



Office of the City Auditor

CONSENT CALENDAR

April 30, 2013

To: Honorable Mayor and Members of the City Council  
 From: Ann-Marie Hogan, City Auditor  
 Subject: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts

RECOMMENDATION

Request the City Manager report back by October 29, 2013, and every six months thereafter, regarding the status of recommendations until reported fully implemented.

SUMMARY

In fiscal year 2011, the City spent \$2.5 million in grant funding from the U.S. Department of Housing and Urban Development (HUD) to provide housing assistance to 276 Shelter Plus Care program participants and their families. That same year, Health, Housing and Community Services (HHCS) successfully administered the program in accordance with federal regulations and accounted for the grant funds. It did so with just 2.3 employees. This is 62 percent of HUD's suggested level for managing the complex program.

This low staffing is the result of continued budget cuts that have reduced HHCS' ability to oversee the program. As we have previously reported to Council, it is critical to know the effects that these cuts have on oversight responsibilities. Reducing oversight staff could result in reductions to community programs and services. We found no significant weaknesses in HHCS' program management; however, further staff reductions could force the City to recognize it no longer has the capacity to offer the program. Staffing cuts could also increase the risk of significant errors or fraud occurring.

HHCS' success is due to its staff's commitment to and in-depth knowledge of the program. HHCS has well-established program policies and procedures that need only minor improvements. The department has accounting practices that help ensure the accuracy and validity of housing payments. However, it has not put those practices into a set of complete written accounting procedures.

HHCS' did not fully understand its staff's access to Elite, its housing software. This allowed its program accounting staff to have unrestricted and incompatible access to the system, including the ability to set up an account and make adjustments without proper approval. Several previous audits of other departments have reported fraud risk because too many people have incompatible access to software functions.

**BACKGROUND: HOMELESSNESS IN BERKELEY**

Additional information about demographics and causes of homelessness and the available programs and resources was presented to Council on April 2, 2013. The full [report](#)<sup>1</sup> and a [video](#)<sup>2</sup> of the HHCS Worksession “Compassionate Sidewalks Background Information” are available on the city’s website.

**FISCAL IMPACTS OF RECOMMENDATION**

Budget cuts or theft of grant funds could jeopardize HHCS’ ability to continue to offer \$2.5 million a year in housing assistance.

**RATIONALE FOR RECOMMENDATION**

Implementing our recommendations will help ensure that Council has the information it needs to understand the effects of budget cuts on oversight capabilities, reduce the risk of fraud, and assist HHCS’ in remaining grant compliant.

**CONTACT PERSON**

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Attachments:

1. Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts

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<sup>1</sup> [http://www.ci.berkeley.ca.us/Clerk/City\\_Council/2013/04Apr/City\\_Council\\_04-02-2013\\_-\\_Special\\_Meeting\\_Agenda.aspx](http://www.ci.berkeley.ca.us/Clerk/City_Council/2013/04Apr/City_Council_04-02-2013_-_Special_Meeting_Agenda.aspx)

<sup>2</sup> [http://berkeley.granicus.com/MediaPlayer.php?publish\\_id=c8e2f490-ee17-1030-b4c5-84d7a9c8f15d](http://berkeley.granicus.com/MediaPlayer.php?publish_id=c8e2f490-ee17-1030-b4c5-84d7a9c8f15d)

# City of Berkeley Office of the City Auditor



## Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts

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Presented to Council April 30, 2013

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# CITY OF BERKELEY – OFFICE OF THE CITY AUDITOR

## Shelter Plus Care:

### Fully Compliant but Vulnerable to Staffing Cuts

April 30, 2013

#### Purpose of the Audit

Our audit objective was to determine if Health, Housing and Community Services' (HHCS) procedures ensure it administers Shelter Plus Care grants in accordance with federal regulations. We conducted this audit at the request of the HHCS Director.

#### Executive Summary

**\$2.5 million in federal funding helped provide housing for 276 program participants in 2011**

Since 1995, the City of Berkeley has helped disabled homeless persons obtain permanent housing through the Shelter Plus Care program. In fiscal year 2011, the City spent \$2.5 million in grant funding from the U.S. Department of Housing and Urban Development (HUD) to provide housing assistance to 276 program participants and their families. The grants require the City to provide supportive services to program participants in an aggregate amount that is at least equal to the total housing assistance payments funded by the grant. Ten community agencies and the Aging Services and Mental Health Divisions in HHCS provide these services.

