



# Northlake Homeless Coalition, Mandeville, LA

## Continuum of Care Program

**Office of Audit, Region 6  
Fort Worth, TX**

**Audit Report Number: 2019-FW-1005  
July 11, 2019**



**To:** Cheryl Breaux, Director, Community Planning and Development, 6HD  
*//signed//*  
**From:** Kilah S. White, Regional Inspector General for Audit, 6AGA  
**Subject:** Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Northlake Homeless Coalition's Continuum of Care Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 817-978-9309.



**Audit Report Number: 2019-FW-1005**

**Date: July 11, 2019**

**Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements**

## Highlights

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### What We Audited and Why

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We reviewed the Northlake Homeless Coalition's Continuum of Care Program (CoC) based on a hotline complaint alleging impropriety in Northlake's selection of grant award recipients and as part of our annual audit plan. The objective of our review was to determine whether Northlake administered its CoC in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own program requirements.

### What We Found

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The hotline complaint did not have merit. However, Northlake did not always administer its CoC in accordance with HUD's and its own requirements, as it did not always (1) monitor its program partners, (2) maintain adequate supporting documentation for disbursements, and (3) follow procurement requirements. In addition, Northlake did not always ensure that its board members (1) executed code-of-conduct and conflict-of-interest forms, (2) met monthly, (3) maintained written documentation of board meetings, and (4) updated its charters annually. This condition occurred because Northlake was not fully aware of requirements and lacked adequate policies and procedures and staff. As a result, Northlake could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD's and other requirements, putting more than \$2 million in CoC funds allocated to its program partners at risk of mismanagement. In addition, Northlake paid more than \$120,000 in questioned costs.

### What We Recommend

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We recommend that the Director of HUD's New Orleans, LA, Office of Community Planning and Development require Northlake to (1) develop and implement written procedures and take actions to ensure that its program partners better spend more than \$2 million, (2) support or repay \$128,692, (3) annually monitor its CoC recipients as required, and (4) develop and implement procedures to ensure that its CoC is administered in accordance with HUD's and its own requirements.

# Table of Contents

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<b>Background and Objective.....</b>	<b>3</b>
<b>Results of Audit .....</b>	<b>4</b>
<b>Finding: Northlake Did Not Always Follow Program Requirements.....</b>	<b>4</b>
<b>Scope and Methodology.....</b>	<b>9</b>
<b>Internal Controls.....</b>	<b>11</b>
<b>Appendixes.....</b>	<b>12</b>
<b>A. Schedule of Questioned Costs and Funds To Be Put to Better Use.....</b>	<b>12</b>
<b>B. Auditee Comments and OIG’s Evaluation.....</b>	<b>13</b>

# Background and Objective

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The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009, enacted into law on May 20, 2009, consolidates three of the separate homeless assistance programs administered by the U.S. Department of Housing and Urban Development (HUD) – Supportive Housing, Shelter Plus Care, and Moderate Rehabilitation-Single Room Occupancy – into a single grant program, the Continuum of Care Program (CoC). CoC is designed to (1) promote communitywide commitment to the goal of ending homelessness; (2) provide funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families; persons fleeing domestic violence, dating violence, sexual assault, and stalking; and youth, while minimizing the trauma and dislocation caused by homelessness; (3) promote access to and effective use of mainstream programs by homeless individuals and families; and (4) optimize self-sufficiency among those experiencing homelessness.

Incorporated on August 26, 2009, the Northlake Homeless Coalition coordinates the planning process for bringing together many levels of local, State, and Federal funding, as well as public, private, faith-based, and nonprofit organizations, to provide housing to individuals and families, keep them in safe housing, and connect them with the support system that will help secure their long-term stability. Northlake serves as the CoC for Louisiana’s Region IX<sup>1</sup> and performs three main functions: (1) operating a functional CoC, including a coordinated assessment system; (2) managing the Homeless Management Information System<sup>2</sup> (HMIS); and (3) providing strategic planning for CoC and preparation of the annual application for funds. Northlake had four partners under its program, including the National Alliance on Mental Illness St. Tammany, St. Tammany Community Action Agency, Southeast Advocates for Family Empowerment, and Volunteers of America Greater New Orleans – Northshore Services, which were awarded more than \$5.4 million for 2015, 2016, and 2017. While the partners received funding directly from HUD, HUD held Northlake responsible for conducting annual onsite monitoring. From 2015 to 2017, Northlake received \$845,277 in HUD funding for its operations. As of November 6, 2018, it had spent \$636,122.

