

SHELTER PLUS CARE (SPC) PROGRAM

Audit Report No. SPC0108

February 29, 2008



**MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY**

Internal Audit Report

AUDITOR'S REPORT

Shelter Plus Care (SPC) Program

Harris County, Texas

Internal Audit Report

February 29, 2008

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Internal Auditor





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Re: Shelter Plus Care (SPC) Program (Report No. SPC0108)

BACKGROUND

Mental Health and Mental Retardation Authority (MHMRA) of Harris County is a sub recipient of the Harris County Community and Economic Development Department, and carries out a SPC funded program that provides rental assistance and supportive services to homeless and disabled persons who reside in the Harris County service area.

The SPC program is authorized by Title IV, Subtitle F, of the Stewart B. McKinney Homeless Assistance Act and is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have acquired immunodeficiency syndrome (AIDS) and related diseases) and their families. The program provides grants to be used for rental assistance for permanent housing for homeless persons with disabilities. Rental assistance grants must be matched in the aggregate by supportive services that are equal in value to the amount of rental assistance and appropriate to the needs of the population to be served. Recipients are chosen on a competitive basis nationwide.

Housing Quality Standards

Housing that is assisted with SPC funds, at a minimum, must meet Housing Quality Standards (HQS) in 24 C.F.R. &882.109, and if applicable 24 C.F.R. &882.803(b). The Sponsor Agency shall notify the Grantee, of any and all units in need of HQS inspection. The Grantee shall perform HQS inspections for all units to be assisted with funds provided under the Agreement. Before any rental assistance will be provided, each unit shall be physically inspected and must meet HQS. Assistance will not be provided for units that fail to meet HQS, unless the owner/landlord corrects any deficiencies within thirty (30) days from the date of the lease agreement. HQS inspections performed by the Grantee shall not preclude the Sponsor Agency from its responsibility to ensure that units are in compliance with HQS between initial and annual inspections by the Grantee.

In addition, the Sponsor Agency must document rent reasonableness for each unit receiving assistance in accordance with 24 C.F.R. Part 582.305(b).

Time of Performance

Services of the Sponsor Agency shall start on the 24th day of July 2007 and end on the 30th day of April 2008, or until funds are expended, whichever occurs sooner, in accordance with the Grant Agreement between HUD and the Grantee dated June 11, 2007. The Agreement may only be extended upon written approval from HUD.

Reports and Deadlines

The Sponsor Agency shall furnish the following reports to the Grantee:

- a. Household Characteristics Report will contain information on the total rent, the total subsidy, and the amount paid by each tenant-submitted to the Grantee on a monthly basis.
- b. Household Characteristics Summary detailing the number and types of rental units and categories of participants' disabilities submitted to the Grantee on a monthly basis.
- c. Certification letter signed by Sponsor Agency's authorized official that all SPC participant data is current in HMIS on a monthly basis.
- d. Financial Reports (Reimbursement Request, Cost Control Report, Cost Worksheet) submitted to the Grantee on a monthly basis.
- e. Quarterly Operations Match/Share Reports.
- f. Persons Served Worksheet submitted to the Grantee on a quarterly basis. This form will summarize the number of persons actually served by the Program.
- g. Annual Progress Report (APR) summarizing the number of persons served during the year.
- h. Sufficient documentation to support any amounts requested through invoices to the Grantee including, but not limited to, lease agreements for each participant. The Grantee will be the sole determiner of "sufficient documentations."
- i. Monthly reports are to be submitted within fifteen (15) working days of the end of the reporting periods.
- j. Quarterly Operations Match/Share Reports are due within thirty (30) days of the end of each quarter detailing the amount of match incurred by the Sponsor Agency during the previous three (3) months.
- k. The APR is due within one month after the end of the Agreement period.

**2006 MHMRA SPC RENEWAL TX244C60-2055
Maximum Amount to be Paid Under Current Agreement**

	SHELTER PLUS CARE	MATCH	PROJECT BUDGET
	<i>Grantee</i>	<i>Sponsor Agency</i>	
SPC Rental Assistance	\$1,965,168.00	\$0	\$1,965,168.00
Administrative Cost*	\$0	\$0	\$0
Supportive Services	\$0	\$1,965,168.00	\$1,965,168.00
Total Budget	\$1,965,168.00	\$1,965,168.00	\$3,930,336.00

*An amount up to 8% of the grant may be used for administrative costs after rental assistance has been paid. Sponsor Agency may request up to 6% of the grant.

