



**The County of Northumberland  
Sunbury, PA**

**Homelessness Prevention and Rapid Re-Housing  
Program**



Issue Date: April 30, 2014

Audit Report Number: 2014-PH-1004

TO: Nadab O. Bynum, Director, Office of Community Planning and Development,  
Philadelphia Regional Office, 3AD  
//signed//

FROM: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia  
Region, 3AGA

SUBJECT: The County of Northumberland, Sunbury, PA, Did Not Administer Its  
Homelessness Prevention and Rapid Re-Housing Program Grant According to  
Recovery Act 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 Northumberland County, PA's administration of its Homelessness Prevention and Rapid Re-Housing Program grant.

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 Web site. 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 215-430-6730.



April 30, 2014

## **The County of Northumberland, Sunbury, PA, Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act Requirements**

# Highlights

Audit Report 2014-PH-1004

### **What We Audited and Why**

We audited the County of Northumberland's Homelessness Prevention and Rapid Re-Housing Program grant because the chairman of the Northumberland County board of commissioners requested that we audit the program. The audit objective was to determine whether the County administered its program grant in accordance with American Recovery and Reinvestment Act requirements.

### **What We Found**

The County did not administer its program according to Recovery Act requirements. Specifically, it did not always (1) ensure that program participants were eligible for assistance, (2) maintain complete documentation in the participant files, (3) ensure that it incurred only eligible expenses and properly supported them, (4) make draws from the correct grant line items, and (5) perform required unit habitability inspections. It also did not return unused program funds as required.

### **What We Recommend**

We recommend that the U.S. Department of Housing and Urban Development require the County to (1) remit to the Commonwealth \$15,183 from non-Federal funds for the ineligible expenditures identified by the audit so the Commonwealth can return the funds to the U.S. Treasury, (2) provide documentation to support the \$159,149 in unsupported expenditures identified by the audit or repay the Commonwealth from non-Federal funds for any amount that it cannot support so the Commonwealth can return the funds to the U.S. Treasury, and (3) remit to the Commonwealth \$3,541 in program funds on deposit in its grant account so the Commonwealth can return the funds to the U.S. Treasury.

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## BACKGROUND AND OBJECTIVE

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On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009, which included \$1.5 billion for a homelessness prevention fund. Funding for this program, called the Homelessness Prevention and Rapid Re-Housing Program, was distributed based on the formula used for the Emergency Shelter Grants program. The purpose of the program was to provide financial assistance and services to prevent individuals and families from becoming homeless and to help those who were experiencing homelessness to be quickly rehoused and stabilized. The funds provided for a variety of assistance, including short-term or medium-term rental assistance; housing relocations; stabilization services, including such activities as mediation, credit counseling, and case management; and financial assistance, including security or utility deposits, utility payments, and moving cost assistance.

On August 13, 2009, the U.S. Department of Housing and Urban Development (HUD) awarded the Commonwealth of Pennsylvania a \$23.4 million Homelessness Prevention and Rapid Re-Housing Program grant. The Commonwealth executed agreements with 74 subgrantees to carry out program activities, including the County of Northumberland, which received an award of \$365,361 in program funds. The grantee and its subgrantees were required to expend 100 percent of their grant funds within 3 years from the date on which HUD signed the grant agreement. Accordingly, the term of the County’s grant agreement ended on August 12, 2012. The County spent only \$291,829 of its grant funds. The following chart provides details.

Eligible program activities	Budget	Expenditures
Financial assistance	\$227,620	\$173,295
Housing relocation and stabilization services	85,129	69,425
Data collection and evaluation	43,478	39,986
Administrative costs	9,134	9,123
<b>Total</b>	<b>\$365,361</b>	<b>\$291,829</b>

The County closed out its program in April 2012, leaving a balance of \$73,532, which the Commonwealth recaptured.

The Commonwealth monitored the County’s administration of the grant by conducting desk reviews in May 2011 and January 2012. The Commonwealth found that the County did not maintain adequate documentation to support the eligibility of program costs. As a result, in July 2012, the Commonwealth performed an onsite monitoring review of the County’s program. It reported that it reviewed 153 participant files and determined that, overall, the County made

ineligible payments totaling \$188,325.<sup>1</sup> Therefore, it requested that the County repay that amount. However, the County did not agree with the Commonwealth's conclusions and requested that we audit its program.

