



City of New York

OFFICE OF THE COMPTROLLER

John C. Liu
COMPTROLLER



MANAGEMENT AUDIT

Tina Kim

Deputy Comptroller for Audit

Audit Report on the Department of
Homeless Services' Monitoring of the
Homebase Program

MG12-125A

June 27, 2013

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

John C. Liu
COMPTROLLER

June 27, 2013

To the Residents of the City of New York:

My office has audited the controls of the Department of Homeless Services (DHS) over its monitoring of the Homebase program, which endeavors to help families overcome immediate housing problems that can result in homelessness. We audit programs such as this as a means of increasing accountability and ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

The audit concluded that DHS ensured that the Homebase program was carried out in accordance with applicable guidelines and criteria. However, the audit identified certain monitoring control weaknesses. Specifically, DHS should develop written policies and procedures governing the entire monitoring process. In addition, DHS should require that its providers maintain records explaining the initial determinations of client ineligibility and should discontinue its practice of providing advance notice for all of its audits and site visits. Furthermore, because DHS does not formally track complaints it receives on the Homebase program, we could not render an opinion as to whether the agency resolved complaints in a timely and appropriate manner.

To address these issues, the audit made six recommendations, including that DHS should: compile written policies and procedures that its staff can use in the course of monitoring the compliance of Homebase providers with their contracts; require that Homebase providers maintain records of their eligibility assessments of those denied services during the initial inquiry stage of the process; require that some of the audits and site visits to the Homebase providers be unannounced; and maintain a record of complaints it receives pertaining to the Homebase program so that it can track and monitor the resolution of the complaints as well as identify any specific areas that require additional attention.

The results of the audit have been discussed with DHS officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in dark ink, appearing to read "John C. Liu".

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Department of Homeless Services' Monitoring of the Homebase Program

MG12-125A

AUDIT REPORT IN BRIEF

The Department of Homeless Services (DHS) is responsible for preventing homelessness and providing emergency shelter and social services to homeless families. The agency's Homebase program is designed to help families overcome immediate housing problems that can result in homelessness. Through its contracts with eight community-based organizations, which are located in 12 locations throughout the five boroughs, DHS helps homeless families and individuals gain self-sufficiency and move from temporary to permanent housing. According to data reported by DHS, \$16.9 million in Federal funds and \$778,469 in City funds were expended on the Homebase program in Fiscal Year 2012.

In Fiscal Year 2012, providers enrolled 10,847 clients in the Homebase program. Homebase provided these clients with legal, employment, and tenancy services and financial assistance to help solve their various housing needs. DHS was responsible for overseeing the Homebase program and for ensuring that providers followed the guidelines outlined in their contracts and the program criteria developed by DHS.

Audit Findings and Conclusions

DHS ensured that the program was carried out in accordance with the guidelines and criteria of its program. DHS conducted annual performance evaluations, risk assessment reviews, and case file audits in conjunction with a contracted CPA firm. In addition, DHS ensured that any issues reported in the audits were corrected by the providers. DHS also met with providers on a monthly basis, ensured that providers received training as it pertained to the guidelines of the program, and provided support and guidance when necessary. Furthermore, we found no issues with the services offered to clients.

However, we identified weaknesses that DHS should correct. Specifically, DHS should develop written policies and procedures governing the entire monitoring process, including modifying its monitoring checklist. In addition, DHS should require that its providers maintain records explaining the initial determinations of client ineligibility and should discontinue its practice of providing advance notice for all of its risk assessments and case file audits. Furthermore,

because DHS does not formally track complaints it receives on the Homebase program, we could not render an opinion as to whether the agency resolved complaints in a timely and appropriate manner.

Audit Recommendations

To address these issues, we make six recommendations, including that DHS should:

- Compile written policies and procedures that its staff can use in the course of monitoring the compliance of Homebase providers with their contracts.
- Require that Homebase providers maintain records of their eligibility assessments of those denied services during the initial inquiry stage of the process.
- Require that some of the audits and site visits to the Homebase providers be unannounced.
- Maintain a record of complaints it receives pertaining to the Homebase program so that it can track and monitor the resolution of the complaints as well as identify any specific areas that require additional attention.

Agency Response

DHS officials agreed to implement one of the six recommendations in the report (to maintain and verify supporting documents) and asserted that they already comply with three other recommendations (to create policies and procedures, to update the monitoring checklist, and to track complaints). However, during the course of our audit, we were not provided with evidence to support these claims. DHS officials disagreed with the remaining two recommendations that some of DHS's audits and site visits be unannounced and that DHS discontinue its practice of giving providers advance notice of the specific case files selected for review. After carefully reviewing DHS's arguments in response to these two recommendations, we found them to be without merit.

INTRODUCTION

Background

Since its inception in 1993, DHS has been responsible for preventing homelessness and providing emergency shelter and social services to homeless families and individuals in New York City. The services are designed to help homeless families and individuals gain self-sufficiency and move from temporary to permanent housing. Currently, DHS manages nine City-run and 222 privately-run shelter facilities, consisting of 82 adult facilities and 149 family facilities.

Through its contracts with community-based organizations, DHS also provides homeless prevention services. Homebase is a program designed to help families and individuals overcome immediate housing problems that can result in homelessness. The program is administered through eight community-based organizations¹, with 13 locations throughout the five boroughs. For Fiscal Year 2012, the Homebase program received \$16.9 million in Federal funds from the U.S. Department of Housing and Urban Development (HUD) under the Homelessness Prevention and Rapid Re-housing Program (HPRP)² and \$778,469 in City funds. During that year, Homebase also enrolled 10,847 clients for services.

Homebase services include financial assistance, housing workshops, and legal services. This can include assistance with housing, finding jobs, creating household budgets, providing tenancy and legal services, and any other services necessary to prevent clients from entering shelters. DHS contracts with Homebase providers list a number of key performance standards with which the providers are required to comply, six of which are as follows:

- Providing homeless prevention services in the form of housing or financial assistance to individuals or families who are at or below 50 percent of the average median income.
- Maintaining a minimum case load (specific to each provider).
- Holding monthly housing workshops to provide information pertaining to affordable housing subsidies, employment, work supports, and financial empowerment.
- Providing services to clients for up to 90 days from enrollment, closing cases after 90 days of services, and allowing eligible applicants to reapply with a new housing emergency.
- Ensuring that at least 90 percent of each provider's clients do not enter a shelter within one year of enrollment for services.
- Establishing a plan to ensure that all incoming calls and inquiries are responded to by staff in a timely manner.

The DHS Prevention unit (Prevention) is responsible for monitoring the program and administering the contract with providers. The responsibilities of Prevention in reference to monitoring the Homebase program are:

¹ The eight providers include: Catholic Charities of the Archdiocese of New York (ArchNY), CAMBA, Catholic Charities Neighborhood Services, Bronxworks, HELP USA, Palladia, Ridgewood-Bushwick Senior Citizens Counsel, and Partnership for the Homeless. DHS entered into 10 contracts with these eight providers (two contracts with Camba and two contracts with HELP USA).

² This is a Federal program which supports Homebase and provides temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or at high risk of becoming homeless

- Performing Annual Risk Assessments;
- Contracting with CPA firms for annual financial reviews to be performed in association with the unit's case file audits;
- Creating quarterly reports to monitor the services supplied by the providers;
- Meeting with providers on a monthly basis to discuss various issues and agendas pertaining to homelessness;
- Providing administrative assistance, such as conveying information pertaining to policy and procedures, providing ongoing training, and responding to questions from providers; and
- Responding to complaints from clients and prospective clients.

