



Broward County, Fort Lauderdale, FL

Continuum of Care Program

Office of Audit, Region 4
Atlanta, GA

Audit Report Number: 2015-AT-1008
August 23, 2015



To: Ann D. Chavis, Director, Office of Community Planning and Development,
Miami Field Office, 4DD

From: //signed//
Nikita N. Irons, Regional Inspector General for Audit, 4AGA

Subject: Broward County, Fort Lauderdale, FL, Did Not Properly Administer One of Its
Projects and Did Not Comply With Some Match Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Broward County's administration of its Continuum of Care Program as it relates to the audit objective.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 404-331-3369.



Audit Report Number: 2015-AT-1008

Date: August 23, 2015

Broward County, Fort Lauderdale, FL, Did Not Properly Administer One of Its Projects and Did Not Comply With Some Match Requirements

Highlights

What We Audited and Why

The U.S. Department of Housing and Urban Development (HUD) increased funding for the homeless assistance programs from \$1.9 billion in 2012, to \$2.1 billion in 2014, to achieve its strategic objective to end homelessness. Given this heightened attention, the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General, audited Broward County's Continuum of Care Program, which was awarded more than \$21 million in the 2011 through 2013 grant years. The objectives were to determine whether Broward County (1) spent grant funds for eligible program activities and ensured that expenditures were sufficiently supported and (2) maintained sufficient documentation to support that the funding sources used to match the grant funds were eligible.

What We Found

Broward County inappropriately spent grant funds to pay for rent amounts that were above rent reasonableness standards and for duplicate charges. This condition occurred because the County did not have adequate oversight controls to ensure that rent amounts charged to the program were reasonable and to detect the double billing of charges. The County's lack of adequate controls resulted in \$78,231 in questioned costs and \$195,975 in funds to be put to better use.

The County generally ensured that its projects complied with HUD's match requirements. However, it did not ensure that a sponsor executed conforming agreements with the third parties that provided in-kind services and did not ensure the reporting of accurate match amounts to HUD. This condition occurred because the County did not have an adequate control process to ensure compliance. These issues could result in the sponsor not meeting the match requirements or the County making decisions to approve or fund a project without accurate information.

What We Recommend

We recommend that the Director of the Miami HUD Office of Community Planning and Development require Broward County to provide documentation to justify the rent amounts charged to the 2012 grants or repay HUD from non-Federal funds the \$57,906 in excess rent plus \$2,932 in administrative fees. In addition, the County should strengthen, implement, and enforce procedures to (1) ensure that rents charged are reasonable to prevent \$195,975 in future excess rents, (2) detect double billing, and (3) ensure compliance with HUD match requirements.

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Background and Objectives

On May 20, 2009, the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 was enacted into law, consolidating three separate homeless assistance programs administered by the U.S. Department of Housing and Urban Development (HUD) – Supportive Housing, Shelter Plus Care, and Moderate Rehabilitation-Single Room Occupancy – into a single grant program, the Continuum of Care Program. The purpose of the program is to (1) promote communitywide commitment to end homelessness; (2) provide funding to nonprofit providers, and State and local governments to quickly rehouse homeless individuals and families; (3) promote access to and effective use of mainstream programs by homeless individuals and families; and (4) boost self-sufficiency among individuals and families experiencing homelessness. A continuum of care was a system administratively established by HUD in 1995 to address homelessness through a coordinated community-based process of identifying needs and building a system of housing and services to address those needs.

The Broward County Continuum of Care is a network of organizations, advocates, community residents, and businesses that plan programs with the primary goal of alleviating homelessness in Broward County, FL. The Broward County governmental entity served as the collaborative applicant, the entity that applied for HUD’s Continuum of Care Program grant on behalf of the Continuum.

Broward County’s Homeless Initiative Partnership Section is the lead agency for the Broward County Continuum of Care. This section is responsible for administering the homeless programs, funded by the County, State of Florida, and HUD, in a collaborative effort with other County divisions, community service providers, business leaders, and government officials to maintain a countywide continuum of homeless services.

HUD awarded the Broward County Continuum of Care more than \$21 million in the 2011 through 2013 grant years. Specifically, the County received \$7.8 million in 2012 Continuum of Care grant funds to administer 17 projects. These 17 projects had varying operating years, ranging from March 1, 2013, through December 31, 2014. Eight project sponsors, consisting of Broward County divisions, a city government, a housing authority, and five nonprofits, administered the projects. A list of the 17 projects and their project sponsors can be found in appendix C of this report. The Homeless Initiative Partnership Section oversaw the administration of the projects by reviewing the projects’ invoices for drawdown of the grant funds and monitoring them for compliance with program requirements.

The audit objectives were to determine whether Broward County (1) spent grant funds for eligible program activities and ensured that expenditures were sufficiently supported and (2) maintained sufficient documentation to support that the funding sources used to match the grant funds were eligible.

Results of Audit

Finding 1: Broward County Did Not Ensure the Proper Administration of One of its Continuum of Care Projects

The County inappropriately spent grant funds to pay for rent amounts that exceeded rent reasonableness standards and for duplicate charges. This condition occurred because the County did not have adequate oversight controls to ensure that rent amounts charged to the program were reasonable and to detect the double billing of charges. The County's lack of adequate controls resulted in \$274,206 in questioned costs and funds to be put to better use.