The Sponsor Agency shall administer rental assistance to two hundred & forty-eight (248) disabled homeless individuals and their families. The amount of rental assistance is calculated as follows:

RENTAL ASSISTANCE

Bedroom Size	Number of Requested Units	FMR	Number of Months	Total Amount
SRO	0	\$427	0	0
0	0	569	12	0
1	215	633	12	1,633,140.00
2	27	768	12	248,832.00
3	3	1,024	12	36,864.00
4	3	1,287	12	46,332.00
Total	248			\$1,965,168.00

50th Percentile Fair Market Rents-effective 11/01/2006

OBJECTIVES

The overall objectives of the audit were to determine whether the departments:

- Managed and used resources in an efficient, effective, and economical manner.
- Administered funds in compliance with applicable laws, regulations, and policies and procedures.
- Implemented internal controls to prevent or detect material errors and irregularities.

The specific objective in this audit was to:

- Assist management with the assessment of the adequacy of internal controls associated with compliance with applicable Federal and State laws, regulations, and policies.
- To determine whether the sub recipient has implemented and administered SPC funded activities according to all applicable Federal requirements.

SCOPE

The scope of the work did not constitute an evaluation of the overall internal control structure of the units. The examination was designed to evaluate and test compliance with established policies and procedures and to test the internal control over tested areas and material. The audit scope was from September 1, 2007 through January 31, 2008.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policies and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected in a timely manner. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

The purpose of the audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. The audit report is not an appraisal or rating of management.

Although due professional care in the performance was exercised, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. Specific areas for improvement are addressed later in this report.

Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. Internal Audit would like to thank management and staff for their cooperation throughout the audit.

METHODOLOGY

In order to meet the objectives, Internal Audit evaluated controls and reviewed policies and procedures for compliance and completeness. MHMRA staff was interviewed and audit tests and procedures were conducted as considered necessary.

The sample size and selection were statistically generated using a desired confidence level of 95%, expected error rate of 5%, and a desired precision of +/-5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that Internal Audit plan and perform the audit to afford a reasonable basis for the judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. An audit also includes assessing the estimates, judgments, and decision made by Agency management. It is believed that this audit provides a reasonable basis for the findings, conclusions, and recommendations.

RESULTS

As a result of the audit procedures and surveys conducted, it was determined that the departmental compliance with established criteria and accuracy of reporting do not meet Agency Policy and Procedures. Further, the sub recipient does not have an adequate system of internal controls. Compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal and State programs is the responsibility of the Authority's management. Internal Audit expresses an opinion on the Authority's compliance based upon the audit.

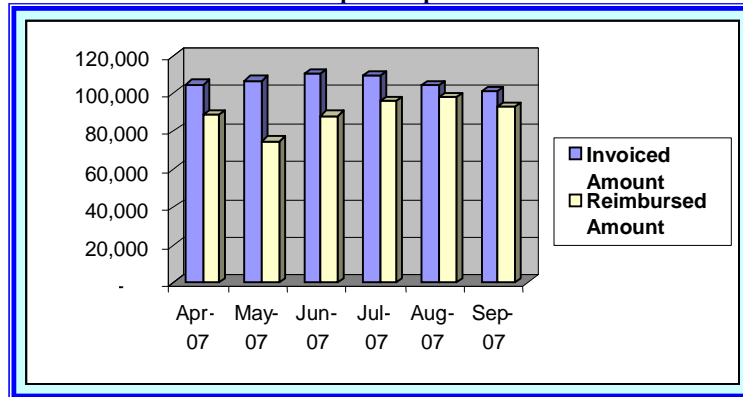
The results of the auditing procedures disclosed instances where internal controls require strengthening and are presented below.

FINDING

Internal Audit found many inconsistencies during the review of monthly programmatic reports. Some of the inconsistencies include documenting homelessness, annual rent calculations using current income source documents, maintaining initial leases in files, and ensuring that Housing Quality Standards and Rent Reasonableness Surveys are current.

A review of six months of invoices submitted to Harris County Community and Economic Development Department (HCCED) for reimbursement for amounts paid by MHMRA for rental subsidies resulted in the following amounts that were disallowed due to non compliance with guidelines set out in the Shelter Plus Care Grant.

**Shelter Plus Care Program
Amounts Not Reimbursed
Test Period April – September 2007**



Time Period	Invoice Amount	Reimbursed Amount	Variance
April 2007	\$104,866	\$89,096	\$15,770
May 2007	106,958	75,031	31,927
June 2007	110,156	88,272	21,883
July 2007	109,725	95,984	13,741
August 2007	104,708	98,056	6,651
September 2007	101,313	92,838	8,475
TOTAL	\$637,725	\$539,278	\$98,447

* Note: The Last month the Agency received reimbursement was for the month of September 2007.

