



Office of the District of Columbia Auditor

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**REVIEW OF THE PERMANENT SUPPORTIVE HOUSING PROGRAM
DEPARTMENT OF HUMAN SERVICES**

April 23, 2012

Review Conducted by: Toya Murphy, Analyst

Yolanda Branche, District of Columbia Auditor

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Acknowledgements

For their time, information, insight, and cooperation during the review process, we thank the staff of the Department of Human Services (DHS) Family Services Administration (FSA), including: Fred Swan, FSA Administrator; Dallas Williams, Permanent Supportive Housing (PSH) Program Manager; Vanessa Benoit, Homeless Program Coordinator; Cornelia Obeng, Coordinator of Individuals; and George Shepard, Policy Analyst. From the Community Partnership (TCP), we also thank Sue Marshall, Executive Director; Clarence Steward, Chief of Housing; and Xiaowei Zheng, Controller. Additionally, we are grateful to the eight case management providers for their assistance in providing information to aid the review process.

Agency Accomplishments

The DHS, Family Services Administration (FSA) reported the following information:

1. Since the inception of the Permanent Supportive Housing (PSH) Program, DHS has reduced the timeframe for clients receiving a housing voucher from approximately 3 months to 3 weeks.
2. As of August 21, 2011, DHS served and placed over 1,200 families, individuals, and veterans.
3. The PSH Program has a retention rate of over 90 percent for individuals and families placed in the PSH Program.

Summary

At the request of Councilmember Tommy Wells, the District of Columbia Auditor (Auditor) conducted a review of the District of Columbia Department of Human Services (DHS) Permanent Supportive Housing (PSH) Program. DHS' Family Services Administration (FSA) is responsible for the management of the PSH Program. The PSH Program is an initiative that was developed to provide permanent housing and supportive services to chronically homeless individuals and families in order to provide stable housing, increase self-sufficiency, and improve the quality of life.

The objectives of this review were to determine:

- the cost of each service provided under the PSH Program; and
- whether the District achieved government-wide cost savings as a result of the PSH Program implementation.

To accomplish our objectives we attempted to obtain client specific data from the Department of Health (DOH), the Department of Mental Health (DOMH), the Fire and Emergency Medical Services (FEMS) Department, the Metropolitan Police Department (MPD), and the Department of Corrections (DOC).

While DOH, DOMH, FEMS, MPD, and DOC served clients that included the homeless, these five District agencies did not require their clients to provide a home address or to indicate whether they were homeless. Without complete and accurate documentation of the number of homeless clients who received services from the five District agencies, we could not assess the impact that the PSH Program had on the five agencies after implementation of the PSH Program. As a result, the Office of the District of Columbia Auditor could not determine cost savings that resulted from the implementation of the PSH Program.

We determined that DHS collected identifying medical information during their assessment of each client's eligibility for the PSH Program. However, DHS asserted that due to confidentiality rules and regulations, DHS would not provide the identifying medical information to us.

As a result of these limitations, ODCA was unable to address our second objective, which was to determine government-wide cost savings resulting from the implementation of the PSH Program.

The following are key findings from the audit:

1. DHS paid \$6,174,646 to the Community Partnership in FY 2010 without reviewing any supporting documentation.
2. DHS rent calculations did not comply with Permanent Supportive Housing Program regulations.
3. DHS provided two bedroom apartments to households comprised of only one person.

To address the key audit findings, we recommend that the Department of Human Services:

1. Implement policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer's Financial Policies and Procedures Manual.
2. The Director of DHS should review DHS staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment.
3. Comply with the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent (FMR) standards to provide housing services under the Permanent Supportive Housing Program.
4. Provide training on correct legal standards to use when providing housing services under the Permanent Supportive Housing Program.
5. Take the appropriate action to revise HUD FMR regulations to use the District of Columbia Housing Authority Housing Choice Voucher Program rates to determine fair rents for the Permanent Supportive Housing Program.
6. Relocate all single individuals currently residing in two bedroom apartments to one bedroom apartments.
7. Lease units to PSH Program participants that meet the minimum space requirements.

Conclusion

The Family Services Administration (FSA) provides protection, intervention, and social services to meet the needs of vulnerable adults and families and promotes self-sufficiency through an array of services. Homeless Services, a division within the FSA, was responsible for the management of the Permanent Supportive Housing (PSH) Program.

During our review, we found internal control and compliance weaknesses that the management of the Department of Human Services (DHS) must address to ensure that the mission of the PSH Program is effectively and efficiently achieved. The following are key findings from the audit:

1. DHS paid \$6,174,647 to the Community Partnership in FY 2010 without reviewing any supporting documentation.
2. DHS rent calculations did not comply with Permanent Supportive Housing Program Regulations.
3. DHS provided two bedroom apartments to households comprised of only one person.

To improve the management of the PSH Program and to ensure efficient use of the District's resources, DHS must take steps to improve the internal control and compliance weaknesses addressed in the findings outlined in this report.