Excess Rents Charged

The Fort Lauderdale Chronic Homelessness Housing Collaborative project was awarded \$455,000 in Continuum of Care grant funds to provide permanent housing and supportive services for the homeless. The City contracted with the Housing Authority of the City of Fort Lauderdale to lease 22 housing units, consisting of one- and two-bedroom units, to house homeless clients. The Authority provided housing to the homeless clients in five separate buildings that it owned and received rental payments from the City. Broward County reimbursed the City for the project expenses, including the rental charges, with its grant funds.

The County spent \$57,906 in 2012 grant funds for rent amounts that exceeded rent reasonableness standards. An additional \$17,020 in excessive rent amounts had been approved to be paid with 2013 grant funds for the months of January and February 2015 but had not been paid as of June 8, 2015. The excessive rent amount was based on the grant-assisted unit rent charges that exceeded the average rent charges for comparable units within the same five buildings, taking into account the electricity costs included as part of the rent for the grant-assisted units and any portion of the rent allocated to the tenant. The monthly rents charged in the five buildings ranged between \$450 and \$700 in 2014 and between \$500 and \$700 in 2015 for the one- and two-bedroom units. However, the grant-assisted clients were charged \$988 for one-bedroom and \$1,187 for two-bedroom units. HUD regulations at 24 CFR (Code of Federal Regulations) 578.49(b)(2) state that rents paid with grant funds must be reasonable and cannot exceed rents charged for comparable units, considering the location, size, type, quality, amenities, facilities, and management services. Additional details can be found in the Scope and Methodology section and appendix D of this report.

The excessive rental charges occurred because the City did not understand program requirements. The manager contracted by the City to oversee the project stated that the City had never managed this type of project and she was not familiar with the rent reasonableness requirements. In particular, she believed the City was automatically allowed to charge the HUD-published fair market rents, relied on incorrect rental rates from an outdated grant application, and presumed the Authority had performed the rent reasonableness analysis for the rent amounts in the grant application. However, neither the City nor the Authority performed the rent reasonableness review for the units leased in 2014. In addition, the rent reasonableness reviews

performed by the Authority for the 2015 leased units did not use the most comparable properties to accurately reflect the market rent, and the Authority set rent amounts that exceeded its own rent reasonableness range without adequate justification. Finally, the County lacked control processes to ensure that rents charged to the grant met rent reasonableness requirements.

The County and the City collected a 7 percent administrative fee, 3.5 percent each, based on the amount of eligible grant funds disbursed. As a result, \$57,906 plus \$2,932 in administrative fees collected were not used to benefit the homeless program. If the County does not implement procedures to ensure that grant funds pay for rents that meet rent reasonableness requirements, grant funds could pay another \$195,975¹ in excessive rents for this project.

Duplicate Charges

The County spent \$16,805 in grant funds to pay for duplicate rental and maintenance charges. Specifically, the City charged the grant twice for the August 2014 rents for 15 units totaling \$15,489 and maintenance payroll costs of \$1,316. The City attributed the issue of the double billing and retention of such charges to an accounting error. Although the County was responsible for reviewing the City's invoices to justify the drawdown of grant funds, it did not have adequate control processes to detect the double-billing. This deficiency violated 2 CFR 200.403(a) and 200.405(a), which states that a cost is allowable if it is allocable. The cost is allocable to a particular cost objective if the goods or services involved can be charged to the cost objective relative to the benefits received. In this case, no benefits were received for the duplicate payment. As a result, \$16,805 in Continuum of Care grant funds was not used to achieve the intent of the grant or assist more homeless tenants. The \$588 in administrative fees collected² on the duplicated funds was also questioned.

We discussed the duplicate charges with the County during our review. In a June 5, 2015, letter, the County requested that the City repay the duplicate payments. The County reviewed the project expenditures and identified other questionable expenditures and program violations that required corrective action by the City. In addition, the County took other proactive measures to address the issues identified during our review. These measures included plans to require the project sponsors to submit rent reasonableness assessments with the first invoice requesting reimbursement for assisted units and plans to revise its invoice and monitoring checklists.

Conclusion

The County did not ensure that the Fort Lauderdale Chronic Homelessness Housing Collaborative project administered by the City complied with program requirements. Specifically, grant funds of \$60,838 were used to pay for excess rent amounts from the 2012

¹ The excess funds of \$195,975 were determined by calculating the difference between the rent charged for the grant-assisted units over the average rent charged for the non-grant-assisted units in the same five buildings and our rent reasonableness analysis for another building leased in 2015. The period for the calculation was from January through December 2015 for the 2013 grant and from January through December 2016 for the 2014 grant. HUD had awarded funds to the project for the 2013 and 2014 grants. See the Scope and Methodology section for our calculation.

² For the \$16,805 in grant funds disbursed, the County did not collect its 3.5 percent administrative fee. Thus, only the 3.5 percent (\$588) collected by the City ($\$16,805 \times .035$) was questioned.

grant. In addition, grant funds were used to pay for duplicate rental and maintenance charges totaling \$17,393. This condition occurred because the County did not (1) practice due diligence in reviewing the project's expenditures and (2) lacked adequate controls to comply with rent reasonableness requirements, detect double billing, and prevent duplicate payments. As a result, \$78,231 in grant funds, which could have been used to further the program's purposes were inappropriately spent. In addition, if the County does not implement the necessary controls to ensure that grant funds pay for reasonable rents, \$195,975 in future grant funds may be used on unjustified excessive rental costs. Based on our audit, the County planned to initiate actions to address the identified deficiencies.

