded-up rate for all sub-grantees. Newton staff could offer no other explanation for what appears to be an arbitrary decision to raise vendor prices. In the OIG's experience, municipalities usually seek to lower, rather than increase vendor pricing. (See Appendix C for listing of sub-grantee's proposed hourly rates).

Federal regulation 24 CFR §85.36(c) (1), "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments - PROCUREMENT" requires that:

All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Sec. 85.36. Some of the situations considered restrictive of competition include:

- Noncompetitive pricing practices between firms or between affiliated companies,

- Any arbitrary action in the procurement process.

By arbitrarily increasing the hourly rate after JF&CS submitted a “competitive proposal” Newton violated 24 CFR §85.36(c) (1).

The OIG requested that Melanson review the appropriateness of changing the hourly rate after the JF&CS had submitted its proposal. Melanson concluded that, “Additional cost does not represent an eligible cost and should not be included in the amount billed.” Melanson calculated that changing the hourly rates resulted in JF&CS billing Newton an additional \$15,107 (See Melanson Appendix III).

Recommendation: Arbitrarily changing the terms of an RFP after submission violated 24 CFR §85.36(c) (1). Newton should require JF&CS to reallocate these funds or return these funds to Newton.

3. A lack of uniform job qualification requirements for case managers resulted in Newton paying \$50,964 more in salary and fringe benefits, compared to the median salary paid by other grantees reviewed by the OIG.

HUD guidelines, “strongly encourage 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.” 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 found that the educational background of case managers hired through the program across Massachusetts 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 \$51,334 with a median salary of \$35,000 (See HPRP Advisory Appendix A).

According to Newton staff, they were not aware of the HUD guideline to establish minimum qualifications and credentials. However, Newton staff stated that sub-grantee staff costs would be commensurate with educational background and Newton’s “high cost of living.” However, case managers would be employees of not-for-profit vendors and not the City of Newton. Newton staff also did not know whether vendor staff would be residents of Newton. JF&CS, the largest program sub-grantee, is located in Waltham.

August 2, 2011
City of Newton HPRP Grant

The OIG reviewed the U.S. Bureau of Labor and Statistics (BLS), *May 2010 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates* for Boston-Cambridge-Quincy (which includes Newton). BLS lists the median annual salary for “Community and Social Service Occupations” as \$46,645 or \$4,689 per year less than the blended salary² billed by JF&CS (See Appendix E-1).

The OIG does not question the qualifications or the salaries paid to JF&CS case managers. Under HPRP, Newton is obligated to define the minimum skills, educational background, and experience necessary (including salary) to perform the tasks required under the grant. The absence by Newton to establish case manager education and financial standards allowed JF&CS to employ members of their current staff irrespective of the skill sets needed to perform the services specified by the grant. By not challenging the reasonableness of the salaries proposed by JF&CS, Newton case managers salaries were 52% higher than the median wage paid by all grantees reviewed by the OIG and 15% higher than the median salary paid for “Community and Social Service Occupations” as calculated by the BLS. (See Appendix E-2 for savings calculations.)

JF&CS bills Newton a “blended” hourly rate of \$24.68 for salary plus \$25.32 per hour for fringe benefits, overhead, and operating costs (or 50.64% of salary). Had Newton negotiated an hourly rate commensurate with other Grantees across the Commonwealth and BLS data, they have \$50,964³ (See Appendix E-2 for savings calculations).

Recommendation: The OIG recommends that Newton work with other grantees and non-for-profit service providers to develop statewide qualifications for case managers, housing inspectors, housing search professionals, and credit counselors and other professionals employed under the HPRP program (The OIG HPRP Advisory, Appendix A 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.

² Blended Salary is based on the allocated cost of a Case Manager, Supervisor, and Program Director \$24.68 per hour. The annualized salary is \$51,334 (2080 per year multiplied by \$24.68).

³ Savings includes salary, overhead, and operating costs.

- 4. 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. Newton did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants resulting in the program possibly paying \$17,931 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 commonwealth that, although not required to, have 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.

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 for 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 negotiating rent reductions.

The OIG conducted its own analysis to identify the potential savings obtained through negotiation. On average, Newton sub-grantees paid \$2,293 for HPRP rental arrearages. Through November 2010, 52 households received rental arrearage assistance. The average arrearage payment multiplied by the number of households served makes the total arrearage payments made by Newton through November 2010 to be approximately \$179,314.

