



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
HOUSING AND COMMUNITY DEVELOPMENT
Emergency Solutions Grant Program Audit
with Management Responses
August 9, 2016

TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	1
BACKGROUND.....	1
OBJECTIVE	2
SCOPE.....	2
METHODOLOGY	2
FINDINGS AND RECOMMENDATIONS	2
CONCLUSION.....	10

INTRODUCTION

The Office of the County Auditor has conducted an audit of the Emergency Solutions Grant Program (ESG) administered by Fulton County Housing and Community Development (FCHCD).

BACKGROUND

The ESG Program, funded by the Department of Housing and Urban Development (HUD), provides outreach, shelter, rapid re-housing, homelessness prevention and related services to persons experiencing homelessness, or for persons in danger of becoming homeless. This program is principally designed to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness. ESG funds may also be used to aid people who are at imminent risk of becoming homeless due to eviction, foreclosure or utility shutoff.

The program is focused on providing temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or at risk of homelessness. There are four definitions of homelessness consisting of:

- (1) An individual or family who lacks a fixed, regular and adequate nighttime residence, with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings or living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements;
- (2) An individual or family who will imminently lose their primary nighttime residence within 14 days of the date of application for homeless assistance and no subsequent residence has been identified in addition to the individual or family lacking resources or a support network;
- (3) Unaccompanied youth under 25 years of age, or families with children and youth who do not otherwise qualify as homeless; and
- (4) Any individual or family who is fleeing or is attempting to flee domestic violence, dating violence, sexual assault, stalking or other dangerous or life threatening conditions that relate to violence against the individual or a family member as well as has no other residence and lacks the resources or support networks.

To be considered at-risk of homelessness, individuals or families must meet two threshold criteria and must exhibit one or more specified risk factors. The two threshold criteria include having income below 30 percent of median income for the geographic area and insufficient resources immediately available to attain housing stability to prevent them from moving to an emergency shelter. In addition, the families and individuals must exhibit the following risk factors:

- Has moved frequently because of economic reasons;
- Is living in the home of another because of economic hardship;

- Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application;
- Lives in a hotel or motel;
- Lives in severely overcrowded housing;
- Is exiting a publicly funded institution or system of care; and
- Lives in housing that has characteristics associated with instability and an increased risk of homelessness.

OBJECTIVE

The objective of our audit is to determine whether the ESG Program is in compliance with established regulations and procedures and to assess the effectiveness of program operations.

SCOPE

The audit period for this audit is January 1, 2015 through December 31, 2015.

METHODOLOGY

To achieve our audit objectives, we conducted interviews with key staff and personnel and performed audit steps to ensure:

- Proper documentation was obtained, reviewed and approved prior to disbursing ESG Program funds;
- Appropriate documentation was maintained to validate compliance with ESG Program requirements; and
- Program funds were provided to eligible recipients.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Failure to Adhere to Intake Procedures

The ESG rules indicate that grantees must establish and follow written intake procedures to ensure compliance with program requirements as well as meet the definition of homelessness as defined by HUD. Additionally, all ESG applicants must participate in an initial consultation to assess needs and to determine program eligibility. The consultation will include verification of

homelessness or at-risk of homelessness status, the applicant's barriers to housing stability, and the collection of data elements required for entry into the Homeless Management Information System (HMIS), otherwise known as Pathways.

During the audit, we reviewed 15 participant case files. We noted 13 of the 15 case files reviewed totaling approximately \$27,553 in rental and utility payments lacked documentation to verify and certify participants' homelessness. We also noted assessment forms were not completed and documentation to confirm an individual was involved in a domestic violence situation was not provided. More specifically:

- One (1) case file reviewed indicated the participant received utility assistance totaling about \$644, however; source documents required to support income eligibility and determine whether the participant lacks sufficient resources were not provided.
- Seven (7) case files reviewed showed that participants received rental and utility assistance totaling about \$14,951 and indicated they were evicted. However; source documents to support participants' homelessness, stay at a shelter, or not having any subsequent residence or resources were not provided.
- Four (4) case files reviewed showed that participants received rental and utility assistance totaling about \$9,877 and indicated they were facing eviction and at-risk of becoming homeless. However, documentation from the landlord, utility company, or court ordered eviction, and/or notices indicating participants were at risk of becoming homeless with no subsequent residence or resources were not provided.
- One (1) case file reviewed indicated participant received rental assistance of approximately \$1,658 as the participant was fleeing a domestic violence situation; however, supporting documentation was not provided.
- Three (3) case files reviewed showed that participant income was not provided, therefore; we were unable to verify if participants were within the income requirement threshold and be able to maintain long-term housing stability.