Recommendations

We recommend that the Director of the Miami Office of Community Planning and Development require the County to

- 1A. Provide documentation to justify the rent amount charged from the 2012 grant or repay HUD from non-Federal funds the \$57,906 in excess rents plus the \$2,932 in administrative fees totaling \$60,838.
- 1B. Develop, implement, and enforce procedures to comply with rent reasonableness requirements to prevent an estimated \$195,975 in excess rents from being charged to the program.
- 1C. Repay HUD from non-Federal funds the \$16,805 in duplicate payments plus the \$588 in administrative fees totaling \$17,393.
- 1D. Develop, implement, and enforce detailed procedures for County staff to detect double billing and prevent duplicate payments of grant funds.

Finding 2: Broward County Did Not Comply With Some Match Requirements

The County generally ensured that its projects complied with HUD's match requirements. However, our review showed noncompliance with certain match requirements that need correcting. Specifically, the County did not ensure that a sponsor executed conforming agreements with the third parties providing in-kind services and did not ensure the reporting of accurate match amounts to HUD. These deficiencies occurred because the County did not have an adequate control process to ensure compliance. These issues could result in the project sponsor not meeting the use or source of match requirements or making decisions on the approval or funding of a project without complete and accurate information.

No Agreement or Nonconforming Agreements With Service Providers

We reviewed eight projects to address whether the County maintained sufficient documentation to support that funds or in-kind contributions used to match the Continuum of Care grant funds were eligible. Five of the eight projects, which were administered by the same project sponsor, used in-kind supportive services to match the grant funds. Four third-party service providers provided the in-kind supportive services to the homeless clients for the five projects.

For in-kind contributions, 24 CFR 578.73(c)(3) requires that before grant execution, services to be provided by a third party be documented by a memorandum of understanding between the recipient or subrecipient and the third party that will provide the services. Further, the requirements state that the memorandum of understanding must establish (1) the unconditional commitment by the third party to provide the services, (2) the specific service to be provided, (3) the profession of the persons providing the service, and (4) the hourly cost of the service to be provided. The project sponsor did not always enter into a memorandum of understanding or similar agreement in compliance with HUD requirements. For example, no agreement was entered into with one of the third-party providers that served the clients of two projects. For the agreements that were executed, none contained all of the required provisions.

This deficiency existed because the County did not have an adequate control process in place to ensure that it complied with the requirements, such as having a proper agreement between the project sponsor and service provider. By not executing an agreement with the service provider to detail the specific responsibilities or the cost of each service, there was a risk that the types of services to be provided would not be eligible for the match requirement or that the amount of the in-kind service contributed would not be adequate to meet the match requirement. The County stated that it had since required the project sponsor to execute a memorandum of understanding with all supportive service providers.

Match Amounts Reported to HUD Not Accurate

We reviewed 10 projects to determine whether match amounts reported to HUD were accurate. Six of the projects reviewed showed that the match amounts reported in the annual performance report (APR)³ and submitted to HUD were not accurate or supported by the documentation provided. In the grant agreement executed with HUD, the County agreed to monitor the subrecipient's match requirement and report on the match amount to HUD through its APR as required by 24 CFR 578.103(e). In addition, the *e-snaps* CoC [Continuum of Care] APR Guidebook⁴ requires the County to record all cash and in-kind matches spent on the project. The table below lists the match amounts reported to HUD for the six projects and the amounts supported by the documentation reviewed.

Table 1

#	Project name	Amount reported in APR	Amount supported by documentation
1	Health Screening Unit	\$53,832 (original) \$65,267 (revised)	\$94,139
2	Samaritan 2008	\$95,032	\$79,780
3	Broward II	\$118,324 (original) \$103,453 (revised)	\$102,783
4	S+C Permanent Housing 16 Units	\$212,075	\$223,287
5	S+C Permanent Housing 29 Units	\$353,471	\$449,014
6	S+C Permanent Housing 18 Units	\$278,158	\$277,158

The supported match amounts are from the invoice packages submitted by the sponsor to the County to request for reimbursement as well as documentation and explanations provided by the project sponsor. For example, the initial review of the invoice packages for the Health Screening Unit project showed the \$53,832 match amount, but this amount met only 23 percent of the required 25 percent match requirement,⁵ and there was no documentation in the invoice packages to identify what detailed costs comprised the amount. County officials stated that the amount in the invoice package was based on a formula of the requested amount and did not realize the calculated amount did not meet the 25 percent match. During the review, the County revised the match amount reported in its APR. However, our review of the financial documentation and explanations obtained from the project sponsor indicated that the sponsor used \$94,139 in other grant funds to match the Continuum of Care funds. The information supported an amount that

³ HUD uses the APR to track the progress and accomplishments of projects it funds. All CoC Program recipients must complete an APR in *e-snaps*. Recipients have 90 days from the end of their operating year to submit their APR to HUD through *e-snaps*. *E-snaps* is HUD's electronic homeless assistance application and grants management system that supports the annual CoC program application and annual performance reporting.

⁴ The *e-snaps* CoC APR Guidebook, issued March 2015, assists the recipient with the data entry into *e-snaps* for all Supportive Housing Program, Shelter Plus Care, Single Room Occupancy, and CoC grants.

⁵ HUD regulations at 24 CFR 578.73(a) require the recipient or subrecipient to match all grant funds, less the leasing funds, with no less than 25 percent of funds or in-kind contributions from other sources.

exceeded the 25 percent match requirement, but the amount did not agree with the match amounts the County reported in its APR to HUD.

