



U.S. Department of Housing and Urban Development
Office of Inspector General for Audit, Region I
Thomas P. O'Neill, Jr., Federal Building
10 Causeway Street, Room 370
Boston, MA 02222-1092

Phone (617) 994-8380 Fax (617) 565-6878
Internet: <http://www.hud.gov/offices/oig/>

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MEMORANDUM FOR: Mark Johnston, Deputy Assistant Secretary for Special Needs,
Office of Community Planning and Development, DN

FROM: John A. Dvorak, Regional Inspector General for Audit, Boston Region, 1AGA

SUBJECT: HUD Region 1 Community Planning and Development Offices' Monitoring of Homelessness Prevention and Rapid Re-Housing Program Grants Funded Under the American Recovery and Reinvestment Act Was Appropriately Targeted to Higher Risk Grantees

INTRODUCTION

In accordance with our goal to review and ensure the proper administration of the American Recovery and Reinvestment Act of 2009 (Recovery Act), we conducted a review of the U.S. Department of Housing and Urban Development's (HUD) monitoring of its Homelessness Prevention and Rapid Re-Housing Program (HPRP) grants. Our objectives were to evaluate whether HUD Region 1 Office of Community Planning and Development (CPD) offices' monitoring of external HPRP grants funded under the Recovery Act were appropriately targeted to higher risk grantees and whether the planned monitoring procedures would be carried out in compliance with Recovery Act requirements.

This memorandum report contains no recommendations and no formal response was required or received. If you or your staff has any questions, please contact Kevin Smullen, Assistant Regional Inspector General for Audit, at 617-994-8380.

METHODOLOGY AND SCOPE

Our review of the HUD Region 1 CPD offices' monitoring was limited to gaining an understanding of the selection of grantees for monitoring and a review of planned monitoring procedures. To meet

our objective, we reviewed Recovery Act criteria, and we interviewed CPD staff to discuss and document the risk analysis process related to HPRP. We reviewed the HPRP substantial amendment files to ensure that they were properly reviewed by the field offices and headquarters before the HPRP grant agreements were executed. We reviewed the risk analysis developed for fiscal year 2010 to determine which HPRP grantees were selected for monitoring, and we reviewed the additional monitoring steps in place for the HPRP grantees to ensure that they were in accordance with Recovery Act requirements. Our review of this documentation was limited to our stated objective.

We performed our audit fieldwork from December 2009 through February 2010 at the Boston, MA, regional office and the Hartford, CT, and Manchester, NH, field offices. For this report, we did not conduct our work in accordance with generally accepted government auditing standards; however, this fact had no effect on the significance of the conditions identified in this report. We designed the review to be proactive and focus on prevention; thus, we significantly reduced the scope to the items and conditions discussed in this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

On February 17, 2009, President Obama signed the Recovery Act, which included \$1.5 billion for a homelessness prevention fund. Funding for this program, identified as the Homelessness Prevention and Rapid Re-Housing Program, was distributed based on the formula previously used for the Emergency Shelter Grant (ESG) program. The purpose of HPRP is to provide homelessness prevention assistance to households that would otherwise become homeless, many due to the economic crisis, and to provide assistance to rapidly rehouse persons who are homeless as defined by Section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. (United States Code) 11302).

While HUD will allow grantees the discretion to develop prevention and/or rapid rehousing programs that meet locally defined needs, HUD also expects that these resources will be targeted and prioritized to serve households that are most in need of this temporary assistance and are most likely to achieve stable housing, whether subsidized or unsubsidized, outside HPRP after the program concludes. Grantees should take this opportunity to develop strategies to identify eligible program participants, review existing models for prevention and rapid rehousing programs, and create a plan that uses all resources available through the Recovery Act to provide a comprehensive list of services to assist eligible program participants.

Region 1 received more than \$85 million of the nearly \$1.5 billion appropriated for HPRP, which is less than 6 percent of the total amount appropriated. There were 37 grantees in Region 1;¹ 31 are administered by the Boston CPD office, and 6 are administered by the Hartford CPD office. Within Region 1, the majority of funds (55 percent) were given to State agencies as follows:

¹ The HPRP grantees included 6 States and 31 cities. Region 1 did not have any county grantees.

Date of award	Name	State	Amount	%
6/19/2009	CT State program	CT	\$10,818,309	12.7%
7/10/2009	MA State program	MA	\$18,443,744	21.6%
6/16/2009	ME State program	ME	\$6,575,089	7.7%
6/8/2009	NH State program	NH	\$4,612,322	5.4%
6/26/2009	RI State program	RI	\$3,282,670	3.8%
6/8/2009	VT State program	VT	\$3,398,824	4.0%
	Total States – Region 1		\$47,130,958	55.2%

The balance of the funding² went to 20 cities in Massachusetts, 5 cities in Connecticut, 3 cities in Rhode Island, 1 city in Maine and New Hampshire, and 1 county in Maine.

