



Issue Date January 27, 2012

Audit Report Number 2012-NY-1005

TO: Anne Marie Uebbing, Director, Office of Community Planning and Development, 2FD

FROM: //SIGNED//
Edgar Moore, Regional Inspector General for Audit, 2AGA

SUBJECT: The City of Newark, NJ, Had Weaknesses in the Administration of Its Homelessness Prevention and Rapid Re-Housing Program

HIGHLIGHTS

What We Audited and Why

We audited the City of Newark, NJ's administration of its Homelessness Prevention and Rapid Re-Housing Program (HPRP) grant received under the American Recovery and Reinvestment Act of 2009 (Recovery Act). We selected the City based on our risk assessment, which identified the City as the second largest recipient of 23 HPRP grants administered through the U.S. Department of Housing and Urban Development (HUD) Newark, NJ, field office, and HUD's 2010 risk assessment, which assigned a score of 47 to the City, compared to a median score of 34 for all grantees. The audit objective was to determine whether City officials obligated and expended their HPRP funds in accordance with the Recovery Act and HUD regulations, and established and implemented adequate controls to ensure that HPRP funds were adequately safeguarded.

What We Found

While City officials expended funds within prescribed timeframes, they lacked adequate documentation to support that some funds were obligated in a timely manner and expended funds for ineligible and unsupported costs. Specifically, City officials lacked support that \$243,534 was properly obligated by the September 30, 2009, deadline, expended \$38,330 for ineligible activities or

participants, and expended \$18,341 without adequate supporting documentation. In addition, onsite monitoring of subgrantees was not conducted as specified by City policy. These deficiencies occurred because of weaknesses in controls over the administration of the City's HPRP and City officials' unfamiliarity with HUD regulations.

What We Recommend

We recommend that the Director of HUD's New Jersey Office of Community Planning and Development instruct City officials to (1) provide adequate documentation to support whether \$243,534 was obligated in a timely manner (2) reimburse the HPRP line of credit for \$38,330 expended for ineligible costs, (3) provide documentation to adequately support that \$18,341 was expended for eligible costs, and (4) conduct onsite monitoring of the City's subgrantees as specified in its HPRP guidelines.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-4. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided a draft audit report to City officials on December 21, 2011, and held an exit conference on January 9, 2012. City officials provided written comments on January 17, 2012. They generally agreed with the findings and stated that they have begun to make corrective actions based on certain findings, but did not address issues with 12 of the 14 participant files for which assistance provided was questioned.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) is a new housing assistance program administered under the U.S. Department of Housing and Urban Development (HUD), Office of Community Planning and Development. It was funded on February 17, 2009, under the American Recovery and Reinvestment Act of 2009, which provided \$1.5 billion for temporary financial assistance and housing relocation and stabilization services to individuals and families that are homeless or would be homeless but for this assistance. Accordingly, HPRP assistance is targeted at individuals and families that are (1) currently in housing but are at risk of becoming homeless and need temporary rent or utility assistance or assistance to move to another unit or (2) experiencing homelessness (residing in emergency or transitional shelters or on the street) and need temporary assistance to obtain housing. HUD distributed HPRP funding based upon the formula used for its Emergency Shelter Grant program.

In July 2009, HUD awarded more than \$3.5 million in HPRP funds to the City of Newark, NJ, which designated its Office of the Mayor to administer the program. City officials obligated more than \$3.3 million of these funds to four subgrantees.¹ Three subgrantees received more than \$2.7 million to provide direct financial assistance, such as rental and utility payments, to the participants, and one subgrantee received \$596,252 to provide legal assistance. HUD's Integrated Disbursement and Information System disclosed that as of November 29, 2011, City officials had drawn down \$2.8 million from the City's HPRP grant, which represented approximately 80 percent of its authorized grant of \$3.5 million.