RECOMMENDATION

Due to the continued loss and lack of Administrative reimbursement (@\$264,701/yr), for the Shelter Plus Care Grant, and non reimbursed dollars (@\$196,954/yr) consideration should be give to discontinuing the grant at the conclusion of the current grant year if management cannot bring records in compliance with grant requirements and funding cannot be secured to cover the administrative overhead to operate the grant.

Management Response

“Management agrees that this program has been poorly supervised and will be evaluating to determine the ability of the current staff to perform the job. Personnel Action has been taken The Shelter Plus Care Staff were moved to the MH Administrative area on 2/18/08 with the housing staff placed under the supervision of **Lawanna Hart**; the casework staff, under the supervision of **Claire Shynett**. Other personnel action will be taken as management continues the review process. The immediate tasks completed are as follows:

- Created spreadsheet of all the reports due with deadlines
- Reviewed the current status of all reports
- Reviewing each document submitted for corrective action in the S+C audit dated 12/13/07.
- Submitted the monthly report of the Housing Subsidy List to Accounting for next month’s rental subsidies
- Reviewing and correcting the Person’s Served Worksheet for submission by 2/29/08
- Reviewing mileage reports of caseworkers
- Reviewing the work flow and utilization of staff time
- Developing operational guidelines to ensure all grant requirements are met
- Instituted supervisory review and approval of all reports prior to submission”

FINDING

According to 24 C.F.R. 582.300, the Sponsor Agency shall maintain all records and ensure that records documenting compliance with the fair housing and equal opportunity components of the SPC program.

According to 24 C.F.R. 582.310, Resident rent (a) Amount of Rent, each participant must pay rent in accordance with section 3(1)(1) of the U.S. Housing Act of 1937 (42 U.S.C. 1437a(1)(1)). (b) Calculating income, (2) Program Sponsor must examine a participant's income initially, and at least annually thereafter, to determine the amount of rent payable by the participant.

According to 24 C.F.R. 582.5, a person must be homeless in order to receive assistance under the SPC program. Project Sponsors must maintain sufficient documentation of homelessness to demonstrate the eligibility of persons served by SPC funds.

According to 24 C.F.R. 582.305 Housing Quality Standards and Rent Reasonableness, HUD will only provide assistance for a unit for which the rent is reasonable.

Rental assistance is paid on behalf of the consumer and that is not reimbursed due to inaccurate, missing or incomplete information.

Internal Audit reviewed 46 participant files or 20%, for which MHMRA has reported to date. As a result of the review, it was found that 37 out of the 46 samples or 80% contained inaccurate, missing or incomplete information.

RECOMMENDATION

It is recommended that management review all files on a continuous basis to ensure that the Agency is in compliance with HUD guidelines and initiate an approval process which includes signature supervisory approval and date to indicate that files have been reviewed for accuracy.

It is further recommended that management review guidelines set out in the SPC Resource Manual: Section 2, Exhibit 2.1: Homelessness Eligibility and Documentation guide for guidance on this issue. Management must maintain all leases, including the original lease in each SPC program participant file. Leases must be signed and dated by both the Tenant and Landlord/Owner.

Management Response

"Management agrees that the following steps must be taken immediately in bringing all Shelter Plus Care Files up to date:

- *Next step is to audit and update all 248 records beginning immediately and ending by March 31, 2008. We've received assistance from Elizabeth Winfrey regarding the documentation. It should be a simple matter to obtain the required documents and do thorough progress notes indicating the status and attempts made to determine homelessness for those cases cited.*
- *Supervisor's review and approval of all record forms to ensure that all grant requirements are met (homelessness, rent reasonableness, etc.)*
- *Monthly review of all new records and any changes in rent, change in leases, and changes in income*
- *Re-training the Housing Staff in the clinics and SPC grant staff regarding the documentation requirements for Shelter Plus Care*
- *Staff has attended training on Rent Reasonableness by the grantor."*

FINDING

Internal Audit reviewed dates that the Agency filed required reports with the Agency grant analyst and HCCED for a period of one year. The Agency has filed required reports late 75% of the time.

RECOMMENDATION

It is recommended that management file all reports as required by HUD Policy 24 C.F.R. Part 582, to ensure that reimbursements are received in a timely manner.

Management Response

- *“All reports will be reviewed and approved, in writing, by the supervisor prior to submission.*
- *All reports will be accurate and submitted by the due date.*
- *Automation and integration of data work sheets to eliminate inefficiencies and to facilitate accurate and timely submission of reports”*

FINDING

Quarterly Operations Match/Share Reports are due within thirty (30) days of the end of each quarter detailing the amount of match incurred by the Sponsor Agency during the previous three (3) months. The latest Quarterly Operations Match/Share Report was sent to HCCED as the final draft. However, the report was only 15% complete.