**HHCS is staffed at about 62 percent of HUD's suggested level**

The Shelter Plus Care program addresses the needs of a traditionally hard-to-serve population. The complexity of the program makes it challenging to manage. Remarkably, HHCS successfully administered the program in accordance with federal regulations with just 2.3 employees. This is 62 percent of HUD's suggested level for providing and monitoring supportive services, inspecting housing units, reviewing participant income, recordkeeping, and reporting for 276 participants.

**Continued staffing losses could result in HHCS losing oversight capacity**

The low staffing level is the result of budget cuts. Further staff reductions could force the City to recognize it no longer has the capacity to offer the program. Staffing cuts could also increase the risk of significant errors or fraud occurring, which could cause the City to have to repay grant funds and put the City at risk of not receiving Shelter Plus Care grant funds in the future. This would mean the end of nearly two decades of housing assistance for a program that HHCS management recognizes as one of the best available for addressing homelessness.

**Opportunities for improving program and accounting guidance, and system security**

While the department achieved success, it is in need of some improvements. These include access restrictions to Elite, the software HHCS uses to manage Shelter Plus Care participants and rental assistance payments; and updated policies and procedures for program operations and accounting services. Updated and detailed policies and procedures reduce the increased risk of noncompliance and fraud that occurs when new or different employees begin managing and accounting for the program after staff turnover.

**Repeat citywide audit concerns include gaps in oversight and fraud risks**

Our audit identified three citywide issues that our office has reported in previous reports:

- the critical need to understand and disclose to Council the effects of reductions in staff with oversight responsibilities,
- fraud risks related to the lack of reconciliation, and
- fraud risks associated with incompatible access to software functions.

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**Recommendations**

The audit report recommends disclosing to Council the monitoring risks resulting from budget cuts, establishing written accounting guidance that helps reduce the risk of fraud, and improving guidance for administering the Shelter Plus Care program. The specific recommendations are:

- Provide Council with information regarding the impact of budget cuts on Health, Housing and Community Services' ability to administer the Shelter Plus Care program in compliance with federal grant requirements.
- Perform a risk assessment of partner organizations to determine whether the agencies pose a risk to Health, Housing and Community Services' ability to meet grant requirements.
- Issue citywide guidance clarifying that applications unique to a department are the department's responsibility as the business-line experts.
- Review Elite access levels and understand user capabilities to ensure staff cannot perform incompatible duties that would allow them to conceal fraud or make inappropriate adjustments to housing assistance payments.
- Evaluate the current Shelter Plus Care accounting practices to determine validity, need, and improvements and then establish detailed written procedures for Shelter Plus Care accounting activities.
- Update the Shelter Plus Care program operations policies and procedures using the *Guide to Preparing a Shelter Plus Care Program Policies and Procedures Manual* as a benchmark.

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A full copy of the report can be obtained at:

[http://www.cityofberkeley.info/uploadedFiles/Auditor/Level\\_3\\_-\\_General/C%201\\_RPT\\_Audit%20Report\\_Final\\_043013.pdf](http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/C%201_RPT_Audit%20Report_Final_043013.pdf)

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## AUDIT OBJECTIVE

Our audit objective was to determine if the Health, Housing and Community Services (HHCS) Department's procedures ensure it administers Shelter Plus Care grants in accordance with federal regulations. Appendix A describes the audit scope and the methodology we used to conduct this audit.

The HHCS Director requested this audit of the Shelter Plus Care program, and we included it in the City Auditor's fiscal year 2012 Audit Plan, which we presented to Council on July 12, 2011.

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## BACKGROUND<sup>1</sup>

### **The Shelter Plus Care program provides permanent housing and services to homeless people with disabilities**

The United States Department of Housing and Urban Development (HUD) established the Shelter Plus Care program to provide permanent housing assistance (i.e., rent subsidies) and supportive services to homeless people with disabilities and to their families. Disabilities include severe mental illness, chronic substance abuse, dual diagnoses (mental illness and substance abuse), and acquired immunodeficiency syndrome (AIDS). The premise behind Shelter Plus Care is that housing and services need to be linked to ensure housing stability. This is accomplished by providing supportive services in an amount equal to the total housing assistance payments.

Berkeley provided \$2.5 million in housing assistance to 276 program participants in fiscal year 2011

Berkeley spent \$2.5 million in Shelter Plus Care grant funding to provide housing assistance to 276 program participants and their families in fiscal year 2011. Grant funding is based on the number and size of rental units proposed in the City's grant applications. The City must assist at least as many participants as proposed.