Prospective applicants can apply for Homebase services on their own or they can be referred to the program by Prevention or by homeless shelters. Information regarding Homebase clients is recorded in the Prevention Aftercare Legal Services System (PALS) as well as maintained in hard copy case files stored on site at Homebase provider locations. DHS is able to produce reports and monitor the activity of the providers based on the information entered into PALS³.

Objective

The objective of this audit is to determine whether DHS ensures that the Homebase program is being implemented in accordance with relevant guidelines and requirements.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective, except for the lack of sufficient, appropriate evidence to determine whether DHS was responding to complaints from clients and prospective clients in a timely manner. This issue is disclosed in the subsequent paragraph. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

We requested all complaints received during the months of April, May, and June 2012 and information on the resolutions to ensure that DHS was handling and responding to all complaints regarding the Homebase program in a timely manner and with adequate resolutions. According to DHS officials, however, the relevant database, which is maintained by the City's Department of Information Technology and Telecommunications (DoITT), contains all complaints received by DHS. DHS did not provide us with access to the database, claiming that much of the information recorded therein was outside the scope of the audit and that the agency did not have the capability to electronically identify only those complaints pertaining to the Homebase program. Instead, DHS staff read through the individual complaints and identified those complaints that they believed pertained to Homebase. In the absence of an independent verification that all relevant complaints were identified and provided to us, however, we were unable to determine the completeness of the list provided to us and, therefore, cannot be

³ This is in addition to its review of hard copy case files during site visits.

assured that we received all of the complaints pertaining to issues with Homebase providers. Accordingly, we were unable to test whether DHS responded to complaints pertaining to the Homebase program in a timely and appropriate manner.

The scope of this audit was Fiscal Year 2012. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with DHS officials during and at the conclusion of this audit. A preliminary draft report was sent to DHS officials and was discussed at an exit conference held on May 10, 2013. We submitted a draft report to DHS officials on May 24, 2013, with a request for comments. We received a written response from DHS officials on June 17, 2013.

In their response, DHS officials agreed to implement one of the six recommendations in the report (to maintain and verify supporting documents) and asserted that they already comply with three other recommendations (to create policies and procedures, to update the monitoring checklist, and to track complaints). However, during the course of our audit, we were not provided with evidence to support these claims and, as such, we could not confirm DHS's assertions. DHS officials disagreed with the remaining two recommendations that some of DHS's audits and site visits be unannounced and that DHS discontinue its practice of giving providers advance notice of the specific case files selected for review. Implementing both of these controls would allow DHS to enhance its controls over the monitoring of Homebase providers and would help to ensure that eligible applicants are not denied services. As such, we urge DHS to implement the recommendations made in this report.

The full text of the DHS letter responding to this report is included as an addendum. DHS attached to the letter six exhibits, totaling 113 pages, most of which had been provided to us during the exit conference and had been reviewed as part of our issuance of the draft report. Due to the volume of this information, much of which either does not pertain to our findings or appears to be an attempt to circumvent the issues, we did not include this information in the addendum to our report. Upon request, this additional information will be made available at our office.

FINDINGS AND RECOMMENDATIONS

DHS ensures that the Homebase program is carried out in accordance with the guidelines of its program. DHS conducted annual performance evaluations, risk assessment reviews, and case file audits⁴ in conjunction with a contracted CPA firm. In addition, DHS ensured that any issues reported in the audits were corrected by the providers. DHS also met with the providers on a monthly basis, ensured that providers received training as it pertained to the guidelines of the program, and provided support and guidance when necessary or when requested by the providers. Furthermore, based on our review of 15 case files for three providers, we found no issues with the services offered to the Homebase clients.

Based on information provided to us by DHS, we also found that all of the providers met the two main service targets - maintaining a minimum caseload and ensuring that at least 90 percent of each provider's clients do not enter a DHS shelter within one year of enrollment for services. Compliance with the latter standard can be attributed to various factors, such as clients who: (1) are able to sustain themselves after receiving Homebase services; (2) apply to live in a shelter but are deemed ineligible by DHS staff; or (3) enter a shelter not affiliated with DHS. (DHS does not track the various reasons why clients do not enter a DHS shelter within the year.)

However, we did find certain weaknesses which DHS should correct. Specifically, DHS should develop written policies and procedures governing the entire monitoring process. In addition, DHS should modify its monitoring checklist to include all contractual aspects that are required to be reviewed. DHS should also require that its providers maintain records explaining the initial determinations of client ineligibility and should discontinue its practice of providing advance notice for all of its risk assessment and case file audits.

As noted in our qualification, DHS does not formally track complaints received for the Homebase program. As a result, we could not render an opinion as to whether DHS resolved complaints it received from Homebase clients and prospective clients in a timely and appropriate manner. These issues are discussed in more detail below.

Issues Regarding DHS's Monitoring Procedures

DHS has inadequate policies and procedures governing its staff's monitoring of Homebase providers. In addition, the checklist used by Prevention staff during the risk assessment process does not cover all aspects of the program's requirements. The enhancement of both of these tools would help DHS to more effectively monitor its Homebase providers.

Inadequate Policies and Procedures

DHS has not adequately developed policies and procedures for its staff to follow in the monitoring of Homebase providers' compliance with the key components of the contract. Although DHS uses a wide variety of tools to monitor the providers, without formal procedures specifically developed for its staff that summarize all procedures and detail responsibility and accountability, DHS's ability to ensure that Homebase providers are monitored in a consistent manner by Prevention staff is diminished.

⁴ Risk assessments are performed annually by DHS staff and consist of a review of 10 to 25 randomly selected cases per provider. These reviews are performed prior to the case file audits, which are conducted annually by DHS in conjunction with fiscal audits performed by CPA firms. The CPA firm randomly selects 25 cases per provider. Both types of reviews are designed to ensure compliance with program guidelines.

On several occasions, we asked DHS to provide its policies and procedures manual pertaining specifically to the agency’s monitoring of the Homebase providers. Officials eventually directed us to the HPRP Desk Guide, which they had already provided to us at the beginning of the audit. They said that they had no other policies and procedures for monitoring Homebase providers. However, while the HPRP Desk Guide does incorporate all of HUD’s and DHS’s requirements for Homebase eligibility, it is written for the benefit of the Homebase providers themselves and does not provide direction to Prevention staff about the monitoring of those providers.

In the absence of a manual that outlines the specific steps pertaining to the monitoring process, we conducted interviews with Prevention staff and officials to determine their responsibilities regarding the monitoring process. Specifically, we found DHS lacks a detailed description of the monitoring process, such as the steps to be followed and the purpose, frequency, and expected results of the steps. Instead, the Prevention Director informed us that staff is simply expected to “know” these details. In addition, other monitoring aspects, such as ensuring that providers offer the required monthly workshops or that they perform community outreach, is not included in any memo or directive issued to Prevention staff.

Policies and procedures can be used by management to provide guidance to staff in carrying out their responsibilities and as a control to reduce the risk that the program’s mission may not be achieved. By developing written procedures to guide its staff with the monitoring of the Homebase providers’ compliance with their contracts, DHS will be better able to ensure that Homebase providers are monitored in a consistent manner by its staff and that all relevant areas are adequately addressed. This, in turn, will reduce the risk that eligible clients may be denied services or, conversely, ineligible clients may be provided with services.

