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**Directions Home Program
Audit**

January 30, 2015



**City of Fort Worth
Department of Internal Audit**

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Fort Worth, Texas 76102

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The Directions Home Program Audit was conducted as a part of the Department of Internal Audit's Fiscal Year 2014 Annual Audit Plan.

Audit Objectives

- verify eligibility of voucher recipients
- determine reasonableness of individual vouchers
- verify voucher process compliance with Directions Home policies
- document use and appropriateness of prior year funding reallocations
- evaluate effectiveness of the City's monitoring and oversight process

Audit Scope

December 2008 through
October 2014

Opportunities for Improvement

- Consistent financial monitoring
- Additional contract specifications
- Maximize use of available funds

Executive Summary

At the request of the Audit Committee, the Department of Internal Audit conducted an audit of the Directions Home Program. The audit covered the period since the initial program funding was approved (December 2008) through October 31, 2014.

The Directions Home Program is a ten-year plan to end chronic homelessness in the City of Fort Worth. Over the six-year life of the Program, the Council approved contract funding of \$13,886,464.

The United Way of Tarrant County administers contracts with the agencies that receive Directions Home funds, at no cost. The United Way also received State funds for the homelessness voucher program.

The Department of Internal Audit determined that spending for the Program was appropriate and adequately supported by accounting records. Client files supported proper eligibility of voucher program recipients and the dollar value of vouchers was within the Department of Housing and Urban Development's rental assistance guidelines. Additionally, the voucher process complied with Directions Home policies, and funding reallocations were appropriate.

Although contracts through Year V (2013-2014) were silent regarding the reallocation of unused funds, approximately \$430,000 in voucher funds (unspent at the end of Program Year V) were identified by the agencies and reallocated to Program Year VI (2104-2015). The Department of Internal Audit had no authority to audit State funding also used for the Program. However, we were able to verify City funding and total voucher spending based solely on information obtained from the Fort Worth Housing Authority and the United Way.

The Department of Internal Audit, therefore, identified opportunities for improvement of program monitoring and oversight, as well as contractual provisions that improve accountability and could prevent such reoccurrence. These findings are discussed in more detail within the [Detailed Audit Findings](#) section of this report.

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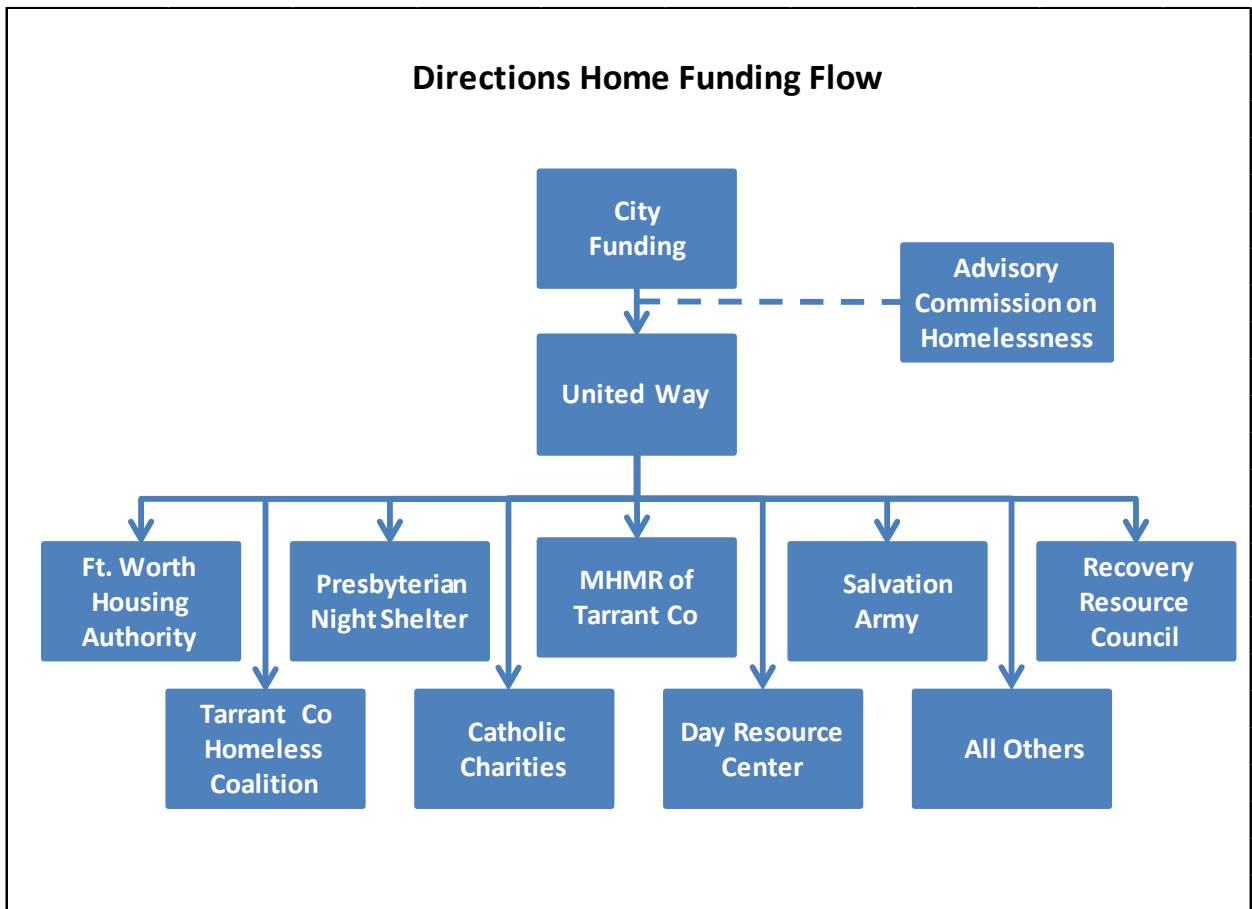
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Background

