



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – August 28, 2019

Department of Housing and Community Development

For the period July 1, 2016 through June 30, 2018





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Making government work better

August 28, 2019

Ms. Janelle Chan, Undersecretary
Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114

Dear Undersecretary Chan:

I am pleased to provide this performance audit of the Department of Housing and Community Development. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2016 through June 30, 2018. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Department of Housing and Community Development for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular stamp.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Evelyn Martucci, Internal Controls Officer, Department of Housing and Community Development
Mike Kennealy, Secretary, Executive Office of Housing and Economic Development

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LIST OF ABBREVIATIONS

ASIST	All Service Integrated System Tracker
DHCD	Department of Housing and Community Development
DHS	Division of Housing Stabilization
DTA	Department of Transitional Assistance
EA	Emergency Housing Assistance
HomeBASE	Building Alternatives to Shelters
SORB	Sex Offender Registry Board

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Department of Housing and Community Development (DHCD) for the period July 1, 2016 through June 30, 2018.

In this performance audit, we examined DHCD's administration of its Emergency Housing Assistance (EA) program. Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 11	DHCD does not ensure that pregnant women and families in the EA program are aware of sex offenders living and/or working at the same address where they live.
Recommendations Page 13	<ol style="list-style-type: none">1. DHCD should notify shelters when an individual in the EA program is a registered sex offender so that the shelters can notify pregnant women and families in the EA program at the same address.2. DHCD should adopt a policy that requires it to annually, at a minimum, compare the addresses of the shelters to those of registered sex offenders listed with the Sex Offender Registry Board. If any address matches are found, DHCD should investigate and take the measures it deems appropriate to ensure the safety of the children in the EA program.
Finding 2 Page 16	DHCD does not effectively monitor the physical conditions of its shelters.
Recommendations Page 18	<ol style="list-style-type: none">1. DHCD should establish written policies and procedures that require a periodic (at least triennial) inspection of EA program shelters.2. DHCD should establish a process to collect, analyze, and store shelter inspection information in a central database and use this information to manage this process better.3. DHCD should establish a policy that requires supervisors to review and sign off on all inspection reports and submit them to DHCD to be entered in this central database before they are delivered to shelter contractors.4. Given the inefficiencies we identified in DHCD's EA program shelter inspection process (e.g., inspecting shelters that were not due for inspection and not inspecting shelters that were overdue), DHCD should take the measures necessary to make this process as efficient as possible and then determine whether more staff resources are necessary to perform the inspections within the prescribed timeline.

Finding 3 Page <u>20</u>	DHCD's controls do not provide for adequate monitoring of case management for pregnant women and families in the EA program who live in shelters.
Recommendations Page <u>21</u>	<ol style="list-style-type: none"><li data-bbox="423 321 1458 485">1. DHCD should establish written policies and procedures that assign a person to coordinate and monitor the work of contract specialists in evaluating the contracted services performed by shelter contractor caseworkers. The procedures should include a tracking system that follows the corrective action recommendations made to the shelter contractors and the shelters visited.<li data-bbox="423 516 1458 602">2. There should be a standard evaluation report that all contract specialists use in evaluating shelter contractor services.

OVERVIEW OF AUDITED ENTITY

The Department of Housing and Community Development (DHCD) is part of the Executive Office of Housing and Economic Development. During our audit period, DHCD's Division of Housing Stabilization (DHS) administered six programs: Building Alternatives to Shelters (HomeBASE), Residential Assistance for Families in Transition, Individual Shelters, Housing and Urban Development Continuum of Care Homelessness Assistance, Emergency Shelter Grants, and Emergency Housing Assistance (EA) for homeless families and pregnant women (the subject of our audit).

The EA program was established under Section 30 of Chapter 23B of the Massachusetts General Laws. Its overall goal, according to DHCD's internal control plan, is as follows:

Re-engineer the emergency housing response delivery system by 1) re-invigorating prevention strategies, 2) ensuring rapid re-housing by identifying sustainable housing placement for families and individuals, 3) implementing an immediate and comprehensive uniform assessment tool, and 4) offering case management and housing sustainability services upon placement.

On July 1, 2009, the administration of the EA program transferred from the Department of Transitional Assistance (DTA) to DHCD. Approximately 80 staff members transferred from DTA to DHCD to work in nine field offices and at DHCD's headquarters at 100 Cambridge Street in Boston.

DHS's responsibilities regarding the EA program include preventing homelessness; sheltering homeless individuals; and rapidly rehousing homeless people in stable, permanent housing. DHS administers the EA program through community-based housing providers and nonprofit regional agencies that provide temporary emergency shelter/rehousing services to homeless families and pregnant women that meet the program's asset and income eligibility criteria.

The EA program is primarily funded through state appropriations, but it also receives federal grants. DHCD received state appropriations in fiscal years 2016, 2017, and 2018 of \$155,058,948, \$155,533,948, and \$155,878,948, respectively.