Based on these averages, had Newton sub-grantees negotiated a 10% reduction in arrearage payments (\$230 per household), Newton could have saved \$17,931, or enough to assist eight additional households at risk for homelessness. (See Appendix D for other savings scenarios.)

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 Newton establish written guidelines requiring negotiations for arrearages to assist sub-grantees with these negotiations.

5. Newton did not comply with HUD guidelines requiring use of a Request for Proposals (RFP) process.

Newton staff informed the OIG that the procurement procedure they used for HPRP was an “RFP in name only.” HUD guidelines require grantees to inform HUD of 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. 24 CFR §85.36 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. Newton staff told the OIG that they were not aware of the HUD procurement requirement.

HUD guidelines also require an RFP to include certain provisions. The OIG review found the following Newton RFP deficiencies:

- The RFP did not list in detail the types of services Newton expected sub-grantees to provide under each HPRP category. HUD recommends the description include an estimate of the average cost to provide each service and explanation of rationale of targeted households. (i.e. 30

households will receive short-term financial assistance averaging \$500/month).

- The RFP did not require applicants to describe how their services fit the homeless needs in Newton.
- The budget section did not define the amount and type of eligible overhead and operating costs permitted by Newton.
- The RFP did not require applicants to list new and current positions required to implement the HPRP program. In addition, the RFP did not specify the minimum credentials and qualifications needed by sub-grantee staff.
- The RFP did not specify how Newton would measure the performance of sub-grantees and HPRP program objectives.
- The RFP did not include a standard budget template.
- Newton did not effectively evaluate the proposals received.
- Contracts with sub-grantees are with JF&CS, not with the City of Newton.

Recommendation: Unless specifically exempt by the HUD, grantees are required to follow HUD guidelines and 24 CFR §85.36 to procure services using federal grant funds. As Newton appears to have violated HUD guidelines and federal regulations, Newton must request that HUD review this process to determine if Newton appropriately awarded services under this grant.

6. JF&CS disbursed over \$11,224 in financial assistance to two potentially ineligible recipients.

Melanson reviewed 20 case files at random to test for compliance with HPRP eligibility requirements. The result of their review found that JF&CS paid \$11,224 in financial assistance to two potentially ineligible recipients (See Appendix G for additional excerpts from the Melanson Report). Specifically, Melanson found:

- One program participant received rental arrears aid in the amount of \$1,224. The individual was in the process of being evicted from their housing; however, we did not note any formal court proceedings were in process. Documentation in the case file indicated the rental

arrears was from prior years, and was not due to current non-payment from the participant. In addition, we noted that the amount of rent for the housing unit was \$610 per month. The participant was paying \$307 out of pocket; the remaining portion of \$294 was subsidized through Section 8 assistance. Under this program, rental assistance payments cannot be made on behalf of eligible individuals or families for the same period of time and for the same cost types that are being provided through another federal, state or local housing subsidy program. We question whether this assistance is eligible due to the fact the participant was already receiving a housing subsidy.

We noted another program recipient moved into housing in June 2009, before the grant was actually awarded. The rental lease for this housing unit stated that the lessee was required to apply for HPRP funds once they became available. We were told by the sub-grantee that they worked with the property owner to house the family, with the understanding that HPRP funds would be provided when they became available. After the grant award was finalized, the participant applied for HPRP funds and began receiving assistance under the program. The first assistance provided to the participant was for rental arrears from June 2009 through November 2009. The payment also included a security deposit for the housing unit and utility arrears. The total initial assistance exceeded \$10,000. Prior to moving into the new housing unit, the participant was living in a shelter with her two children. The shelter closed, and the participant was then forced to live out of her car, and was literally homeless. While this program is targeted for a family in this type of situation, we question the appropriateness of awarding assistance prior to grant approval.

Recommendation: Newton and JF&CS should review the files in question and consult with HUD to determine what, if any financial adjustments are required.