On June 17, 2008, the City Council adopted the ten-year Directions Home Homelessness Plan. Funding for Year I of the program was authorized by the Council in December 2008.

The Directions Home Program has provided funding for rent assistance, case management, mental health, and substance abuse services, along with other supportive services since December 2008. The Program also provides funding for an independent program evaluation to promote program involvement and accountability for consumers, funders, and the public.

As indicated in the following chart, the City contracts with the United Way of Tarrant County to select, pay, and monitor agencies that provide services to the homeless. Since the City is responsible for assisting the United Way with the Program (by providing management oversight), agencies are required to submit monitoring reports to the City.

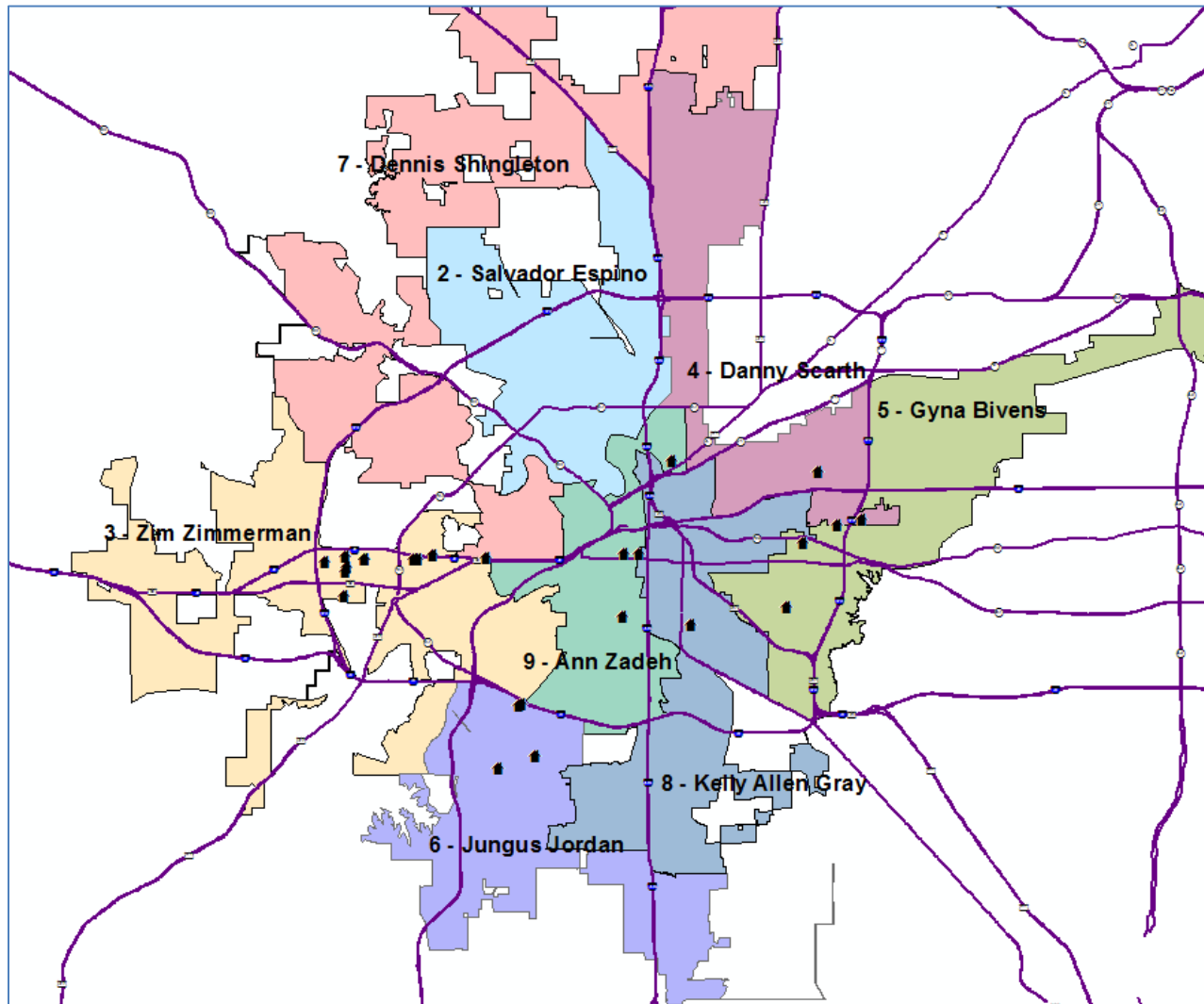


In Program Year V, a performance-based model was adopted for the Program, replacing a model that did not include incentive payments. Under the performance-based model, agencies received an initial base payment and were eligible for additional performance payments if specific goals



were met. Payment criteria include meeting goals for placement, reporting and documentation. This approach tied 20% of the total funding to performance.

The map below identifies properties with the largest number of monthly rental assistance payments for Directions Home voucher recipients since program inception.





Objectives

The objectives of this audit were to:

- verify eligibility of voucher recipients;
- determine reasonableness of individual vouchers;
- verify voucher process is in compliance with Directions Home policies;
- document use and appropriateness of prior year funding reallocations; and,
- evaluate the effectiveness of the City's monitoring and oversight process.

Scope

The audit scope included City of Fort Worth payments to the United Way for the Directions Home Program from December 2008 through October 2014.

With the exception of the Fort Worth Housing Authority, we did not perform audits of sub-recipient agency expenditures. We also did not audit State funding for which we had no authority.

Methodology

To accomplish our audit objectives, we completed the following steps:

- interviewed the CFW Housing and Economic Development personnel responsible for managing the Directions Home Program;
- verified City payments to the United Way;
- verified United Way payments to agencies;
- reviewed voucher payments for reasonableness and client files for required supporting documentation;
- reviewed funding reallocations from prior years to subsequent years; and,