The objective of the audit was to determine whether City officials obligated and expended HPRP funds in accordance with the Recovery Act and HUD regulations, and established and implemented adequate controls to ensure that HPRP funds were adequately safeguarded.

¹ HUD's Integrated Disbursement and Information System reported five projects with one subgrantee each; however, there were four unique subgrantees because the City executed two grant agreements for two different forms of HPRP assistance with one subgrantee.

RESULTS OF AUDIT

Finding: The City Had Weaknesses in the Administration of Its HPRP

While City officials expended funds within prescribed timeframes, they lacked adequate documentation to support that some funds were obligated in a timely manner and were expended for eligible and supported costs. Specifically, \$243,534 was not obligated by the September 30, 2009, deadline, \$38,330 was expended for ineligible activities or participants, and \$18,341 was expended without adequate supporting documentation. In addition, City officials did not conduct onsite monitoring of subgrantees in accordance with City policy or adequately document the results. These deficiencies occurred because of weaknesses in controls over the administration of the City's HPRP and City officials' unfamiliarity with HUD regulations. As a result, City officials could not adequately assure HUD that HPRP funds were obligated and disbursed in accordance with HPRP and City requirements.

HPRP Funds Not Obligated Within Required Timeframe

HUD awarded more than \$3.5 million in HPRP funds to the City on July 20, 2009. HUD's "Notice of Allocations, Application Procedures, and Requirements for Homelessness Prevention and Rapid Re-Housing Program Under the American Recovery and Reinvestment Act of 2009", Section E, required grantees to obligate the funds by September 30, 2009. However, City officials lacked adequate documentation to support that \$243,534, or 7 percent of the grant, was obligated as required.

An estimated budget summary in the City's substantial amendment to the 2008 action plan showed that City officials budgeted more than \$3.2 million for program services; \$106,000 for data collection and evaluation; and \$176,667, or the maximum allowable 5 percent, for administrative costs. City officials executed contracts in a timely manner in the amount of approximately \$3.1 million with three subgrantees by September 30, 2009. However, they executed a \$243,534 contract with a fourth subgrantee in May 2010. City officials said that these funds were originally allocated for HPRP administrative costs but that they asked HUD to reprogram them to program services. However, City officials lacked documentation for the request or HUD approval. Further, even if the request had been approved, \$127,201 (\$3,250,680 budgeted plus reallocation of \$243,534 less obligations of \$3,367,014) would not have been obligated in a timely manner.

HPRP Funds Disbursed Within Required Timeframe

City officials disbursed HPRP funds in a timely manner and appeared to be on target to expend all funds within the required timeframe. The HPRP Notice required that 60 percent of HPRP funds be expended within 2 years of being made available to a grantee and that 100 percent be expended within 3 years of that date. HUD's Integrated Disbursement and Information System reported that City officials had drawn down \$2.5 million, or 71 percent, of the authorized amount as of July 31, 2011, thus complying with the 2-year timeframe. Further, HUD's system reported that 80 percent had been drawn down as of November 29, 2011.

Subgrantee Monitoring Not Conducted as Planned or Adequately Documented

City officials did not conduct onsite monitoring of subgrantees as specified in its policy, and the results of its monitoring were not adequately documented. Regulations at 24 CFR (Code of Federal Regulations) 85.40(a), Monitoring and Reporting Program Performance, require HPRP grantees to monitor grant- and subgrant-supported activities to assure compliance with applicable Federal requirements. The City's HPRP policy manual specified that subgrantees would be monitored quarterly. Two of the subgrantees with which grants were executed by September 30, 2009, had received one onsite monitoring visit each (April 2010 and February 2011, respectively), and the third had received two onsite monitoring visits (April 2010 and May 2011) as of the end of our fieldwork. Also, the subgrantee with which the grant had been executed in May 2010 had received two onsite monitoring visits (June 2010 and May 2011). City officials said that they conducted a technical workshop for the subgrantees on May 28, 2010, and often provided guidance to the subgrantees through emails and phone calls and that they monitored subgrantees' performance through the Homeless Management Information System (HMIS).² We also noted that the City had its subgrantees forward all supporting documentation with its requests for reimbursements; however, this control would not address the eligibility of participants or the costs paid on their behalf, as this would require onsite monitoring, which did not appear to have been conducted quarterly as required by City policy.