Conclusion

The OIG believes that Newton's oversight of sub-grantee expenditures needs improvement. Newton staff told the OIG that they did have a clear plan for the HPRP program prior to hiring JF&CS as the lead agency for the implementation and management of this plan. Newton granted JF&CS significant authority to design and implement HPRP assistance. Ceding this authority may have led to Newton paying its sub-grantees one of the highest overhead and operating cost rates reviewed by the OIG. Newton's limited oversight also contributed to overcharges and procedural lapses that have led the OIG to question the use of \$80,073 or 8.7% (See Appendix F for summary

of questionable uses of fund from findings) of the Newton HPRP grant (The highest percentage of any grantee reviewed by the OIG). The OIG review identified the following specific findings:

- In violation of HUD guidelines, Newton required sub-grantee JF&CS to use a “blended” hourly rate for case management and legal services resulting in JF&CS billing Newton for ineligible and duplicate costs totaling \$27,018.
- In violation of 24 CFR §85.36(C)1, Newton arbitrarily raised the JF&CS hourly rate, which increased case management costs by \$15,107.
- A lack of uniform job qualification requirements for case managers resulted in Newton paying \$31,757 more in salary, compared to the median salary paid by other grantees reviewed by the OIG.
- Newton did not require sub-grantees to negotiate a reduction in rental arrearages owed by tenants, resulting in the program possibly paying \$17,931 more than necessary in rental arrearage payments to property owners.
- Newton did not comply with HUD guidelines requiring use of an RFP process.
- JF&CS disbursed over \$11,224 in financial assistance to two potentially ineligible recipients.

The OIG recommends Newton strengthen its grantee/sub-grantee management and procurement practices. The OIG hopes these findings assist your program to identify and mitigate program risks.

August 2, 2011
City of Newton HPRP Grant

Appendix A: OIG HPRP Advisory

Please see: *Advisory to Grantees and Sub-Grantees of the Recovery Act Funded Homeless Prevention and Rapid Re-Housing Program (HPRP)* attached as a separate document.

Appendix B: List of Sub-Grantees

Total Grant Funds (Newton)		
Agency	Grant Funds	Percent of Grant
Jewish Family & Children Services (JF&CS)	\$804,404	87.1%
Second Step	46,536	5.0%
Metropolitan Mediation Services	1,025	0.1%
Newton Community	8,455	0.9%
Metro Boston Housing Partnership (MBHP)	58,567	6.3%
NCSG Kayla House	2,584	0.3%
Community Dispute Settlement	1,768	0.2%
Total Grant	\$923,339	100.0%

Appendix C: Proposed Hourly Rates Submitted by Agencies through Newton’s Procurement Process⁴

Proposed Hourly Rates						
Agency	Case Management	Housing Search	Outreach	Legal	Housing Inspections	Credit Repair
JF&CS (Lead Agency Selected)	\$ 48.48	\$ 48.48	\$ 48.48	\$ 53.73	\$ 35.00	\$ 48.48
Newton Community Service Center	\$ 49.57	\$ -	\$ -	\$ -	\$ -	\$ -
Watertown Community Housing	\$ 44.62	\$ 44.62	\$ -	\$ -	\$ -	\$ -
Second Step	\$ 50.00	\$ 50.00	\$ -	\$ 50.00	\$ -	\$ 50.00
Middlesex Human Services Agency	\$ 44.00	\$ 44.00	\$ -	\$ -	\$ -	\$ 44.00
Advocates	\$ -	\$ -	\$ -	\$ 65.00	\$ -	\$ 65.00
Metropolitan Mediation Services	\$ -	\$ -	\$ -	\$ 80.00	\$ -	\$ -
BC Legal Assistance Program	\$ -	\$ -	\$ -	\$ 38.00	\$ -	\$ -
Just-A-Start	\$ -	\$ -	\$ -	\$ 80.00	\$ -	\$ -
Newton Elder Homeless	\$ 28.00	\$ 28.00	\$ 28.00	\$ -	\$ -	\$ -
Median Hourly Rate	\$ 46.55	\$ 44.62	\$ 38.24	\$ 59.37	\$ 35.00	\$ 49.24

⁴ Source: Vendor submissions to Newton’s Request for Proposals.