EA Program

The Commonwealth established the EA program to shelter families and pregnant women who are homeless and to help them find stable, permanent housing. Emergency housing is designed to be a short-term, safe accommodation for those who are homeless or in crisis as they search for more stable

accommodations. Families and individuals become homeless for various reasons, including losing a job and being unable to afford rent, fleeing domestic violence, or relocating from an area where a natural disaster (such as Hurricane Maria in Puerto Rico) occurred. Individuals may look for other ways to take care of their families, such as finding shelter with family members or friends or relocating from a state or territory that has experienced a natural disaster. When their support networks can no longer assist them, they are left homeless as they look for housing.

DHCD has nine intake offices across the Commonwealth where homeless coordinators determine whether pregnant women and families qualify for the EA program and then provide qualifying women and families with housing. Homeless families and pregnant women visit these offices and meet with DHCD's staff. As part of the intake process, DHCD staff members determine whether the woman or family is safe. If they are fleeing domestic violence, the program allows DHCD to presumptively find shelter for them that day; they then have 30 days to gather any information they may need to prove eligibility. In addition to homelessness, program eligibility requirements include proof of Massachusetts residency, relationship to any child/children in the family, pregnancy (if applicable), income levels not exceeding 115% of the federal poverty level,¹ and countable assets² not exceeding \$2,500.

Once DHCD has determined that a family is eligible for the EA program, DHCD submits the names of family members aged 10 and older with Social Security numbers to the Sex Offender Registry Board to determine whether they are registered sex offenders.

The pregnant woman or family is offered a choice of either accommodation in a shelter or placement in a DHCD household assistance program, HomeBASE. HomeBASE is intended to place each woman or family in an apartment and provide time-limited financial assistance that may be used for security deposits; rent, including first and last months' rent that may be due up front; and/or basic furniture for the apartment. The family can also defer assistance from HomeBASE and enter an EA shelter until stable and permanent housing is available.

-
1. The federal poverty level is determined by the US Department of Health and Human Services, which annually establishes income guidelines for state governments to use in determining eligibility for social service programs. The income guidelines slide based on family size.
 2. Countable assets include liquid assets (cash on hand, bank accounts, and any cash surrender value on life insurance policies) and other assets, such as vehicles valued at \$15,000 or above or real estate other than a principal residence.

An eligible family can be placed in one of four types of shelter:

- **Scattered site:** Pregnant women and families live in an apartment where they have their own bedroom/s, bathroom, kitchen, and living room. This accommodation can be in a multifamily home or in an apartment building. These buildings may also house families that are not in the EA program.
- **Co-shelter site:** Pregnant women and families share an apartment with another woman or family in the EA program. They have their own bedroom/s but share common areas that include a living room, kitchen, and bathroom. These apartments are located in multifamily buildings, which may contain other units that are not part of the EA program.
- **Congregate site:** Each pregnant woman or family lives in their own room at the shelter and shares communal spaces such as living rooms, dining rooms, and kitchens with the other resident families. Some of these facilities may also include residential and day programs other than the EA program.
- **Hotel:** Pregnant women and families live in hotel rooms with a refrigerator, microwave, and toaster oven; bathroom; and sleeping area. The Commonwealth has reduced the reliance on hotels and now shelters all pregnant women and families in the EA program in the same hotel.

DHCD tries to place pregnant women and families in their existing communities, but cannot guarantee that it will have available accommodations in those communities at a specific time.

DHCD contracts with independent contractors to provide housing, case, and stabilization services. These contractors are responsible for the physical conditions of the shelter units and for providing safe environments for pregnant women and families to live in. Contractor caseworkers work with pregnant women and families in the EA program to develop rehousing and stabilization plans. The caseworkers aid and monitor pregnant women and families in the EA program in their search for work and housing opportunities. They do this by building relationships with local and regional housing authorities, providing training and educational services that help pregnant women and family members find jobs, and ensuring that pregnant women and families make full use of available housing opportunities.

During our audit period, 24,228 pregnant women and families applied for the EA program. Below is a table outlining how and whether they were placed in the EA and HomeBASE programs.

EA Program Applicant Family Determinations

Program Placement	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Women and Families Placed in Shelters	4,286	3,876	3,787
Women and Families Placed in HomeBASE Program	1,323	993	1,108
Women and Families Not Placed	3,314	3,081	2,460
Total Applicant Women and Families	<u>8,923</u>	<u>7,950</u>	<u>7,355</u>

DHCD EA Program Shelter Inspection Process

DHCD has two compliance coordinators (inspectors) responsible for monitoring all 929 shelter addresses in the EA program to ensure that the facilities’ physical conditions meet local codes and are safe for the pregnant women and families that live there. The inspectors are required to perform annual inspections of the shelters in the EA program and respond to complaint calls from pregnant women and families in the EA program about shelter conditions. During the triennial inspections, inspectors use a standardized checklist to ensure that ventilation, lighting, electrical outlets, ceilings, windows (including safety bars), floors, locks, and smoke and carbon monoxide detectors are working and in line with local codes. They also check the condition of plumbing and the general cleanliness of kitchens and bathrooms and look for evidence of insects such as cockroaches, as well as rat, mouse, or other rodent infestations. Finally, they ensure that exits are not obstructed and that halls and stairwells are well lit and maintained. Using the inspection checklist, the inspectors write reports that are sent to shelter contractors instructing them to take corrective action on any infractions within a reasonable amount of time. Any immediate safety concerns such as electrical outlet issues must be fixed that day or the family participating in the EA program must be moved. Complaint calls are prioritized based on the severity of the conditions reported.