City officials reported for the 6 onsite monitorings of their subgrantees that 27 participant case files had been reviewed and that no deficiencies were present in the award of assistance. Review of 11 of these files did not note any

² HMIS is an electronic data collection application that is managed and operated locally and that facilitates the collection of information on persons who are homeless or at risk of being homeless. By statute, HPRP grantees are required to report client-level data in HMIS or a comparable database.

noncompliance issues that City officials would have identified. However, neither checklists nor other methods to document what was reviewed during these monitorings were contained in the file.

Reporting Requirements Met in a Timely Manner

City officials generally complied with HPRP reporting and other requirements. Initial, quarterly, and annual performance reports were generally submitted to HUD as required by the HPRP Notice. Before reimbursing the subgrantees, City officials verified the existence of the participants in HMIS. Subgrantees were required to submit monthly programmatic and financial reports, which included information on the number of participants served and the type and amount of assistance provided, copies of cancelled checks and bills paid to the participants' landlords and utility companies, and timesheets for subgrantee officials whose salaries were charged to HPRP. Review of a sample of salaries and administrative cost vouchers from the subgrantees disclosed that costs were reasonable, eligible, and supported by adequate documents.

Funds Disbursed for Ineligible Costs

Review of 46 participant case files for which \$56,671 was disbursed by the City's four subgrantees disclosed that \$38,330 was disbursed contrary to program requirements. This deficiency occurred because of weaknesses in controls over the administration of the City's HPRP regarding determining participant eligibility and City officials' unfamiliarity with HUD regulations. As noted below and detailed in appendix C, the ineligible disbursements were made on behalf of ineligible participants or for ineligible costs.

<u>Ineligible assistance</u>	<u>Number of cases</u>	<u>Amount disbursed</u>
Utility arrears in excess of 6 months	7	\$19,290
Rental and other assistance to ineligible participants	3	\$19,040
Total ineligible costs	10	\$38,330

Ineligible Utility Assistance

Utility arrears assistance of \$19,290 provided to seven participants was ineligible because it exceeded 6 months. This condition occurred because City officials instructed the subgrantees to provide utility arrears assistance in excess of 6

months contrary to the HPRP notice, section IV, which limits utility arrears assistance to up to 6 months. City officials said that they decided to provide utility assistance in excess of 6 months to better serve the participants because soon after receiving 6 months of utility arrears, participants would return to cover their current utility bills. In addition, the identity of one of the participants was not properly supported because the name on the participant's Social Security card was different from that on the participant's driver's license and the driver's license reported a different address than that for which the utilities were in arrears.

Rental and Other Assistance to Ineligible Participants

Rental and other assistance of \$19,040 was paid on behalf of two participants who did not meet HPRP requirements and one participant who did not meet the City's program eligibility requirements. The HPRP notice, section IV, part D, provides that an individual or a household must be at or below 50 percent of the area median income upon entry into the program. However, \$3,000 in rental assistance was paid for a participant whose income exceeded 50 percent of the area median income, and a \$2,572 payment was being processed for a security deposit and rental payment for a participant whose income exceeded 50 percent of the area median income. Further, the file for this latter participant lacked adequate documentation showing that the participant was at risk of being homeless or lacked financial resources to secure housing.

While the City's HPRP policy required participants to be residents of the City for 6 consecutive months, one participant did not meet this requirement. This participant was provided rental assistance of \$10,580, utility assistance of \$1,888, and moving costs of \$1,000 to relocate from Mercer County to the City of Newark. In addition, a notarized letter from a friend was provided as proof of residency; however, the friend was an employee of the City and also acted as an agent for the landlord. Therefore, there was a possible conflict of interest, which is prohibited by the HPRP notice, section VII, A1.