This deficiency occurred because the County did not ensure that the match amount reported in its APR was supported by the match documentation submitted by the project sponsors and to obtain clarification when the amounts did not agree. Toward the end of the 2012 grant, the County hired an accountant, who it believed was an added resource to ensure that projects met the 25 percent match requirement and that match amounts were consistent and supported. By not ensuring that the amount reported was supported, HUD and the County did not have the correct information to make decisions that could affect the approval or funding of later projects administered by the project sponsors.

The County has been proactive and taken certain steps to address the issues identified during our review. It shared that it has revised the contract addendum with subrecipients to include requirements to report match sources and uses with each invoice, planned to develop a new workflow to reconcile and validate the match amounts before submitting its APR, and stated that it would revise its monitoring tools to record match review results.

Conclusion

The County generally ensured that its projects complied with HUD's match requirements. However, it did not ensure that a sponsor using in-kind services to match the grant funds executed conforming agreements with the third party providing the services and did not ensure the reporting of accurate match amounts to HUD. These deficiencies occurred because the County did not have an adequate control process in place to ensure compliance. These issues could cause the project sponsor to not meet the use or source of match requirements or make decisions on the approval or funding of a project without complete or accurate information. Based on our review, the County had initiated actions to address the issues identified.

Recommendations

We recommend that the Director of the Miami Office of Community Planning and Development require the County to

- 2A. Ensure that project sponsors using in-kind contributions to match the Continuum of Care grant funds execute a memorandum of understanding or similar agreement with the third party providing services for the project funded with the 2013 Continuum of Care grant and future grants in compliance with 24 CFR 578.73(c)(3).

- 2B. Develop, implement, and enforce detailed procedures for staff and project sponsors to ensure that they comply with HUD's match requirements. Procedures and accompanying guidance should include (1) tracking the cash or in-kind match amounts monthly or consistently to ensure that the match amount reported in its APR to HUD is accurate and supported by the documentation provided by the project sponsors, (2) providing to project sponsors a list of the types of documentation that may be sufficient to ensure the eligibility of the use and source of the match funds, and (3) reviewing the documentation from project sponsors to ensure that the sources of the funds used to match the grant funds are eligible and sufficiently supported to comply with 24 CFR 578.73.

Scope and Methodology

The audit period covered the operating year of the projects awarded from the fiscal year 2012 grant funds, March 1, 2013, to December 31, 2014.⁶ The audit period was expanded as needed to achieve our objectives. We performed most of our audit fieldwork from November 2014 to May 2015 at the County's main office and the Miami HUD Office of Inspector General (OIG), Office of Audit. We performed the following audit work to accomplish our objective:

- Reviewed Federal regulations relevant to our objective;
- Reviewed the project files to include the contract file and invoice packages, grant applications and agreements, and monitoring reports prepared by the County;
- Interviewed County and project sponsor officials to obtain explanations;
- Interviewed homeless clients to verify information in tenant files;
- Reviewed documents provided by project sponsors and their contractor, such as financial reports, supporting invoices, lease agreements, rent rolls, and utility bills; and
- Discussed results and recommendations with HUD officials.

HUD awarded the Broward County Continuum of Care more than \$21 million during the 2011 through 2013 grant years. Specifically, the County received \$7.8 million in 2012 grant funds to administer 17 projects. To test the eligibility of program expenditures during the survey, we selected expenditures from two projects whose award totaled more than \$1.4 million, or 19 percent of the total funds awarded. The projects were selected because one had the highest awarded grant amount and the other was high risk because it was a newly funded project and had a low spending rate. For the first project, we reviewed the expenditures related to rental assistance. For the second project, we reviewed the expenditures related to operating costs.

Survey results showed that the County did not maintain or provide sufficient documentation to support that the operating costs disbursed to the second project were eligible. Thus, in the audit phase, we extended the review to the project's leasing costs.⁷ We found that grant funds were spent to pay for rent amounts that exceeded rent reasonableness standards for the grant-assisted units. To perform our calculation of the excess rent, we used the January 2014 through April 2015 rent rolls, which listed the rents of both the grant-assisted and non-grant-assisted tenants, for the five buildings resided in by the grant-assisted tenants.

We used the non-grant-assisted units from the five buildings as comparable units, and thus, relied on the monthly rent rolls to determine the rent amounts charged to the non-grant-assisted tenants.

⁶The projects managed by the County had varying operating years. The earliest operating year started March 1, 2013, and ended February 28, 2014, and the latest operating year started January 1, 2014, and ended December 31, 2014.

⁷ Our review did not include a test of tenant eligibility.

To assess whether the rent amounts for the non-grant-assisted tenants listed on the monthly rent rolls were reliable, we selected 6 non-grant-assisted units for review. At least 1 unit was selected from each of the 5 buildings that had occupancy of 11 months or more in 2014, with 2 being selected from the building with the most units. We compared the rent amounts on the monthly rent rolls to the lease agreements and found the data to be consistent. Thus, we concluded that the rent amounts listed on the rent rolls were accurate and could be relied upon to support the questioned costs in the audit report.