DHCD EA Program Case Management

Shelter contractor caseworkers provide case management services to the family members in the EA program as defined in the contracts with DHCD. The caseworkers help pregnant women and families in the EA program to locate permanent housing opportunities in their communities. The caseworkers work with the pregnant women and families to develop shelter exit strategies, provide computer access so they can research housing opportunities, and provide transportation to visit potential housing. They also help pregnant women and families to find better-paying jobs or training programs.

DHCD contract specialists perform annual evaluations of all shelter contractors in the EA program to ensure that case management work has been performed by the shelter contractor caseworkers by visiting shelter sites, reviewing case files, and meeting with caseworkers as well as pregnant women and families. The evaluation report issued to the contract provider identifies the areas that comply with the contract and any areas that require improvement. A DHCD supervisor reviews the evaluation report before issuing the report to the shelter contractor for any corrective action.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Department of Housing and Community Development (DHCD) for the period July 1, 2016 through June 30, 2018.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is our audit objective, indicating the question we intended our audit to answer, the conclusion we reached regarding the objective, and where the objective is discussed in the audit findings.

Objective	Conclusion
1. Does DHCD properly administer its Emergency Housing Assistance (EA) program?	No; see Findings <u>1</u> , <u>2</u> , and <u>3</u>

To achieve our audit objective, we gained an understanding of DHCD's internal control environment related to our objective by reviewing applicable laws and agency policies and procedures, as well as conducting inquiries with DHCD management. We evaluated the controls over the administration of the EA program.

We randomly selected a sample of 450 applications at the nine DHCD field offices from pregnant women and families applying to the EA program. We tested the operating effectiveness of controls over the intake process by verifying that a homeless coordinator and a supervisor had signed off on the determination of whether each pregnant woman or family was eligible for the EA program.

DHCD uses All Service Integrated System Tracker (ASIST), a case management database where all applicants' data are stored, for the EA program. To assess the reliability of the data we received from DHCD related to the EA program shelter addresses, we obtained from DHCD a Microsoft Excel spreadsheet that contained the relevant shelter address information from ASIST. We tested the spreadsheet for duplicates and for missing and hidden data fields. We believe the spreadsheet was

substantially complete based on the control test and visits to shelters, but could not validate that it contained all shelter addresses. We believe the data to be sufficiently reliable for the purpose of this audit.

We also performed the following procedures.

- We received a list of all 44 shelter contractors with which DHCD had contracts during fiscal years 2017 and 2018 to provide shelter accommodations and case management services to pregnant women and families in the EA program. We then reviewed all of the contracts to determine whether the scope of services detailed therein was consistent for all 44 shelter contractors. The services required in the contract established contractor goals, intake and case management services to be performed, rehousing and stabilization services, facility upkeep requirements, program requirements for staffing and hours of operation, and operational guidelines. Operational guidelines included how to deal with vacancies, rules for pregnant women and families, procedures for recordkeeping, and information about contract monitoring performed by DHCD.
- We reviewed DHCD's policy for the placement of a pregnant woman or family in a shelter when a woman or family member is a registered sex offender. This policy was implemented and then updated in 2006. DHCD lists this policy for employees to follow on its website under "Housing Stabilization Notices." We interviewed DHCD management to determine whether EA program shelter contractors were notified when registered sex offenders were placed at their shelters so they could inform other pregnant women and families at the shelters that sex offenders were living and/or working there. From the shelter address data obtained from DHCD we identified the 929 street addresses for all shelters in the EA program. We asked the Boston Police Department's Sex Offender Registry Unit to match a list of 8 EA program shelter addresses against its own Sex Offender Registry Information database of registered level 2 and 3 sex offenders.
- We judgmentally selected a random sample of 60 EA program shelters to visit from a population of 929 shelters. We interviewed DHCD management to determine whether monitoring was performed at EA program shelters to ensure that they were safe and habitable for pregnant women and families in the EA program. To test whether DHCD monitored the ongoing condition of, and services provided at, EA program shelters, we visited shelters to observe their upkeep and spoke with pregnant women and families in the EA program to determine whether they were receiving the necessary assistance from shelter contractor caseworkers in finding stable and permanent housing as stipulated in the "Scope of Services" section of the shelter contractor contracts.
- We reviewed all annual shelter inspection reports on inspections performed by DHCD compliance coordinators (inspectors) for the period July 1, 2016 through June 30, 2018 to determine whether EA program shelter facilities were monitored and whether inspection findings were addressed by shelter contractors. We compiled the information from the Microsoft Word document inspection reports and organized it in Microsoft Excel to identify the shelters visited, the dates inspections took place, and the key findings from each inspection

report. We determined that the inspectors performed 563 annual inspections during the audit period.