Funds Disbursed for Inadequately Supported Costs

City officials disbursed \$18,341 to five participants without adequate documentation showing that the costs were eligible. Files for two participants awarded \$7,050 (\$4,200 and \$2,850) lacked adequate documentation showing that the households were at risk of losing their housing and did not have other financial resources as required. Section IV, D.3, of the HPRP notice requires that the household be either homeless or at risk of losing its housing and meet both of the following circumstances: (1) no appropriate subsequent housing options have been identified, and (2) the household lacks the financial resources and support networks needed to obtain immediate housing or remain in its existing housing.

Two participants did not meet the City's 6-month residency requirements and were awarded \$9,835 in rental assistance (\$6,235+\$3,600). While the HPRP regulations did not specify a residency requirement, the City's HPRP policy did require a 6-month residency for a participant to be eligible. However, City officials sent an email to their subgrantees on July 27, 2010, announcing that there would no longer be a residency requirement but did not amend their HPRP policy manual. In addition, during our fieldwork, we noticed that subgrantee officials instructed some phone callers inquiring about HPRP assistance, who were nonresidents of the City, to contact their local HPRP grantee because they did not meet the City's residency requirement. Therefore, the \$9,835 disbursed as assistance to nonresidents was considered unsupported.

Another participant was awarded \$1,456 in utility assistance without adequate documentation showing that the participant or a member of his or her household had an account with the utility company or proof of responsibility to make utility payments, such as cancelled checks or receipts from the utility company. Also, the utility bill, in arrears for several years, was for service at an address different from that provided by the participant on the application for assistance.

Conclusion

City officials had not established adequate controls to ensure that the City's HPRP was administered in accordance with HPRP and City requirements. As a result, City officials could not assure HUD that \$243,534 was obligated in a timely manner and that \$56,671 was expended for eligible costs. This condition resulted from weaknesses in controls over HPRP administration regarding determining participant eligibility and City officials' unfamiliarity with HUD regulations.

Recommendations

We recommend that the Director of the New Jersey Office of Community Planning and Development instruct City Officials to

- 1A. Strengthen controls over HPRP implementation to ensure that quarterly onsite monitoring visits of subgrantees are conducted in accordance with the City's guidelines and that review of subgrantee participant files is adequately documented.
- 1B. Provide documentation to support that \$243,534 was obligated in a timely manner. If adequate documentation is not provided, HUD should request a legal opinion on the applicability of the recapture provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act to the unsupported amount.

- 1C. Reimburse the HPRP line of credit from non-Federal funds for \$38,330 expended for ineligible utility arrears, rental, and other assistance.
- 1 D. Revise its policy on reimbursement of utility arrears to comply with HPRP requirements as provided in section IV of the HPRP notice, thus ensuring that any of the remaining \$700,000 in HPRP assistance used for utility assistance will be disbursed in accordance with HPRP guidelines.
- 1E. Provide adequate documentation to support the unsupported costs of \$18,341. If adequate documentation is not provided, the HPRP line of credit should be reimbursed from non-Federal funds.
- 1F. Strengthen controls to ensure that subgrantees properly and consistently approve participants as eligible.
- 1G. Revise its policy manual to reflect any program changes related to participant residency requirements.

SCOPE AND METHODOLOGY

The audit focused on whether City officials administered the City's HPRP in compliance with program requirements.