The rent rolls showed 27 comparable units in 2014 and 22 comparable units in 2015.⁸ The monthly rents for these comparable units ranged between \$450 and \$700 in 2014 and between \$500 and \$700 in 2015 for one- and two-bedroom units. The grant-assisted tenants were charged monthly rents of \$988 for a one-bedroom, and \$1,187 for a two-bedroom unit. The City and the Authority reasoned that the grant-assisted units had a higher rent because the rent included electric utility costs. Therefore, we included the \$64 average monthly electric utility cost incurred for the grant-assisted units in 2014 to our calculation. The \$57,906 in excess rent for the 2014 calculation (paid from the 2012 grant) is the difference between the rent amount for the grant-assisted units and the average rent amount of a comparable unit in each of the five buildings taking into consideration the electric utility cost and the portion of rent paid by the grant-assisted tenant.

During the first 2 months of 2015, two grant-assisted tenants were relocated to another Authority-owned building that was recently acquired and vacant. To obtain the rent reasonableness for the units in this building, which consisted of only one-bedroom units, we identified three comparable properties using the GoSection8 and Realtor Web sites.⁹ The adjusted monthly rent for the three comparable properties ranged from \$780 to \$793, which included a \$74 electric utility adjustment. We used the midpoint of the rent range to arrive at \$786 as our rent reasonableness rate. The grant-assisted tenants were charged \$994. The \$17,020 in excess rent approved to be paid for the 2015 calculation (from the 2013 grant) was the sum of (1) the difference between the rent amount for the grant-assisted units plus the average utility cost over the average rent amount of a comparable unit in the five buildings and (2) the difference between the rental charge of \$994 over the \$786 rent reasonableness rate for the recently acquired building. We also accounted for the tenant’s portion of the rent, which reduced the rent amount charged to the grant.

The \$195,975 in funds to be put to better use is comprised of the following amounts:

January – February 2015	March – December 2015	January – December 2016	Total
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⁸ The 27 comparable units are those with rent charges for 11 or more months in 2014, and the 22 comparable units are those with rent charges for the first 4 months in 2015.

⁹ GoSection8.com is the largest rental-listing service for the Section 8 housing market, allowing families to locate and compare affordable rental homes, affording landlords a platform for reaching Section-8-eligible families, and providing housing authorities with area-specific Internet portals and rent reasonableness certifications. Realtor.com provides listings on the houses for sale, apartments for rent, and property and neighborhood details for identified areas.

From 2013 grant		From 2014 grant	
\$17,020	\$81,371	\$97,584	\$195,975

The \$81,371 consists of (1) the calculated excess rent for March and April 2015 based on the charged rents and considering the same factors used in the \$17,020 calculation and (2) the estimated excess rent for the remaining 8 months (May - December 2015) based on the April 2015 rents considering that all factors remain the same. The \$97,584 calculated for 2016 is the estimated excess calculated by multiplying the \$8,132 in excess rent for April 2015 by 12 months.

We performed due diligence to ensure that the comparable units from the five buildings were unassisted units in that the units were not occupied by subsidized tenants and the units were not subsidized or subject to rent restrictions. To do so, we reviewed HUD's Public and Indian Housing Information Center data for Region 4 to determine whether the non-grant-assisted units were identified as units occupied by Section 8 tenants and whether the non-grant-assisted units were located in public housing developments. We also confirmed with Authority officials that the other units and tenants for the five buildings were not subsidized and the buildings were not low-income tax credit buildings subjected to rent restrictions.

In addition, to test the County's compliance with the match requirement, we selected 3 of the 17 projects for review during the survey. One was selected because the County's APR showed that the project did not meet the 25 percent match requirement. The other two projects were selected from the top three project sponsors receiving the most grant funds. During the survey, we determined whether the project met the 25 percent match requirement, the match funds were used for program eligible costs, and the source of the match funds was eligible. Based on survey results, we selected an additional five projects to address the audit objective. These five projects were administered by one sponsor that received the most grant funds. The eight projects were awarded more than \$5.1 million, or 66 percent of the total award. We also reviewed 10 projects¹⁰ to determine whether match amounts reported to HUD were accurate and supported, selecting them based on the dates their APRs were due and the project sponsor. Except for one project because its report was not yet submitted, we selected at least one project from each sponsor. The 10 projects were awarded more than \$3.7 million, or 48 percent of the total award.

The results from our reviews apply only to the expenditures and match data reviewed and cannot be projected to the universe of the expenditures or match data for other projects.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁰ The 10 projects reviewed for reporting accuracy included 5 of the 8 projects selected for matching compliance, along with 5 other projects.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Effectiveness and efficiency of program operations – Controls over program operations include policies and procedures that the audited entity has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Relevance and reliability of information – Controls over the relevance and reliability of information include policies and procedures that management of the audited entity has implemented to reasonably ensure that operational and financial information used for decision making and reporting externally is relevant, reliable, and fairly disclosed in reports.
- Compliance with laws and regulations – Controls over compliance include policies and procedures that the audited entity has implemented to reasonably ensure that program implementation is in accordance with provisions of laws, regulations, contracts, and grant agreements.
- Safeguarding of assets – Controls over the safeguarding of assets and resources include policies and procedures that the audited entity has implemented to reasonably prevent or promptly detect unauthorized acquisition, use, or disposition of assets and resources.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The County did not implement controls to reasonably ensure that (1) rents charged to the grant complied with rent reasonableness requirements and (2) grant funds were not charged more than once for the same expenditures (see finding 1).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unreasonable or unnecessary 2/	Funds to be put to better use 3/
1A		\$60,838	
1B			\$195,975
1C	\$17,393		
Totals	\$17,393	\$60,838	\$195,975