- We examined shelter contractor reports to determine whether evaluations were performed by DHCD contract specialists annually. DHCD keeps the list of the 44 shelter contractors on a Microsoft Excel spreadsheet containing the relevant shelter information from signed contracts. We verified the information on this spreadsheet by looking for duplicates and missing fields. We selected a nonstatistical random sample of 20 providers (10 per year for fiscal years 2017 and 2018) out of a population of 44 and reviewed the annual evaluation reports to determine whether DHCD had effectively assessed the contractors' performance.

Where sampling was used, we used nonstatistical sampling and therefore could not project the results of our testing to the overall populations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Department of Housing and Community Development does not ensure that pregnant women and families in the Emergency Housing Assistance program are aware of sex offenders living and/or working at the same address where they live.

Although the Department of Housing and Community Development (DHCD) requires applicants to its Emergency Housing Assistance (EA) program to self-identify if they are registered sex offenders, it does not provide its EA shelter contractors with this information so they can inform pregnant women and families that they are living in the same buildings as registered sex offenders. As a result, pregnant women and families living in EA program shelters may not know to take appropriate steps to protect all family members. Further, although DHCD confirms with the Sex Offender Registry Board (SORB) that pregnant women and family members aged 10 and older who have applied for participation in the EA program are registered sex offenders, it does not routinely compare the addresses of all registered sex offenders with its EA shelter contractor addresses to identify any registered sex offenders living and/or working at those addresses who are not EA program applicants/participants. As a result, DHCD may be exposing shelter residents to unnecessary risks by not making sure that all registered sex offenders living and/or working at shelter addresses are identified and communicating this information to shelter contractors and residents.

Records of sex offenses against adults and children are maintained by SORB and include people who are under supervision after conviction or termination of probation or parole, either for a set number of years or for the rest of their lives. The period for which a person remains a registered sex offender depends on the nature of the offense. There are currently four classification levels of sex offenders in Massachusetts:

- **level 0:** unofficial classification for sex offenders known to SORB who have registered but have not yet been classified
- **level 1:** official classification for offenders with low risk of reoffense and danger to the public
- **level 2:** official classification for offenders with moderate risk of reoffense and danger to the public
- **level 3:** official classification for offenders with high risk of reoffense and danger to the public

Registered sex offenders are required by Section 178F of Chapter 6 of the Massachusetts General Laws to annually notify SORB of their current home addresses and places of employment. SORB then contacts registered sex offenders to verify this information.

During our audit, we asked DHCD to provide us with electronic data for all 929 shelter addresses in the EA program. We selected a judgmental sample of 8 shelter addresses and requested that the Boston Police Department's Sex Offender Registry Unit match the list against its own Sex Offender Registry Information database of registered level 2 and 3 sex offenders. The unit confirmed that all 8 addresses matched the addresses of level 2 or level 3 sex offenders.

Specific examples of sex offenders living at EA program shelters included the following:

- a level 3 sex offender convicted of rape of a child with force, indecent assault and battery on a child under 14 years of age, indecent assault on a person aged 14 or older, and rape and abuse of a child
- a level 3 sex offender convicted of open and gross lewdness and lascivious behavior as well as attempt to commit a crime (indecent assault and battery on a child under 14 years of age)
- a level 3 sex offender convicted of rape of a child

Authoritative Guidance

DHCD's Field Operations Memo 2006-9B, dated August 1, 2006, states,

[DHCD] notifies the shelter provider that an [EA] member is a registered sex offender. The shelter will be instructed to notify other shelter residents of the offender's presence.

To effectively implement this policy and ensure that all EA program applicants who are registered sex offenders are identified, DHCD needs to consult SORB information.

Reasons for Issues

DHCD officials told us that they believe they adequately protect pregnant women and families in the EA program by placing any EA program applicants who have self-identified as registered sex offenders in either a hotel or a scattered site.³ However, when we compared the addresses of registered sex offenders to EA program shelters, we identified one address that was a congregate shelter, not a scattered site or hotel. Further, pregnant women and families in the EA program, including those with

3. If a person qualifies for EA shelter, DHCD can place them in a shelter with other families (congregate site), an apartment (scattered site), an apartment with another family (co-shelter site), or a hotel.

children, can live at all these types of sites. Moreover, if DHCD does not attempt to identify sex offenders who have not self-identified, as we found to be the case, it cannot take measures to adequately protect the safety of pregnant women and families in program facilities. Finally, DHCD does not have a policy that requires it to periodically check the addresses of its shelter sites against those of registered sex offenders.

Recommendations

1. DHCD should notify shelters when an individual in the EA program is a registered sex offender so that the shelters can notify pregnant women and families in the EA program at the same address.
2. DHCD should adopt a policy that requires it to annually, at a minimum, compare the addresses of the shelters to those of registered sex offenders listed with SORB. If any address matches are found, DHCD should investigate and take the measures it deems appropriate to ensure the safety of the children in the EA program.