At the exit conference, DHS officials provided us with four documents that they felt pertained to the monitoring of Homebase providers. For two of the documents—the HPRP Monitoring Client Eligibility document and the Risk Assessment Tool—the exit conference was the first time we were made aware of their existence. DHS stated that Prevention staff are using these documents during their risk assessment process. However, we question the extent to which these documents are used because they were not identified by Prevention staff and officials when we met with them during the audit to discuss the monitoring process. Regardless of whether or not Prevention staff use these documents, they are not an adequate substitute for a comprehensive policies and procedures manual. Each document provided by DHS as evidence of its policies and procedures is actually written for the benefit of the Homebase providers to assist them in carrying out the program requirements. Policies and procedures for Prevention staff, on the other hand, would be written for the benefit of that staff to provide guidance in the conduct of their duties. Having those procedures assembled in a formal manual would help ensure that all Prevention staff are aware of their responsibilities. Additionally, a formal manual would serve as a reference point for questions that arise during the course of day-to-day operations.

Checklist Needs to be Modified

The checklist used by DHS to perform its risk assessments and case file audits does not cover all aspects of the program requirements. Instead, DHS relies on the knowledge of its Prevention staff during these reviews, thereby creating a risk where key provisions of the program can be overlooked during the review process.

As part of its monitoring process, DHS performs annual risk assessment reviews and annual case file audits. These reviews consist of selecting a random sample of 10 to 25 files per provider to review during risk assessments and 25 files to review for annual audits. During the review process, DHS staff uses a checklist as a guide for the required documents expected to be maintained within the case files. When we met with the Prevention Director to discuss the specific procedures involved during risk assessments and case file audits, we asked for any guidelines that staff utilize when reviewing the case files. The Director provided us with a checklist and stated that she and her staff “know” what to look for when reviewing files. However, the provided checklist was limited to five areas mandated by the Federal program, HPRP. According to the HPRP guidelines, the following documents are required to be included in the file for each household or individual receiving services:

- Initial consultation of eligibility;
- Staff certification of eligibility;
- Assessment of housing options;
- Proof of income; and
- Evaluation of risk of homelessness.

However, there are additional program requirements mandated by DHS, such as:

- Certification of rent reasonableness⁵;
- Habitability/lead inspection;
- Lease/proof of residence;
- Assessment of future ability to pay; and
- Service plan to assist clients, identifying the services that have been provided and those that are required.

Because the written checklist is so minimal, DHS staff responsible for reviewing these files are expected to have detailed knowledge of the program and to be aware of these additional requirements so that they can ensure that the providers maintain complete and accurate case files that meet all the program requirements, even those not listed on the HPRP checklist.

Notwithstanding the above, a more detailed and extensive checklist would assist staff and supervisors in ensuring that all relevant areas are assessed during reviews.

After we shared our findings with DHS officials, they provided us with a more extensive checklist that they intend to use for Fiscal Year 2013. While this checklist does include more aspects pertaining to the Homebase program, it is still not all inclusive and should be updated to reflect all program requirements.

During the exit conference, DHS referred to the Risk Assessment Tool, stating that it covered all areas mentioned in our report. Officials explained that the Risk Assessment Tool is given to Homebase providers as a guide to perform their own risk assessments and that Prevention staff also utilize the Risk Assessment Tool during their review of case files. As stated previously, however, given the fact that this document was not identified as a monitoring tool by DHS staff during the course of the audit and when we presented our findings to DHS, we question to what extent the Risk Assessment Tool is being used by Prevention staff.

⁵ This is a verification to ensure that the correct amount of rent is being charged.

Recommendations

DHS should:

1. Compile the written policies and procedures that Prevention staff can use in the course of monitoring the compliance of Homebase providers with their contracts.

DHS Response: DHS claims that it already complies with this recommendation, stating: “Contrary to the Comptroller’s findings, DHS has comprehensive written policies and procedures for its monitoring of Homebase providers.” DHS identifies several documents that it asserts are part of its policies and procedures, namely, the HPRP Program manual (also referred to as the HPRP Desk Guide), Risk Assessment Tool, Risk Assessment Letter, and Monitoring Client Eligibility. DHS concludes by stating that “...these documents were distributed to all Prevention staff and Homebase providers, and were used as a core component of trainings, monitoring visits, and risk assessments. Consequently, DHS disagrees with Recommendation 1, as written policies and procedures that Prevention staff can use in the course of monitoring Homebase providers for compliance exist and are in use.”

Auditor Comment: As stated previously, the above-mentioned documents are disbursed throughout DHS to such an extent that the first time we were even made aware of the existence of two of them (the HPRP Monitoring Client Eligibility and the Risk Assessment Tool) was at the exit conference. If DHS did, in fact, have a “comprehensive [set of] written policies and procedures,” we question why the agency did not provide it to us during the course of our audit. It is only subsequent to receiving our preliminary draft report that DHS claimed that Prevention staff were using the above-mentioned documents as part of their monitoring process. Moreover, regardless of whether or not the documents were used, they are customized for the benefit of the Homebase providers. These documents are *not* a replacement for a codified policies and procedures manual created for Prevention staff to guide them in monitoring the program. As such, we urge DHS to create a formal manual that outlines all of the monitoring responsibilities of Prevention staff.

2. Update its monitoring checklist to include all program requirements, including those incorporated in the Risk Assessment Tool.

DHS Response: DHS claims that it already complies with this recommendation, stating: “The Risk Assessment Tool itself...lists all relevant Homebase and HPRP benchmarks.” DHS identifies various aspects of the program addressed in the Risk Assessment Tool and adds that “...DHS has updated the Risk Assessment Tool for City Fiscal Year 2013, and that document offers an even more comprehensive checklist for staff completing risk assessments.... Consequently, DHS disagrees with Recommendation 2, as its current Risk Assessment Tool and checklist include all Homebase program requirements, and the document is used in all risk assessments.”

Auditor Comment: As previously stated, DHS officials had several opportunities during the course of our audit to bring the Risk Assessment Tool to our attention, including at the time that we shared our preliminary findings with them, and yet they did not do so until the exit conference. In addition, in response to our findings, DHS

officials provided us with an updated checklist that they claimed was used during Fiscal Year 2013. However, as stated in the report, the checklist itself did not cover all critical details of the program. After the exit conference and upon receipt of our draft report, DHS referred for the first time to an updated Risk Assessment Tool for Fiscal Year 2013, claiming that it offers a more comprehensive checklist. However, we were provided with no evidence that they were used by Prevention staff as part of the monitoring process. Accordingly, we are unable to give credence to DHS's claims.

Controls to Ensure Applicants' Eligibility Should be Strengthened

To help ensure that eligible applicants are not unfairly denied services, DHS should enhance its controls relating to (1) the maintenance of supporting documents and (2) the performance of audits and site visits.

Inadequate Maintenance and Verification of Supporting Evidence

Homebase providers are not required to keep any records pertaining to what was discussed during the informal initial inquiry regarding eligibility. As such, for applicants who are denied services or referred to other service providers, DHS is hindered in following up to verify that those actions were appropriate.

Potential clients must reach out to Homebase providers in order to receive services. When clients make their initial inquiries, designated intake staff determines whether the clients are likely to be eligible for Homebase services. The initial inquiry consists merely of a conversation to determine whether the applicant lives in the community district served by the provider and to obtain a verbal description of the applicant's housing crisis. No documents are required to be collected for those applicants deemed ineligible for services during the initial consultation, and providers do not enter any of this information into their database. Currently, DHS verifies supporting evidence only for those applicants who pass the initial consultation/pre-screening interview and are called in for a second interview.