Introduction

Councilmember Tommy Wells requested that the Office of the District of Columbia Auditor (ODCA) prepare a financial impact report measuring government-wide savings produced by the District's Permanent Supportive Housing (PSH) Program. We focused on savings in the areas of emergency services, physical and mental health services, substance abuse services, personal safety, police services, and incarceration.

The purpose of the PSH Program is to provide permanent housing and supportive services to chronically homeless individuals and families to provide stable housing, increase self-sufficiency, and improve the quality of life.

Objectives, Scope, and Methodology

The objectives of this review were to determine:

- ◆ the cost of each service provided under the PSH Program; and
- ◆ whether the District achieved government-wide cost savings as a result of the PSH Program implementation.

The scope of the review covered fiscal year (FY) 2009 through FY 2011, as of August 2011.

To accomplish the objectives of this review we interviewed the staff of the Department of Human Services (DHS), the District of Columbia Housing Authority (DCHA), the Department of Health (DOH), the Department of Mental Health (DOMH), the Fire and Emergency Medical Services (FEMS) Department, the Metropolitan Police Department (MPD), the Department of Corrections (DOC), the Community Partnership (TCP) and PSH Program Case Management Providers. Additionally, we reviewed relevant regulations, policies and procedures, and documents pertaining to the PSH Program.

Scope Limitations

While DOH, DOMH, FEMS, MPD, and DOC served clients that included the homeless, these five District agencies did not require their clients to provide a home address or to indicate whether they were homeless. Therefore, the ODCA could not accurately identify and document the number of homeless clients who received services before the implementation of the PSH Program or assess the impact that the PSH Program had on these five District agencies after the implementation of the PSH Program.

Without the number of homeless clients who received services from the five District agencies, we could not assess the impact that the PSH Program had on the five agencies after implementation of the PSH Program. As a result, the ODCA could not determine cost savings that resulted from the implementation of the PSH Program.

We determined that DHS collected identifying medical information during their assessment of each client's eligibility for the PSH Program. However, due to confidentiality rules and regulations, DHS would not provide identifying medical information for our review.

As a result of these limitations, ODCA was unable to address our second objective, which was to determine government-wide cost savings resulting from the implementation of the PSH Program.

Background

The Family Services Administration (FSA) provides an array of services, such as: protection, intervention, and social services to meet the needs and promote self-sufficiency amongst vulnerable adults and families. Homeless Services, a division within the FSA, facilitates services to homeless individuals and families in the District of Columbia through the following initiatives:

1. the Homelessness Prevention and Rapid Re-housing Program,
2. the Veterans Administration Supportive Housing Program,
3. the Permanent Supportive Housing Program,

4. the Emergency, Temporary and Transitional Shelters Program,
5. the Hypothermia Program, and
6. shelter monitoring and quality assurance activities.

In August 2008, FSA adopted the “Housing First” approach to end homelessness in the District of Columbia. The “Housing First” approach was designed to address homelessness by providing independent permanent housing and supportive services to address issues that resulted in homelessness.



Overview of the Permanent Supportive Housing Program

To implement the Housing First approach, DHS began the Permanent Supportive Housing (PSH) Program.

To be eligible for participation in the PSH Program an individual or family were required to:

- (a) Have been homeless:
 - (1) for one year or more; or
 - (2) on multiple occasions interrupted by stays in other temporary settings such as a hospital, jail, or prison
- (b) Have one or more chronic health conditions that are at least episodically disabling (including mental illness), substance abuse, cirrhosis, end stage renal disease, or cold weather injuries; or
- (c) Have one or more other substantial barriers to housing stability, such as: domestic violence, trauma, a history of out-of home placements, or extensive involvement with the District of Columbia Child and Family Services Agency; and

- (d) Meet the definition of “family” as set for in 29 CDCR § 2599 (2011).

To manage the PSH Program, DHS collaborated with DCHA and also contracted with private organizations.

DHS supervised the housing process. DHS also supervised the case management providers. DCHA provided housing assistance for clients that used a federal rent subsidy. Regarding private organizations, the Community Partnership (TCP) provided housing assistance for clients that used a local rent subsidy. TCP also managed the allocation and distribution of Target gift cards and furniture vouchers. Case management providers linked clients with community services, managed the monthly utility supplement payment and emergency personal expense reimbursements.

The key responsibilities of District agencies and private organizations are presented in Figure One.

Figure One

PSH Program Responsibilities of District Agencies and Private Organizations

ORGANIZATION	RESPONSIBILITIES
Department of Human Services (DHS)	◆ Supervised housing process and case management providers
District of Columbia Housing Authority (DCHA)	◆ Housing Assistance for clients that used a federal rent subsidy
The Community Partnership (TCP)	◆ Housing Assistance for clients that used a local rent subsidy ◆ Managed the allocation and distribution of Target gift cards and furniture vouchers
Case Management Providers	◆ Linked clients with services and resources in the community ◆ Managed the monthly utility supplement and emergency personal expense reimbursements

Source: District Department of Human Services

As part of the PSH Program, clients received monthly continuous services and one time services. Monthly continuous services included:

- ◆ financial housing assistance
- ◆ case management services
- ◆ monthly utility supplement
- ◆ emergency personal expense reimbursement

One time services included a Target gift card and a furniture voucher.