Auditee's Response

DHCD respectfully disagrees with the blanket conclusion that the EA program is not properly administered.

As noted in the draft audit, the Emergency Assistance (EA) program provides emergency shelter of varying types to serve the diverse needs of thousands of families and pregnant women across the Commonwealth. On any given night over the past several years, the EA system has sheltered more than three thousand families and pregnant women through a variety of shelter types, including congregate sites, scattered site apartments, co-shelter sites (shared apartments), and, when no other shelter is available, in hotels or motels. . . . DHCD has moved toward a shelter model in which scattered site units have largely replaced hotels and motels because scattered site apartments provide amenities for families that may be absent in many hotel or motel rooms, such as: proper cooking and dishwashing facilities, the ability to safely and securely store medicines that need refrigeration, and safe places within the unit for children to play. . . . We are proud of our work to expand shelter capacity and reduce the reliance on hotels and motels. We have reduced the use of hotels and motels by over 98% over the past four years, placing the vast majority of our clients in higher quality shelter. And, through prevention, diversion, rapid rehousing strategies and increased resources, including HomeBASE, RAFT and MRVP, we have seen an overall reduction in caseload by more than 22% over the last four years. . . . HomeBASE is the Commonwealth's rehousing benefit created to provide families who are in the emergency assistance system an opportunity to overcome some of the financial barriers to ending their homelessness. Residential Assistance for Families in Transition (RAFT) is a homelessness prevention program funded by the Department of Housing and Community Development (DHCD). RAFT provides short-term financial assistance to low-income families who are homeless or at risk of becoming homeless. Massachusetts Rental Voucher Program (MRVP) is the state rental assistance program for eligible low-income residents. . . .

DHCD is appreciative of the positive acknowledgement of our work, including:

- *After reviewing a random sample of 450 applications at nine field offices, the audit contained no negative findings regarding DHCD's policy and practices regarding EA eligibility determinations.*
- *Following visits to 60 shelters to observe their upkeep, the auditors found that 56 (93%) were in good condition and only 4 were dirty, cluttered or in need of repair.*
- *After reviewing shelter contracts with all 44 provider agencies with which DHCD contracted during fiscal years 2017 and 2018, the audit contained no negative findings regarding the scope of services detailed therein, including contractor goals, intake and case management services to be performed, rehousing and stabilization services, facility upkeep requirements, program requirements for staffing and hours of operation, and operational guidelines.*

In view of these positive acknowledgements and the responses to the specific findings set out in this letter, DHCD does not agree with the Auditor's conclusion that the Department does not properly administer its Emergency Housing Assistance program. Even if the specific audit findings were supported by the facts, they do not justify this blanket conclusion about the program as a whole. . . .

- *The audit incorrectly states that DHCD does not provide its EA shelter contractors with information as to whether applicants to the EA program have self-identified as registered sex offenders. DHCD routinely provides its shelter contractors with this information. It is the responsibility of these providers, who provide 24/7 staffing for congregate and co-shelter settings, to provide adequate monitoring and security to protect the safety and security of shelter residents. Providers take this responsibility seriously. . . .*
- *The audit makes a finding regarding registered sex offenders whose "addresses matched addresses of EA program shelters." However, this finding does not match the "authoritative guidance" identified by the audit team which requires notification of EA members who are registered sex offenders, not notification of other registered sex offenders who report the same street address. This distinction is important, because the finding does not attempt to distinguish between congregate shelters and scattered site units (where a shelter unit is located in a private apartment building). DHCD shelter placements are often single units in multi-unit buildings where the rest of the units are occupied by non-EA families. The fact that an address on the SORB registry matches the address of the building does not always mean the offender is an EA participant. Since the audit team has not provided DHCD with the addresses of the units they identified, we have no way to verify whether the offenders are EA participants or instead sex offenders reported to SORB the same address as a building in which a shelter is located. Moreover, if the offender is an EA participant, when that person is in a scattered site unit with no other families present, there is no other family to notify. . . .*
- *DHCD is obligated to place all eligible EA families into shelter. DHCD's line item language, regulations, and policies do not permit DHCD to exclude a pregnant woman or an entire family from shelter because a household member has sex offender status. . . . Emergency Assistance shelter is provided for the benefit of children, who may themselves be on the sex offender registry.*

- *When DHCD is aware that a household includes a sex offender, DHCD's general practice is to: a) determine if the sex offender can be separated from the household, or if not, b) place the family in a non-congregate setting. Additionally, prior to a shelter placement, DHCD actively works with the household to divert them from shelter and rapidly rehouse them with HomeBASE funds. . . .*
- *DHCD already notifies shelter providers when someone in the EA program is a registered sex offender. . . .*
- *As the audit report implicitly acknowledges, DHCD policy does not require notification of shelters or EA participants about sex offenders who report the same address as an EA shelter or sex offenders. The policy focuses on sex offenders who are also EA participants, and in the rare instances when a sex offender must be placed in a congregate shelter, DHCD notifies the shelter provider in accordance with this policy. While this practice has been effective in ensuring the safety of EA participants, DHCD appreciates the auditor's suggestion to expand the policy to include address matching. DHCD is in the process of reviewing its policies in order to ensure that it is applying best practices to ensure EA participant safety, and will include the auditor's suggestion as part of that review.*

DHCD provided the following amendment to its response on May 21, 2019:

Unfortunately, DHCD recently learned of allegations by a parent in the EA system that one of his children was molested by a registered sex offender while the family was in placement at an apartment complex with scattered site shelter units. The alleged offender is not a participant in the EA program, and to the best of our knowledge was not living in the same building as the victims at the time of the assault. Based on searches by both DHCD and the provider leasing the scattered site shelter units, the alleged offender was not listed on the on-line sex offender registry. The parent has pressed charges against the alleged offender, who was arraigned late last week.