The ESG program staff failed to conduct proper intake procedures that included obtaining documentation to verify applicant's compliance with eligibility requirements prior to providing assistance.

In addition, case managers must obtain authorization from participants using the Pathways Community Network Client Authorization Form to input personal and confidential information into HMIS. The case managers also are required to have participants complete the Verification and Certification of Homelessness Form. However, during our review, we noted a lack of completed forms required to obtain authorization and certify the participants' state of homelessness. It appears case managers for ESG applicants failed to verify and document applicants' current state of homelessness and obtain participants' authorization to have data input into HMIS.

All of these actions could result in the participants being deemed ineligible by HUD. In addition, not properly verifying participant eligibility could result in misuse of ESG funds, potential fraud

and lack of funding for participants that are deemed eligible. Also, without proper documented participant authorization Fulton County could be at risk for legal repercussions and unintended liability. This could lead to participant privacy information being released without participant knowledge or authorization.

Recommendation

ESG Management should ensure all required documentation is received and reviewed prior to participants receiving funding from Emergency Solutions Grant funds and services. In addition, management should ensure proper documentation is received from participants giving authorization to input data into HMIS (Pathways).

MANAGEMENT RESPONSE

Under new leadership, the FCHCD has begun focus on streamlining policies and procedures. A staff has been put in place to review current federal regulations and align departmental policies and procedures accordingly. Moving forward staff will ensure compliance around client eligibility documentation. Furthermore, the HMIS system known as PATHWAYS is being discontinued as an RFP is underway to track homeless services.

Finding 2 – Failure to adhere to Fair Market Rent Requirements

Based on Federal Regulations provided by HUD, rental assistance cannot be provided unless the rent does not exceed the Fair Market Rent (FMR) established by HUD, as provided under 24 CFR part 888, and complies with HUD’s standard of rent reasonableness, as established under 24 CFR 982.507. HUD establishes FMRs to determine payment standards or rent ceilings for HUD-funded programs that provide rental assistance. Recipients and/or sub-recipients should print and place in case files a copy of the applicable FMR data to document the FMR for that participant’s unit size and geographic area. During our review, we noted one (1) participant file reviewed where homelessness prevention assistance was provided in the form of rental assistance exceeding the FMR threshold. Additionally, we noted the participant continued to reside in the residence, as determined by documentation provided including renewing the rental agreement for an increase in rental amount, which further exceeds the FMR. The participant received three months of rental assistance including the increased rental amount in one lump sum. Also during our review of participant files, FMR data was not documented in files for review and in some instances we were unable to determine the size of the unit in which the participant received rental assistance. Failure to adhere to rent restrictions requirements could result in misuse of ESG funds, lack of fund availability for additional participants that are in need of ESG funds and violation of HUD program requirements.

Recommendation

Management should ensure participants are within the FMR threshold for Fulton County jurisdiction prior to receiving rental assistance. Additionally, all documentation required to determine the size of the unit should be maintained in the participant's files.

MANAGEMENT RESPONSE

Policies and procedures will be updated and implemented in accordance with 24 CFR 106 (d) (short-term and medium-term rental assistance). Additionally, all services will be subcontracted out where subrecipients of the funds will have to adhere to all ESG regulations. Subrecipients will be monitored at a minimum quarterly to ensure they are in compliance with ESG regulations.

Finding 3 – Failure to timely drawdown ESG funds

ESG Program expenses should be drawn down in a timely manner to comply with HUD deadlines and to exhibit progression. During our review, we noted the FCHCD failed to submit ESG draw down requests to Finance department for the 2015 period. Additionally, there was a delay in establishing ESG projects into the Integrated Disbursement and Information System (IDIS). Currently the balance of unreimbursed ESG funds is \$136,276 for 2015 expenditures. The lack of system access required to drawdown ESG funds caused a delay in submitting draw down requests to the Finance Department. FCHCD is currently working on getting system access to employees in order to access funds to be drawn down. Failure to drawdown funds timely could result in increases of risk for financial hardship for the County and loss of funding received from HUD.

Recommendation

We recommend management develop methods to ensure projects are entered into IDIS in order for funds to be promptly drawn down for reimbursement. Furthermore, we recommend development of procedures to ensure timely submittal of draw down requests.