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. Based on our review, if the County implements the recommendation to ensure that the rents charged for the grant-assisted units are reasonable and comply with 24 CFR 578.49(b), \$195,975 in grant funds can be available to assist other homeless clients or needs.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



HUMAN SERVICES DEPARTMENT
COMMUNITY PARTNERSHIPS DIVISION - HOMELESS INITIATIVE PARTNERSHIP
115 S. Andrews Avenue, Room A-370 • Fort Lauderdale, Florida 33301 • 954-357-6101 • FAX 954-357-5521

July 20, 2015

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Office of Inspector General
Housing and Urban Development

Subject: Comments to DRAFT Audit Report prepared by Housing and Urban Development
Office of Inspector General (HUD OIG)

Dear Ms. Irons:

This letter serves as the County's written comments to the draft Audit Report (dated July 1, 2015). Additionally, enclosed is a Matrix of Actions identifying the steps the County has already implemented, and plans to implement, to correct and resolve the identified deficiencies. Additionally, the County will coordinate with the Housing and Urban Development (HUD) Miami Field Office to receive direction regarding development of a formal Action Plan and to ensure completion of all items to the satisfaction of HUD.

HUD OIG FINDING 1: BROWARD COUNTY DID NOT ENSURE PROPER ADMINISTRATION OF ONE OF ITS CONTINUUM OF CARE PROJECTS.

The Audit Report identified that County: 1) spent grant funds for rents which exceeded rent reasonableness standards and 2) paid duplicate rent charges for the Chronic Homeless Housing Collaborative (CHHC) project administered by the City of Fort Lauderdale (Sub-recipient). The Audit Report also identified projected amounts if rents exceeding the rent reasonableness standards continued to be spent through December 31, 2015.

HUD OIG Recommendation 1A. Provide documentation to justify the amount of rent charged from the 2012 grant or repay HUD from non-Federal funds.....\$61,959; and Recommendation 1C. Repay HUD From non-Federal funds the \$16,805 in duplicate payments plus the \$588 in administrative fees totaling \$17,393.

COMMENTS: CONCUR. HUD GRANT FUNDS PAID FOR RENTS WHICH APPEAR TO EXCEED RENT REASONABLENESS STANDARDS; HOWEVER, ADMIN AMOUNT INCLUDED IN \$61,959 IS UNDER REVIEW; AND DUPLICATE RENT CHARGES WERE PAID.

Further examination by the County of invoices previously submitted by the Sub-recipient determined ineligible expenses and duplicate rental charges were paid. It appears that admin drawn is reflected in the \$61,959 total referenced in the DRAFT Audit Report, however, County did not draw any admin in September – December 2014. The County issued a Corrective Action letter (dated April 27, 2015) to Project Sub-recipient requiring reimbursement for ineligible expenses and submission of a Corrective Action Plan to ensure future compliance by May 11,

Comment 1

Broward County Board of County Commissioners
Mark D. Bogan • Beam Furr • Dale V.C. Holess • Martin David Katz • Chip LaMerza • Stacy Ritter • Tim Ryan • Barbara Sharief • Lois Weiler
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**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

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2015. A Corrective Action Plan was received by the deadline and was determined insufficient. On June 5, 2015, the County issued a follow up letter identifying additional ineligible expenses requiring repayment by June 15, 2015. To date, no response or repayment has been received. The County intends to pursue resolution of the repayment until successfully resolved.

Comment 1

Detailed information regarding the rent reasonableness was secured by HUD OIG and shared with the Sub-recipient who was unable to provide justification to support the amount of rents charged for the CHHC project. The HUD OIG reviewed the information with the County. A formal letter dated June 11, 2015, was sent by the County to the Sub-recipient requesting explanation of the process/factors used to establish rent reasonableness for project recipients during the 2012 and 2013 CoC Competition periods of operation. A response has not yet been received. Therefore, on July 7, 2015, pursuant to contractual terms and conditions, County suspended reimbursement of expenditures pending receipt of previously requested Rent Reasonableness documentation and refund from non-Federal sources the ineligible expenses and duplicate charges.

HUD OIG FINDING 2: BROWARD COUNTY DID NOT COMPLY WITH SOME MATCH REQUIREMENTS.

COMMENTS: CONCUR. SUBRECIPIENT'S DID NOT EXECUTE CONFORMING AGREEMENTS WITH THIRD PARTIES PROVIDING IN-KIND SERVICES AND DID NOT ENSURE THE REPORTING OF ACCURATE MATCH AMOUNTS TO HUD.

Comment 3

The County has been working with the Broward County Housing Authority (BCHA) who is the Subrecipient for 5 HUD projects for the past couple of months to identify elements necessary to be included in the Memorandum Of Understanding (MOU) with third parties providing in-kind services. On May 6th, BCHA submitted a draft MOU that was being finalized. At the same time, the HUD office approved Technical Assistance for Match & Leverage that resulted in additional questions and comments. Last week, clarification was received and the County notified BCHA that the executed MOU(s) must be submitted by July 31, 2015.

HUD OIG Recommendations: Develop, implement, and enforce procedures to comply with rent reasonableness, to detect double billing and prevent duplicate payment of grant funds, and to ensure that project sponsors comply with HUD's match requirements.

Regarding the County's HUD CoC Program Administrative Policies and Procedures, the County has updated the Contract Administration Policies and Procedures, and continues to review and make additional updates to meet local, state and federal requirements.