Because DHS has no requirement for providers to keep track of those applicants who are deemed to be ineligible at the time of their initial inquiry, DHS is hindered from tracking how many applicants want to apply for services and how many of them are initially denied services. DHS is also hindered from determining whether these service denials are appropriate. Because DHS does review the results of the services supplied by the Homebase providers and can assess liquidated damages for poor results, there is an incentive for providers to deny services to applicants who, based on their initial assessment, are viewed as more likely to end up in a shelter after having received services. Therefore, DHS must assure itself that the providers are not denying services to the more challenging cases in order to improve their overall results.

Lack of Unannounced Audits and Site Visits

Audits and site inspections are an integral part of an internal control structure whereby an agency can ensure that program goals and objectives are being achieved. DHS is required to perform risk assessment reviews and case file audits to ensure that clients receiving Homebase services are eligible to receive them and that the clients have provided documentation to substantiate their eligibility. To help ensure that only eligible applicants are approved to receive

Homebase services, DHS Prevention staff is required to randomly select and review case files during the annual site visits to provider locations.

However, DHS has no requirement that any of its reviews or audits be unannounced. DHS provided us with evidence to indicate that during Fiscal Year 2012, Prevention staff completed nine risk assessment reviews and nine case file audits, reviewing a total of 291 case files. DHS provided as much as 38 days of advance notice of the visits, even going as far as giving the providers the list of case files selected for review and the checklist to be used in the review process. Under these circumstances, the risk that providers may inappropriately modify their files to make certain that they contained all of the required information is increased, thereby minimizing the effectiveness of the audits and reviews.

At the exit conference, DHS stated that it follows the HUD guideline for monitoring the Homebase program. However, while the HUD guideline does allow for advance notice, the guideline does not restrict DHS from performing unannounced visits. In addition, the guideline does not mandate that DHS notify Homebase providers in advance of the cases to be audited or provide them with a detailed list of items that will be reviewed. This is all the more relevant when taking into account the fact that Homebase providers already receive prior access to the various tools used by Prevention staff during the course of the audit, such as the checklist.

Recommendations

DHS should:

3. Require that Homebase providers maintain records of their eligibility assessments of those denied services during the initial inquiry stage of the process.

DHS Response: DHS agreed, stating: "...DHS will review the mechanisms by which Homebase providers maintain records of their contracts with confirmed Homebase applicants during the initial inquiry stage of the process."

4. Require that some of the audits and site visits to the Homebase providers be unannounced.
5. Discontinue its practice of giving Homebase providers prior notice of the specific case files selected for audit or review.

DHS Response: DHS disagreed with recommendations 4 and 5, stating: "In light of federal guidance, as well as the fact that the Auditors found no issue with the services offered to Homebase clients following their review of 15 case files for the three providers, DHS disagrees with Recommendations 4 and 5, requiring that some of DHS' audits and site visits to Homebase providers be unannounced, and that DHS discontinue its practice of giving Homebase providers prior notice of the specific case files selected for audit or review."

Auditor Comment: An audit is intended, among other things, to identify weaknesses that increase the risk that instances of non-compliance might occur and not be detected. The significance of a weakness is not necessarily dependent on whether audit testing identifies an actual instance of non-compliance. Accordingly, regardless of the results of our review of 15 case files, the fact remains that the weaknesses we identified in DHS's oversight process increase the risk of there

being undetected non-compliance. As stated earlier, while HUD guidelines do allow for the advance notice of audit or review visits, the guidelines neither prohibit DHS from performing unannounced visits nor require DHS to provide Homebase providers with a detailed list of the items that will be reviewed. In an effort to ensure that Homebase providers are consistently operating in accordance with all required procedures—not just when they are aware of an impending audit—it is imperative for DHS to establish a more effective method of oversight.

Other Issue

DHS Should Formally Track Complaints Received Regarding the Homebase Program

DHS does not formally track complaints that it receives pertaining to the Homebase program. Accordingly, we are unable to render an opinion as to whether DHS generally resolves the complaints it receives from Homebase clients and prospective clients in a timely and appropriate manner.

Complaints received by DHS are recorded in a database called the Enterprise Correspondence System, which is maintained by DoITT⁶. According to DHS, the database contains all complaints received by the agency and does not distinguish between complaints that are specific to Homebase providers and those that are applicable to other DHS programs. According to DHS officials, all complaints pertaining to Homebase are forwarded to Prevention, which can either resolve the complaint itself or forward it to a Homebase provider. Regardless of who resolves the complaint, DHS must enter the resolution of the complaint into the database within 14 days from when the case was initially assigned. However, Prevention does not formally track these complaints or maintain a detailed record of complaints received pertaining to Homebase. Further, we have no evidence that all Homebase-related complaints are forwarded to Prevention or to the Homebase providers in accordance with the agency's policy. When we asked DHS to provide us with a list of the Homebase-related complaints it received during the months of April, May, and June 2012, DHS had to assign staff to (1) access the database, (2) read through the individual complaints, and (3) identify those they believed pertained to Homebase.

We intended to determine whether DHS resolved complaints received by Homebase clients in a timely and appropriate manner. However, we were unable to use these complaints in our analysis because we were unable to independently verify that the complaints provided to us represent the entire population of Homebase-related complaints received by DHS. As such, we are unable to offer an opinion on DHS's performance in this area.

Creating a formal tool to manage and track complaints can aid the agency not only in monitoring whether complaints are resolved timely and appropriately but also in identifying potential areas of concern, especially any that may be unique to a particular provider. A high number of complaints in a particular area or related to a specific provider could be a signal to DHS that further attention is warranted to ascertain whether a problem may exist.

During the exit conference, DHS officials provided us with a list reportedly showing the number of complaints against each provider that the agency received during Fiscal Year 2012, asserting

⁶ Complaints can be received through 3-1-1, the Mayor's office, or the DHS Commissioner. Regardless of the source, all complaints and their resolutions are entered into this database.

that this was their tracking system. However, DHS staff would still need to read each complaint recorded in the Enterprise Correspondence System in order to identify those pertaining specifically to the Homebase program.

Recommendation

6. DHS should maintain a record of complaints it receives pertaining to the Homebase program so that it can track and monitor the resolution of the complaints as well as identify any specific areas that require additional attention.

DHS Response: DHS claims that it complies with this recommendation, stating: “The initial query of the [Enterprise Correspondence] database pulled 87 total complaints issued to Prevention for April through June 2012. While the data file included complaints regarding the Homebase program, as Homebase is a program overseen by DHS Prevention, it also included complaints on other Prevention programs and initiatives, separate and apart from Homebase. Thus, in order to provide only those complaints relevant to the Auditors’ request ... DHS reviewed the 87 complaints in order to assure that only responsive documents were provided. ...

“While not provided to the Auditors in response to their request, Prevention does internally track complaints that are sent to them through the Enterprise Correspondence system. This was not produced at the time because the printouts from Enterprise Correspondence were more robust, more inclusive, and contained information on the relevant response deadlines.

“As there is a significant and comprehensive tracker, and as the Auditors did not take issue with any of the complaint resolutions produced to them, DHS disagreed with Recommendation 6, as it already maintains a record of complaints received.”