Financial Housing Assistance

The PSH Program provided financial housing assistance to participants through three programs:

- ◆ DHS Local Rent Subsidy
- ◆ Housing Choice Voucher Program
- ◆ Local Rent Supplement Program



The Community Partnership (TCP) provided housing assistance to clients housed under the DHS local rent subsidy. Under the local rent subsidy, monthly rental payments were paid with DHS funds (District local funds). TCP paid the monthly rental payment directly to landlords. The Housing Choice Voucher Program (HCVP) and the Local Rent Supplement Program (LRSP) were managed by DCHA. Since HCVP and LRSP did not receive DHS local funds, the HCVP and LRSP were not included in our review.

Case Management Services

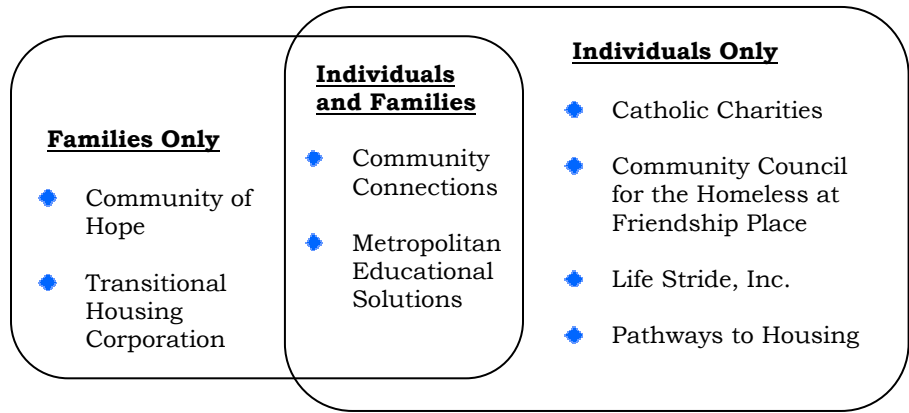
DHS contracted with eight private organizations to provide case management services. The eight case management providers were: (1) Community of Hope, (2) Transitional Housing Corporation, (3) Community Connections, (4) Metropolitan Educational Solutions, (5) Catholic Charities, (6) Community Council for the Homeless at Friendship Place, (7) Life Stride, Inc., and (8) Pathways to Housing. Each of the eight organizations provided case management services to individuals, families or both.

The Community of Hope and the Transitional Housing Corporation provided services to families. Community Connections and Metropolitan Educational Solutions provided services to individuals and families. Catholic Charities, Community Council for the Homeless at Friendship Place, Life Stride, Inc. and Pathways to Housing served individuals.

Figure Two presents the categories of clients served by the eight private case management organizations.

Figure Two

Case Management Providers



Each month, DHS paid case management service providers between \$478 and \$675 per individual and between \$660 and \$1,491 per family to provide case management services. The amount paid to each case management provider was based on the particular services provided to the client. Case management services included house services, linking clients to District services or services provided by private organizations. In addition, some clients, such as mental health clients, required additional services from case management providers. Case management services were provided to clients for an unlimited period of time.

Monthly Utility Supplement

A monthly utility supplement was available to clients to offset utility expenses. A maximum of \$250 for individuals and \$300 for families was available each month based on the client's housing subsidy.

Emergency Personal Expense Reimbursement

Individuals and families were reimbursed for emergency personal expenses. A maximum of \$50 for individuals and \$75 for families was provided to clients for emergency personal expenses.

Figure Three provides a summary of the monthly continuous services.

Figure Three

Summary of Monthly Services and Costs

Housing Assistance Local subsidy rent payments were managed by TCP and funded by DHS. The FY 2011 HUD Fair Market Rent (FMR) rates are as follows: ◆ Efficiency - \$1,131 ◆ One Bedroom - \$1,289 ◆ Two Bedroom - \$1,461 ◆ Three Bedroom - \$1,885 ◆ Four Bedroom - \$2,466	Case Management Services Case management services were provided to clients by eight case management providers at the following monthly rates : ◆ Individuals: \$478 to \$675 per individual ◆ Families: \$660 to \$1491 per family
Emergency Personal Expenses Case management providers, funded by DHS, reimbursed individuals and families for “emergency” expenses. ◆ Individual: Maximum of \$50 per month ◆ Family: Maximum of \$75 per month	Utility Supplement Case management providers, funded by DHS, reimbursed individuals and families on a local rent-subsidy for a portion of utility expenses. ◆ Individual: Maximum of \$250 per month ◆ Family: Maximum of \$300 per month

One Time Services

TCP managed the delivery of one time services to help clients transition to new housing. One time transitional services included a Target gift card in the amount of \$300 and a voucher for furniture from Family Furniture LLC.