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<sup>1</sup> We took much of the information discussed in this background section directly from the United States Department of Housing and Urban Development's guide, *Enhancing Shelter Plus Care Operations*, available at <http://www.hudhre.info/documents/EnhancingS+C.pdf>.

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**HUD grants pay for housing assistance; supportive services paid from other sources**

HUD funds the housing assistance component of the Shelter Plus Care program through grants to states, local governments, and public housing agencies. Shelter Plus Care grants may be used to pay for housing assistance, but not for the required supportive services. Berkeley received five grants from HUD and a pass-through grant from Alameda County to provide housing assistance under the Shelter Plus Care program. The City meets the supportive services requirement through a combination of grants to community agencies, the City's general fund, and outside sources.

Berkeley has been offering Shelter Plus Care assistance since 1995

The City of Berkeley has been offering assistance through the Shelter Plus Care program since 1995. Initially, program administration and management was divided between the Department of Health, Housing and Community Services (HHCS)<sup>2</sup> and the Berkeley Housing Authority. In fiscal year 2007, the Berkeley Housing Authority became a somewhat independent entity from the City and HHCS took over all aspects of the program. The program continues to be an important component of HHCS' mission to care for homeless and disabled persons.

Most Shelter Plus Care participants choose their own housing

The City of Berkeley provides two housing options under its Shelter Plus Care program:

- 1: *Tenant-Based Rental Assistance*: provides rental assistance to participants who choose their own housing. Generally, the participant can move and take the rental assistance to a new housing unit.
- 2: *Sponsor-Based Rental Assistance*: provides rental assistance through contracts with nonprofit organizations known as sponsors or partner organizations. The participant leases a unit that is owned or master-leased by the project sponsor.

The majority of Berkeley's Shelter Plus Care participants are able to choose their own housing and receive housing assistance under the tenant-based component.

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<sup>2</sup> At that time, it was the Housing Department.



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**Supportive services address the unique needs of Shelter Plus Care participants**

At the time of this audit, grant recipients were required to provide supportive services in an aggregate amount that is at least equal to the total cost of housing assistance funded by the grant. However, the value of the supportive services provided to a participant did not have to equal the amount of that individual's rental assistance. According to HHCS, the match requirement has been reduced to 25 percent under the new grant agreements.

A supportive service qualifies as a matching resource when it addresses the special needs of the individual. For the Shelter Plus Care population, this includes:

- Healthcare
- Mental health treatment
- Alcohol and other substance abuse services
- Childcare services
- Case management
- Counseling
- Education and/or job training
- Other services essential for achieving and maintaining independent living, such as courses on household budgeting

Outreach activities also are a supportive service. The Shelter Plus Care program targets homeless persons who are traditionally difficult to serve and often have been living on the streets for many years. Identifying these individuals requires extensive outreach to potential program participants and service providers.

HHCS partners with ten external agencies to provide supportive services

Health, Housing and Community Services' own divisions of Aging Services and Mental Health, and the following ten partner organizations provide supportive services:

- 1: Berkeley Drop-In Center
- 2: Berkeley Food and Housing Project
- 3: Bonita House
- 4: Building Opportunities for Self-Sufficiency (BOSS)
- 5: East Bay AIDS Center
- 6: Extended Family Services<sup>3</sup>
- 7: Life-Long Medical Care

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<sup>3</sup> Extended Family Services provides supportive services to only one Shelter Plus Care participant, and there is no expectation that it will take on additional participants. The agency does not typically provide Shelter Plus Care supportive services but agreed to provide them when the participant's original supportive services provider ceased Shelter Plus Care operations.

- 8: Rubicon Programs
- 9: Women’s Daytime Drop-in Center
- 10: YEAH! (Youth Emergency Assistance Hostel)

Eight of the ten partner organizations receive City funding to provide a broad range of services

HHCS and its partners provide a broad range of housing and supportive services to homeless people with disabilities. They:

- Administer rental assistance
- Assess participant needs
- Assist in locating housing
- Coordinate case management and supportive services
- Develop individualized service plans
- Recruit eligible participants
- Report on progress

Success is measured by improvements to self-sufficiency

The success of supportive services is measured through documented outcomes, including housing stability; changes in skills, income, and levels of self-determination; and transfers to permanent, unassisted housing. For Shelter Plus Care participants, even the most basic tasks are a measure of progress towards greater self-sufficiency and independence: taking medication regularly, remaining drug-free, or continuing case-management services.