This incident reaffirms that DHCD and the families it serves must be vigilant about the safety of children in the EA program, including the risk of sexual assault by persons classified as sex offenders. As recommended by the State Auditor in the draft report, DHCD is in the process of reviewing its policies and practices regarding matters such as when and how the agency should obtain information from the Sex Offender Registry Board (SORB); the limitations on what information is available; and what should be done with that information to appropriately manage risk to the safety of EA participants. DHCD intends to meet with relevant public safety stakeholders, including representatives of SORB, to help inform its policy development.

Again, DHCD recognizes the time and commitment taken by your staff to complete this audit, and will take your recommendations into account in developing future protocols. Our top priority is the safety and security of EA participants, and we believe deeply that every family deserves access to safe, quality shelter. We are committed to continually improving the system where necessary to improve the outcomes for our families and pregnant women in shelter.

Auditor's Reply

Our audit identified several significant deficiencies in DHCD's administration of its EA program. Consequently, we cannot conclude that the program is properly administered.

Contrary to what DHCD asserts in its response, during our audit DHCD did not provide us with any documentation to substantiate that it provides its EA shelter contractors with the names of family members in the EA program who are registered sex offenders when they are placed in an EA shelter. Neither did DHCD officials dispute this fact during our audit fieldwork. In fact, several members of DHCD management, including DHCD's director of field operations, assistant director of placement, and assistant undersecretary, actually confirmed that this was not done. Further, DHCD did not request the information we obtained regarding the eight instances in which we found addresses of level 2 or level 3 sex offenders that matched the addresses of EA program shelters.

We do not dispute the fact that if a registered sex offender lives in a scattered site with no other families present, there is no other family to notify. However, our audit testing indicated that this is not always the case; when we compared the addresses of registered sex offenders to those of EA program shelters, we identified one that was a congregate shelter, not a scattered site or hotel.

Although DHCD's policies do not specifically require DHCD to match shelter addresses to the SORB registry, we believe that such a requirement would better protect families living in DHCD shelters. We therefore urge DHCD to implement our recommendation to adopt a policy that requires it to annually, at a minimum, compare the addresses of the shelters to those of registered sex offenders listed with SORB. If any address matches are found, DHCD should investigate and take the measures it deems appropriate to ensure the safety of EA program participants.

2. DHCD does not effectively monitor the physical conditions of its shelters.

DHCD does not perform onsite monitoring of EA program shelters by inspecting them at least once every three years. Without effectively monitoring these shelters, DHCD cannot ensure that pregnant women and families in the EA program consistently live in safe and sanitary conditions. For example, during our review of inspection reports, we noted that inspectors identified a variety of health and safety issues such as inoperable carbon monoxide and smoke detectors, electrical wiring issues, missing window guards, damaged doors and windows in need of repair or replacement, blocked entrances/exits

to the shelter, and bedbugs. We also noted instances in which an inspector recommended that shelter rooms be taken out of service to be remodeled.

During our audit, there were two DHCD compliance coordinators (inspectors) responsible for inspecting the 929 shelter locations in the EA program. To comply with the department's inspection practice, DHCD inspectors would have to inspect one-third of these 929 locations, or approximately 310 locations, each year. We reviewed all of the inspection reports for the 563 inspections DHCD conducted during our audit period. In fiscal year 2017, only 292 shelter locations were inspected. In fiscal year 2018, 271 locations were inspected; however, 81 of those locations had been inspected in 2017 and therefore no inspection was required in 2018. Additionally, none of the 563 inspection reports contained a DHCD supervisor's signature. By not ensuring that all required inspections are performed, DHCD creates a higher-than-acceptable risk that health and safety issues may arise and go undetected and unresolved for prolonged periods.

Finally, DHCD does not collect the results of its annual reviews in one central location. Rather, annual inspections are stored on individual inspectors' computers, and there is no procedure requiring them to centrally file these reports. As a result, DHCD cannot effectively monitor this annual review process to ensure that these reviews are conducted on time and that any identified problems are addressed in a timely and effective manner. Additionally, without historical data regarding issues identified during inspections, shelter contracts may be renewed when they should not be.

Authoritative Guidance

The contract between DHCD and the shelter contractors states that DHCD will monitor contract compliance through scheduled onsite inspections. Through discussions with DHCD management, we determined that DHCD has established a practice of visiting each shelter at least once every three years to ensure that the physical facility is well maintained, safe, and livable; the supervisor is then expected to review and sign each inspection.