The objective of the audit was to determine whether the County administered its program in accordance with Recovery Act requirements.

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<sup>1</sup> Although the Commonwealth identified only \$75,775 in ineligible expenditures during its review of the 153 files, it did not use this figure in its calculation of the total ineligible costs that it reported in its monitoring report. The Commonwealth considered some expenditures ineligible because documentation in a participant's file was incomplete or documentation was missing from the file. (We consider expenditures with incomplete documentation or missing documentation unsupported costs.) To calculate the \$188,325, the Commonwealth deducted the amount of eligible expenditures that it identified during its review (\$56,206) from the total financial assistance payments that the County made (\$170,254) and considered the difference (\$114,048) ineligible. It chose this methodology because the County did not provide 52 files for review, so it considered the payments related to those files ineligible. Since the Commonwealth determined that 67 percent of the financial assistance payments were ineligible (\$114,048 divided by \$170,254 = .67), it applied that percentage to the amount the County spent for the housing relocation and stabilization services activity and considered those costs ineligible as well (\$46,181). It also declared that only 50 percent of the administrative (\$4,562) and data collection and evaluation (\$19,993) costs were ineligible because it recognized that the County made an attempt to comply with the reporting and data collection requirements. Lastly, the Commonwealth included \$3,541 in program funds that was on deposit in the County's bank account.

## RESULTS OF AUDIT

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### Finding: The County Did Not Administer Its Grant According to Recovery Act Requirements

The County did not always (1) ensure that program participants were eligible for assistance, (2) maintain complete documentation in the participant files, (3) ensure that it incurred only eligible expenses and properly supported them, (4) make draws from the correct grant line items, and (5) perform required unit habitability inspections. It also did not return unused program funds as required. These problems occurred because the County did not provide adequate oversight of its case worker, who was responsible for determining client eligibility and maintaining documentation in the participant files, to demonstrate compliance with requirements and support disbursements. Also, it lacked controls to ensure that it complied with program requirements for incurring expenses, processing draws, and conducting inspections. As a result, the program did not fully meet its intended goal of preventing homelessness or providing stabilization to those with housing needs because the County made ineligible expenditures of \$35,031, unsupported expenditures of \$159,149, and it needs to return \$3,541 in unused grant funds to the U.S. Treasury.

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#### **Participants That Received Financial Assistance Did Not Always Meet Eligibility Requirements**

The County provided financial assistance totaling \$173,295 to 205 program participants. We reviewed the files for only 199 participants because the County could not provide the files for 6 participants. Of the 199 participants, 43 did not meet eligibility requirements. As a result, financial assistance totaling \$32,661 that the County provided to these 43 participants was ineligible because the participants did not meet program requirements. The following paragraphs provide details.

- Twenty-five participants received program funds totaling \$15,476 while also receiving rental assistance from other housing subsidy programs, which is prohibited. The County did not verify whether participants were already receiving rental assistance from other housing subsidy programs. For example, one participant received \$1,200 in rental assistance. The County paid \$600 from program funds, and the other \$600 was paid from the

County's homeless assistance program. Section IV of the HUD notice<sup>2</sup> stated that rental assistance payments could not be made on behalf of eligible individuals or families for the same period and for the same cost types that were being provided through another Federal, State, or local housing subsidy program.

- Fourteen participants received program funds totaling \$12,799 although they were not eligible because they did not meet income eligibility requirements. The documentation in the participant files showed that the family income exceeded area median income limits. Section IV of the HUD notice required program participants to have an initial consultation with a case manager and have a total household income at or below the area median income limits. Program eligibility determination and documentation guidance<sup>3</sup> required that annual income include the current gross income of all adult household members, income documentation be dated within 30 days before the time of application, and total household income be at or below 50 percent of the area median income.
- Two participants received program funds totaling \$2,446 although they were not eligible to receive assistance because they were not at risk of being homeless. Documentation in their participant files showed that these participants were moving voluntarily. Section I of the HUD notice stated that the purpose of the Homelessness Prevention and Rapid Re-Housing Program was to provide homelessness prevention assistance to households who would otherwise become homeless and to provide assistance to rapidly re-house persons who are homeless.
- One participant received program funds totaling \$1,440 although ineligible due to an apparent conflict of interest. The participant received assistance for a property that was partially owned by the County's grants manager. The grants manager was responsible for administering the grant and received training and guidance related to the program. Section VII of the HUD notice required that no person who was an employee, agent, consultant, officer, or elected or appointed official of the grantee and who exercised or had exercised any functions or responsibilities with respect to assisted activities, or who was in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract or agreement either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for 1 year thereafter. Further, although HUD could grant an exception to the restrictions on a case-

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<sup>2</sup> HUD Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Grantees under the American Recovery and Reinvestment Act of 2009, effective March 19, 2009

<sup>3</sup> HUD's Eligibility Determination and Documentation Guidance, dated March 2010



by-case basis upon the written request of the grantee, in this case, the County did not make a written request for an exception.