Auditor Comment: As we say in the report and DHS itself acknowledges in its response, in order to provide us with the complaints it received pertaining to Homebase, DHS staff had to review all complaints regarding Prevention programs to identify those that pertained to the Homebase program. That would have been unnecessary had a system already been in place in which DHS tracked and monitored Homebase-related complaints. Additionally, as DHS also acknowledges in its response, the agency did not provide us with evidence of Prevention’s internal tracking of complaints. Accordingly, we have no assurance that such tracking takes place. In the absence of evidence to the contrary, we reaffirm our finding and recommendation.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective, except for the lack of sufficient, appropriate evidence to determine whether DHS was responding to complaints from clients and prospective clients in a timely manner. This issue is disclosed in the subsequent paragraph. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

We requested all complaints received during the months of April, May, and June 2012 and information on the resolutions to ensure that DHS was handling and responding to all complaints regarding the Homebase program in a timely manner and with adequate resolutions. According to DHS officials, however, the relevant database, which is maintained by DoITT, contains all complaints received by DHS. DHS did not provide us with access to the database, claiming that much of the information recorded therein was outside the scope of the audit and that the agency did not have the capability to electronically identify only those complaints pertaining to the Homebase program. Instead, DHS staff read through the individual complaints and identified those complaints that they believed pertained to Homebase. In the absence of an independent verification that all relevant complaints were identified and provided to us, however, we were unable to determine the completeness of the list provided to us and, therefore, cannot be assured that we received all of the complaints pertaining to issues with Homebase providers. Accordingly, we were unable to test whether DHS responded to complaints pertaining to the Homebase program in a timely and appropriate manner.

The scope of the audit was Fiscal Year 2012 (July 1, 2011, through June 30, 2012).

To accomplish our objective and to obtain an understanding of DHS controls over the monitoring of the Homebase Program, we conducted walk-through meetings with the following DHS officials: Assistant Commissioner of Prevention, Director of Prevention, DHS Senior Counsel, Deputy Director of Fiscal Procurement, and Deputy Agency Chief Contracting Officer. In addition, to gain an understanding of the computer program used by DHS to track provider performance⁷, we met with the Assistant Commissioner of the DHS Information Technology unit.

To obtain an understanding of Homebase providers' functions, responsibilities, and day-to-day operations, we met with the Program Directors and Managers for four randomly selected Homebase providers: Catholic Charities of the Archdiocese of New York, HELP USA, Partnership for the Homeless, and Ridgewood-Bushwick Senior Citizens Counsel.

To gain an understanding of program requirements and criteria applicable to our audit objective, we reviewed contracts between DHS and five Homebase providers. In addition, we reviewed the performance evaluations that DHS conducted for the 10 Homebase contracts and verified that the information was entered into VENDEX⁸ for Fiscal Years 2011 and 2012. We also reviewed the policies and procedures established by the Federal HHRP that serve as a guide for the Homebase providers in their day-to-day operations as well as DHS's own policies and procedures pertaining to the responsibilities of the providers.

⁷ The computer system used by DHS is the Prevention Aftercare Legal Services (PALS).

⁸ VENDEX is a Citywide system that provides comprehensive contract management information.

To obtain insight as it pertained to the performance of the Homebase providers, we reviewed the DHS' Prevention Stat reports for quarters one and two of Fiscal Year 2012⁹. The report includes statistics pertaining to the providers' overall performance, client aftercare, client profile data, and service outcomes. We also reviewed a total of nine Annual Risk Assessment reports¹⁰ and nine Case File Audit reports prepared during Fiscal Year 2012. DHS did not provide a risk assessment or case file audit report for one of the providers at the time of our initial review, so we were not able to review and evaluate the results therein and include them in our analysis.

To determine the extent of DHS's oversight and monitoring of its contract with the providers, we judgmentally selected three Homebase providers, the two Homebase providers with the highest contract dollar amounts and the provider with the greatest number of issues with its case files according to DHS risk assessment and case file audit reports.

To determine whether DHS had adequately reviewed the files during their risk assessments and case file audits, we randomly selected five files from each provider for a total of 15 case files. Based on HPRP guidelines and DHS program requirements, we created our own checklist of documents that were required to be maintained in the case files. We then reviewed the case files to determine whether they complied with the guidelines and requirements and whether any issues cited by DHS in its reviews of the case files had been resolved. In addition, we reviewed the service plans within each case file to obtain an understanding of the specific needs of each client and to verify that a plan of service to meet the needs of each client was, in fact, created.

In relation to Homebase providers' compliance with annual service targets, which included maintaining a minimum caseload and ensuring that at least 90 percent of each provider's clients did not enter a DHS shelter within one year of enrollment for services, we reviewed DHS's annual performance statistics reports.

To determine whether DHS ensured that providers met their contractual obligation to hold monthly housing workshops for the community, we requested a listing of all workshops for each provider during Calendar Year 2012. We then reviewed the supporting documents for the workshops for April, May, and June 2012 to verify that the workshops had been held.

⁹ Although the reports are supposed to be produced on a quarterly basis, DHS did not produce the reports for quarters three and four.

¹⁰ Each report lists the case files selected by DHS, which ranges from 10 to 25 files, describes the issues found in the case files, and contains the provider's response and plans to correct the issues (where applicable).

Michela M. Ovesey
Commissioner

June 17, 2013

Fran S. Winter
First Deputy Commissioner

Ellen Howard-Cooper
Deputy Commissioner
Prevention Services
ehcooper@dhs.nyc.gov

33 Beaver Street
20th Floor
New York, NY 10004

212.361.7990 tel
212.487.7931 fax

BY HAND

Tina Kim
The City of New York
Office of the Comptroller
1 Centre Street, Room 1100
New York, NY 10007-2341

Re: DHS' Response to Audit Report on the Monitoring of the
Homebase Program (MG12-125A)

Dear Ms. Kim:

This letter is the New York City Department of Homeless Services' ("DHS" or the "Agency") response to the City of New York Office of the Comptroller's ("Comptroller" or "Auditors") Final Draft Audit Report dated May 24, 2013 ("Draft Report"), concerning DHS' administration of its Homebase Program during City Fiscal Year 2012. The objective of the Comptroller Audit was "to determine whether DHS ensures that the Homebase program is being implemented in accordance with relevant guidelines and requirements." (Draft Report at 4)

In the "Audit Findings and Conclusions" section of the Draft Report, the Auditors state that

- "DHS ensured that the [Homebase] program was carried out in accordance with the guidelines and criteria of its program."
- "DHS conducted annual performance evaluations, risk assessment reviews, and case file audits in conjunction with a contracted CPA firm."
- "DHS ensured that any issues reported in the audits were corrected by the providers."
- "DHS also met with the providers on a monthly basis, ensured that providers received training as it pertained to the

guidelines of the program, and provided support and guidance when necessary or when requested by the providers.”

- “[We] found no issues with the services offered to the Homebase clients.”
(emphasis added)

(Draft Report at 1)

Moreover, in the “Findings and Recommendations” section, the Auditors write, “we also found that all of the providers met the two main service targets – maintaining a minimum caseload and ensuring that at least 90 percent of each provider’s clients do not enter a DHS shelter within one year of enrollment for services.” (Draft Report at 6) (emphasis added)

DHS is proud of the finding that Homebase is an effective homelessness prevention program that is well-monitored and maintained. The program operates in strict compliance with rules and regulations set forth by the federal and state funding agencies (HUD and OTDA). This Agency is surprised at the Auditors’ findings and recommendations that “DHS has inadequate policies and procedures governing its staff’s monitoring of Homebase providers.” (Draft Report at 6) We believe the Comptroller has drawn conclusions and made findings in contravention of documents produced and interviews held. Each of the recommendations are addressed herein, and supporting documents are attached.