Reasons for Issues

DHCD management stated that the department did not have sufficient staff members to perform these triennial inspections. In addition, it had no written policies and procedures for the performance of triennial inspections or the review of the inspection reports by a supervisor. DHCD also has not

established a policy that requires inspectors to centrally file their inspection reports or a system that can be used to record and analyze them.

Recommendations

1. DHCD should establish written policies and procedures that require a periodic (at least triennial) inspection of EA program shelters.
2. DHCD should establish a process to collect, analyze, and store shelter inspection information in a central database and use this information to manage this process better.
3. DHCD should establish a policy that requires supervisors to review and sign off on all inspection reports and submit them to DHCD to be entered in this central database before they are delivered to shelter contractors.
4. Given the inefficiencies we identified in DHCD's EA program shelter inspection process (e.g., inspecting shelters that were not due for inspection and not inspecting shelters that were overdue), DHCD should take the measures necessary to make this process as efficient as possible and then determine whether more staff resources are necessary to perform the inspections within the prescribed timeline.

Auditee's Response

- *The broad finding is inaccurate on its face, given that the audit report noted that 56 out of 60 shelters visited by the auditors were in "good condition" and only 4 were dirty, cluttered or in need of repair.*
- *The audit report incorrectly states the number of shelter units in the EA program. There are a total of 3,671 shelter units in DHCD's portfolio, not [929] as indicated in the audit report. It may be the case that the audit team was counting addresses at which shelter units are located, but some addresses contain multiple shelter units. Within the audit period, FY17 and FY18, DHCD inspected 3,106 shelter units, not 563 as indicated in the audit report. It may be the case that the audit team was counting inspection reports, but some reports reflect inspections of multiple units. In FY17, 829 congregate units and 632 scattered/co-shelter sites were inspected, for a total of 1,461 shelter units (40%). Similarly, in FY18, 723 congregate and 922 scattered/co-shelter sites were inspected, totaling 1,645 shelter units (45%). This rate of inspection puts DHCD well on schedule to inspect each shelter unit at least once every three years.*
- *The report states that inspections conducted during 2018 were not required with respect to 81 shelter units previously inspected during 2017. While it is true that units inspected in 2017 need not be re-inspected in order to meet the goal of inspecting each unit once every three years, when prior inspections are unsatisfactory, it is DHCD's practice to re-inspect the unit to confirm that health and safety issues were appropriately addressed. DHCD views this as an appropriate, targeted use of inspection resources and will continue to re-inspect units to ensure that issues found in previous inspections are addressed.*
- *As reported to the auditors but not acknowledged in the report, DHCD has been actively working on acquisition of technology to create a tracking system. . . .*

- *DHCD's current practice is to inspect at least 30% of our portfolio of shelter units annually. The department will memorialize in writing its existing policies and procedures that require a periodic inspection of EA program shelters. . . .*
- *Prior to the audit, [DHCD] had begun working to acquire the software necessary to create a centralized database so that shelter inspection information is collected and stored where it can be analyzed and used to better manage the inspection process. . . .*
- *Presently, all inspection reports are emailed by the inspector to the Contract Specialist who administers the contract with the shelter unit provider. All inspection reports are reviewed by the appropriate Contract Specialist. In addition, if an inspection report contains significant health and safety findings, the inspector emails the report directly to [the] Director of Contracts and Compliance, who oversees the inspection unit, to determine the appropriate action to be taken. When the new centralized database is created, DHCD will establish a policy that requires the inspection reports to be uploaded to the database with a provision for electronic sign-off by supervisors before delivery to shelter contractors. In the interim, the Director of Contracts and Compliance will sign all letters to shelter providers informing them of adverse inspection findings, and requesting the appropriate corrective action. . . .*
- *DHCD agrees that it is important to make its inspection process as efficient as possible. DHCD believes that the inspection process observed by the auditors represents an appropriate triage of units. Inspection coordinators consider multiple factors in their efforts to maximize their time for efficiency, including the need to revisit units which may have ongoing issues. Inspection coordinators may also cluster inspections by region and site proximity. The audit did not identify any shelter units that were overdue for inspection; as explained above, the Department is on track to inspect every unit at least once every three years.*

Auditor's Reply

Our audit identified several problems with how DHCD monitors the conditions of its EA program shelters. Specifically, as noted above, it does not perform onsite monitoring of EA program shelters by inspecting them at least once every three years, its shelter monitoring process is inefficient, and it does not collect the results of its annual reviews in one central location so they can be effectively monitored.

Although DHCD is correct in pointing out that we only found problems at 4 of the 60 shelters we visited, this does not mitigate its responsibility to have an effective and efficient system in place to monitor its EA program shelters and promptly address any health or safety issues that may arise. Without effectively monitoring these shelters, DHCD cannot ensure that pregnant women and families in the EA program consistently live in safe and sanitary conditions.

