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TO: Annemarie Uebbing, Director, Office of Community Planning and
Development, Newark, New Jersey, 2FD

FROM: *Edgar Moore*
Edgar Moore, Regional Inspector General for Audit, New York/New Jersey
2AGA

SUBJECT: Bergen County, NJ, Generally Administered Its Homelessness Prevention
and Rapid Re-Housing Program in Accordance With HUD Regulations

HIGHLIGHTS

What We Audited and Why

We audited Bergen County's administration of its Homelessness Prevention and Rapid Re-Housing Program (HPRP) grant received under the American Recovery and Reinvestment Act of 2009. We selected the County based upon a risk assessment that considered the size of the County's HPRP grant, \$4.3 million, which was the largest of 23 direct HPRP city and county grants administered through the Newark field office, and the lack of recent onsite monitoring by the field office of similar programs administered by the County. The audit objective was to determine whether County officials obligated and expended HPRP funds within prescribed timeframes and implemented adequate controls to ensure that grants were awarded for eligible activities in accordance with HPRP requirements.

What We Found

Bergen County officials generally administered the HPRP grant funds in accordance with HUD regulations. Specifically, the officials obligated and expended funds within required timeframes and generally disbursed

grant funds for eligible activities and complied with program financial and administrative requirements. While some participant files did not contain all required documentation and a \$500 grant was erroneously awarded, County officials had taken action to address these issues.

What We Recommend

We recommend that the Director of HUD's Newark Office of Community Planning and Development instruct County officials to strengthen the County's administrative controls to ensure that participant case files include all required supporting documentation and monitoring reviews of subgrantees are conducted regularly.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the results of the review during the audit and at an exit conference on September 14, 2011. We received County officials' written comments on September 23, 2011, in which they generally agreed with the report findings. The complete text of the County'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 American Recovery and Reinvestment Act of 2009, Public Law 111-5, enacted on February 17, 2009, established the Homelessness Prevention and Rapid Re-Housing Program (HPRP) and funded it with \$1.5 billion. HPRP is administered by the U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development. HUD allocated HPRP funding based upon the formula used for its Emergency Shelter Grant program.

The purpose of HPRP is to provide homelessness prevention assistance to households that would otherwise become homeless, many due to the economic crisis, and to provide assistance to rapidly rehouse persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. (United State Code) 11302). HPRP provides temporary financial assistance and housing relocation and stabilization services to individuals and families that are homeless or would be homeless but for this assistance.

In July 2009, HUD allocated more than \$4.3 million in HPRP funds to Bergen County. County officials allocated the funds to six nonprofit organizations and its Division of Community Development. HUD's Integrated Disbursement and Information System disclosed that as of August 22, 2011, the County had drawn down more than \$3.4 million from its HPRP grant, which represented approximately 79 percent of the total amount of \$4.3 million. County reports to HUD disclosed that as of March 31, 2011, 9 full-time-equivalent jobs had been created or retained and 950 households (1,908 people) had been served through the County's HPRP.

Bergen County was established in 1683 and has the largest population among New Jersey counties. The County is governed by the county executive and a seven-member board of freeholders. In addition to HPRP, the Department of Planning and Economic Development, Division of Community Development, administers other HUD programs, such as the Community Development Block Grant and Emergency Shelter Grant programs.

The audit objective was to determine whether County officials obligated and expended HPRP funds within prescribed timeframes and implemented adequate controls to ensure that grants were awarded for eligible activities in accordance with HPRP requirements.

RESULTS OF AUDIT

Finding: County Officials Generally Administered HPRP Funds in Accordance With HUD Regulations

Bergen County officials generally administered HPRP grant funds in accordance with HUD regulations. Specifically, the officials obligated and expended funds within required timeframes, generally disbursed grant funds for eligible activities, and complied with program financial and administrative requirements. While some participant files did not contain all required documentation and a \$500 grant was erroneously awarded, County officials had taken action to address these issues.