I) Homebase and HPRP

DHS’ Homebase program is a network of neighborhood-based service centers throughout the City’s five boroughs, operated through contracts with eight not-for-profit providers.¹ Homebase’s goal is to prevent homelessness by screening and identifying households at risk of entering shelter and providing emergency case management services, including housing location, financial education, legal services, mediation, budgeting, household repairs, and assistance in obtaining work support benefits. Homebase providers offer both short and medium-term, flexible financial assistance so that clients can maintain or secure stable housing. Homebase also provides diversion and rapid re-housing services, which include a mix of short- and long term housing options and financial assistance, to homeless New Yorkers to assist them in returning to the community. Homebase assesses the strengths of each client to identify the resources that will best help them to obtain or retain permanent housing without entering the shelter system.

DHS began the Homebase program in Fiscal Year 2005. At that time, the program was funded with a mix of city, state and federal reimbursement. In 2009, after the passage of the American

¹ During this audit, the Auditors specifically looked at three of the providers: Catholic Charities of the Archdiocese of New York (“ArchNY”), HELP USA, and Palladia.

Recovery and Reinvestment Act (“ARRA”), the Federal government, through the Department of Housing and Urban Development (“HUD”), established a new funding stream called the Homelessness Prevention and Rapid Re-Housing Program (“HPRP”). On August 1, 2009, the City of New York entered into a grant agreement with HUD for the HPRP Program in the amount of \$73,929,729. That agreement with the City, with DHS as the administrator of the grant, ensures that each entity that administers all or a portion of the City’s HPRP grant funds fully complies with HUD-based HPRP requirements. The purpose of the HPRP Program was to provide homelessness prevention assistance to households at risk of becoming homeless and to provide assistance to rapidly re-house persons who are homeless. The guidelines, eligibility requirements and limitations of the HPRP Program are found in the HUD HPRP Notice FR-5307- N-01, issued March 19, 2009 (the “HPRP Notice”). HPRP funding ran from Fiscal Year 2010 through Fiscal Year 2012 (FY12 being the scope of this audit), at which point federal funding came through a newly-expanded funding stream called Emergency Solutions Grants (“ESG”). HPRP was the first federal funding stream that provided federal reimbursement for prevention services, Homebase’s bailiwick. ESG continues that reimbursement today.

For Fiscal Year 2012, the Homebase program received \$11,934,687 in federal HPRP funds, \$5,000,000 in TANF funds, and \$903,769 in City tax levy funds.

II) Training Homebase Providers

Since the outset of the Homebase program, DHS has effectively, and consistently, trained its providers on program requirements. These trainings have included in-person seminars, risk assessment visits and corrective action follow-ups, email and phone communications, and provision of numerous training documents and written procedures. These trainings intensified with the advent of HPRP in Fiscal Year 2010.

Indeed, in order to ensure the efficient and effective disbursement of HPRP funds for eligible HPRP activities, DHS provided, and continues to provide, its Homebase Providers with comprehensive trainings on the HPRP Program and its various requirements. These trainings included seminars at DHS, onsite work at providers’ headquarters, retreats, refresher courses, and substantial written materials and guidance. The Agency commenced its training program soon after the signing of the HPRP Grant Agreement (August 2009) and training on a variety of topics has continued to date.

Indeed, while the present audit looked only at Fiscal Year 2012, training on Homebase and HPRP requirements – eligibility, case management, case file documentation, reporting, etc. – has been ongoing since the beginning of the Homebase program in FY05, and with a strong training regimen on HPRP requirements beginning in FY10. Importantly, any and all trainings in FY12 did not occur in a vacuum, but rather were a focused set of workshops and trainings to enhance the prior lessons learned and to reinforce program requirements.

As an example, beginning in FY10, DHS provided trainings on the following topics to its various Homebase Providers:

| <u>DATE</u> | <u>TOPIC</u> |
|---------------------|--|
| • 6/24/09 - 6/25/09 | 2009 Regional HPRP Training |
| • 8/26/09 | Provider Meeting: HPRP Eligible Activities and Requirements |
| • 9/24/09 | Budget and Monthly Billing Training |
| • 10/1/09 | HPRP Retreat, Full Day |
| • 12/2/09 | Provider Meeting: Documenting HPRP Eligibility/HPRP Desk Guide |
| • 12/15/09 | HPRP Desk Guide |
| • 1/27/10 | Provider Meeting: Financial Assistance Policies and Procedures |
| • 2/1/10 | FY10: Funding Requirements, Internal Controls, Risk Assessment and Budget Modification |
| • 2/3/10 - 3/3/10 | Rapid Re-housing Training Series |
| • 3/9/10 | HUD HPRP Webinar Series Announcement |
| • 3/11/10 - 4/2/11 | Provider Site Visits: Risk Assessments and On-site Technical Assistance |
| • 3/24/10 | Provider Meeting: HUD Revisions to HPRP Eligibility Documents |
| • 5/19/10 | Revised HPRP Desk Guide |
| • 6/10/10 | Budget and Monthly Billing Training |
| • 6/23/10 | Revised Financial Assistance Policies and Procedures |
| • 7/12/10 - 8/23/10 | On-Site Program HPRP Trainings & On-site Technical Assistance |
| • 9/13/10 - 9/17/10 | Database Training and User Guide |
| • 2/2/11 - 2/10/11 | Provider Site Visits: Risk Assessments and On-site Technical Assistance |
| • 2/16/11 | Provider Meeting: HPRP Summary of Risk Assessments and Best Practices |
| • 6/28/11 | Budget and Monthly Billing Training |
| • 8/12/11 - 9/16/11 | Database Training |
| • 7/16/12 - 7/31/12 | On-Site Program Trainings & On-site Technical Assistance |
| • 10/23/12 | Homebase Conference 2012 |
| • 12/10-12-12/20/12 | CARES training |

Moreover, in response to a specific Auditor request – who examined Homebase providers

ArchNY, HELP USA, and Palladia – DHS provided the attached list of extensive trainings, workshops and seminars in CY12. (See Homebase Workshops CY12, attached as Exhibit A)

In addition to this comprehensive training, DHS staff also conducts risk assessments of its Homebase Providers to assess Program compliance. If in the course of the risk assessments conducted onsite with the Provider, DHS discovers issues with the Provider's application of the Program, DHS requires the Provider to develop and submit a Corrective Action Plan, which became the starting point for the subsequent Risk Assessment. Risk Assessments and Corrective Action Plans for ARCHNY, HELP USA and Palladia were provided to the Auditors during their review.

III) Policies and Procedures

FINDING: DHS has inadequate policies and procedures governing its staff's monitoring of Homebase providers. In addition, the checklist used by Prevention staff during the risk assessment process does not cover all aspects of the program's requirements. (Draft Report at 6)

RESPONSE: Contrary to the Comptroller's findings, DHS has comprehensive written policies and procedures for its monitoring of Homebase providers. DHS provided these documents to the Comptroller.

As discussed in Section II, above, DHS has exhaustively trained its Homebase providers since the program began in FY05. Pointedly, this training shifted to contain a significant HPRP focus starting in FY10 when federal funding constituted the majority of the Homebase budget. Consequently, in order to ensure the greatest degree of federal reimbursement, DHS needed to train its providers on how to ensure that all program requirements were met. Significant training topics included risk assessments and monitoring, and each was accompanied by significant written documentation.

Primary amongst these documents is the program manual developed for Homebase providers in administration of the HPRP Program. This seventy (70) page document was created specifically to inform Homebase providers of the standards required in administration of HPRP, the documentation required to be maintained, and DHS oversight. Contrary to the Auditors' statements in the Draft Report, Prevention staff doesn't simply "know" the details of risk assessments and monitoring inspections; rather, the staff has been extensively trained in all aspects of Homebase and HPRP Programs and are aware of the many program components that DHS looks for during risk assessment and monitoring inspections.