Appendix D: Potential HPRP Rental Arrearage Savings (Newton)

Newton HPRP Rental Arrearage Savings					
Estimated Total Arrearage Payments	Average Newton Rental Arrearage	Percent of Statewide Rental Arrearage Savings	Potential Arrearage Savings per Household ⁵	Potential Arrearage Savings ⁶	Potential Additional Households ⁷
\$179,314	\$2,293	2%	\$46	\$3,586	2
179,314	2,293	5%	115	8,943	4
179,314	2,293	10%	229	17,885	8
179,314	2,293	15%	344	26,828	12
179,314	2,293	20%	459	35,771	16

⁵ Savings per household is determined by multiplying the “Percent of rental arrearage savings” by the “Estimated total arrearage payments.”

⁶ Estimated arrearage savings is determined by multiplying the “Estimated Households Receiving Arrearage Assistance” by “Estimated Savings per Household.”

⁷ Arrearage savings is determined by multiplying the “Estimated Households Receiving Arrearage Assistance” by “Estimated Savings per Household.”

Appendix E-1: Community and Social Service Salaries⁸ (Metro Boston)⁹

Community and Social Service Occupations May 2010 Boston-Cambridge-Quincy, MA NECTA Division		
Occupation Title	Mean Hourly Wage	Mean Annual Salary
Community and Social Service Occupations	\$ 21.61	\$ 44,950
Substance Abuse and Behavioral Disorder Counselors	\$ 19.55	\$ 40,670
Educational, Guidance, School, and Vocational Counselors	\$ 29.50	\$ 61,360
Marriage and Family Therapists	\$ 23.24	\$ 48,340
Mental Health Counselors	\$ 21.12	\$ 43,920
Rehabilitation Counselors	\$ 18.53	\$ 38,550
Counselors, All Other	\$ 19.90	\$ 41,390
Child, Family, and School Social Workers	\$ 21.47	\$ 44,660
Healthcare Social Workers	\$ 24.57	\$ 51,110
Mental Health and Substance Abuse Social Workers	\$ 24.46	\$ 50,880
Social Workers, All Other	\$ 26.57	\$ 55,270
Health Educators	\$ 24.45	\$ 50,850
Social and Human Service Assistants	\$ 15.90	\$ 33,070
Community and Social Service Specialists, All Other*	\$ 15.27	\$ 31,770
Clergy	\$ 26.17	\$ 54,430
Religious Workers, All Other	\$ 30.71	\$ 63,890
Median Wage (All Categories)	\$ 22.43	\$ 46,645

⁸ U.S. Bureau of Labor & Statistics “Community and Social Services Employment” category includes: “Substance Abuse and Behavioral Disorder Counselors; Educational, Guidance, School, and Vocational Counselors; Marriage and Family Therapists; Mental Health Counselors; Rehabilitation Counselors; Counselors, All Other; Child, Family, and School Social Workers; Healthcare Social Workers; Mental Health and Substance Abuse Social Workers; Social Workers, All Other; Health Educators; Probation Officers and Correctional Treatment Specialists; Social and Human Service Assistants; Community and Social Service Specialists, All Other; Clergy; Directors, Religious Activities and Education; Religious Workers.”

⁹ Metro Boston includes the City of Newton

Appendix E-2: Potential Salary and Overhead Cost Savings by Establishing Salary and Credentials Standards for Case Managers

Potential Overhead Savings By Establishing Salary Guidelines for Case Managers			
Salary for Case Management and Housing Search Services			
Description	(Grantees Reviewed) Median Hourly Rate	BLS Median Hourly Rate	JF&CS Hourly Rate
Projected Hours Billed (Total Grant) ¹⁰	\$3,287.66	\$3,287.66	\$3,287.66
Hourly Rate	16.83	22.43	24.68
Salary Expense	55,331.27	73,742.14	81,139.37
Fringe Benefits/Overhead (Percent) ¹¹	50.64%	50.64%	50.64%
Total Salary Including Fringe and Overhead	109,263.95	145,620.35	160,227.83
Savings: BLS Rate			14,607.48
Savings: Grantees Reviewed			50,963.88

¹⁰ Projected Hours determined by multiplying Total Hours Billed as of March 31 (3,287.66) by 0.956 (The percentage of granted funds expended)

¹¹ The Fringe and Overhead percentage equals the JF&CS hourly rate (\$24.68 salary only) divided by the billed hourly rate of \$50 per hour for case management services (50.64%).