To accomplish our objective, we

- Reviewed relevant HPRP requirements and applicable Federal regulations.
- Interviewed officials from the HUD New Jersey Office of Community Planning and Development and the City's Office of the Mayor, responsible for administering the City's HPRP, and its subgrantees.
- Obtained an understanding of the City's management controls and procedures through analyzing the grantee's responses to internal control questionnaires and reviewing the City's audited financial statements for fiscal year 2009.
- Analyzed reports on HPRP drawdowns from HUD's Integrated Disbursement and Information System and Line of Credit Control System. We did not review and assess the controls over computer-processed data for the Homeless Management Information System (HMIS) or HUD's Integrated Disbursement and Information System (IDIS), but used the data primarily for informational purposes. Assessment of the reliability of the data in these systems was limited to the data sampled, which was reconciled to the City's records.
- Reviewed the City's HPRP policy manual and subgrantee selection process.
- Reviewed the HPRP grantee agreement between HUD and the City and the subgrantee agreements executed by the City and its subgrantees.
- Reviewed the performance reports the City submitted to FederalReporting.gov and HUD's E-snap reporting systems and the City's subgrantee monitoring, programmatic, and financial reports.
- Selected a nonstatistically based sample of 35 HPRP participant files from the universe of 535 participants who received assistance through the City's three subgrantees to determine whether HPRP funds were disbursed for eligible participants and costs. In addition, we randomly selected 11 of the 27 participant files, which City officials reviewed during their onsite monitoring visits, to assess the adequacy of the monitoring of the subgrantees. The samples were not selected statistically, and, therefore, the results of our review cannot be projected to the universe.
- Selected a nonstatistically based sample of 22 vouchers totaling \$243,884 from a universe of 85 vouchers drawn down for subgrantee salary and administrative costs to determine whether the funds were disbursed for eligible activities and adequately

supported. The sample represented 23 percent of the total disbursement of \$1.1 million for salaries and administrative costs.

The audit generally covered the period October 1, 2009, to June 30, 2011, and was extended as needed to accomplish our objective. We performed our audit fieldwork from August through November 2011 at the City's Office of the Mayor and three subgrantees offices.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

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 the 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:

City officials had not established and implemented adequate policies and procedures to ensure

- Compliance with laws and regulations when they did not obligate HPRP funds within the prescribed timeframe (see finding).
- That resources were safeguarded when City officials allowed funds to be expended on ineligible program costs and for participants whose eligibility was not adequately supported (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

<u>Recommendation</u> <u>number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1B		\$243,534
1C	\$38,330	
1E		18,341
Total	<u>\$38,330</u>	<u>\$261,875</u>

- 1/ Ineligible 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

City

of **NEWARK**

Cory A. Booker
Mayor
Office of the Mayor

January 17, 2012

Mr. Edgar Moore, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
26 Federal Plaza, Room 3430
New York, NY 10278-0068

Dear Mr. Moore,

Please find enclosed a response to the recent Homeless Prevention and Rapid Rehousing program audit exit conference held on January 9, 2012.

Although there have been no official mandates, the City has begun making corrective actions based on certain findings of the auditor.

Should you have any questions, or need additional information please contact me at (973) 733-3889.

Sincerely,

//SIGNED//
Tonya R. Bryan
Policy Advisor/HPRP Program Administrator

Cc: file

Enclosures

920 Broad Street *Room 200*Newark*New Jersey 07102* Telephone 973-7333-6400* Fax 973-733-5325* www.ci.newark.nj.us

HUD Audit Observed Issues Response

CONTRACT DEADLINE

- Comment 1** After Homeless Prevention and Rapid Rehousing (HPRP) contracts had been executed, we realized the City had set aside more than its share of funds for administration. It was then we decided to enter into contract with another agency that had submitted a Request for Proposal and had the next highest score. This contract was then executed May 2010 for a two year period.
- Comment 2** Because other HPRP grantees were releasing RFPs for year two funding, we were not aware of an issue either entering into contract with another agency. The City reached out to its local HUD Program Officer who informed the City that it was permissible to enter into contract with the additional agency. However, we did not receive this authorization in writing.
- Comment 3** According to the City Office of Management and Budget, all funds had been allocated by the September 30th deadline and contracts were accepted by the Municipal Council. (packet given to auditors during exit conference)

PROGRAM COMPETENCY

The City Administrators have participated in various HUD webinars for HPRP and continue to seek ways to learn more about administering the program. However, we co-facilitated a workshop last year at the Supportive Housing Conference on "HPRP Lessons from the Ground", where we shared with colleagues what we learned in year one of administering HPRP.