Our objective was to determine whether Northlake administered its CoC in accordance with the U.S. Department of Housing and Urban Development’s (HUD) and its own program requirements.

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<sup>1</sup> Louisiana’s Region IX consists of the Livingston, St. Helena, St. Tammany, Tangipahoa, and Washington parishes.

<sup>2</sup> Homeless Management Information System (HMIS) is a local information technology system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness.

# Results of Audit

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## **Finding: Northlake Did Not Always Follow Program Requirements**

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Northlake did not always administer its CoC in accordance with HUD's and its own requirements, as it did not always (1) monitor its program partners, (2) maintain adequate supporting documentation for disbursements, and (3) follow procurement requirements. In addition, it did not always ensure that its board members (1) executed code-of-conduct and conflict-of-interest forms, (2) met monthly, (3) maintained written documentation of board meetings, and (4) updated its charters annually. This condition occurred because Northlake was not fully aware of requirements and lacked adequate policies and procedures and staff. As a result, it could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD's and other requirements, putting more than \$2 million in CoC funds allocated to its program partners at risk of mismanagement. In addition, Northlake paid more than \$120,000 in questioned costs.

### **Northlake Did Not Properly Monitor Its Program Partners**

Northlake did not properly monitor its program partners' performance. HUD regulations<sup>3</sup> required Northlake to monitor its partners' performance and to maintain documentation of all monitoring and sanctions, including monitoring findings and corrective actions. Northlake's grant agreement with HUD, written agreements with its partners (which independently operated and administered homeless programs in its region), and its policies and procedures<sup>4</sup> required Northlake to annually schedule and conduct onsite monitoring of its program partners. However, Northlake did not monitor its program partners in 2016 and 2017, and while Northlake stated that it conducted monitoring in 2018, it did not prepare a written monitoring report. Without conducting monitoring and preparing written reports, Northlake could not provide reasonable assurance to HUD that its partners met program and HUD requirements, putting more than \$2 million in Fiscal Year 2018 allocated HUD funding at risk of mismanagement.

### **Northlake Did Not Maintain Adequate Supporting Documentation for Disbursements**

Northlake did not always maintain adequate supporting documentation for its disbursements. HUD regulations<sup>5</sup> required Northlake to provide and maintain records that adequately identified the source and application of funds and maintain source documentation. However, a review of 10 drawdowns, with disbursements totaling \$86,572, determined that Northlake did not always maintain source documentation, such as timesheets, mileage logs, rental and lease agreements, and receipts, to support payroll, mileage reimbursements, rental and utility assistance, and other expenses totaling \$81,013 (table 1).

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<sup>3</sup> 24 CFR 578.7(a)(6), 24 CFR 578.103(a)(17), 24 CFR 578.103(a)(17)(ii), and Northlake's 2015-2017 grant agreements with HUD

<sup>4</sup> Northlake Homeless Coalition, Continuum of Care Program Administration and Monitoring Policy, December 2014, and Northlake Homeless Coalition Bylaws, July 2018

<sup>5</sup> 2 CFR 200.302(b)(3)

**Table 1: Northlake disbursement review**

Drawdown sample	Inadequate payroll records	No lease agreement	No invoice or receipts	No travel vouchers or mileage logs	Unsupported amount
1	X				\$7,937
2	X				3,374
3	X				3,681
4	X				6,008
5	X				5,518
6	X	X	X	X	23,637
7	X		X		8,063
8	X	X	X	X	14,671
9	X		X	X	3,983
10	X				4,141
<b>Total</b>					<b>81,013</b>

For the payroll disbursements, in some instances, Northlake had payroll journals showing the total number of hours charged by each employee per pay period. However, it did not have individual timesheets detailing to which programs each employee allocated time, which were needed to support reimbursements from CoC, as Northlake had other funding sources.<sup>6</sup> For rental and utility assistance provided to its homeless clients, Northlake did not have lease agreements in its files to support the approval of rental assistance or invoices reflecting the cost of utilities. For the mileage reimbursement, Northlake did not have written forms in its files with the number of miles and days showing where employees incurred mileage for business travel. Lastly, Northlake did not have receipts, travel vouchers, or invoices in its files to support payments for office supplies, travel expenses, and office rent.