RECOMMENDATION

It is recommended that management ensure that all reports are complete prior to being submitted to HCCED. Management should institute a review system that requires staff and supervisors to sign and date all reports indicating they have been reviewed for accuracy.

Management Response

- *“All reports will be reviewed and approved, in writing, by the supervisor prior to submission.*
- *All reports from the SPC grant staff will be accurate and submitted by the due date.*
- *Accounting reports related to the grant should also be reviewed by the Accounting manager and submitted to HCCED in a timely manner.”*

FINDING

Internal Audit was provided signed affidavits that state an Agency staff employee was required to stop working on reports due to HCCED and perform personal business for their supervisor on Agency time.

RECOMMENDATION

It is recommended that management take necessary steps to ensure that Agency staff are not subject to intimidation by persons in a supervisory role. It is further recommended that the employee should be terminated when he/she has used their role as supervisor for personal gain.

Management Response

- *“Manager was given the option to resign*
- *Employees were transferred to the MH Administrative Offices where closer supervision is available*
- *New supervisors were assigned: Ms. Lawanna Hart for the grants management portion; Ms. Claire Shynett for the caseworkers”*

FINDING

Internal Audit met with the Assistant Director for Grants Management and the Public Service Manager for HCCED to better understand not only the SPC Grant but the viewpoint of how the grant is being administered by the Sponsor Agency.

One of the issues that was discussed was the lack of apparent interest and attendance at several agreed to meetings. Meetings were agreed to in advance by both MHMRA SPC employees and HCCED staff for training and in some cases audit review.

RECOMMENDATION

It is recommended that management take necessary action to ensure that Agency staff collaborate with outside organizations and require mandatory attendance when scheduled training or audits have been scheduled.

Management Response

“Recommendation is so noted. Management will ensure that staff collaborate with granting and other agencies necessary to manage the grant and will enforce mandatory attendance at all trainings.”

FINDING

Office supplies for the Shelter Plus Care Program grant are being ordered from Unit #2230 and #2238's budget resulting in an ineffective and inefficient method to track true costs for the grant.

RECOMMENDATION

It is recommended that management change and charge all expenditures to the proper account codes thereby providing a more efficient tracking of expenditures.

Management Response

“The ordering of all supplies will be assumed by the one person who orders supplies for the MH Administrative section. The appropriate cost center will be charged for all supplies.”

_____ -S- _____

Henry E. Webb, CFE, Internal Auditor

_____ -S- _____

Michele Johnson, MPA, Staff Internal Auditor

Cc: Rose Childs, MSW, CSWM, Deputy Director, Mental Health Division
 Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division
 Barbara Dawson, MSE, Deputy Director, Comprehensive Psychiatric Emergency Program Division
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 Sarah Flick, MD, Medical Director, Mental Retardation Services
 Sylvia Muzquiz, MD, Medical Director, Mental Health Services
 Jeanne Mayo, MS, JD, General Counsel
 Audit Committee:
 Tom Hamilton, Ph.D. (Chairman)
 Jane B. Cherry
 Paige M. Cokinos
 Charles O. Buckner, CPA
 Vicki S. Raynold, CPA
 Bob Borochoff

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
February 29, 2008

Unit: Shelter Plus Care (SPC) Program		
Area: Audit		
Inherent Risk:	Low Moderate High	Control Environment: Well Controlled Acceptable Poorly Controlled
		Overall Risk: Low Moderate High
Type of Procedures: Audit		
Scope: * Using Internal Control Evaluation (ICEs) forms, documented internal controls * Conducted a preliminary survey reviewing applicable policies and procedures, etc. * Interviewed various staff, obtained understanding of management controls * Examined detailed receipts, vouchers, and supporting documentation		
Priority Rating:	Audit Recommendations:	
1	Consider not renewing grant unless reimbursed dollars increase as well as overhead costs reimbursed	
1	Institute review process for participant files	
1	File reports as outlined by HUD requirements	
1	Supervisor/Manager review all reports for completeness	
1	Re educate staff on Agency P&P concerning "personal gain"	
1	Mandatory attendance for scheduled training/audits	
1	Unit should have own budget to track expenditures	
Follow-up: Six weeks, three months, six months		

Priority Rating

1. Implement immediately (30 - 90 days) - Serious internal control deficiencies or recommendations to reduce cost, maximize revenues, or improve internal controls that can be easily implemented.
2. Work towards implementing (6 - 18 months) - Less serious internal control deficiencies or recommendations that can not be implemented immediately because of constraints imposed on the unit (i.e., budgetary, technological constraints).
3. Implement in the future (2 - 3 years) - Recommendations that should be implemented but that can not be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, requires third party cooperation).