- Comment 4** Although the auditor noted we did not have a clear understanding of the initiative, we in fact read the entire NOFA and used it as a reference to create our HPRP Policy Manual.
- Comment 5** Any weaknesses in controls over the program occurred due to the initiative being staffed by two individuals. Because the City is not a direct service provider, we rely on the expertise of our sub-grantees to comply with regulations we set before them in the HPRP manual.

PROGRAM MONITORING

- Comment 6** The City of Newark has closely monitored all program activities. Although site visits were not as frequent as mentioned in the Policy Manual, agencies were monitored regularly through HMIS. It is through HMIS that we were able to correct errors sooner, close cases and synchronize reimbursable activities provided. Because HPRP is a new program we used this liberty to modify the frequency of site visits.
- Comment 7** Also within the manual is a list of provided documentation that must be in each file. This list was not required as a checklist document to be included in client files. However, upon site visit this list was used to ensure files contained all required documentation.

Program was also monitored by our State HMIS representative. It was also at that time we were able to correct any deficiencies in program delivery.

REVIEWED FILES

[REDACTED]

Comment 8 Client HMIS #115991348: Review of consumers' case file, the following finding was reported. The consumers' initial intake application reported that her employment at that time was working for the Census Center of New York, and reported having one child earning an hourly rate of \$20.25. Consumer was working on a seasonal basis, not working for the entire year. Additional income reported at that time, child support in the amount of \$170.00 weekly, with a monthly income of \$3,515.00 yearly that would be \$42,180. The program income for a family of 2 is \$35,050. We took in consideration that the consumer just started working at the time of the intake and the job reported was seasonal and what was reported on her income taxes, consumer reported a family of 4 with two additional daughters and one daughter was working as a beautician with an income of \$18,250.

Follow Up: ICM contacted consumer on 11/7/2011 to see how the consumer and the family were doing. This is a NESF programmatic requirement; Consumer stated that she was hired with the Census Bureau as a seasonal worker. Her employment started in November 2009 and ended August 2010, she is no longer living at the residence because the violent gang activity. Consumer lived out her lease and relocated to a safer neighborhood and she currently employed full time with the City of Orange.

As a side note, 9 months of employment with Census Bureau totals a yearly salary of \$31,636.00, which would be complaint with HPRP income guidelines.

Utility payments

Comment 9 All utility payments that were given approval to be paid in full was based on a decision by the City Administration due to the over whelming demand of utility assistance needed. At the program inception utility payments were made only to cover the amount that restored service in a unit. What was occurring was that the client continued to fall behind because the balance was not paid in full, in turn we saw several return clients that had to be denied for assistance. As a service to assist the client with the goal of HPRP to sustain once the assistance was complete, the decision was made to pay bills in full so that the client would have a clean slate moving forward. This was done to increase the potential of not repeating the circumstance of needing assistance in the future.

Lastly, as proof of burden, clients were required to produce a utility bill with a "shut-off notice". Therefore, the full balance must be paid in order for services to remain active. Otherwise, the utilities would have been disconnected and client would have become homeless.

[REDACTED]

Comment 10 Client HMIS Number – 116446248: Conflict of interest that was involved by the City of Newark employee is being looked into. We were not aware that the City employee was as involved in the process as noted.

Comment 10 She initially referred the client because of the initial program fliers that were distributed city wide to make constituents aware of the services. At the time of this case the employee did not receive any financial benefit or gain from assisting the landlord or tenant that were assisted. The employee was requested to have a meeting with the HPRP administrators to further investigate these findings.

Per our meeting on 11/7/11 with City staffer, it was noted that she is realtor property manager separate and apart from her duties at the City of Newark. Said staffer is willing to answer any questions that auditors may have.