- reviewed financial and program monitoring reports for the Program.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review. 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.



Audit Results

Rent Assistance

Voucher client files had adequate documentation to support program eligibility. Client files included documentation of homelessness, Fort Worth residency, income, and other information such as personal identification documents. Also, voucher payments were within the Department of Housing and Urban Development rental assistance guidelines, with an average monthly rental assistance payment of \$530. Since program inception, payments were provided to over 80 rental property owners throughout the City.

The Department of Internal Audit concluded that the voucher payment process complies with Directions Home policies. The method used to pay vouchers made separating City and State funding for vouchers impossible ([See Finding 2](#)). However, we were able to validate total voucher expenditures.

Prior Year Funding Reallocations

Program Year V funding of approximately \$430,000, designated for the voucher program, was not spent during the program year. In addition to the monitoring issue discussed below, personnel turnover at the City and Housing Authority contributed to the problem along with different funding methods for City and State funding for the Program. The unspent funds were reallocated to Program Year VI. Also, a private sector donation of \$500,000 (received in FY2010 and transferred to the United Way to develop permanent supportive housing for homeless Fort Worth residents) remains unspent.

Effectiveness of Monitoring and Oversight

The monitoring of financial activities was not considered adequate to identify the failure to spend all of the funds available for rent vouchers in Program Year V. However, changes in the financial monitoring reports have been implemented (including a periodic comparison to budgeted amounts) to prevent a recurrence. The current monitoring of program assistance activity is extensive and appears to be adequate.

Overall Evaluation

| High | Medium | Low |
|--|---|-----|
| Unspent funds due to inadequate monitoring | | |
| Non-separation of City and State funding | | |
| | Contract specifications | |



Detailed Audit Findings

1. Directions Home Program monitoring was not adequate to detect underspending.

Although funds should be spent without extended delay, funds totaling approximately \$430,000 for Program Year V (2013-2014) had not been spent by the end of the program year. Inadequate monitoring and a difference in the funding method for City and State funds (advance versus reimbursement basis) contributed to the problem. The underspending was identified during the program year and efforts to mitigate the impact were begun.