MANAGEMENT RESPONSE

In January 2016 a Quality Assurance Manager was hired to assist the department with identifying operational gaps and deficiencies. In the initial assessment, it was determined that in order to adequately address the areas of concern, the fiscal department needed to expand beyond basic data entry. Staff needed to be well-versed in every aspect of Accounting/Finance with a comprehensive and in-depth knowledge of financial reporting, monitoring and tracking. Additionally, this position requires someone with a strong level of discernment including the ability to understand how fiscal activities are interconnected. Not having this level of financial acumen and expertise continues to have the greatest impact on the department's ability to

adequately perform financial functions, including timely drawdown of funds and processing of invoices. In addition, drawdowns were also hindered because prior to 2015, there was no system of budget execution, project monitoring or cash planning which subsequently impacted project execution and the department's ability to timely spend the money.

Program staff is now charged with planning activities in order to meet expenditure and disbursement deadlines and report their progress to the Director and Operations Manager on a bi-weekly basis. Likewise, as previously stated, the department is now in the interview stages for a Financial Systems Manager with financial training and active work experience fiscally managing federal and state grants and contracts.

Finding 4 – Lack of evaluation of program participants eligibility

Based on HUD guidelines, recipients and/or sub-recipients must develop and implement written policies and procedures for:

- Determining and prioritizing which eligible families and individuals will receive assistance;
- Determining the amount or percentage of rent and utilities each program participant must pay;
- Determining how long a particular program recipient will be provided with rental assistance; and
- How the amount of that assistance will be adjusted over time.

Additionally, the recipient and/or sub-recipient must re-evaluate the program participant's eligibility and the types and amounts of assistance the program participant needs no less than once every three (3) months for program participants receiving homelessness prevention assistance, and not less than once annually for program participants receiving rapid re-housing assistance. During our review, we determined ESG program procedures were not being followed to determine and prioritize eligible families. There were several instances where participants received rental assistance and utility assistance for three months in one lump sum; however, there is a lack of sufficient documentation to determine if management performed a re-evaluation of program participants receiving homelessness prevention assistance. There were instances where participants did not provide Social Security cards or birth certificates or management did not determine if the participant had any other housing options as stated in the policy. Management stated rental assistance amounts are determined on a case by case basis and case managers determine how much assistance is needed for a participant. If program eligibility is not re-evaluated consistently or case managers are unable to identify consumer eligibility, this will continue to result in ineligible participants receiving ESG funding, which could result in lack of fund availability for eligible participants or decrease in HUD funding.

Recommendation

We recommend management perform adequate program eligibility re-evaluations on participants that received homelessness prevention assistance as well as ensure consumers requesting assistance meet all the eligibility guidelines as state in the policy.

MANAGEMENT RESPONSE

Staffing is currently evaluating program eligibility and revising standard operating procedures as it relates to homeless prevention/rapid rehousing eligibility requirements to include revised pre-screening documents.

Finding 5 – Failure to adhere to residency requirements

According to ESG Policies and Procedures Manual, to be considered eligible for participation in the ESG Program the participant must reside in Fulton County. For one (1) participant file reviewed, we noted the participant is a non-Fulton County resident and received rental and utility assistance in the amount of \$2,082 to relocate to a residence in Fulton County. Management stated although participant’s prior residence was not in Fulton County jurisdiction, the participant received assistance to relocate within Fulton County jurisdiction. Failure to adhere to residency requirements could result in lack of funds available for Fulton County residents and potential misuse of ESG funds.

Recommendation

Management should review and adhere to eligibility requirements and ensure all recipients of ESG funds reside within Fulton County.

MANAGEMENT RESPONSE

Staff is currently revising policies to correlate with the following federal regulations 24 CFR 576.104 which states, ESG funds may be used to provide housing relocation and stabilization services and short-and/or medium term rental necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that of housing. This service is provided in accordance with CFR 576.2 (4).

Finding 6 – Ineligible purchases

ESG funds should be used to provide homelessness prevention services to Fulton County residents. According to management, ESG funds were used to purchase furniture and provide rental assistance during the month of July 2015 to aid the Literacy to Legacy program with residents transitioning into housing totaling \$27,249.

This program is not a Fulton County approved project designated for the use of ESG funding. The project was in the process of being approved by HUD and did not have the resources available to assist current residents. Therefore, Fulton County assisted with paying for furniture and rental assistance until the program was approved and could reimburse Fulton County. Management informed us that HUD requested assistance from Fulton County to aid in the relocation of residents participating in a program prior to a takeover of the Literacy to Legacy program. Fulton County received a reimbursement from Literacy to Legacy program in the amount of \$23,525 in Feb 2016. Providing assistance to programs that are not approved for ESG funding will result in the risk of funds not being available to assist approved projects and increases the risk of Fulton County being unable to recoup funds from unauthorized projects.