Funds Were Obligated and Disbursed in a Timely Manner

County officials complied with HPRP obligation and expenditure requirements. Federal Register Notice FR-5307-N-01 required that grantees obligate HPRP funds by September 30, 2009. County officials obligated all of the more than \$4.3 million it was awarded before this deadline through the following contracts:

Subgrantee or agency	Contract amount	Purpose
Center for Food Action	\$ 118,893	Provide utility payments and security deposits to individuals and families who are homeless or at risk of becoming homeless
Northeast NJ Legal Services	210,000	Provide legal counseling to individuals and families who are homeless or at risk of becoming homeless
Bergen County Community Action Partnership, Inc.	422,000	Provide credit counseling to individuals and families who are homeless or at risk of becoming homeless
Shelter Our Sisters	1,148 ¹	Provide financial assistance and housing relocation and stabilization

¹ The contract was for \$57,310 but was canceled after \$1,148 was incurred for administrative costs to screen 18 applicants after it was determined that required HPRP documentation could not be provided for safety concerns by the applicants who were victims of domestic abuse.

		assistance to individuals and families who are victims of domestic violence
Care Plus, Inc.	851,270	Provide case management and housing search services to individuals and families who are homeless or at risk of becoming homeless
Housing Authority of Bergen County	2,655,577	Provide rental assistance, security and utility deposits, utility payments, and housing search and moving costs to the homeless and those at risk of becoming homeless
Division of Community Development	75,000	Oversee and monitor overall performance of the County's HPRP grant

The Recovery Act requires grantees to expend 60 percent of their HPRP funds within 2 years of the date that funds become available to the grantee for obligation and 100 percent of the funds within 3 years of this date. HUD's Integrated Disbursement and Information System disclosed that as of April 29, 2011, County officials had drawn down more than \$2.7 million in HPRP grants, which represents approximately 64 percent of the \$4.3 million awarded. In addition, County officials stated that they expected to expend all of the funds within the required timeframe.

Funds Were Generally Disbursed for Eligible Activities

County officials generally disbursed funds for eligible costs for the grant awards reviewed. Federal Register Notice FR-5307-N-01 and HUD's HPRP Eligibility Determination and Documentation Guidance detailed the participants and types of costs eligible for the grants. For instance, Federal Register Notice FR-5307-N-01 Part IV.D.2. provides requirements for eligible program participants, such as that a household's total income must be at or below 50 percent of the area average median income (Part IV.D.2.2) and 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 (Part IV.D.2.3).

One County subgrantee erroneously approved an applicant whose income exceeded 50 percent of the area average median income and disbursed \$500 for utility assistance on the applicant's behalf. County and subgrantee officials acknowledged the ineligible payment and took action

during the review to recover the amount. In July 2011, the \$500 was recaptured and reimbursed to the County's HPRP funds.

The County Generally Complied With Administrative and Financial Requirements

County officials generally complied with HPRP administrative and financial requirements. The subgrantee contracts reviewed, to carry out HPRP activities were awarded in compliance with regulations at 24 CFR (Code of Federal Regulations) 85.36. County officials issued a public notice and advertised in local newspapers to achieve an open and competitive competition for subgrantees. County officials evaluated the 10 applications received based on a reasonable set of criteria such as the organizations' experience with homeless clients and rapid rehousing and homeless prevention activities, collaboration with other agencies, and homeless management information systems.

Regulations at 24 CFR 85.40(a), Monitoring and Reporting Program Performance, require HPRP grantees to monitor grant- and subgrant-supported activities to ensure compliance with applicable Federal requirements. County officials stated that subgrantees would be monitored onsite annually. They worked closely with the subgrantees to develop an effective program that incorporated integrated case management, provided guidance, and oversaw the implementation of the program. Subgrantees were required to submit their participant data to the integrated Homeless Management Information System and cooperate with each other while serving the participants. County officials delivered initial training sessions to the subgrantees and provided continual guidance to them through emails, phone calls, and mandatory meetings at the County office to periodically discuss program administration and any changes in program requirements. County officials also conducted onsite monitoring reviews of the six subgrantees in April 2011, provided them a written report and a specific timeframe within which to respond to any monitoring findings, and scheduled a follow-up review. However, while County officials said that they had planned to perform onsite reviews annually, these initial onsite monitoring reviews were conducted 18 months after the subgrantees were awarded the contracts. County officials explained that the delay was due to the late startup of the program and agreed to conduct monitoring reviews more frequently, preferably every 6 months.