Figure Four provides a summary of the PSH Program one time cost.

Figure Four Summary of One Time Services and Program Cost

Gift Card Provided for one time start up expenses for household items. Vendor: Target All clients, families, and individuals were provided with a gift card for household items. ◆ Target gift card in the amount of \$300	Furniture Voucher All first time PSH Program clients received furniture based on the number of bedrooms. Vendor: Family Furniture, LLC Furniture packages were purchased at the following rates: ◆ Efficiency - \$1,050 ◆ One Bedroom - \$1,200 ◆ Two Bedroom - \$1,550 ◆ Three Bedroom - \$2,258 ◆ Four Bedroom - \$2,708 ◆ Five Bedroom - \$3,160
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In FY 2009, total one time services cost \$1,129,011, and in FY 2010, total one time services cost \$1,263,456. Figure Five presents costs for one time services in FY 2009 and FY 2010.

Figure Five One Time Services Costs

	FY 2009	FY 2010
One time Service Costs		
Target Gift Card	\$ 75,000	\$ 166,200
Furniture Voucher	547,501	492,996
Moving Fees	15,050	16,234
Administrative Fees	7,709	13,855
Security Deposits and Fees	481,194	574,171
Miscellaneous	2,557	
Total	\$1,129,011	\$1,263,456

FY 2009 and FY 2010 Total Program Cost

Based on our review of invoices submitted by the eight case management providers and TCP, we determined that the total FY 2009 cost for the PSH Program was \$11,137,433 and \$12,821,627 in FY 2010. The total cost for the PSH Program in FY 2009 and FY 2010 was \$23,959,060.

We requested detailed cost data, by type of service from the DHS Agency Fiscal Officer (AFO). However, the DHS AFO did not track PSH Program spending by type of service and could only provide total program cost.

Figure six presents the total FY 2009 and FY 2010 program cost by type of service provided based on our review of invoices.

Figure Six

Permanent Supportive Housing Program FY 2009 and FY 2010 Cost by Service

COSTS	FY 2009	FY 2010
Monthly Cost		
Rent subsidy (paid by TCP)	\$5,365,136	\$4,911,190
Case Management Services (including personal expenses and utility supplement)	4,643,286	6,646,981
One time Cost		
Target Gift Card	75,000	166,200
Furniture Voucher	547,501	492,996
Moving Fees	15,050	16,234
Administrative Fees	7,709	13,855
Security Deposits and Fees	481,194	574,171
Miscellaneous	2,557	
Total Program Cost	\$ 11,137,433	\$ 12,821,627

Source: The Community Partnership. Case Management costs were obtained from invoices submitted to DHS by case management providers.

Explanation of costs:

- ◆ Rent Subsidy: The total rent amount listed in Figure six represents rent payments managed by TCP. The total rent amount excludes payments made by DCHA managed rent subsidies. Clients were placed based on the availability of funds. In FY 2010 the monthly subsidy decreased from \$5.3 million to \$4.9 million. The decrease in the subsidy did not represent a decrease in the number of clients served by the PSH Program. Eligible PSH Program clients' local rent

subsidies were transferred to a federally funded voucher program as federal vouchers became available.

- ◆ Case Management Services: Local funds were used to pay for case management services for all PSH Program clients. From FY 2009 to FY 2010 the number of individuals and families increased by 85%, for a total of 759 individuals and 193 families. During the same time period case management cost increased from \$4.6 million in FY 2009 to \$6.6 million in FY 2010 an increase of \$2 million.
- ◆ One Time Service Cost: One time service cost were directly related to the number of individuals and families placed.

Findings

DHS paid \$6,174,646 to the Community Partnership in FY 2010 without reviewing any supporting documentation

The Office of the Chief Financial Officer (OCFO) established written policies and procedures concerning the disbursement of District funds. Specifically, the OCFO's Financial Policies and Procedures Manual (FPPM), Section 10402001.70 C, states "that prior to payment, the certifying officer is to determine that the payment is proper, correct, and supported by adequate documentation."

We found that TCP submitted invoices to DHS for services provided to participants in the PSH Program. However, TCP did not provide DHS with receipts, vouchers or other supporting documentation to verify the accuracy of payments made to landlords, Target or Family Furniture LLC. Additionally, TCP did not provide the names of the clients that received TCP's services.

Additionally, we found that DHS did not monitor the performance of TCP to determine if the costs charged by TCP were reasonable. DHS only reviewed totals of invoices submitted by TCP. DHS did not verify the validity, accuracy, or reasonableness of invoices submitted by TCP.