Recommendation

Management should review purchases and ensure all expenditures adhere to usage requirements of the ESG Program. Furthermore, ESG funds should not be used on any programs or expenditures not already approved by HUD.

MANAGEMENT RESPONSE

The US Department of Housing and Urban Development does not approve any ESG projects. Fulton County is the approved recipient of the grant funds. As the collaborative applicant and administrative support for the GA-502 Fulton County Continuum of Care, HUD requested our assistance to avoid the displacement of 14 families, who were placed at risk of becoming homeless as the result of the actions of a HUD contractor operating within Fulton County. Specifically, the request was to provide temporary rapid –rehousing and relocation assistance to the 14 affected families pending the development and execution of the grant agreement of the replacement contract provider. Under 24 CFR 104 and 105, ESG funds may be used to provide housing relocation and stabilization services to help homeless individuals and families move as quickly as possible into permanent housing and achieve stability in that housing. The assistance was approved and provided. The county was reimbursed for its assistance.

Under 24 CFR 104 and 105, ESG funds may be used to provide the following:

Eligible Activities, 24 CFR part 576.104 and 576.105

576.104 which states, ESG funds may be used to provide housing relocation and stabilization services and short-and/or medium term rental necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that of housing.

Housing Relocation and Stabilization Services

- Financial assistance costs: rental application fees, security deposits, last month’s rent [not rent in arrears], utility deposits, utility payments.
- Services costs: housing search and placement, housing stability case management, mediation, legal services, and credit repair.

Short-Term Rental Assistance

- Short-term rental assistance up to three months one-time payment of rent in arrears.

Required Activities for Assisting Clients, 24 CFR 576.105

1. Housing search and placement: Services or activities necessary to assist program participants in locating, obtaining, and retaining suitable permanent housing, include the following:
 - i. assessment of housing barriers, needs, and preferences
 - ii. development of an action plan for locating housing
 - iii. housing search
 - iv. outreach to and negotiation with owners
 - v. assistance with submitting rental applications and understanding leases
 - vi. assessment of housing for compliance with Emergency Solutions Grant (ESG) requirements for habitability, lead-based paint, and rent reasonableness; and
 - vii. tenant counseling
2. Housing stability case management. Component services and activities consist of:
 - A. Using the centralized or coordinated assessment system as required under §576.400(d), to evaluate individuals and families applying for or receiving homelessness prevention or rapid re-housing assistance;
 - B. Conducting the initial evaluation required under §576.401(a), including verifying and documenting eligibility, for individuals and families applying for homelessness prevention or rapid re-housing assistance;
 - C. Counseling;
 - D. Developing, securing, and coordinating services and obtaining Federal, State, and local benefits;
 - E. Monitoring and evaluation program participant progress
 - F. Providing information and referrals to other providers
 - G. Developing an individualized housing and service plan, including planning a path to permanent housing stability; and
 - H. Conducting re-evaluations required under §576.401(b)

AUDIT CONCERN- Priority assistance provided to employees

ESG funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance as necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that housing. During our review, we noted instances in which current Fulton County employees working within FCHCD and closely with the ESG program staff were provided short term rental assistance. At the time assistance was provided, these employees experienced a loss of income from Fulton County due to a reduction in force. However, it appears these individuals were provided priority service as payments for the rental assistance were placed on a rush. In

addition, the assistance was provided to these individuals without adequate evaluation and verification of real need. This gives the appearance of favoritism or that these individuals were provided the assistance due to the departmental relationships. In addition, the close relationship of the employees to program staff may have posed a conflict of interest and given an unfair advantage over applicants who may have been more in need of the assistance.

MANAGEMENT RESPONSE

The assistance provided to the former employees was identical to that extended to other former employees of Fulton County. The assistance was provided on the basis of need per 24 CFR 576.104 and 576.105 and Fulton County HCD policies and procedures.

CONCLUSION

Our audit review of the ESG program identified several weaknesses in the administration of the program that resulted in the following findings:

- Failure to adhere to intake procedures;
- Failure to adhere to Fair Market Rent (FMR) requirements;
- Failure to timely drawdown ESG funds;
- Lack of evaluation of program participants' eligibility;
- Failure to adhere to residency requirements; and
- Ineligible purchases.

Additionally, we noted one audit concern:

- Priority assistance provided to employees

We recommend that the management of FCHCD and ESG Program staff give immediate attention to the above findings and audit concern. Management should implement the necessary corrective actions to ensure effective administration of the ESG Program as it relates to determining participant eligibility. It is imperative that management ensure compliance with required ESG Program and HUD regulations so that the program will not be exposed to a decrease in current or future funding allocations.

We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.