### **Northlake Did Not Always Follow Procurement Requirements**

Northlake did not always follow procurement requirements when obtaining contracted services. To support the cost reasonableness of contracts, HUD regulations<sup>7</sup> required Northlake to (1) make independent cost estimates before receiving bids or proposals; (2) perform a cost analysis when executing sole-source procurements; and (3) maintain records sufficient to detail the significant history of procurements, including the basis for the contract price. Northlake made payments to these contractors for payroll, cellular, accounting, and insurance services. A review of eight contractor disbursements totaling \$47,679 determined that Northlake sole sourced for services and did not have procurement documentation, including written contracts, independent costs estimates, and cost analyses, to support the contractor disbursements. Thus, it was unable to support the cost reasonableness of these disbursements (table 2).

<sup>6</sup> Northlake also received Emergency Solutions Grant funding from the State of Louisiana.

<sup>7</sup> 2 CFR 200.318-323

**Table 2: Northlake procurement review**

Contracted service	Independent cost estimate?	Cost analysis?	Written contract?	Questioned costs
Payroll	No	No	No	\$1,800
Accounting	No	No	No	9,930
Cellular	No	No	No	12,164
Worker's compensation	No	No	No	12,129
General liability insurance	No	No	No	4,500
Auto insurance (2016-2019)	No	No	No	748
Directors' and officers' insurance	No	No	No	2,031
Auto insurance (2017)	No	No	No	4,377
<b>Total</b>				<b>47,679</b>

**Northlake Did Not Always Ensure That Its Board Members Executed the Proper Forms, Held and Documented Monthly Meetings, and Updated Its Charters**

Northlake did not always ensure that its board members executed the proper forms, held and documented monthly meetings, and updated its charters. HUD regulations<sup>8</sup> required Northlake's board members to disclose any conflicts. Northlake's board policies and procedures<sup>9</sup> required board members to complete and sign code-of-conduct and conflict-of-interest forms, identifying any conflicts of interest, annually. Its board policies and procedures<sup>10</sup> also required its board members to meet monthly and maintain written records for each meeting, including records of votes on all motions. However, a review of Northlake's board files determined that it did not ensure that board members completed these forms for 2015, 2016, and 2017. The executive director stated that board members completed the forms upon election, with the most recent election of two board members in 2017, but did not complete the forms annually. In December 2018, after our request, Northlake provided the executed forms for all board members for 2018.

In addition, Northlake did not ensure that board members met monthly, maintained written records for each meeting, and updated its charters. A review of Northlake's board meeting records determined that its board did not hold three meetings<sup>11</sup> and did not have written board minutes for six meetings<sup>12</sup> held. The governance charter should include all procedures and polices needed to comply with establishing and operating a CoC and with HMIS requirements and also include a code of conduct and recusal process for the board, its chairs, and any person acting on behalf of the board.<sup>13</sup> However, Northlake could not provide supporting documentation showing that it reviewed, updated, and approved its governance charter and the HMIS governance charter for 2015 through 2017 as required.