During our audit period, DHCD did not have a process that accurately tracked all of its inspection activities; therefore, we cannot comment on the accuracy of DHCD's assertion that it inspected 3,106 shelter units during this period. We found that DHCD only documented that it had conducted

inspections at units where it identified problems and did not document that it had performed inspections at other units where it found no problems; thus there was no complete inspection record by program unit. During our audit, we asked DHCD's Information Technology Unit to provide us with a complete list of EA program shelters by address. In response, the unit gave us a list of 982 shelter addresses, which we were able to verify as accurate and complete and which we therefore used to conduct our audit testing.

During our testing, we removed from our sample any reports that were made because of follow-up visits; therefore, none of the 81 shelter visits conducted during fiscal year 2018 at shelters that had been inspected the previous year were follow-up visits.

Based on its response, DHCD is taking measures to address our concerns in this area.

3. DHCD's controls do not provide for adequate monitoring of case management for pregnant women and families in the EA program who live in shelters.

DHCD does not effectively monitor the activities of its contract specialists who are required to perform periodic evaluations of shelter providers, during which such things as the case management needs of EA program participants are evaluated. Further, DHCD does not ensure that any shelter evaluations that are performed are properly reviewed and approved by a supervisor. We selected a nonstatistical sample of 20 shelter contractors from a total of 44 and found that only 18 evaluations were performed; for those 18 evaluations, none of the evaluation forms were signed by a supervisor. Because DHCD is not properly monitoring whether shelter evaluations are properly performed or reviewed, there is a higher-than-acceptable risk that pregnant women and families in the EA program may not be receiving some critical contracted services from shelter contractors, such as case management services that will enable them to achieve permanent and sustainable housing in a timely manner.

Authoritative Guidance

The contract between DHCD and the shelter contractors states that DHCD will monitor contract compliance periodically through scheduled onsite evaluations, including evaluation of whether the contractually required case management services are performed. DHCD has established procedures stating that if any discrepancies are detected during the evaluation, they should be noted on the

program evaluation reports. A DHCD supervisor is supposed to review and sign the evaluation report before issuing it to the shelter contractor for any corrective action.

Reasons for Inadequate Monitoring

DHCD had not established written policies and procedures that assign a person to monitor the work of contract specialists in evaluating the contracted services performed by shelter contractor caseworkers. In addition, there was no formal tracking system in place and there were no standardized evaluation reports to ensure that work was done appropriately and in a timely manner.

Recommendations

1. DHCD should establish written policies and procedures that assign a person to coordinate and monitor the work of contract specialists in evaluating the contracted services performed by shelter contractor caseworkers. The procedures should include a tracking system that follows the corrective action recommendations made to the shelter contractors and the shelters visited.
2. There should be a standard evaluation report that all contract specialists use in evaluating shelter contractor services.

Auditee's Response

- *While not completely clear from the audit [report], DHCD believes the auditors are critiquing [the Division of Housing Stabilization's] annual review process and not the actual case management practices of providers under contract with DHCD, and the responses below are based on that assumption. DHCD has contracts with all EA providers which require them to provide case management services that connect households with necessary services within the community. DHCD employs seven Contract Specialists to monitor these contracts. . . .*
- *DHCD has a Director of Contracts and Compliance who oversees the work of the Contract Specialists. DHCD has had program evaluation tools in place throughout the audit period to ensure that work by the providers is done appropriately and in a timely manner. Prior to the audit engagement, DHCD had begun work on a standardized program evaluation report form . . . to ensure consistency in program evaluation. The standardized program evaluation has been put in place and is in use by all Contract Specialists and will be signed by the Director of Contracts and Compliance.*
- *DHCD routinely puts a provider on a corrective action plan when the responsible Contract Specialist cites ongoing concerns such as unit quality, not meeting placement goals and other programmatic/contractual issues. This may occur at any time during the year, based on the ongoing reviews and site visits by the Contract Specialist, and not merely during the formal annual review process.*
- *DHCD has begun to make improvements to our annual review tracking system. The current tracking form now allows the Contract Specialist to not only to record the date of the annual review but also to record if a corrective action has been developed and implemented.*

We are committed to continually improving the system where necessary to improve the outcomes for our families and pregnant women in shelter. We believe deeply that our people are our greatest asset, and that every family deserves access to safe, quality shelter.

Auditor's Reply

As noted above, the contract between DHCD and its EA shelter contractors states that DHCD will monitor contract compliance periodically through scheduled onsite evaluations, including an evaluation of whether the contractually required case management services are performed. Although DHCD states that it has a director of contracts and compliance who oversees the work of the contract specialists, it does not have any policies and procedures for this process to ensure that it is done in a consistent and effective manner and is properly monitored and documented. As a result, problems can arise, such as the ones we identified during our audit: 2 of the 20 shelter contractors in our sample had not been evaluated, and none of the evaluation forms was signed by a supervisor. Therefore, we again recommend that DHCD establish written policies and procedures for this activity, including a tracking system that follows the shelter contractors and shelter locations monitored and the status of corrective action recommendations made.

Based on its response, DHCD is taking measures to address our concerns in this area.