In the absence of supporting documentation from TCP, DHS could have reviewed information maintained in the DHS Housing the Homeless (HtH) database to determine the accuracy of expenses reported by TCP.¹ However, DHS did not use the HtH database to review TCP invoices. Additionally,

¹ The HtH database tracks information related to PSH program applicants and participants.

**What this
means to you:**

**There are no
records to
prove that
\$6,174,647 of
District funds
were properly
paid.**

DHS could have compared the amount TCP invoiced for Target gift cards and furniture vouchers with the number of new PSH Program participants.

DHS did not review TCP invoices because DHS lacked the staff to review TCP invoices. DHS had one employee, a Policy Analyst, who was responsible for reviewing all invoices received from TCP. The Policy Analyst was also responsible for reviewing monthly invoices from the eight case management providers, which submitted invoices for approximately one thousand individuals and families in the PSH Program.

In FY 2010, DHS paid TCP a total of \$6,174,646 for rent subsidies and costs of one time services. DHS's failure to require TCP to submit proper documentation to support invoices violated the OCFO's policies and procedures for the disbursement of funds and exposed the District to potential fraud, waste, and abuse.

We recommend that the Department of Human Services:

- 1. Implement policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer's Financial Policies and Procedures Manual.**
- 2. The Director of DHS should review DHS staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment.**

DHS rent calculations did not comply with Permanent Supportive Housing Program Regulations

29 CDCR § 2542.1 (2011) provides that participants in the PSH Program shall accept a unit that meets the U.S. Department of Housing and Urban Development (HUD), Fair Market Rent (FMR) Standards established for the District of Columbia.

The DHS Program Manager stated to determine a fair rent, DHS used DCHA Housing Choice Voucher Program (HCVP) standard rather than the HUD FMR standard. Additionally, we found that the approved rent amounts documented in the DHS Housing the Homeless (HtH) database were based on the DCHA HCVP standard. DHS staff stated that they believed the DCHA HCVP standard was the correct standard.

We found there was a significant difference between HUD FMR rates and the DCHA HCVP rates. For example, the FMR rate established by HUD provided one rate for the District as a whole based on the number of bedrooms. The HCVP rates were determined based on an evaluation of District neighborhoods and the number of bedrooms. Therefore, under the HUD FMR a fair rent for an efficiency in Marshall Heights was \$1,131 while under the DCHA HCVP a fair rent for an efficiency in Marshall Heights was \$808, a difference of \$323.

Figure Seven presents the FY 2011, HUD FMR rates and the DCHA HCVP rates for four District neighborhoods.

Figure Seven

FY 2011 HUD FMR rates compared to DCHA HCVP Rates

	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
HUD Fair Market Rent	\$ 1,131	\$ 1,289	\$ 1,461	\$ 1,885	\$ 2,466
HCVP Rate for Marshall Heights	\$ 808	\$ 968	\$ 1,156	\$ 1,344	\$ 1,561
HCVP Rate for Anacostia	\$ 912	\$ 1,090	\$ 1,300	\$ 1,510	\$ 1,752
HCVP Rate for Columbia Heights	\$ 1,190	\$ 1,427	\$ 1,537	\$ 1,972	\$ 2,652
HCVP Rate for Capitol Hill	\$ 1,269	\$ 1,430	\$ 1,537	\$ 1,972	\$ 2,652

Source: HUD and DCHA website.

According to DCHA, the HUD FMR rates were considered when DCHA developed the HCVP rates. HUD FMR rates were used to determine the maximum payment amount for the HCVP. With HUD field office approval, HCVP rates were approved for up to 120% of FMR. DCHA stated that using HCVP rates was a more effective way to determine fair rent. The use of HCVP rates prevented the overpayment of rent in certain neighborhoods and also improved the distribution of vouchers across all neighborhoods within the District.

The regulation provides that DHS must comply with the HUD FMR standards. As a result, DHS failed to comply with District law.

We recommend that the Department of Human Services:

- 3. Comply with the HUD's FMR standards to provide housing services under the Permanent Supportive Housing Program.**
- 4. Provide training on correct legal standards to use when providing housing services under the Permanent Supportive Housing Program.**
- 5. Take the appropriate action to revise HUD FMR regulations to use the DCHA HCVP rates to determine fair rents for the Permanent Supportive Housing Program.**

DHS provided two bedroom apartments to households comprised of only one person

PSH Program regulations provided that to facilitate timely unit identification and entry into the PSH Program housing program, PSH Program participants should accept a unit that met HUD FMR for their household size.

Based on our review of 517 PSH Program participants, we found that 69 households comprised of only one individual were housed in two bedroom apartments. According to DHS staff, in September 2008, DHS quickly housed individuals without regard to household size. In 2008, 47 one person households were placed in two bedroom apartments and as of February 2011, these one person households remained housed in two bedroom apartments.