Comment 4

The County is also in the process of drafting Rent Reasonableness policies and procedures based on information gathered from the HUD Exhange and the HUD Miami Field Office. The County intends to identify specific requirements and process for Sub-recipients to determine Rent Reasonableness, documentation requirements for submission to the County and additional documentation requirements to be maintained by the Sub-recipient and reviewed by the County during annual monitoring.

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Comment 4

The current County Invoice procedure outlines all the steps the County Contract Grants Administrators (CGA's) are required to complete when reviewing the invoice. CGA's are required to return any invoices that are deemed abnormal, duplicative and/or excessive. This procedure has been in place since April 30, 2010. However, the County is strengthening the procedure by incorporating additional client level detail on the tracking tool utilized by CGA's, including a review role of the new HUD Accountant position, as well as implementing a quality assurance process to assess compliance with the policy and procedure. Additional processes have been implemented to avoid duplicate rental charges. The Balance Tracking tool for all Rental Assistance and Leasing projects now includes tracking of monthly rental payments for each individual client. If charged again for the same month, payment will be denied and an immediate notice will be sent to the Project Sub-recipient.

In March 2015, the County updated its Contract Addendum and corresponding Contract Provider Handbook to ensure HUD CoC Program funded contractual requirements were consistent with HUD CoC Program rules and regulations. Revisions include, but are not limited to, the areas identified in the attached Matrix Of Actions, to ensure clearly communicated requirements and offer avenues for the County to enforce said requirements. Additionally, the County will be revising its Sub-recipient Contract Monitoring Tool and written procedures to ensure HUD CoC Program funded projects are monitored according to HUD CoC Program regulations and rules. These aforementioned actions will address items identified in both findings.

As discussed with HUD Office of Inspector General staff at the Exit Interview, the County acknowledges the identified findings and is prepared to take all steps necessary to address and resolve the identified issues. Challenges such as the first year implementation of Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 requirements, County staff vacancies, and the CHHC program manager changing three times during the 2012 CoC Competition Audit period contributed to the findings. Please be assured that the County will follow-through with direct consultation with the Miami Field Office to ensure the changes are implemented and incorporated into daily business operations within timeframes established by the Field Office.

In closing, thank you again for your commitment to working with the community for the benefit of all citizens in ensuring HUD CoC Program grant funds are spent appropriately and effectively.

Respectfully submitted,



Michael R. Wright, MPA, Administrator
Homeless Initiative Partnership

Enclosure: Matrix of Actions

Broward County Board of County Commissioners
Mark D. Beggs • Boone Furr • Dale Y.C. Haines • Mark David Klar • Chq LaMarca • Stacy Miller • Tim Ryan • Barbara Sharief • Lois Weiler
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OIG Evaluation of Auditee Comments

Comment 1 The County agreed that grant funds were paid for rents which appear to exceed rent reasonableness standards. On June 11, 2015, it requested that the City of Fort Lauderdale provide justification on the process or factors used to establish the rents for project recipients during the 2012 and 2013 grants. Absent a response from the City, on July 7, 2015, the County suspended reimbursement of expenditures to the City. In addition, the County advised that for the administrative fee included in the \$61,959 excess rent amount cited in finding 1 of the draft audit report, it did not draw its portion of the administrative fee (of 3.5 percent) from September through December 2014.

We acknowledge the County's efforts in beginning the process to resolve this issue. If the City provides documentation, HUD will work with the County to determine the sufficiency of such documentation to justify the rent amounts charged to the grant program. The amount determined to be in excess of the reasonable rent will need to be repaid to HUD from non-Federal funds to address recommendation 1A. Also, we reviewed the documents provided and revised the administrative fee amount collected on the \$57,906 in excess rent and reflected the change in finding 1 and recommendation 1A of the report.

Comment 2 The County concurred that duplicate rent charges were paid. It stated that it issued a letter dated April 27, 2015, to the City requiring reimbursement for ineligible expenses and followed up with a June 5, 2015 letter¹¹ identifying additional ineligible expenses requiring reimbursement by June 15, 2015. The County indicated that no payment has been received but intends to pursue resolution of the repayment of the ineligible expenses.

We acknowledge the County's proactive efforts in seeking reimbursement from the City. HUD will work with the County to establish the target completion date to address recommendation 1C.

Comment 3 The County concurred that the subrecipient for the 5 projects mentioned in finding 2 did not execute conforming agreements with third parties providing in-kind services. It has been working with the subrecipient to identify elements needed in the Memorandum of Understanding, received technical assistance from HUD, and notified the sponsor to submit executed memorandums by July 31, 2015.

¹¹ The repayment noted in the County's June 5, 2015 letter includes the duplicate rental and maintenance charges cited in finding 1.

We acknowledge the County's efforts in correcting this issue. The receipt of executed memorandums that comply with 24 CFR 578.73(c)(3) will address recommendation 2A.

Comment 4 The County highlighted several procedural changes it has or will implement to address the issues identified in the findings. Specifically, it was drafting rent reasonableness policies and procedures for subrecipients to determine reasonable rent and to be aware of the documentation to submit to the County to be maintained. Additionally, the County indicated that it was strengthening its process for reviewing invoices by incorporating additional client level detail on the tracking tool, including a review by the accountant, and implementing a quality assurance process. Further, it said it would revise its monitoring tool to improve its subrecipient monitoring. The County included with its written comments a table outlining the actions (Action of Matrix¹²) it has implemented and plan to implement to address the findings and other issues.