While one subgrantee had reportedly conducted habitability and lead-based paint inspections and rent reasonableness analysis, the supporting documentation was not included in the two participant files reviewed. County officials had also identified this deficiency during the April 2011

monitoring review and stated that the subgrantee was taking corrective action.

The Recovery Act requires grantees to submit quarterly reports on how HPRP funds were spent. Federal Register Notice FR-5307-N-01 Part VI.C instructs HPRP grantees to submit initial, quarterly, and annual performance reports to HUD. The County reported the use of the funds as required. County officials reviewed monthly financial reports and all reimbursement requests and supporting documentation submitted by the subgrantees.

Conclusion

County officials complied with HPRP obligation and expenditure requirements, established an effective program, and generally administered the HPRP grant funds reviewed in accordance with HUD regulations. County officials had taken action to address minor exceptions noted. Consequently, County officials provided HUD assurance that the County's HPRP funds were being expended for eligible items.

Recommendations

We recommend that the Director of HUD's Newark Office of Community Planning and Development instruct County officials to strengthen administrative procedures to ensure that

- A. Monitoring reviews of subgrantees are conducted in accordance with County policy.
- B. Participant case files include all required supporting documentation, including habitability and lead-based paint inspections and rent reasonableness analysis.

SCOPE AND METHODOLOGY

We performed the audit fieldwork from May through July 2011 at the County's office located at One Hackensack Plaza, Hackensack, NJ. The audit generally covered the period July 1, 2009, to March 31, 2011, and was extended as necessary.

To accomplish our audit objectives, we

- Reviewed relevant HUD HPRP regulations and guidance, particularly Federal Register Notice FR-5307-N-01 and HUD's HPRP Eligibility Determination and Documentation Guidance.
- Obtained an understanding of the County's administrative and financial management controls and procedures.
- Interviewed HUD field office and County HPRP officials.
- Reviewed the County's independent public accountant audit reports and its subgrantee monitoring review reports.
- Reviewed the HPRP contracts between HUD and the County and between the County and its subgrantees and the related procurement procedures.
- Reviewed performance reports the County submitted to FederalReporting.gov and HUD's E-Snap reporting system.
- Reviewed reports from HUD systems, such as the Integrated Disbursement and Information System and Line of Credit Control System, to document the reported obligation and expenditure of HPRP funds. Assessment of the reliability of the data in these systems was limited to the data sampled, which were reconciled to the County's records.
- Verified that the County obligated its HPRP funds as required.
- Selected a nonstatistical sample of the 10 drawdowns totaling more than \$179,000, which represented the highest administrative costs and employee compensation expenses, to determine whether the funds were disbursed for eligible activities and adequately supported. The sample represented 17 percent of the total disbursement of \$1.1 million for administration. The sample was not statistically selected and cannot be projected to the universe.
- Selected a random nonstatistical sample of 15 participant case files out of 369 HPRP participants—10 of the 299 served by the Bergen County Housing Authority and 5 of the 70 served by the Center for Food Action—to test whether

HPRP grant funds were awarded to eligible participants and for eligible costs.² The sample was not statistically selected and cannot be projected to the universe. However, since there was one monetary error in the 15 files reviewed and our assessment of County controls was strong, we did not deem it necessary to expand the review.

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.

² Since the drawdowns for Northeast NJ Legal Services, Bergen County Community Action Partnership, and Care Plus, Inc., were for administrative and salary costs, which were sampled separately, we specifically selected the participants served by these entities. However, if the sampled participants were also served by any or all of these three entities, we reviewed the documentation from those entities as well.

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 Deficiency

We evaluated internal controls related to the audit objective(s) in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance on the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of Bergen County's internal control.

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



**COUNTY OF BERGEN
COMMUNITY DEVELOPMENT**

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Kathleen A. Donovan
County Executive

September 19, 2011

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

**RE: BERGEN COUNTY COMMUNITY DEVELOPMENT: HOMELESS PREVENTION
AND RAPID RE HOUSING PROGRAM (HPRP) - Audit Report # 2011-NY-10xx**

Dear Mr. Moore:

This letter is in response to our Audit review with Mr. John Harrison and Ms. Yan Sun on September 14, 2011 regarding Bergen County's HPRP program. We are submitting our comments for consideration in the final report.

1. Bergen County will continue to monitor the HPRP program every 6 months until the grant expires in July, 2012. The next monitoring of sub grantees will be scheduled for the month of November, 2011.