<sup>8</sup> 24 CFR 578.95

<sup>9</sup> Northlake's 2014 and 2018 bylaws and 2018 governance charter

<sup>10</sup> Northlake's 2014 and 2018 bylaws and 2018 governance charter

<sup>11</sup> One in 2016 and two in 2017

<sup>12</sup> March 29, 2017; April 25, May 30, and October 25, 2018; and the 2016 and 2017 annual meetings

<sup>13</sup> 24 CFR 578.7(a)(5)



### **Northlake Was Not Always Aware of Requirements, Lacked Adequate Policies and Procedures, and Lacked Adequate Staff**

Northlake was not always aware of CoC requirements, lacked adequate policies and procedures, and lacked adequate staff. Northlake's executive director stated that she and the previous administration were not aware of all of the procurement requirements. While Northlake had some guidance regarding purchases in its financial policies and procedures, it did not have a formal procurement policy that included HUD requirements regarding competition, methods of procurement, contract price and cost analysis, and independent cost estimates. Northlake also did not create or establish new policies or procedures to improve the procurement process, although it developed new policies and procedures for its other operations. Further, it did not have written controls to ensure that it maintained the appropriate documentation for disbursements and board compliance.

Northlake's executive director cited a lack of staff as the reason for not conducting the annual monitoring. Other than its executive director, Northlake had five staff members, including (1) one agency administrator, responsible for managing daily operations and reviewing and certifying client files; (2) one intake specialist, responsible for the initial assessment of homeless clients; and (3) three outreach navigators, responsible for assessing clients, prioritizing housing, and performing outreach services but not for the day-to-day administration of the program. Therefore, Northlake had only two staff members responsible for processing disbursements, payroll, procurement, and daily operations.

### **Conclusion**

Because Northlake did not always follow HUD's and its own program requirements or have adequate policies and procedures and staff, it did not always (1) monitor CoC recipients, (2) maintain adequate supporting documentation for disbursements, (3) follow procurement requirements, and (4) maintain records to support that its board met requirements reviewed. As a result, Northlake could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD and other requirements, putting more than \$2 million in allocated CoC funds at risk of mismanagement. In addition, Northlake paid more than \$120,000 in questioned costs.

### **Recommendations**

We recommend that the Director of HUD's New Orleans Office of Community Planning and Development require Northlake to

- 1A. Develop and implement a HUD-approved written plan and procedures and take actions that will correct and prevent the monitoring deficiencies in the finding, improve program administration effectiveness, and ensure compliance with HUD regulations and its own policies and procedures as required. This plan and written procedures should include controls to ensure that Northlake complies with HUD's and its own requirements for monitoring recipients annually as well as documenting and maintaining the monitoring results. Implementing this

recommendation should ensure that the \$2,092,545<sup>14</sup> in HUD funds, allocated to Northlake's four partners for program execution, is better used.

- 1B. Support \$81,013 or repay its program from non-Federal funds for disbursements made without adequate supporting documentation.
- 1C. Develop and implement additional policies and controls and procedures, including but not limited to a disbursement file checklist, to ensure that adequate supporting documentation for disbursement is maintained in the files.
- 1D. Support \$47,679 or repay its program from non-Federal funds for payments made to contractors without written contracts and independent cost estimates.
- 1E. Develop and implement written policies and procedures, which reflect the required HUD procurement policy standards and ensure compliance with those requirements.
- 1F. Develop and implement written policies and procedures to ensure that its board members execute the proper forms annually, hold and document board meetings, and review its board governance and HMIS governance charters as required.
- 1G. Evaluate its staffing level and determine if it should hire additional staff to carry out program activities.
- 1H. Obtain technical assistance from HUD to evaluate the staff's training needs and to ensure that responsible staff receives the appropriate training for effective program administration.

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<sup>14</sup> See the Scope and Methodology section for the calculation of this amount.

# Scope and Methodology

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We conducted our review at Northlake's office in Mandeville, LA, the HUD field offices in Houston, TX, and New Orleans, LA, between November 2018 and March 2019. Our audit scope generally covered the period October 1, 2016, to September 30, 2018. We expanded the review period to November 6, 2018, to review disbursement documentation as needed to accomplish our objective.

To accomplish our objective, we reviewed

- Relevant laws, regulations, applications, grant agreements, notices of funding availability, and other HUD requirements and guidance.
- Northlake's administrative requirements, board minutes, organizational charts, financial statements, general ledgers, and CoC's governance charter.
- Northlake's monitoring reports, annual performance reports, and procurement records.

We also interviewed HUD and Northlake staff.