OIG agrees with the County that the procedural changes, when implemented and enforced, will help ensure its compliance with HUD requirements and will address recommendations 1B, 1D, and 2B.

¹² We did not include the Action of Matrix in Appendix B.

Appendix C

List of 2012 Continuum of Care-Funded Projects by Project Sponsor

#	Project sponsor	Project name	Operating year	Award amount	Award amount to sponsor
1	Broward County Housing Authority	S+C 88 Units	11/01/13 - 10/31/14	\$ 1,005,317	
2	Broward County Housing Authority	HHOPE Chronic Homeless Initiative	06/01/13 - 05/31/14	\$ 925,438	
3	Broward County Housing Authority	S+C 29 Units	06/01/13 - 05/31/14	\$ 410,945	
4	Broward County Housing Authority	S+C 18 Units	10/01/13 - 09/30/14	\$ 275,130	
5	Broward County Housing Authority	S+C 16 Units	06/01/13 - 05/31/14	\$ 250,905	\$ 2,867,735
6	Broward County Elderly and Veteran Services Division	Inverrary Station	12/01/13 - 11/30/14	\$ 966,606	
7	Broward County Family Success Administration Division	NewHart Project	12/01/13 - 11/30/14	\$ 368,896	
8	Broward County Family Success Administration Division	HART & Home	03/01/13 - 02/28/14	\$ 254,260	
9	Broward County Homeless Initiative Partnership Section	Dedicated HMIS ¹³	12/01/13 - 11/30/14	\$ 220,149	
10	Broward County Homeless Initiative Partnership Section	CoC Planning	12/01/13 - 11/30/14	\$ 124,012	\$ 1,933,923
11	Broward Housing Solutions	Broward II	08/01/13 - 07/31/14	\$ 977,561	
12	Broward Housing Solutions	Samaritan 2008	11/01/13 - 10/31/14	\$ 254,615	\$ 1,232,176
13	City of Fort Lauderdale	Ft. Lauderdale Chronic Homelessness Housing Collaborative	01/01/14 - 12/31/14	\$ 455,000	\$ 455,000
14	HOPE South Florida, Inc.	HOPE4Families	07/01/13 - 06/30/14	\$ 293,719	\$ 293,719
15	Henderson Behavioral Health, Inc.	Chalet Apartments	06/01/13 - 05/31/14	\$ 289,452	\$ 289,452
16	Covenant House Florida	Independent Living Program	07/01/13 - 06/30/14	\$ 395,951	\$ 395,951
17	Broward Partnership for the Homeless	Health Screening Unit	03/01/13 - 02/28/14	\$ 347,234	\$ 347,234
Total				\$ 7,815,190	\$ 7,815,190

¹³ HMIS = homeless management information system

Appendix D

List of Excess Rents Charged

#	Unit identifier	Client ID #	Excess rent charged		Total
			to 2012 grant	to 2013 grant ¹⁴	
1	1103-132190	3806	\$ 3,879	\$ 732	\$ 4,611
2	1103-132191	24886 ¹⁵	\$ 1,166	\$ 0	\$ 1,166
3	1103-132191	23008	\$ 3,157	\$ 732	\$ 3,889
4	1103-132194	421	\$ 2,423	\$ 732	\$ 3,155
5	1103-132195	23003	\$ 2,231	\$ 732	\$ 2,963
6	1103-132202	20034	\$ 3,971	\$ 1,144	\$ 5,115
7	1103-132206	18267	\$ 4,183	\$ 510	\$ 4,693
8	1103-132207	22153	\$ 3,043	\$ 732	\$ 3,775
9	1103-132208	16727	\$ 1,084	\$ 1,018	\$ 2,102
10	1103-132210	3960	\$ 4,389	\$ 510	\$ 4,899
11	1103-132214	3129	\$ 2,607	\$ 732	\$ 3,339
12	1103-132216	25757	\$ 3,418	\$ 732	\$ 4,150
13	1103-132217	21972	\$ 3,588	\$ 732	\$ 4,320
14	1103-132219	30458	\$ 2,578	\$ 1,080	\$ 3,658
15	1103-132220	27421	\$ 2,826	\$ 748	\$ 3,574
16	1103-132224	32076	\$ 1,506	\$ 748	\$ 2,254
17	1103-132225	4638	\$ 981	\$ 748	\$ 1,729
18	1103-132227	3950	\$ 483	\$ 748	\$ 1,231
19	1103-132228	25420	\$ 1,658	\$ 748	\$ 2,406
20	1103-132250	3809	\$ 2,257	\$ 598	\$ 2,855
21	1103-132255	349	\$ 3,105	\$ 782	\$ 3,887
22	1103-132256	22938	\$ 805	\$ 782	\$ 1,587
23	1103-132266	4974	\$ 2,568	\$ 748	\$ 3,316
24	1103-132276	18267 ¹⁶	Not applicable	\$ 126	\$ 126
25	1103-132283	3960 ¹⁷	Not applicable	\$ 126	\$ 126
			\$ 57,906	\$ 17,020	\$ 74,926

¹⁴ The excess rents are calculated from the January and February 2015 rent charges. The \$17,020 total is included in the \$195,975 amount reported as funds to be put to better use in recommendation 1B.

¹⁵ The tenant moved out of the unit in April 2014.

¹⁶ The tenant moved from unit 1103-132206 (item 7) to unit 2554-1 in February 2015.

¹⁷ The tenant moved from unit 1103-132210 (item 10) to unit 2554-8 in February 2015.