By housing one person households in two bedroom apartments, the District provided more housing than PSH Program participants required. As a result, the District paid too much by housing PSH Program participants, in under-occupied two bedroom apartments. Between 2008 and 2011, DHS paid approximately \$323,596 more than was necessary to house one person households, in two bedroom apartments.²

We recommend that the Department of Human Services:

- 6. Relocate all single individuals currently residing in two bedroom apartments to one bedroom apartments.**
- 7. Lease units to PSH Program participants that meet the minimum housing space requirements.**

² Calculation based on the difference between the average monthly rental cost of housing PSH participants, who were one person households in one bedroom apartments and the average monthly rental cost of housing, PSH participants who were one person households, in two bedroom apartments. Cost for the month of February 2011.

Conclusion

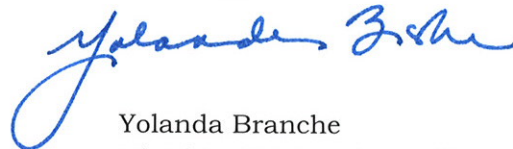
The Family Services Administration (FSA) provides protection, intervention, and social services to meet the needs of vulnerable adults and families and promotes self-sufficiency through an array of services. Homeless Services, a division within the FSA, was responsible for the management of the Permanent Supportive Housing (PSH) Program.

During our review, we found internal control and compliance weaknesses that the management of the Department of Human Services (DHS) must address to ensure that the mission of the PSH Program is effectively and efficiently achieved. The following are key findings from the audit:

1. DHS paid \$6,174,646 to the Community Partnership in FY 2010 without reviewing any supporting documentation.
2. DHS rent calculations did not comply with Permanent Supportive Housing Program Regulations.
3. DHS provided two bedroom apartments to households comprised of only one person.

To improve the management of the PSH Program and to ensure efficient use of the District resources, DHS must take steps to improve the internal control and compliance weaknesses addressed in the findings outlined in this report.

Sincerely,



Yolanda Branche
District of Columbia Auditor

Summary of Potential Cost Savings, Increased Revenue, and Improved Efficiency Resulting From the Review

Finding	Recommendation	Increase Revenue	Improve Efficiency
DHS paid \$6,174,646 to the Community Partnership in FY 2010 without reviewing any supporting documentation	1. Implement policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer's Financial Policies and Procedure Manual.		X
	2. The Director of DHS should review DHS staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment.		X
DHS rent calculations did not comply with Permanent Supportive Housing Program Regulations	3. Comply with the HUD's FMR standards to provide housing services under the Permanent Supportive Housing Program.		X
	4. Provide training on correct legal standards to use when providing housing services under the Permanent Supportive Housing Program.		X
	5. Take the appropriate action to revise the HUD FMR regulations to use the DCHA HCVP rates to determine fair rents for the Permanent Supportive Housing Program.		X

Finding	Recommendation	Increase Revenue	Improve Efficiency
DHS provided two bedroom apartments to households comprised of only one person	6. Relocate all single individuals currently residing in two bedroom apartments to one bedroom apartments.	\$323,596	X
	7. Lease units to PSH Program participants that meet the minimum space requirements.		
Total		\$323,596	

Agency Comments

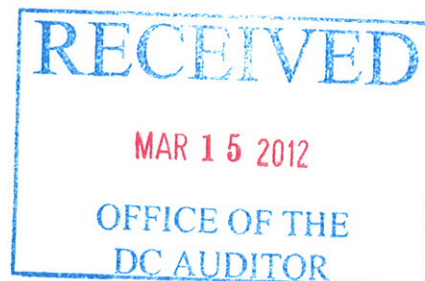
On February 15, 2012, the District of Columbia Auditor (Auditor) submitted the report in draft form for review and comment to the Director of District of Columbia Department of Human Services (DHS).

The Auditor received written comment from DHS on March 15, 2012. The written comments received are included in this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HUMAN SERVICES



Office of the Director



March 14, 2012

Yolanda Branche
District of Columbia Auditor
717 14th Street, N.W.
Suite 900
Washington, DC 20005

RE: Responses to Findings and Recommendations from the Draft "Report on the Review of the Permanent Supportive Housing Program Department of Human Services"

Dear Ms. Branche:

Enclosed please find the responses to the findings and recommendations from the draft "Report on the Review of the Permanent Supportive Housing Program Department of Human Services." The Department of Human Services appreciates your efforts to evaluate the Permanent Supportive Housing Program and to ensure that we are operating it according to best practices and District policies and procedures.

Our responses address each of the findings and recommendations and we look forward to working with your office to finalize this report. If you have any questions or concerns regarding the responses, please do not hesitate to contact me at (202) 671-4331.

Sincerely,

A handwritten signature in black ink that reads "David A. Berns".

David A. Berns
Director

DAB/fs

Enclosed

**DHS Response to the DC Office of the Auditor and Recommendations for the
Review of the Permanent Supportive Housing Program Department of Human Services**

Finding #1:

DHS paid \$6,174,647 to The Community Partnership in FY 2010 without reviewing any supporting documentation.