A risk assessment was performed by Region 1 CPD offices to determine which HPRP grantees to monitor for fiscal year 2010. CPD Notice 09-04 (Implementing Risk Analyses for Monitoring CPD Grant Programs in FY 2010 and 2011) states that all CPD program risk analyses are standardized for formula and competitive grantees and use a quantifiable rating system. Based on a 100-point rating scale, grantees are assigned one of three risk categories: high risk – a total score of 51 or more; medium risk – a score between 30 and 50; and low risk – a score of less than 30. Risk analysis factors are consistent with the departmental factors outlined in the HUD Monitoring Desk Guide: Policies and Procedures for Program Oversight:

- Financial,
- Physical,
- Management,
- Satisfaction, and
- Services.

For fiscal year 2010, CPD established an additional risk factor for HPRP. The new factor consists of factor 6 – Homelessness Prevention and Rapid Re-Housing Program on the HPRP risk analysis worksheet. These factors were developed and further defined by subfactors to assess programmatic risk for fiscal years 2010 and 2011. The basis for the rating in this factor is derived from information that could be obtained from but not limited to consolidated plans; annual performance plans; quarterly and annual performance reports; correspondence; release of funds requests; local-, headquarters-, or grantee-generated automated reports or spreadsheets; and HUD’s Integrated Disbursement and Information System. The evaluator should consider the grantee’s overall effectiveness in carrying out program activities and delivery to its target population.

RESULTS OF REVIEW

HUD’s Region 1 had 37 grantees that received HPRP funding in fiscal year 2009. The risk assessments for the HPRP grantees were completed in accordance with CPD Notice 09-04.

² The balance of the funding was \$38,200, 737.

Based on the results of the risk assessments, 16 of the 37 (43 percent) HPRP grantees were selected for on-site monitoring in fiscal year 2010. The Boston, MA, office planned to monitor 14 HPRP grantees. Grantees were selected based on the highest average score³ and the knowledge of the grantees by CPD staff. This selection included all of the grantees that would be monitored in Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. The grantees for Maine, New Hampshire, and Vermont are handled by CPD staff out-stationed from the Boston, MA, office, and located in the Manchester, NH, office. They are included in the Boston office's risk assessment and monitoring plan. The Hartford, CT, field office selected two HPRP grantees to monitor. None of the Connecticut grantees were considered high risk; however, since no HPRP grantee scored more than 51 points (a threshold for determining risk), the Hartford, CT, field office selected the two highest risk HPRP grantees as a means of recognizing risks within a new program.

HUD's Region 1 had not started to monitor its grantees, and the risk assessments were not finalized until February 2010. HUD CPD headquarters issued a draft of HUD Handbook 6509.2, REV-6, Community Planning and Development Monitoring Handbook, in February 2010, which provides checklists for field office staff to use during their monitoring of the HPRP grantees to determine whether they are properly administering the program in accordance with the Recovery Act. The previous version of HUD's handbook (HUD Handbook 6509.2, REV-5) included detailed monitoring steps and checklists for the existing CPD programs (i.e., Community Development Block Grant (CDBG), HOME Investment Partnerships Program, ESG, Housing Opportunities for Persons With AIDS, etc.) before the Recovery Act. The ESG program monitoring steps in revision 5 covered the homeless program, and revision 6 (HUD Handbook 6509.2, REV-6, chapter 8) now provides monitoring steps and checklists for the programs funded under the Recovery Act (Neighborhood Stabilization Program, HPRP, and CDBG-Recovery Act Funds) as well. The checklists for these Recovery Act-funded programs are specific to the program to verify whether they are being administered in accordance with Recovery Act requirements and cite the applicable regulation or HPRP notice. As of February 24, 2010, HUD headquarters had advised field office staff to start using the checklists for monitoring immediately even though the handbook had not been finalized and issued.

CONCLUSION

HUD's Region 1 CPD offices' monitoring of external HPRP grants funded under the Recovery Act appropriately targeted higher risk grantees, and according to the draft HUD Handbook 6509.2, REV-6, the planned monitoring procedures will check compliance with Recovery Act requirements.

RECOMMENDATIONS

Based on the results of this audit, this memorandum report contains no reportable conditions or recommendations.

³ The highest average score is the total scores for each program operated by the grantee divided by the number of grantee programs.