- One participant received program funds totaling \$500 but did not lack financial resources to obtain immediate housing. Documentation in the file showed that the participant had a bank account with a balance of \$25,000 available for use. The funds in the bank account could have been used to assist the participant in securing immediate housing, but the County did not require the participant to do so. Section IV of the HUD notice required that participants be either homeless or at risk of being homeless. Participants were also required to show that no appropriate housing options were available for them and that they lacked financial resources and support networks to obtain immediate housing.

### **Some Participant Files Lacked Documentation**

The County did not maintain required documentation in 102 participant files.<sup>4</sup> HUD program eligibility determination and documentation guidance required that the County obtain and maintain in the participant files complete documentation such as current income documentation for all family members, eviction notices, lease agreements, utility shutoff notices, homeless self-certifications, self-declarations of housing status, and third-party certifications to support the participants' housing status. The documentation was required to ensure that the participant met program requirements. Since the files lacked documentation or lacked complete documentation, we considered the related financial assistance payments totaling \$86,424 to be unsupported.

### **Some Participant Files Were Not Provided**

The County could not provide files for six participants that it assisted. Because the County provided no documentation, we considered the related financial assistance payments totaling \$3,877 to be unsupported.

### **Housing Relocation and Stabilization Services Expenses Did Not Always Meet Program Requirements**

The County was approved to draw down funds for four eligible activities: financial assistance, housing relocation and stabilization services, data collection

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<sup>4</sup> Forty-three participant files contained more than one deficiency.

and evaluation, and administrative costs. Section IV of the HUD notice specifically explained each eligible program activity and what costs could be charged to it. For example, financial assistance was limited to short-term rental assistance, medium-term rental assistance, security deposits, utility deposits, moving cost assistance, and motel and hotel vouchers. We reviewed all \$69,425 of the County's expenditures for the housing relocation and stabilization services activity and found that it did not always comply with these requirements. The County erroneously drew down \$42,770 from its financial assistance activity for expenses that should have been drawn down from the housing relocation and stabilization services activity. The expenses were for the salaries, benefits, and other costs associated with the case manager who assisted with providing stabilization services. As a result, the draw of \$42,770 was unsupported. Additionally, the County erroneously drew down \$6,595 from its housing relocation and stabilization services activity for expenses that should have been drawn down from its financial assistance activity. These expenses were related to participant files that had no eligibility or documentation deficiencies. As a result, the draw of \$6,595 was unsupported.

The County also charged indirect costs totaling \$1,580 to the housing relocation and stabilization services activity without getting approval from the Commonwealth to charge indirect costs to the grant. Regulations at 2 CFR (Code of Federal Regulations) Part 225 require departments or agencies desiring to claim indirect costs to prepare an indirect cost rate proposal. The Commonwealth informed us that the County did not submit an indirect rate proposal for review and approval. As a result, the \$1,580 was ineligible.

In addition, the County charged \$653 in excess salary and benefit costs to the housing relocation and stabilization services activity. The timesheets, wage journals, and revenue and expense reports did not support all of the expenditures. As a result, the \$653 was unsupported.

**Data Collection and Administrative Expenses Did Not Always Meet Program Requirements**

We reviewed all \$49,109<sup>5</sup> of the County's expenses for data collection and evaluation and administrative costs. The County did not always ensure that these expenses met program requirements. As a result, it incurred ineligible costs totaling \$790 and unsupported costs totaling \$18,830. The following paragraphs provide details.

- The County erroneously drew down \$16,815 from its data collection and evaluation activity for expenses that should have been drawn down from its

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<sup>5</sup> Data collection and evaluation costs of \$39,986 plus administrative costs of \$9,123 equals \$49,109.

housing relocation and stabilization services activity. Section IV of the HUD notice specifically explained each eligible program activity under the grant and what costs could be charged to it. The HUD notice required that only collecting and reporting expenses associated with HUD's homeless management information system be charged to the data collection and evaluation activity. The expenses were for the salaries, benefits, and other costs associated with the case manager who assisted with providing stabilization services. As a result, the draw of \$16,815 was unsupported.