The underspending, which reduced rental assistance provided to homeless individuals, was reallocated to Program Year VI (2014-2015).

Recommendation 1A:

The Director of the appropriate City department should ensure that spending is monitored throughout the year. A comparison of actual to budgeted spending should be used to ensure that funds are spent timely.

Auditee's Response: Partially Concur. City staff was aware of underspending throughout Program Year V; however, monitoring was insufficient to detect the severity of the underlying problems with accounting and recordkeeping at the sub-recipient. Going forward, spending by the United Way and sub-recipients will be monitored throughout the year by comparing actual to budgeted spending.

Target Implementation Date: April 1, 2015 (Start of Program Year VII)

Responsibility: Otis Thornton, Homelessness Program Director

Recommendation 1B:

The Director of the appropriate City department should consider requiring that rental voucher funding be provided to the Housing Authority for future program years on a reimbursement basis instead of an advance-funding basis to reduce the possibility of underspending.

Auditee's Response: Concur. In October 2014, the leadership of the Fort Worth Housing Authority, United Way of Tarrant County, and Housing & Economic Development Department agreed to this shift for the upcoming program year.

Target Implementation Date: April 1, 2015 (Start of Program Year VII)

Responsibility: Otis Thornton, Homelessness Program Director



2. Rental assistance payments were not identifiable as City or State-funded.

Expenditures should be identifiable by funding source to increase accountability.

Directions Home rental assistance is paid using City and State funds. Before October 2013, rental assistance payments could not be identified in the Housing Authority accounting systems as either City or State funded. This practice makes identifying the number of rent payments made for specific clients using City funds impossible.

Failure to assign clients to funding sources increases the possibility of failure to recognize underspending.

Recommendation 2:

The director of the appropriate City department should ensure that the Housing Authority continues to assign clients to funding sources for rental voucher payments.

Auditee's Response: Concur. City staff will work with the United Way of Tarrant County to develop a reporting and monitoring plan that will ensure that tenants are assigned to funding sources for rental voucher payments.

Target Implementation Date: April 1, 2015 (Start of Program Year VII)

Responsibility: Otis Thornton, Homelessness Program Director

3. The City's Year VI Directions Home contract with the United Way did not include terms included in prior year contracts that improve accountability.

The Directions Home Program contract for Program Year VI does not include contract requirements that are needed for program control and monitoring.

- The contract does not include quarterly financial reporting requirements.
- The contract does not specify amounts to be spent on specific service categories.
- The contract requires access to recipient files, but does not contain a general right-to-audit clause as required by Section 2-134 of the City Code. It should be noted that the United Way and the Housing Authority provided all of the documentation required for this audit.

Financial reporting requirements are important for communicating program requirements and expectations. Additionally, specifying amounts to spend on service categories is needed to provide a framework for budgeting. Lack of specific contract terms may result in a failure to communicate performance expectations and accountability.



Recommendation 3A:

The Director of the appropriate City department, in conjunction with the City Attorney, should ensure that future Directions Home Program contracts specify monthly or quarterly financial reports that include a budget-to-actual spending comparison for both the United Way and agencies receiving United Way funds.

Auditee's Response: Concur. Appropriate language will be incorporated into the contract for the upcoming program year.

Target Implementation Date: February 3, 2015 (Anticipated Council action on Program Year VII Contract with the United Way)

Responsibility: Vicki Ganske, Senior Assistant City Attorney

Recommendation 3B:

The Director of the appropriate City department, in conjunction with the City Attorney, should ensure that future contracts provide guidance about how much will be spent for each category of service to provide a framework for spending.

Auditee's Response: Concur. Appropriate language will be incorporated into the contract for the upcoming program year.

Target Implementation Date: February 3, 2015 (Anticipated Council action on Program Year VII Contract with the United Way)

Responsibility: Vicki Ganske, Senior Assistant City Attorney

Recommendation 3C:

The Director of the appropriate City department, in conjunction with the City Attorney, should ensure that future contracts include the right-to-audit clause required by the City Code.

Auditee's Response: Concur. Appropriate language will be incorporated into the contract for the upcoming program year.

Target Implementation Date: February 3, 2015 (Anticipated Council action on Program Year VII Contract with the United Way)

Responsibility: Vicki Ganske, Senior Assistant City Attorney



Acknowledgements

The Department of Internal Audit would like to thank the Housing and Economic Development Department, the United Way of Tarrant County, and the Fort Worth Housing Authority for their cooperation and assistance during this audit.