Comment 11

OIG Evaluation of Auditee Comments

- Comment 1** City officials acknowledge that a fourth contract was executed in May 2010. Therefore, the \$243,534 contract was not obligated by September 30, 2009
- Comment 2** The 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,” Section E required that grantees obligate all funds to any subgrantees by September 30, 2009. Thus City officials should have been aware of this requirement before executing the May 2010 contract; further, no documentation was provided that HUD approved the obligation of the funds after the September 30, 2009 deadline.
- Comment 3** Although City officials state that all funds had been allocated by the September 30, 2009 deadline, documents provided at the exit conference disclosed that \$3,289,814 of the available \$3,533,348 had been obligated by September 30, 2009, leaving \$243,534 unobligated by the September 30, 2009 deadline .
- Comment 4** While City officials mention the webinar and workshops that they participated in, the audit report also acknowledged that City officials expended funds and met reporting requirements in a timely manner, and noted the technical workshop and other technical guidance City officials provided to the subgrantees. However, while City officials may have read the entire NOFA, they allowed payment of utility arrears in excess of six months contrary to the provisions of the 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,” Section IV, which limited utility arrears assistance to up to six months.
- Comment 5** City officials stated that they are not a direct service provider, and therefore relied on the expertise of their subgrantees to comply with program regulations. However, the City’s HPRP manual provides that City officials should conduct periodic site visits, which would have provided City officials with the necessary assurance subgrantees were complying with the HPRP regulations.
- Comment 6** City officials agreed with us that site visits to the sub grantees were not conducted as frequently as required by the City’s HPRP policy. City officials also stated that they closely monitor their sub grantees through HMIS, as a way to modify the frequency of site visits. However, the use of HMIS would not address the concerns of eligibility of participants or the costs paid on behalf of potentially ineligible participants as stated in the report.
- Comment 7** While City officials used the manual’s list of provided documents on site visits to ensure that files contained all required documentation; their site monitoring reports did not list all the client files reviewed nor document the specific results of each file reviewed.

- Comment 8** We concluded that the client was ineligible for rental assistance because documentation in the file supported that the client claimed a family size of three and total annual income of \$42,180, which exceeded the 50 percent of the area median income limit of \$39,600 as per the HPRP guidelines and the City's policy. While City officials state that the family size is four, they did not include the \$18,250 of income reportedly attributable to the fourth family member, which would result in total household annual income of \$60,430, which exceeds the \$43,800 income limit stipulated for a family size of four. If City officials have additional documentation that the participant was eligible, they should provide it to HUD during the audit resolution process.
- Comment 9** City official agree that assistance of utility arrears was not made in accordance with HPRP guidelines, which limits assistance to six months arrears.
- Comment 10** City officials stated that the potential conflict of interest is being looked into; however, they did not address the potential basis for client ineligibility; specifically, that the client did not meet the City residency requirement, and that the client be a resident of the City for six consecutive months in effect at the time.
- Comment 11** City officials did not provide a response for the remaining 12 questioned cases noted in appendix C of the draft report.

Appendix C

SCHEDULE OF DEFICIENCIES

HMIS award #	IDIS activity #	Ineligible utility cost	Ineligible rental assistance	Ineligible moving cost	Unsupported utility cost	Unsupported rental assistance
119378148	3492	\$4,544			\$1,456	
118566448	3495	2,834				
121328748	3495	1,974				
118460848	3496	3,463				
116928648	3684	1,499				
117936648	3684	3,547				
117375048	3684	1,429				
115991348	3495		\$ 3,000			
121432448	3496		2,572			
116446248	3492	1,888	10,580	\$1,000		
119716648	3492					\$ 3,600
118134948	3492					6,235
117943348	3492					4,200
117881248	3492					2,850
	Total	\$21,178	\$16,152	\$1,000	\$1,456	\$16,885