2. Prior to the audit review by the Office of the Inspector General (OIG), monitoring of one sub grantee identified that some participant files did not maintain all the required documentation, even though they had conducted the inspections and analysis. The sub grantee was notified of the finding and the corrective actions to be undertaken. This finding was immediately addressed by the sub grantee and a follow up monitoring was done on July 12, 2011 by the County, and the corrective actions were in place. This deficiency was also identified in the audit review and immediate actions were already taken, to ensure that each participant file, continues to maintain all the necessary documentation, as required by Federal regulations.

3. We identified that \$500 was erroneously awarded to one of the participants for utility payment (this was one of the participant files requested during the audit review process). The sub grantee had other funding sources whereby the participant would be deemed eligible for the award. We took immediate corrective action to recapture the funds. In July 2011, the \$500 was re deposited into the HPRP program

Comment 1

Comment 2

Comment 3

Ref to OIG Evaluation

Auditee Comments

and will be used to provide financial assistance by another sub grantee. The auditors were provided with a copy of the check and proof of the deposit by Bergen County Treasury Department.

Our additional comments pertain to the HPRP program and our approach to using the funds most efficiently and effectively under the ARRA funding regulations. We would like to give a brief history on our holistic approach to administering the HPRP grant.

In 2002, the County of Bergen, in collaboration with homeless service providers in the community, conducted an analysis of the existing shelter system in Bergen County. An in depth look at emergency services in Bergen County resulted in the recommendation to create a 75 bed homeless shelter which would include health and human services, as well as meals on-site. As the understanding of homeless needs and services evolved in Bergen County, a marked shift occurred as funders and providers began to move away **from managing homeless towards ending it**. With this changing understanding came a revamping of the initial recommendations moving away from the creation of an emergency shelter towards the development of a one-stop resource center. Responding to the needs of the community, the Bergen County Board of Chosen Freeholders, under the direction of the County Executive, appropriated funds for the creation of a transition center for individuals who are homeless, those in precarious housing situations and the re-entry population.

With the express mission of moving individuals who are homeless into permanent housing and providing the necessary services to ensure long-term success, the Bergen County Housing, Health and Human Services Center will serve as the Bergen County one stop location and Single Point of Entry for housing and services.

Starting in 2007, provider agencies, non-profit organizations, developers, Bergen County officials and other community stakeholders gathered together to discuss the current homeless services provision system. Focus groups were held to analyze the shortfalls and barriers that exist in the current system and develop strategies to reorganize and recreate a system with the ability to quickly respond to the needs of individuals and families experiencing homelessness. The key areas of focus in developing the Ten Year Plan to End Chronic Homelessness included:

- Permanent Housing
- Service Provision
- Discharge Planning
- Education and Advocacy
- County Level Re-organization of Homeless Service Dollars

Through focus on these areas, the Bergen County Ten Year Plan will create an effective system that will end chronic homelessness within the County and free up resources for all. The goal of this plan is to create a system which develops permanent solutions and utilizes available resources in an efficient manner.

Services provided through Bergen County's One Stop Center:

- Temporary emergency shelter
- Complete screening and assessment
- Housing placement and support
- Re entry services

Ref to OIG Evaluation

Auditee Comments

- At risk services
- Nutrition
- Drop in Center

The Housing Authority of Bergen County manages the Bergen County Housing, Health and Human Services Center. The Center Director is responsible for identifying new housing vouchers and support programs like the HPRP program, which was coming on stream prior to the opening of the Center. Also, developing and maintaining relationships with public and private agencies, ensuring a wide range of services are available through the Center, to assist individuals in their efforts to become self-sufficient.

The Bergen County Housing, Health and Human Services Center has developed contracts with experienced service providers working in Bergen County to ensure individuals accessing the center will have the ability to utilize services that may be necessary. Agencies operating under these contracts will provide in-kind services to those accessing the Center. As a means of easing this process, the Bergen County Housing, Health and Human Services Center will provide office space and training facilities for use by partnering agencies. Agencies currently receiving funding for homeless services through any Bergen County RFP process will be required to provide a portion of their services at the Center.