Appendix F: Summary of Questionable Expenses from Findings

Newton: Questionable Expenses From Findings			
Category	Finding	Expenditure (Dollars)	Percentage of Grant
Case Manger Salaries	Reducing salary to median salary of grantees reviewed ¹²	\$ 8,839	1.0%
Ineligible Cost Billing	Ineligible indirect costs billed to salary	\$ 27,018	2.9%
Change in Contract Terms	Impact of arbitrarily changing hourly rate	\$ 15,107	1.6%
Ineligible Recipients	Financial assistance payments paid to ineligible recipients	\$ 11,224	1.2%
Rental Arrearages	Negotiating reduction in arrearage balance	\$ 17,885	1.9%
Summary		\$ 80,073	8.7%
Total HPRP Grant		\$ 923,339	

¹² Salary adjustment is net of ineligible cost billing and change in contract terms.

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Appendix G: Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures detailed below, which were agreed to by the Office of the Inspector General, solely to assist the Inspector General's Office in reviewing the Homeless Prevention and Rapid Re-Housing (HPRP) Grant Program. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report identified above. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose. Our procedures included the following:

We reviewed various grant documents, including, but not limited to federal grant publications from OMB, grant awards HUD publications regarding the HPRP program, as well as conducted site visits at sub-grantee facilities, reviewed case files, and interviewed various employees of the sub-grantees to determine compliance with the HPRP grant for the following issues:

- We reviewed the allocated "overhead and operating" expense reported by JF&CS and HAP.
- We reviewed the "Professional Liability Insurance" included in the "blended" hourly rate charged by JF&CS.
- We reviewed the classification of "JF&CS Overhead on Expenses" charged by JF&CS.
- We reviewed the appropriateness of a "blended" hourly rate charged by JF&CS.
- We conducted sample reviews of Case files administered by JF&CS.
- We reviewed documentation supporting JF&CS overhead and operating costs.

We were not engaged to, and did not; conduct an audit, the objective of which would be to express an opinion on the specified elements, accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, additional matters might have come to our attention that would have been reported.

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This report relates only to the accounts and items specified above, and do not extend to any financial statements of the City of Newton, Massachusetts taken as a whole. This report is intended solely for the information and use of management, and others within the Organization, and is not intended to be, and should not be, used by anyone other than those specified parties.

Overhead and Operating Costs

According to the publication, Department of Housing and Urban Development, Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009, "Administrative costs do not include the costs of issuing financial assistance, providing housing relocation and stabilization services, or carrying out eligible data collection and evaluation activities, as specified above, such as grantee or sub-grantee staff salaries, costs of conducting housing inspections, and other operating costs. These costs should be included under one of the other eligible activity categories."

JF&CS submitted a competitive proposal to provide Housing and Relocation Services to the City of Newton. The Request for Proposal required submission of a blended rate for Housing Rehabilitation and Stabilization Services. The proposal also required JF&CS to pay related Direct Financial Assistance Payments.

The proposal included rates for Case Management, Outreach and Engagement, Legal Services, Credit and Repair, Housing Search & Placement and Housing Inspection.

Case Management was a blended rate, which included time for a Case Manager, Supervisor, and the Program Director. In addition, the blended rate included costs for fringe, payroll taxes, workers comp, professional liability insurance, occupancy, and operating expenses.

The use of a blended rate for Housing Rehabilitation and Stabilization Services is not common practice in Sub-grantee relationships. The costs included in the blended rate are standard costs and not actual costs. For example, the rate for Case Management includes a fixed hourly rate for the Case manager, Supervisor and Program Director. The blended rate also assumes 90% of the Case Manager's time, 8% of the Supervisor's time, and 2% of the Program Director's time in the blended rate.

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Accordingly, these allocations are based on fixed rates and percentages rather than actual costs. In addition, the allocation for Professional Liability Insurance is a set 7.5% rather than the actual premium cost allocated on a FTE basis. The cost of Professional Liability Insurance is an eligible operating cost if allocated properly. Occupancy and Operating Expenses included in the Blended rate are defined amounts and do not reflect the actual costs associated with those services. Because the costs charged to the program are based on pre-calculated amounts, rather than actual costs incurred, we do not believe that a blended rate is an appropriate vehicle to charge costs into the program.

The same methodology was used for other costs charged based on a blended rate.