Agreement with finding:

Partial agreement

Response/explanation:

DHS agrees that it did not review all supporting documentation corresponding with the \$6,174,647 in payments to The Community Partnership. However, DHS does not agree with the statement “without reviewing any supporting documentation.” DHS tracks the names and addresses of all clients enrolled in the Permanent Supportive Housing (PSH) Program in its database. This enables DHS to track which clients are receiving rental subsidies through Federal vouchers and which receive subsidies through The Community Partnership. Additionally, The Community Partnership submits to DHS a detailed listing every month with the names of clients that they have paid rental subsidies for during the previous month. DHS is able to reconcile this list with our database to ensure that The Community Partnership is paying rental subsidies for the clients for which they are authorized. DHS reconciles this list monthly to ensure payments are made for current PSH participants only. Additionally, DHS performs random on-site reviews of supporting documentation at The Community Partnership. The Community Partnership keeps all supporting documentation on file and produces this information to DHS upon request.

Recommendation:

Implement policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer’s Financial Policies and Procedures Manual.

Response/Action Plan:

DHS will revise its current policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer’s Financial Policies and Procedures Manual. To this end, DHS will strengthen its current practice of performing random on site reviews of supporting documentation by implementing regularly scheduled quarterly on-site reviews of supporting documentation.

Recommendation:

The Director of DHS should review DHS staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment.

Response/Action Plan:

DHS Director shall review staff assignments with the Family Services Administrator to ensure adequate staffing so DHS can properly review invoices prior to payment. To this end, DHS will ensure there is adequate staffing to conduct the quarterly on-site reviews as well as the monthly reviews of invoices and other documents that are needed to correspond with expenses made under the PSH Program.

Finding #2:

DHS rent calculations did not comply with Permanent Supportive Housing Regulations.

Agreement with finding:

Partial agreement

Response/explanation:

DHS currently utilizes the US Department of Housing and Urban Development's Fair Market Rent (FMR) for its initial rent determinations. However, the final determinations are based on a more detailed calculation (that includes the HUD FMR figures) used by the District of Columbia Housing Authority (DCHA). DHS utilized the broad language in the regulations to allow for flexibility in the rent determinations based on the changes made in the specific breakdowns that are subject to change. However, DHS understands how the Office of the DC Auditor came to this finding based on a more general interpretation of the HUD FMR.

Recommendation:

Comply with the HUD's FMR standard to provide housing services under the PSH Program.

Response/Action Plan:

DHS believes it is currently complying with the HUD's FMR standard under the PSH Program.

Recommendation:

Provide training on correct legal standards to use when providing housing services under the PSH Program.

Response/Action Plan:

DHS believes it is currently utilizing the correct legal standards.

Recommendation:

Take the appropriate action to revise HUD FMR regulations to use DCHA Housing Choice Voucher Program (HCVP) rates to determine fair rents for the PSH Program.

Response/Action Plan:

DHS will revise its regulations for the PSH Program regarding rent rates/determinations to specifically correspond with the DCHA HCVP process that we are currently utilizing.

Finding #3:

DHS provided two bedroom apartments to households comprised of only one person.

Agreement with finding:

Full agreement

Response/explanation:

DHS did provide two bedroom apartments to single individuals when it initially launched the Permanent Supportive Housing Program. In some cases clients were given two-bedroom apartments because they were reuniting with family members and this changed the composition of their household. In most cases two-bedroom apartments were provided as a result of a lack of availability of one-bedroom apartments. In a number of these cases DHS was able to negotiate rent costs that were below the FMR for a two-bedroom apartment. DHS has long since discontinued placing single individuals in two-bedroom apartments unless they are reuniting with family or have a reasonable accommodation need in which a larger apartment is required.

Recommendation:

Relocate all single individuals currently residing in two bedroom apartments to one bedroom apartment.

Response/Action Plan:

Prior to the launch of this review of the PSH Program, DHS began relocating single individuals from two-bedroom apartments to one-bedroom apartments. DHS is continuing this process and will continue to do so until all single individuals who do not have a documented need for a two-bedroom apartment are living in a one-bedroom apartment. To date, there are 29 single individuals remaining in two-bedroom apartments that need to be relocated to a one-bedroom apartment. Most of these single individuals, whose rental subsidies is paid through Local DHS

funding, are being transferred onto a Federal HCVP voucher. As these single individuals are approved for the HCVP voucher they will be leased up in a one-bedroom apartment.

Recommendation:

Lease units that PSH program participants that meets the minimum space requirements.

Response/Action Plan:

DHS has always made every effort to lease units under the PSH program that both meets the participant's minimum space requirements and meets the most reasonable rent cost determination. As explained above, exceptions to this policy were only made when apartment size for meeting a participant's minimum space need was not available and a decision was made to lease a larger unit as opposed to allowing participants to remain homeless while an appropriate sized unit was identified. Moving forward DHS will utilize the same process and policies.