- The County charged indirect costs totaling \$790 to the data collection and evaluation activity without getting approval from the Commonwealth to charge indirect costs to the grant. Regulations at 2 CFR Part 225 require departments or agencies desiring to claim indirect costs to prepare an indirect cost rate proposal. The Commonwealth informed us that the County did not submit an indirect rate proposal for review and approval. As a result, the \$790 was ineligible.
- The County charged \$2,015 for salaries that were unsupported. It charged \$1,309 to administrative costs for the salaries of three employees that did not have timesheets to support their hours charged to the grant. It also charged \$706 in excess salaries to the data collection and evaluation activity. The timesheets, wage journals, and revenue and expense reports did not support the costs. Section IV of the HUD notice required that administrative costs be used only for the County's staff salaries associated with those who administered the grant. Therefore, the \$2,015 was unsupported.

### **Habitability Inspections Were Not Always Performed**

The County did not comply with program habitability inspection requirements. Section VII of the HUD notice required the County to conduct initial and follow-up inspections of housing units into which a program participant would be moving. Of the 205 participants, 51 had moved into units. The County was required to inspect those 51 units. It did not inspect 40 of the 51 units as required. The participant files lacked documentation to demonstrate that inspections were conducted. The County agreed that it did not conduct all of the necessary inspections because it lacked the human resources necessary to conduct them. Without the inspections, there was no assurance that the units met habitability standards.

## The County Had Excess Funds That Need To Be Returned

During the Commonwealth's July 2012 monitoring review, it determined that the County had \$3,541 in grant funds on deposit in its bank account. The funds represented several payments that had been made to landlords but were returned to the County for various reasons. Article III of the County's grant agreement required it to return unused funds to the Commonwealth. Further, the Recovery Act required grantees and subgrantees to expend 100 percent of the program funds within 3 years from the date on which HUD signed the grant agreement. It stated that any funds not spent by the deadline would be recaptured. HUD signed the grant agreement with the Commonwealth on August 13, 2009, and the funds were still in the County's bank account as of February 2014. Therefore, the County needs to remit the \$3,541 to the Commonwealth so it can be returned to the U.S. Treasury.

## Conclusion

The County did not administer its Homelessness Prevention and Rapid Re-Housing Program in accordance with Recovery Act requirements. This condition occurred because the County did not provide adequate oversight of its case worker, who was responsible for determining client eligibility and maintaining documentation in the participant files, to demonstrate compliance with requirements and support disbursements. Also, it lacked controls to ensure that it complied with program requirements for incurring expenses, processing draws, and conducting inspections. As a result, the County made ineligible expenditures totaling \$35,031<sup>6</sup> and unsupported expenditures totaling \$159,149.<sup>7</sup> It also needs to return \$3,541 in unused program funds. To resolve these issues, the County needs to remit payment for the ineligible costs and unused funds and either provide documentation to support the unsupported costs or remit payment for the costs it cannot support. The County stated that it has resumed working to obtain further documentation and supporting evidence for the deficient participant files and looks forward to working with HUD and the Commonwealth to address the audit issues.

## Recommendations

We recommend that the Director of HUD's Philadelphia Office of Community Planning and Development require the County to

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<sup>6</sup> \$35,031 = \$32,661 + \$1,580 + \$790

<sup>7</sup> \$159,149 = \$86,424 + \$3,877 + \$42,770 + \$6,595 + \$653 + \$16,815 + \$2,015

- 1A. Remit to the Commonwealth \$15,183<sup>8</sup> from non-Federal funds for the ineligible expenditures identified by the audit so the Commonwealth can return the funds to the U.S. Treasury.
- 1B. Provide documentation to support the \$159,149 in unsupported expenditures identified by the audit or repay the Commonwealth from non-Federal funds for any amount that it cannot support so the Commonwealth can return the funds to the U.S. Treasury.
- 1C. Remit to the Commonwealth \$3,541 in program funds on deposit in its grant account so the Commonwealth can return the funds to the U.S. Treasury.

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<sup>8</sup> This figure is net of \$19,848 of ineligible expenditures related to 26 participant files that the Commonwealth also determined were ineligible during its monitoring review (\$35,031 - \$19,848 = \$15,183).