The drawdown universe included 60 drawdowns with disbursements totaling \$521,966, made between January 2016 and November 2018 for fiscal years 2015, 2016, and 2017. Using nonstatistical random sampling, based upon every sixth drawdown, we selected 10 drawdowns for review with disbursements totaling \$86,572. We reviewed the disbursement files to determine whether Northlake ensured that its disbursements were for eligible activities and adequately supported. Through file reviews, we assessed the reliability of the computer-processed disbursement data and determined that the data were generally reliable. Although this approach did not allow us to project the results of the sample to the population, it was sufficient to meet the audit objective.

The contractor universe included 18 contractor disbursements between January 2016 and November 2018 totaling \$217,313. Using nonstatistical random sampling, based upon contractors that received more than one payment and at least \$650, we selected eight contractor disbursements totaling \$47,679 for review. We requested Northlake's procurement files to determine whether it followed procurement requirements. However, Northlake did not maintain procurement files, so we pulled the sample from the general ledger. We assessed the reliability of the computer-processed general ledger data and determined that the data were generally reliable. Although this approach did not allow us to project the results of the sample to the population, it was sufficient to meet the audit objective.

To determine the amount of funds to be put to better use, we used the 2015 through 2018 HUD grants awarded to Northlake's partners. HUD held Northlake responsible for conducting onsite annual compliance monitoring. Based upon our analysis, the 2015 and 2016 grant funds have expired, and the program partners no longer have access to the grant funds. As of April 30, 2019, the program partners were operating under Northlake's 2017 grant funds, but those funds will expire between May 31 and October 31, 2019. HUD will recapture any remaining 2017 funds upon expiration. The 2018 renewal grants, totaling more than \$2 million, will be available for

use by the program partners beginning June 2019 and will continue for a 12-month period. We used the 2018 renewal grants to determine the amount of funds to be put to better use, as the funds will be available for 12 months beginning June 2019, allowing Northlake an opportunity to improve its program to ensure that program partners comply with HUD requirements when executing its program.

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

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of policies and procedures used to ensure that program requirements are met.
- Reliability of data provided for disbursement and procurement activities.
- Compliance with applicable Federal requirements.

We assessed the relevant controls identified above.

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

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- Northlake did not have sufficient policies and procedures and lacked adequate staffing levels, and its staff members were not always aware of their responsibilities. As a result, Northlake was unable to ensure that it adequately monitored its partners, supported disbursements, and followed procurement requirements and that its board members met CoC requirements (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs and Funds To Be Put to Better Use**

<b>Recommendation number</b>	<b>Unsupported 1/</b>	<b>Funds to be put to better use 2/</b>
1A		\$2,092,545
1B	\$81,013	
1D	47,679	
<b>Totals</b>	<b>128,692</b>	<b>2,092,545</b>

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, requiring Northlake to develop and implement written policies and procedures and management controls and take actions that would correct and prevent the deficiencies noted in the finding would better ensure that Northlake's partners spend its \$2,092,595 in HUD funds allocated for fiscal year 2018 in accordance with CoC requirements.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

June 10, 2019

Ms. Kilah White  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
Office of Audit (Region 6)  
819 Taylor Street, Suite 13A09  
Fort Worth, TX 76102

Ms. White,

Please accept this letter as a formal written response to the discussion draft audit report of the Northlake Homeless Coalition Continuum of Care Program. The audit has presented an opportunity for our organization to identify areas for improvement and we are confident that as a result of this process, we will be a stronger and fully compliant Continuum of Care program.

The below table serves as a response to each of the findings included in the audit report:

<b>Finding</b>	<b>Response</b>
<b>NHC did not properly monitor its program partners' performance.</b>	In 2017, the NHC implemented a Community Benchmarks Scorecard, which sets community-wide performance benchmarks and annually monitors the performance of HUD CoC and ESG funded projects on a range of factors, including successful permanent housing placements, increases in

Comment 1

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

income for clients, referral to housing timeframes, returns to homelessness, HMIS data quality, Housing First adherence, bed utilization rates, cost effectiveness and participation in the coordinated entry system. This has been conducted on an annual basis since 2017 with performance scorecards available for each project at <http://northlakehomeless.org/coc-applications>. However, the Community Benchmarks Scorecard process was not integrated into the CoC Program Administration and Monitoring Policy or reflected in the NHC Partnership Agreements signed annually with each of the CoC-funded agencies. The NHC was not in compliance with its CoC Program Administrative and Monitoring Policy, as it did not conduct onsite monitoring on an annual basis.