Auditor's Response to the DHS' Comments

The Auditor appreciates the comments provided by the Director of the Department of Human Services (DHS) on the draft report submitted to DHS on February 15, 2012.

Specifically, the Auditor requested that the Director of DHS:

- address each recommendation included in the report;
- indicate whether DHS agreed or disagreed with each recommendation;
- if DHS agreed with the recommendation, provide a timeframe for the implementation of the recommendation; and
- if DHS disagreed with the recommendation, suggest an alternative recommendation to address the audit finding.

DHS' comments did not directly address each recommendation and did not provide implementation timeframes for each recommendation. However, the Auditor reviewed and evaluated DHS' comments to determine whether the corrective actions they provided were responsive and met the intent of each recommendation made in the report.

The Auditor offers the following response to comments provided by DHS on March 15, 2012.

- 1. Implement policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer's Financial Policies and Procedures Manual.**

The Department of Human Services Response:

DHS will revise its current policies and procedures to ensure that all payments are properly documented, accurate and comply with the requirements of the Office of the Chief Financial Officer's Financial Policies and Procedures Manual. To this end, DHS will strengthen its current practice of performing random on site reviews of supporting documentation by implementing regularly scheduled quarterly on-site reviews of supporting documentation.

Auditor's Response:

The Auditor accepts DHS' response to this recommendation.

- 2. The Director of DHS should review DHS staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment.**

The Department of Human Services Response:

DHS Director shall review staff assignments with the Family Services Administrator to ensure adequate staffing so DHS can properly review invoices prior to payment. To this end, DHS will ensure there is adequate staffing to conduct the quarterly on-site reviews as well as the monthly reviews of invoices and other documentation that are needed to correspond with expenses made under the PSH Program.

Auditor's Response:

The Auditor accepts DHS' response to this recommendation.

- 3. Comply with the HUD's FMR standards to provide housing services under the Permanent Supportive Housing Program.**

The Department of Human Services Response:

DHS believes it is currently complying with the HUD's FMR standard under the PSH Program.

Auditor's Response:

The Auditor does not accept DHS' response to this recommendation.

29 CDCR § 2542.1 (2011) provides that "[p]articipants in the PSH Program SHALL [emphasis added] accept a unit that passes a housing inspection and meets the Fair Market Rent standards established for the District of Columbia by HUD." Since the rates established by DCHA exceed the Fair Market Rent (FMR) standard as established for the District of Columbia by HUD, for certain neighborhoods, DHS would not be in compliance with their regulations when using the DCHA calculation for certain

neighborhoods in the District. DHS should comply with with the provisions of the law until such time that the law does not apply.

4. Provide training on correct legal standards to use when providing housing services under the Permanent Supportive Housing Program.

The Department of Human Services Response:

DHS believes it is currently utilizing the correct legal standards.

Auditor's Response:

The Auditor does not accept DHS' response to this recommendation for the reasons noted in the Auditor's response to the third recommendation.

5. Take the appropriate action to revise HUD FMR regulations to use the DCHA HCVP rates to determine fair rents for the Permanent Supportive Housing Program.

The Department of Human Services Response:

DHS will revise its regulations for the PSH Program regarding rent rates/determinations to specifically correspond with the DCHA HCVP process that DHS is currently utilizing.

Auditor's Response:

The Auditor accepts DHS' response to the recommendation provided in this report.

6. Relocate all single individuals currently residing in two bedroom apartments to one bedroom apartments.

The Department of Human Services Response:

Prior to the launch of this review of PSH Program, DHS began relocating single individuals from two-bedroom apartments to one-bedroom apartments. DHS is continuing this process and will continue to do so until all single individuals who do not have a documented need for a two-bedroom apartment are living in a one-bedroom apartment. To date there are 29, single individuals

remaining in two-bedroom apartments that need to be relocated to a one-bedroom apartment. Most of these single individuals, who rental subsidies is paid through Local DHS funding, are being transferred onto a Federal HCVP voucher. As these single individuals are approved for the HCVP voucher they will be leased up in a one-bedroom apartment.

Auditor's Response:

The Auditor accepts DHS' response that they will continue to relocate single individuals to two-bedroom apartments. However, the provision to allow single individuals who have a documented need to reside in a two bedroom apartment is not documented in the DHS regulations.

7. Lease units to PSH Program participants that meet the minimum space requirements.

The Department of Human Services Response:

DHS has always made every effort to lease units under the PSH program that both meets the participant's minimum space requirements and meets the most reasonable rent cost determinations. As explained (see Agency comments), exceptions to this policy were only made when apartment size for meeting a participant's minimum space need was not available and an decision was made to lease a larger unit as opposed to allowing participants to remain homeless while an appropriate sized unit was identified. Moving forward DHS will utilize the same process and policies.

Auditor's Response:

To comply with DHS regulations, DHS should as the Auditor recommended, lease units to PSH Program participants that meet the minimum space requirements. The exceptions noted by DHS in their response are not documented in the DHS regulations.