## SCOPE AND METHODOLOGY

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We conducted our onsite work from July through December 2013. We performed our work at the County's office located at 399 South Fifth Street, Sunbury, PA; the Commonwealth's office located at 400 North Street, Harrisburg, PA; and our office located in Baltimore, MD. The audit covered the period September 2009 through June 2012 but was expanded when necessary to include other periods.

To accomplish our objective, we reviewed

- The Recovery Act, Office of Management and Budget implementation guidance, and applicable HUD regulations and guidance.
- The County's grant agreement; grant application; accounting records; program-related files; single audit reports for its fiscal years 2010, 2011, and 2012; policies and procedures; and organizational chart.
- The Commonwealth's grant agreement with HUD, documentation related to its desk and onsite monitoring reviews of the County, and other program-related records.
- Files for 199 participants assisted by the County to determine whether they contained documentation to demonstrate that the participants met program eligibility requirements and included documents such as support for expenses, habitability inspection reports, and lead-based paint disclosures.
- Drawdown reports for the County's grant from HUD's Integrated Disbursement and Information System.
- The County's 20 drawdown requests and related supporting documentation totaling \$291,829 to determine whether expenses charged to its grant were eligible and supported according to program requirements.

We also interviewed responsible County employees, staff from the Commonwealth of Pennsylvania's Department of Community and Economic Development, and officials from HUD's Philadelphia Office of Community Planning and Development.

To achieve our audit objective, we relied in part on computer-processed data from the County's accounting system. We used the computer-processed data to determine the amount of grant funds the County used. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

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.

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## Relevant Internal Controls

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

- Controls that management has implemented to reasonably ensure that (1) funds are withdrawn in accordance with program guidelines and (2) participants meet program eligibility and documentation 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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The County did not provide adequate oversight of the employee responsible for determining participant eligibility and maintaining documentation.
- The County lacked controls to ensure that it complied with program requirements for incurring expenses, processing draws, and conducting inspections.



## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$15,183		
1B		\$159,149	
1C			\$3,541

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ 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.
- 3/ 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, if the County implements our recommendation, it will return unused grant funds to the U.S. Treasury.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION


### Ref to OIG Evaluation

### Auditee Comments

**COMMISSIONERS**

Vinny Clausi, Chairman  
Stephen Bridy, Vice Chairman  
Richard J. Shoch

**PLANNING DEPARTMENT**



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April 10, 2014

David Kasperowicz, Regional Inspector General for Audit  
US Department of Housing and Urban Development  
100 Penn Square East, Suite 10205  
Philadelphia, PA 19107

**RE: Written Comment – U.S. Housing and Urban Development, Office of Inspector General's (OIG) draft results.**

Dear Mr. Kasperowicz:

Thank you for the opportunity to provide written comment in response to the audit results. The comments, where appropriate cite the page number and paragraph of the draft report as discussed during the exit conference meeting and call dated April 2, 2014. We thank you and your staff for the time, effort, and professionalism the representatives of your office conveyed during this difficult process.

**General Comments**  
A full audit was performed by the HUD-OIG.

The finding of such states that the program was not always administered according to the recovery act requirements listed in items 1 through 5 in the *What We Found section of the Highlights Page*. With that said all payments were made to landlords, utilities, clients, and administration items in an effort to expend these funds properly. Deficiencies existed in the records collected and retained to determine client eligibility by the Case worker.

Northumberland County Planning Department experienced turnover of its Director and Grants Manager between the application/award of this grant and its administration.

The current Director and Grants Manager were not part of the application, award, and preliminary development process of the program, thus introduction to such was primarily done on the job. On only one occasion did the current grants manager attend a workshop put on by the Commonwealth and that was in her then role as the fiscal officer for the program roll out. The remainder of her training for the HPRP program was done via two webinars and electronic communication from the Commonwealth, and could not be validated by the Commonwealth if the grants manager did or did not participate in such.

**Comment 1**

The Case manager for the HPRP program was placed with the Adult Services Department due to available office space for day to day operations, until that Case manager's termination on September 16, 2011. The Case manager was not a very experienced in the administration field. This lack of administration experience created a greater learning curve for entry into the program. In hindsight, a more administratively experienced case manager should have been considered. Due to the complex nature and continual changing of the program, the Case manager was in regular contact with the Commonwealth with questions, concerns, and help with program guidance.