Comment 1

**Corrective Actions Taken:**

- 1. The NHC has revised the NHC Partnership Agreement to reflect that onsite monitoring will occur on a bi-annual basis and that performance monitoring will take place annually through the Community Benchmarks Scorecard process detailed above.**



## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 1

2. **The NHC has revised the CoC Program Administration and Monitoring Policy to reflect that onsite monitoring will occur on a bi-annual basis and that performance monitoring will take place annually through the Community Benchmarks Scorecard process detailed above.**
3. **The NHC has conducted onsite monitoring for three of the four CoC-funded agencies in 2019, with the fourth and last agency monitoring to take place at the end of this month. Monitoring reports will be issued for each, detailing the findings of each onsite monitoring visit and corrective action plans will be implemented as necessary. It is anticipated that all onsite monitoring reports will be completed by July 2019.**

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

**Northlake did not maintain adequate supporting documentation for disbursements.**

The audit found that there was not adequate supporting documentation for expenses totaling, \$81,013. Most of these expenses were for payroll costs (\$57,928) and rental assistance (\$19,607). In 2017, the NHC began utilizing Gusto, an online human resources and payroll management interface. In this interface, employees enter time worked as well as vacation and sick hours and a supervisor reviews and approves time submitted. We implemented this system to replace a paper-based timesheet process. For the rental assistance payments, our process was to include in our financial records the lease and other supporting documentation with the initial payment to the landlord, and subsequently, we included a signed rent payment spreadsheet with all the approved payments for the rental assistance clients.

**Corrective Actions Taken:**

- 1. For the payroll costs totaling \$57,928, the NHC submitted corresponding paper timesheets that reflect the time input into the electronic HR/Payroll management system and submitted to the auditors. Effective immediately, all employees are required to submit paper timesheets in addition to the Gusto**

Comment 2

Comment 3

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 2

Comment 3

Comment 3

**time management system. These timesheets will be kept in the personnel files as well as in the financial records accompanying each payroll journal.**

**2. For the rental assistance costs totaling \$19,607, the NHC submitted leases and rent payment agreements for all the rental assistance payments included in the sample. Moving forward, the NHC will include a copy of the lease and rent payment agreement with each monthly rental assistance payment.**

**3. The NHC has implemented several internal controls to ensure that adequate source documents are reviewed and verified prior to each drawdown. First, supporting documentation are now kept electronically and attached to each record in the general ledger. Second, the NHC has implemented a process wherein both the agency administrator and the Executive Director review and provide signature**

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

**that all necessary supporting documents are included prior to a drawdown being completed. Finally, the Finance Committee will be responsible for reviewing the HUD drawdowns on a quarterly basis as an additional layer of compliance oversight.**

Comment 4

**Northlake did not always follow procurement requirements.**

The audit found that the NHC was not in compliance with HUD regulations to support the cost reasonableness of contracts totaling \$47,679. The decisions for these procurements were made prior to the organization transitioning from a volunteer to a staffed organization.

Comment 3

**Corrective Actions Taken:**

- 1. The NHC Finance Committee, in consultation with a CPA, will be responsible for reviewing 2 CFR 200.318-323 and updating our financial policies and procedures to ensure compliance with HUD procurement requirements.**
- 2. If necessary, the NHC will request technical assistance from the HUD**

Comment 3

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

**field office to ensure proper implementation of procurement requirements.**

- 3. Once new procurement policies and procedures are implemented, the NHC finance committee will conduct a compliance review of procurements on an annual basis.**

Comment 3

**Northlake did not always ensure that its board members executed the proper forms, held and documented monthly meetings, and updated its charters.**

The NHC is working diligently to correct all deficiencies identified regarding accurate record-keeping related to the board.