Moreover, as described in Section IV, below, once DHS formalized program requirements in writing (i.e., the HPRP Desk Guide) and completed its initial trainings, DHS Prevention developed a Risk Assessment Tool to monitor Homebase provider compliance, distributed it to all Homebase providers and utilized it in provider trainings. (See Risk Assessment Tool, attached

as Exhibit C) This Tool gave ample notice to providers of how to conduct a risk assessment as well as the purpose of the risk assessment, and sets forth all of the areas that are looked at by DHS during risk assessments and monitoring visits, including HPRP-specific and general Homebase requirements. This document also lists assessment areas, HPRP categories and requirements, and documentation types and standards.

Starting in March and April of 2010, DHS Prevention integrated the Risk Assessment Tool into its monitoring practices. In efforts to further train providers, DHS included Homebase provider supervisory staff in the provider's first case file monitoring session. As stated in the letters sent to providers advising them of their first risk assessment for HPRP: "Risk assessment[s] are] a process that you and your staff will participate in after DHS leaves, therefore, we are asking that at least two supervisory and/or QA staff from your program participate in the assessment with us." (See HPRP Risk Assessment Letter, attached as Exhibit D).

Once DHS completed the first round of risk assessments and once provider corrective action plans were in place (where necessary), DHS Prevention conducted a second round of training in July and August 2010. These trainings were conducted at each of the Homebase provider offices. Training topics included: client eligibility, eligible program activities, case file documentation standards and program requirements. DHS facilitated several activities, one of which was in regards to case file documentation. DHS brought in a sample case file to the trainings and the attendees were required to evaluate the file using the Risk Assessment Tool. The activity concluded with a discussion of the tool, the case file findings and best practices. (See list of training, above).

Finally, in February 2011, DHS Prevention finalized an internal procedure document that provides guidance for DHS Prevention staff on the monitoring and risk assessment process. (HPRP, Monitoring Client Eligibility, attached as Exhibit E). This document sets out the process for: conducting comprehensive HPRP client eligibility monitoring, including case file selection; training of monitoring staff; implementation of risk assessments (four steps – notification letter, entrance conference, exit conference, and monitoring letter); and, a timeline for the process. The document also includes a "sample notification letter" for HPRP Client Eligibility Risk Assessments.

Indeed, this procedure – directed at DHS Prevention staff – addresses each of the Auditors' concerns:

- How to conduct a risk assessment: The procedure includes the entire process for conducting "comprehensive client eligibility monitoring." It describes the four basic steps, including notification letters, entrance conferences, exit conferences and monitoring letters. It also includes guidance on case file selection and training DHS

monitoring staff. The sample notification letter provides a general overview of this process as well as a general overview of the type of documents that must be located in each HPRP participant file. (Ex. E at 2, 4)

- Purpose of a risk assessment: Under “Purpose,” the procedure states “[t]his document is designed to provide guidance for conducting comprehensive client eligibility monitoring of the [HPRP] Program.” Moreover, the sample notification letter states that the “purpose of this memo is to inform you that DHS will be sending a QA team to your site to conduct an HPRP client eligibility risk assessment. . . . The purpose of the risk assessment is to review on-site documentation to insure compliance with HUD-issued guidance.” (Ex. E at 2, 4)
- How frequently one should conduct a risk assessment: Under “Timeline,” the procedure states “Client Eligibility Monitoring should be conducted on an annual basis in conjunction with other quality assurance and audit activities.” (Ex. E at 3)
- Expected results of the risk assessment/How to determine which actions should be taken by providers: Under “Implementation,” the procedure describes both exit conferences and monitoring letters. During an exit conference, DHS monitoring staff will “[m]eet with management staff and provide preliminary results of the monitoring visit and identify[] any deficiencies[, allow for the recipient to correct any misconceptions or misunderstandings and if any deficiencies have been identified, allow for the recipient staff to report on any corrective actions they may already be taking.” The monitoring letter, submitted after the exit conference, “should summarize findings . . . and specify corrective actions[, indicate any concerns encountered and include specific recommendations for improvement.” This letter also “[r]equest[s] a written response . . . for all identified deficiencies and include[s] a deadline for this response.” (Ex. E at 2-4)

The documents described above, including the Monitoring Client Eligibility internal procedure, sufficiently detail the provider monitoring process. Moreover, as described, these documents were distributed to all Prevention staff and Homepage providers, and were used as a core component of trainings, monitoring visits, and risk assessments. Consequently, DHS disagrees with Recommendation 1, as written policies and procedures that Prevention staff can use in the course of monitoring Homepage providers for compliance exist and are in use.

IV) Risk Assessments and Checklists

FINDING: The checklist used by DHS to perform its risk assessments and case file audits does not cover all aspects of the program requirements.

RESPONSE: The Risk Assessment Tool itself (discussed in Section II, above, and attached as Exhibit C), lists all relevant Homebase and HPRP benchmarks. On its cover page, it identifies six areas of program performance to be evaluated by DHS staff: universal issues; income; housing status; housing options, financial resources & support networks; financial assistance; and overall findings.

In addition to the HPRP standards, which are required for federal funding eligibility, the Risk Assessment Tool also includes DHS-mandated program requirements, and general areas of applicability, even those the Report found to be absent. (Draft Report at 8).

Specifically, the Risk Assessment Tool addresses each of the Auditors' concerns:

- Certification of Rent Reasonableness – Aside from the fact that this is a requirement for federal funding, and that HUD has twice audited DHS' administration of the HPRP program and made no findings with respect to certification of rent reasonableness, the DHS Homebase Risk Assessment specifically checks for this documentation: "Does apartment meet the rent reasonableness standard specified in the Desk Guide? Was the Rent Reasonableness Checklist and Certification signed and dated and/or are 3 newspaper internet ads and/or letter from landlord available to validate rent reasonableness?" (Page 10, Section F_1); (*see also* Page 10, Section F_2) ("Is the rental cost in compliance with HUD's standard of rent reasonableness?")
- Habitability/inspection – Aside from the fact that this is a requirement for federal funding, and that HUD has twice audited DHS' administration of the HPRP program and made no findings with respect to certification of rent reasonableness. Importantly, this HUD requirement was only applicable when a program participant was moving into new housing (not remaining in existing housing). The DHS Risk Assessment specifically checks for this documentation: "If participant was relocated to a new unit by the program, was an on-site habitability inspection conducted?" (Page 10, Section F_2).
- Lease/proof of residence – The DHS Risk Assessment specifically checks for this documentation: "Is there a copy of lease naming host family/friend as leaseholder?" (Page 6, Section HSP_2); (Page 6; Section HSP_3); (*see also* Page 6; Section HSP_4) ("Is there a copy of lease naming applicant as leaseholder?"); (Page 7; Section HSP_5) ("Does it identify the HPRP applicant and residence where HPRP applicant is the homeowner?"); (Page 7; Section HSP_6) ("Is there a copy of lease naming applicant as leaseholder?"); (Page 7, Section HSP_7) ("Self-declaration of housing status").

- Assessment of future ability to pay – First, this is neither a federal, state or local requirement, and is not part of Homebase eligibility. Regardless, Homebase does examine finances, and the DHS Risk Assessment specifically checks for this information: “Does the record include an assessment summary or other statement indicating that applicant lacks financial resources and support networks to obtain other appropriate housing or remain in their housing?” (Page 8, Section “Assessment of financial resources and support services”); (*see also* Page 8, “RE-ASSESSMENTS”) (same).
- Service plan to assist clients, identifying the services that have been provided and those that are required – Homebase is required to develop a service plan that is designed to meet the housing needs of the household and prevent shelter entry. Homebase is not required to provide specific services. The service plan is developed by the Case Manager in conjunction with the client; services may include, but are not limited to; family or tenant/landlord mediation, household budgeting, emergency rental assistance, job training and placement; and benefits advocacy (child care, food stamps, tax credits, public health insurance). DHS monitors service through reports from the Homebase case management data system.