Submissions for IDIS draw downs were delivered to the grants manager to have them performed according to the spreadsheet as provided by the case worker. The grants manager did not have day to day contact with the clients.

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*"The County closed out its program in April 2012, leaving a balance of \$73,532, which the Commonwealth recaptured."*

The County voluntarily closed out the program in April 2012 without being prompted to or requested to do such by the Commonwealth.

*"The Commonwealth monitored the County's administration of the grant by conducting a desk review in May 2011 and January 2012. The Commonwealth found that the County did not maintain adequate documentation to support the eligibility of program costs"*

The Commonwealth provided no follow-up call, e-mail, official results, or official feedback of the desk review in May of 2011, which was performed via electronic submission of documents. The Commonwealth was aware the program was continuing during the time following the first desk review without comment or expression of any concern.

In January of 2012 another review was performed, a conference call was held on January 31, 2012 to discuss the findings of the January 2012 desk review. After discussion and consideration internally, the County decided to stop the program. It is difficult to determine what the outcome would have been if results from the first desk review if any, had been provided to the County. With that said, within 4 months of the second desk review the program was stopped, and in those 4 months preceding the stoppage very little to nothing was done with the program while the County considered its options. Within the time of 5/2011 and 1/2012 desk audits approximately \$29,000 was disbursed to clients, utilities, and landlords for this program. This could have potentially been saved had any results, concerns, or issues been expressed or recommended following the initial desk review of 5/2011.

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*"These problems occurred because the County did not provide adequate oversight of its case worker, who was responsible for determining client eligibility and maintaining documentation in the participant files, to demonstrate compliance with requirements and support disbursements."*

We recognize your point, and look to correct such with future programs by providing better oversight, and cross training in program administration. Of further note, during a meeting in Harrisburg, prior to the request of this audit between the County, and the Commonwealth, a representative of the Commonwealth stated to the County - that the "Commonwealth's customer service representatives knew the County caseworker by name, and dealt with her on almost a daily basis. She was in regular contact with them." For the Commonwealth to note this regular contact, they could have worked with the County to express these regular needs the Caseworker had, or potential lack of full understanding of the program. The Commonwealth did not express this to the County until a November 28, 2012 meeting in Harrisburg.

**Page 6**

*"One participant received program funds totaling \$1,440 although ineligible due to an apparent conflict of interest."*

No criminal activity or intent was discovered during this audit as per an email of the summary audit findings dated March 4, 2014.

**Page 5, 6, and 7**

Many of the bullet points discussed in this section were clerical errors in performing the draw downs from the several cost buckets available from which to draw. We request, that if at all possible, the County and/or the Commonwealth be permitted to work with HUD to rectify these mistakes in the IDIS program and thus rectify them.

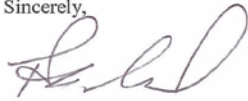
**Page 10**

*"To resolve these issues, the County needs to remit payment for the ineligible costs and unused funds and either provide documentation to support the unsupported costs or remit payment for the costs it cannot support."*

The County was previously told to halt seeking additional documentation. The Adult Services Department, following the exit conference, has resumed working to obtain further documentation and supporting evidence for the deficient participant files in an effort to validate them and looks forward to working with HUD and the Commonwealth on such.

As has been said multiple times during this audit, this was not an easy program to administer, it happened quickly; the dollars were to be expended fast, to best help those most affected by the economic downturn. To this day, in re-visiting with the clients for information the County has received statements thanking the County for the help in their difficult times. The poverty level in Northumberland County is high, and employment opportunities are limited. To utilize a quote from the Commonwealth staff, "this program was like having an airplane in flight and changing the engine during it." These funds were desperately needed by the citizens of Northumberland County, and the payback of any dollars is significant to a County with our limited funds available. We look forward to working with HUD and the Commonwealth to rectify any issues that can be resolved in an effort to help minimize the financial impact this will have on the County. As you all know, the County has limited finances available to make a payback of this magnitude. Furthermore, we look forward to working with HUD and the Commonwealth to ensure this does not happen again.

Sincerely,



Patrick A. Mack  
Director of Planning

### **OIG Evaluation of Auditee Comments**

**Comment 1** We did not identify any payments from the County to clients (program participants). Section IV.A.1 of the HUD notice prohibited the County from making payments directly to program participants.