**Corrective Actions Taken:**

- 1. The NHC has implemented a procedure to ensure that all board members complete and sign code of conduct and conflict of interest forms on an annual basis, in conjunction with the Annual Meeting. The NHC Board Secretary is responsible for ensuring completion and accurate record-keeping of this task.**
- 2. In 2018, the NHC implemented an open and transparent process for making updates to the NHC Governance Charter, available on our website at <http://northlakehomeless.org/2018-governance-vote>.**

Comment 3

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

**Northlake was not always aware of requirements, lacked adequate policies and procedures, and lacked adequate staff**

**The NHC will continue to utilize this process in 2019 and annually in accordance with our currently approved Governance Charter.**

The NHC Board will take responsibility for evaluating the staffing level and making determinations for whether it should hire additional staff to carry out program activities.

We look forward to working with the HUD New Orleans Office of Community Planning and Development to adequately address the deficiencies identified and our ongoing organizational quality improvement process. Should you have any questions, or concerns regarding this audit response, please do not hesitate to contact me at [amills@northlakehomeless.org](mailto:amills@northlakehomeless.org) or 985.626.6681.

Thank you,

//Signed//

Amanda Mills  
Executive Director

## OIG Evaluation of Auditee Comments

**Comment 1** Northlake agreed that it did not monitor its partners and did not comply with its policy and partnership agreements as it did not conduct annual onsite monitoring visits as required. Northlake further stated that it had taken steps to rectify the matter and had implemented several corrective actions, including revising the partnership agreements and monitoring policy to include that performance monitoring (scorecard) would occur annually and on site biannually. Northlake stated that it had also conducted onsite monitoring for three of the four funded agencies in 2019, with the fourth agency's monitoring to take place at the end of June 2019 and all onsite monitoring reports will be completed by July 2019.

We acknowledge Northlake's efforts toward correcting the deficiencies identified in the report. Northlake will need to continue working with HUD to address the report recommendations.

**Comment 2** Northlake stated that for the payroll disbursements totaling \$57,928 and for the rental assistance costs totaling \$19,607, it submitted corresponding paper timesheets, which reflected the time and leases and rent payment agreements.

We requested supporting documentation for the payroll and rental assistance costs three times in December 2018. However, Northlake did not provide the documentation, which it provided in 13 emails, consisting of more than 488 pages, until in May 2019, after our fieldwork had ended. Due to the voluminous nature of the supporting documentation and the time needed to obtain additional explanation and information, we were unable to review the documentation before the issuance of the final report. Therefore, Northlake will need to provide the documentation to HUD and work with HUD to resolve the findings and recommendations during the audit resolution process.

**Comment 3** Northlake also stated that it had taken several corrective actions, including (1) ensuring that it maintains adequate supporting documentations for future disbursements; (2) updating its procurement policies and procedures, requesting technical assistance when needed, and conducting annual procurement compliance reviews; (3) implementing a procedure to ensure that all board members complete and sign code-of-conduct and conflict-of-interest forms annually and implementing an open and transparent process for making updates to its governance charter; and (4) ensuring that its board takes responsibility for evaluating the staffing level and determining whether it should hire additional staff to carry out program activities.

We acknowledge Northlake's efforts toward correcting the deficiencies identified in the report. Northlake will need to continue working with HUD to address the report recommendations.

**Comment 4** Northlake stated that the decisions for the improper procurements were made before the organization transitioned from a volunteer to a staffed organization.

We disagree. Northlake began receiving CoC funding in 2014, the same year it hired its current executive director. Also in 2014, Northlake procured the services of its current certified public accountant, for which it did not have a written contract. In addition, it did not have executed written contracts for the payroll, cellular, and insurance services procured. Specifically, regarding the payroll services, Northlake procured payroll services with one vendor from May 2014 until 2016 and another vendor (its current vendor) in 2017. Northlake procured its current insurance vendors in 2016 (auto insurance in January 2016, workers compensation and general liability insurance in March 2016, and the directors' and officers' insurance in July 2016). Finally, Northlake's billing for its cellular services provider began in September 2016 and continued throughout 2018. Therefore, we stand by our original conclusions and recommendations.