The document described above sufficiently details the provider monitoring process. Moreover, DHS has updated the Risk Assessment Tool for City Fiscal Year 2013, and that document offers an even more comprehensive checklist for staff completing risk assessments (attached as Exhibit E) Consequently, DHS disagrees with Recommendation 2, as its current Risk Assessment Tool and checklist include all Homebase program requirements, and the document is used in all risk assessments.

V) Risk Assessment Controls

FINDING: DHS should enhance its controls relating to (1) the maintenance of supporting documents, and (2) the performance of audits and site visits.

RESPONSE: Since the implementation of the Homebase program, and especially with the implementation of HPRP programming, DHS has instituted a set of controls to effectively monitor its providers. This ongoing collaboration with provider organizations (pursuant to long-term contracts with the City, with options to renew) has resulted in the administration of a program that not only meets all Federal requirements and DHS standards, but also provides comprehensive services to thousands of homeless, and at risk of homeless, New Yorkers.

As stated above, these controls have been the subject of several Federal audits, as well as yearly audits by Deloitte & Touche, through the City’s Single Audit process. As these are high

standards to meet, DHS has, to the extent feasible, followed Federal standards in developing its Homebase program, which has become a model for the nation. Consequently, DHS takes issue with the Report's findings that these controls are not sufficiently stringent.

Inadequate Maintenance and Verification of Supporting Evidence

The Draft Report states that Homebase providers are not required to keep any records pertaining to what was discussed during the informal initial inquiry regarding eligibility. "Informal initial inquiries" occur when a Homebase applicant asks Homebase staff, either in person or over the phone, whether he or she might be eligible for the program. This is separate from applicant eligibility screenings, which are documented and recorded in a DHS data system. Current practice is for Homebase to keep a log of all persons who come into a Homebase office, but there are not records of all phone calls that come in to that office.

During the actual eligibility screening with Homebase staff, any and all information taken from program applicants is recorded in a DHS data system (e.g., demographic information, pre-screen questions, reason for ineligibility, etc.). This system was PALS, and is now CARES. However, documentation for case files may not be possible in all situations as households that are found ineligible for Homebase services have been found to be resistant to providing documentation. In many cases, it is the very lack of providing documentation to Homebase that results in program ineligibility. While HUD was silent with respect to this issue during administration of HPRP, HUD's guidance with respect to its current funding stream, Emergency Solutions Grants ("ESG"), participants are required to keep records of clients that are screened and classified as ineligible.

In accordance with Recommendation 3, DHS will review the mechanisms by which Homebase providers maintain records of their contacts with confirmed Homebase applicants during the initial inquiry stage of the process.

Lack of Unannounced Audits and Site Visits

Regarding the Auditors' finding that DHS should not provide advance notice of its monitoring visits or of the case files to be inspected, DHS acts in accordance with Federal HUD guidance on this issue. HUD's guidebook, titled "Managing CDBG: A Guidebook for CDBG Grantees on Subrecipient Oversight" (See Chapter 5-3) states: "There is no magic to monitoring, but it helps if you avoid giving the impression that you're trying to catch subrecipients making mistakes and nail them with the blame."; see also Chapter 5-5: "In addition to the questions of how often and how thoroughly to monitor, your monitoring plan should specify when you expect to visit each subrecipient." (See http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17086.pdf). Further, one of the

five basic steps of any monitoring visit is a “Notification Letter: Begin the on-site monitoring process with a telephone call to explain the purpose of the monitoring and to arrange mutually convenient dates for your visits.” (Id. at Chapter 5-8). Importantly, HUD guidance states that entrance letters should be sent at least two weeks prior to the monitoring.

As DHS’ administration of the Homebase and HPRP programs is already subject to significant Federal and local oversight by auditors who do not provide advance notification of site visits or of files to be reviewed, DHS adheres to the above federal guidance on how to maintain open communication, and a collaborative relationship, with its providers.

In light of federal guidance, as well as the fact that the Auditors found no issue with the services offered to Homebase clients following their review of 15 case files for the three providers, DHS disagrees with Recommendations 4 and 5, requiring that some of DHS’ audits and site visits to Homebase providers be unannounced, and that DHS discontinue its practice of giving Homebase providers prior notice of the specific case files selected for audit or review.

VI) Complaints

FINDING: DHS does not formally track complaints that it receives pertaining to the Homebase program.

RESPONSE: As discussed with the Auditors, any external complaints regarding DHS Prevention, whether related to Homebase or to other Prevention programs or initiatives, can come in directly to DHS or to City Hall. In either scenario, the complaint is entered into a City-wide central tracking system, and dispersed by DHS Executive Office staff to DHS Prevention with a deadline for response.² Upon assignment to Prevention, or the relevant DHS division, the Prevention Division manager, logs the complaint and assigns it to an appropriate DHS Prevention staffperson to respond. When a response is provided, the Division manager reviews it to ensure that the complaint has been investigated and that a response has been provided. Upon review, the complaint is closed and forwarded to DHS Executive Office staff.³

The City-wide tracking system discussed above is the product of a significant City initiative and is used by many mayoral agencies across the City. Starting in April 2012, DOITT (in collaboration with the Mayor’s Office) rolled out Enterprise Correspondence, a computerized database to centrally-track all 311 or other agency-based complaints. While all City agencies have access to the system, DOITT maintains it. Consequently, if DHS wants to run a query, it must send that request to DOITT and receive a batch file.

² This is the same process for complaints specific to all other DHS divisions.

³ At the Auditors’ request, DHS arranged an interview with the Prevention Division Manager, LaVonnie Bost-Barksdale to discuss the process, but the Auditors’ cancelled the interview.

In this case, in response to the Auditors request for all external complaints regarding Homebase from April through June 2012, DHS requested the data file of all complaints sent to DHS' Prevention Division for that time period, because Enterprise Correspondence can track complaints by Agency division (though not by Agency division programs). The initial query of the database pulled 87 total complaints issued to Prevention for April through June 2012. While the data file included complaints regarding the Homebase program, as Homebase is a program overseen by DHS Prevention, it also included complaints on other Prevention programs and initiatives, separate and apart from Homebase. Thus, in order to provide only those complaints relevant to the Auditors' request, and that were within the scope of the audit, DHS reviewed the 87 complaints in order to assure that only responsive documents were provided. Following its review, DHS produced the 10 complaints and the timely and comprehensive responses to them.

While not provided to the Auditors in response to their request, Prevention does internally track complaints that are sent to them through the Enterprise Correspondence system. This was not produced at the time because the printouts from Enterprise Correspondence were more robust, more inclusive, and contained information on the relevant response deadlines.

As there is a significant and comprehensive complaint tracker, and as the Auditors did not take issue with any of the complaint resolutions produced to them, DHS disagreed with Recommendation 6, as it already maintains a record of complaints received.

In closing, we thank the Auditors for their efforts in performing this review and giving DHS an opportunity to respond to the Draft Report's findings and recommendations.

Sincerely,



Ellen Howard-Cooper
Deputy Commissioner
Prevention, Policy & Planning

cc: DHS
Michele M. Ovesey
Fran Winter
Steve Pock
Michael King
Aaron C. Goodman, Esq.

Mayor's Office of Operations
George Davis, III