A Culture of Collaboration for the Future

Because of its mission and organizational structure, the Center provides a unique opportunity to nurture a culture built on collaboration, learning and shared services. Since the Center is a focal point and single location for a broad range of services directed at people who are homeless or need assistance connecting with services needed to ensure successful reentry into society; it offers an opportunity for agencies to craft collaborations that improve the effectiveness of their efforts, while reducing their cost. For these agencies, the Center also provides a single source for identifying individuals who need assistance that can be provided through grants from federal, state and local sources. The joint effort of the Housing Authority of Bergen County with the County of Bergen reflects the commitment to a shared services approach designed to improve the ability to plan for and deliver needed services, but also to ensure their cost-effective administration.

The Center was anticipated to be opened in July 2009, when the Homeless Prevention and Rapid Re housing Grant was awarded, but due to circumstances beyond our control it eventually opened in November 2009. The County HPRP program was focused on fulfilling the goals and objectives of the Ten Year Plan to End Chronic Homelessness. Specifically, all sub grantees had to locate their services with the Bergen County Housing, Health and Human Services Center, Bergen's single point of entry and one stop center. Through the new one stop center, these funds were collaborated with other services and implemented a Rapid Re housing program, two key initiatives highlighted in the Ten Year Plan.

Each application was ranked on the following criteria:

1. Experience with homeless clients
2. Experience with Rapid Re housing and Homeless Prevention
3. Collaboration with other agencies
4. Homeless Management Information System (HMIS) participation
5. Continuum of Care(COC) participation
6. Ability to locate services in the Bergen County housing, Health and Human Services Center

Ref to OIG Evaluation

Auditee Comments

Comment 4

Each application, in addition was required to have an effective prevention and re housing system; defined as having three layers: prevention, shelter diversion, and Rapid Re housing.

The goals and objectives included all three components:

- Prevent people from becoming homeless
- Divert people who are applying for shelter, when appropriate into other housing
- Help people who become homeless to quickly move into permanent housing

Once the applicants were selected the majority were located in the Bergen Housing, Health and Human Services Center with the exception of the three sub grantees whose services were best provided at their current location, due to the funded activities awarded. However, the sub grantees collaborated with each other regarding participants whom they referred or required confirmation on services provided at the Center.

An initial mandatory training was done prior to start of the program and several training sessions were provided continuously to the sub grantees through emails, conference calls and mandatory meeting at the County's office. Training manuals and power point presentations were provided as reference materials and the County's administrator was always available to answer any questions, regarding the program. In addition, each sub grantee was required to provide an HPRP financial report, the 5th day of each month. This provided the County with a financial assessment of the funding spent and projection of fulfilling our commitment of spending down 60% of the grant in 2 years. This was a very successful approach to identify and address any problems. All sub grantees were already submitting participant information in the HMIS system, so this was continued cooperation for a new program. Additional training was also provided by the HMIS administrator. Site monitoring reviews were completed later than one year since the program had a late start up and in order to have a fair review of the files, there was a delay. However, monitoring will be done semi annually until the program expires. Our sub grantees have been very cooperative with the administration of the HPRP program and ensuring that we are in compliance with all federal regulations. The County will continue to fulfill their responsibilities as a grantee of the HPRP program.

In conclusion, the HPRP program has assisted many individuals and families from becoming homeless and also provided permanent housing to those who would otherwise, be homeless and living on the streets. Bergen County Housing, Health and Human Services Center will continue to provide a wide array of services to assist individuals and families in their efforts to becoming self sufficient.

If you should have any questions, please feel free to contact me at (201) 336-7225.

Sincerely,



Angela Drakes
Supervising Contract Administrator
Bergen County Division Of Community Development

cc: John Harrison, Assistant Regional Inspector General for Audit
Noreen Best, Acting Director, Bergen County Division of Community Development
Robert Garrison, Acting Director, Department of Planning & Economic Development

OIG Evaluation of Auditee Comments

- Comment 1** Bergen County officials' planned action is responsive to the recommendation.
- Comment 2** The lack of documentation to support inspection and analysis was discussed during the audit with County officials, who had taken action to ensure subrecipient compliance with documentation requirements.
- Comment 3** Documentation for the repayment was provided and so noted in the report.
- Comment 4** The report noted that County officials implemented an integrated case management approach and provided the subrecipients with initial training and subsequent guidance as the program was administered.