The blended rate also included an overhead charge on expenses of 16.62%. We were provided the basis for that charge which turned out to be the approved indirect cost rate available to JF&CS. Indirect costs are eligible to be charged to the program subject to the 5% cap on administrative costs for administrative costs included in the indirect cost rate calculation.

We requested the indirect cost rate documents to determine what costs were included in the rate and if they were duplicative of costs billed elsewhere or part of administration rather than overhead and operating costs.

JF&CS submits a schedule to the Cognizant Federal Agency, in this case the U.S. Department of Justice, which allocates costs by program. These costs include salaries and wages, related benefits, operating and overhead costs for each program. There is a column for Management and General, which include salaries and wages, related benefits, operating and overhead costs. The indirect cost rate is calculated on the total Management and General costs in this column as a percentage of total program costs.

The 16.62% indirect cost rate as approved is an administrative cost not an overhead or operating cost eligible to be charged to the program. The blended rate already includes the cost of Supervisory and Program Director salaries as well as program occupancy and operating expenses. Accordingly, we do not believe the 16.62% rate can be added to the costs billed.

In addition, JF&CS billed a blended rate higher than the costs documented in their proposal or contained in the agreement. That additional cost does not represent an eligible cost and should not be

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included in the amount billed. The additional costs included in this category include \$1.52 per hour for Case Management and \$6.27 per hour for Legal Services.

We have calculated the ineligible costs related to these issues to be \$42,125 as documented in Appendix III.

Administrative Costs

According to the Publication, Department of Housing and Urban Development, Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009, "Administrative Costs may be used for accounting for the use of grant funds; preparing reports for submission to HUD; obtaining program audits; similar costs related to administering the grant after the award; and grantee or sub-grantee staff salaries associated with these administrative costs. Administrative costs also include training for staff who will administer the program or case managers who will serve the program participants as long as this training is directly related to learning about HPRP."

The publication also states that no more than 5% will be charged to the program and that the Grantees and Sub-grantees shall share the administrative fee.

JF&CS billed actual costs on a monthly basis, which are attributable to administrative costs. These costs included legal fees, provided to JF&CS, not to participants, training, administrative charges, and audit charges. We have prepared a schedule of charges applicable to the indirect costs. The City of Newton did not retain a portion of the administrative fees. Accordingly, the administrative fees charged by JF&CS and their sub-grantees are eligible up to 5%.

Based on our schedule included as Appendix IV, JF&CS and their sub-grantees have not exceeded their 5% administrative costs. As noted in the section on overhead and operating costs, JF&CS's approved indirect cost rate is primarily an administrative cost recovery. As such, JF&CS can charge indirect costs as administration to get the total administrative costs up to the 5% maximum.

Case Management Files

Eligibility Requirements

We obtained and reviewed notices from HUD regarding the HPRP grant, the A-133 compliance supplement, and various other grant documents to determine recipient eligibility and documentation requirements for the grant.

We determined the following requirements under this grant:

1. The household must receive at least an initial consultation and eligibility assessment with a case manager who can determine eligibility and the appropriate type of assistance needed;
2. The household's total income must be at or below 50 percent of Area Median Income;
3. The Household must be either homeless (to receive rapid re-housing assistance) or at risk of losing its housing (to receive homeless prevention assistance) and must meet the following circumstances:
 - a. No appropriate subsequent housing options have been identified;
 - b. The household lacks the financial resources to obtain immediate housing or remain in its existing housing; and
 - c. The household lacks support networks needed to obtain immediate housing or remain in its existing housing.

The criteria listed above are the minimum criteria set forth by HUD to determine eligibility for HPRP. 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.

Additional Grant Requirements

Once a program participant IS determined to be eligible, the grant requires the following, in part:

1. HUD requires grantees or sub-grantees to evaluate and certify the eligibility of HPRP program participants at entrance into the program and

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- at least once every three months for households receiving medium rental assistance or other HPRP services lasting longer than three months;
2. A Staff certification of eligibility for HPRP assistance form must be maintained in the case file;
 3. Income eligibility determination must be documented in the case file upon a program participants entry into the program, and every three months thereafter;
 4. Upon entering the program, all program participants must undergo a housing status eligibility determination, and every three months thereafter.
 5. Rental assistance paid cannot exceed the actual rent cost, which must comply with HUD's standard of "rent reasonableness." According to HUD, rent reasonableness means that the total rent charged for a unit must be reasonable in relation to the rents being charged during the same time period for comparable units in the private unassisted market and must not be in excess of rents being charged by the owner during the same time period for comparable non-luxury unassisted units.
 6. Rental assistance in the form of security deposits is allowable under the grant. However, when the grantee or the sub-grantee recovers security deposit monies that originally came from the grant, the result is the generation of program income. HPRP generated income received by the grantee is subject to Federal regulations governing program income.

Eligibility testing

We reviewed 14 participant case files from JF&CS. JF&CS maintained an electronic database for all program participants. The hardcopy case files were maintained by either JF&CS or the sub-grantees under JF&CS.

We noted that none of the files selected for testing indicated or documented that the recipient was verified to be a US citizen, as required by the grant.

We noted that JF&CS or its sub-grantees did not have a policy regarding security deposits, nor did we note an agreement between JF&CS or its sub-grantees and the property owner or the program participant, regarding potential repayment of security deposit when a security deposit was included in the financial assistance received.

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We noted that of the 14 files tested, six participants received financial aid in the form of rental arrears. Of the 14, we noted that only two of the files contained documentation that the case manager negotiated to reduce the rental arrearage balance to a lower amount.

We noted that one program participant received rental arrears aid for \$1,224. The individual was in the process of being evicted from their housing; however, we did not note any formal court proceedings were in process. The financial assistance was to ensure the participant could reside in their housing unit for an additional 2 months until permanent relocation was possible. Documentation in the case file indicated the rental arrears was from prior years, and was not due to current nonpayment from the participant. HPRP is focused on housing for homeless and at-risk households. The funds under this program are to 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. Given the rental arrears was due from prior years, we question whether this assistance is eligible based on the requirements of this grant. In addition, we noted that the amount of rent for the housing unit was \$610 per month. The participant was paying \$307 out of pocket; the remaining portion of \$294 was subsidized through Section 8 assistance. Under this program, rental assistance payments cannot be made on behalf of eligible individuals or families for the same period and for the same cost types that are being provided through another federal, state or local housing subsidy program. We question whether this assistance is eligible due to the fact the participant was already receiving a housing subsidy.

We noted another program recipient moved into housing in June 2009, before the grant was actually awarded. The rental lease for this housing unit stated that the lessee was required to apply for HPRP funds once they became available. We were told by the sub-grantee that they worked with the property owner to house the family, with the understanding that HPRP funds would be provided when they became available. After the grant award was finalized, the participant applied for HPRP funds and began receiving assistance under the program. The first assistance provided to the participant was for rental arrears from June 2009 through November 2009. The payment also included a security deposit for the housing unit and utility arrears. The total initial assistance was \$10,040. The grant allowed pre-award administrative expense to be incurred; however, the grant did not allow pre-award financial assistance expenses to be incurred. As such, we believe funds other than HPRP funds should have been used to assist this family. Before moving into the new housing unit, the participant was living in a shelter with her two children. The shelter closed, and the participant was then forced to live out of her

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car, and was literally homeless. While this program is targeted for a family in this type of situation, we question the appropriateness of awarding assistance before grant approval.

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MHCo Appendix III: Ineligible Costs Included in Hourly Rate

Newton Ineligible Costs Included in Hourly Rate		
Row #	Ineligible cost included in hourly rate	Actual Expenditure
1	\$50 Case management rate includes ineligible overhead rate of \$6.91	\$ 17,821
2	\$50 Administration rate includes ineligible overhead rate of \$6.91	2,311
3	\$50 Housing Search rate includes ineligible overhead rate of \$6.91	3,912
4	\$50 Credit repair rate includes ineligible overhead rate of \$6.91	66
5	\$30 Data Collection rate includes ineligible overhead hourly of \$4.27	1,912
6	\$60 Legal rate includes ineligible overhead rate of \$7.62	996
7	\$50 rate(s) also includes \$1.52 over proposed rate	14,287
8	\$60 rate also includes \$6.27 over proposed rate	820
	Total	42,125
	Over Billing By Changing Hourly Rate (Sum of rows 7 & 8)	15,107
	Over Billing including Ineligible Indirect Costs (Sum of rows 1 through 6)	\$27,018

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