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**Providing and monitoring supportive services are among the key grant requirements**

HUD defines specific requirements for grant recipients to use to identify eligible participants and conduct ongoing assessments of the rental assistance and supportive services. Key grant requirements include providing and monitoring supportive services, inspecting housing units, and reviewing participant income to calculate the participant’s share of rent. Other requirements include recordkeeping and reporting. HHCS is responsible for complying with these grant requirements and ensuring that partner agencies also comply:

HHCS monitors partner organizations to ensure compliance

*Supportive Services:* The Shelter Plus Care Program Coordinator monitors the partner organizations to ensure they provide supportive services to program participants. Annually, the partner organizations report to the Program Coordinator the total cost of supportive services provided during the grant period.

HHCS ensures units meet quality standards prior to tenant occupancy

*Housing Inspections:* Prior to a Shelter Plus Care participant occupying a rental unit, and annually thereafter, the Certified Housing Inspector physically inspects the unit to ensure it meets federal housing quality standards. HHCS will not provide rental assistance for any unit that fails an inspection. A property owner has 30 days to correct deficiencies, and the inspector physically verifies that the owner made the required corrections. The inspector also ensures that rents are reasonable in relation to rents charged for comparable, unassisted units.

Shelter Plus Care participants share in paying rent based on their income

*Rental Assistance:* Participants share in the payment of rent, based on a percentage of their household income. They may exclude or deduct certain income, such as that earned by children under 18, payment received to care for foster children or adults, medical expense reimbursements, and allowances for dependents and the elderly. The Housing Inspector examines household income upon a participant's initial enrollment in the Shelter Plus Care program and annually thereafter. The housing subsidy paid with grant funds is the difference between the unit rent and the participant's share.

Annual progress report required; records may be subject to HUD inspection

*Reporting and Recordkeeping:* Grantees must submit an annual progress report to HUD. The Program Coordinator completes these reports, which HUD uses to evaluate the progress and performance of Berkeley's Shelter Plus Care program. Grant recipients also must retain and provide HUD access to program, financial, and statistical records and related supporting documents.

Eight percent of grant funds may be used for eligible administrative costs

*Administrative Costs:* Grant recipients may use up to eight percent of the grant to pay costs of administering housing assistance. HHCS uses this funding to process rental payments, examine participant income, inspect housing units, provide housing information and assistance, and receive new participants into the program. These are eligible costs. The costs of oversight and coordination of supportive services are not eligible administrative costs. HHCS uses the City's general fund to pay for those costs. The department also uses the general fund to pay the difference between its actual costs to

administer housing assistance and the eight percent covered by the grant.

Elite is public-housing software used to organize and manage housing units, participants, and payments

HHCS uses three information systems to track Shelter Plus Care participants, housing assistance payments, and grant funding and expenditures:

- 1: *Elite*: Tracks housing inspections, income verifications, rent calculations, and resident information, and generates housing assistance payment registers. The City purchased this software specifically to manage Shelter Plus Care participants and grant funding.
- 2: *FUND\$*: This is the City's core financial system, which includes the general ledger, accounts payable, and accounts receivable applications. HHCS uses FUND\$ to record Shelter Plus Care program expenditures and grant reimbursements.
- 3: *Homeless Management Information System*: Gathers countywide homeless data as required by congressional mandate. This includes demographic information and the number of participants and families served during the grant period. Alameda County operates the system, which is used by 38 homeless service providers in the county, including Berkeley.

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## FINDINGS AND RECOMMENDATIONS

### **Finding 1: Budget Cuts Have Reduced HHCS' Oversight Capabilities**

Budget cuts have reduced Health, Housing and Community Services' staffing levels and limited its ability to manage and monitor the Shelter Plus Care program. Although we did not identify any significant weaknesses in how HHCS manages the Shelter Plus Care program, we did identify some errors that resulted from not having enough staff capacity to monitor partner organizations more closely. Additional staffing reductions would increase the risk of significant errors or fraud occurring, and if they occurred, could cause the City to have to repay grant funds. This could also put the City at risk of not receiving Shelter Plus Care grant funds in the future, which would increase the number of homeless people in Berkeley unless the City found another funding source.

HHCS is staffed at about 62 percent of HUD’s suggested level for managing the Shelter Plus Care program

The United States Department of Housing and Urban Development (HUD) recognizes that the eight percent cap on use of Shelter Plus Care grant funds to administer the program is not sufficient. HUD estimates that one full-time employee is needed to administer the program for every 75 participants, and recommends that grantees anticipate the additional funds needed to successfully operate the program. This estimate means that HHCS should have about 3.7 full-time staff to coordinate program activities for its 276 Shelter Plus Care participants.

However, HHCS staff reported that two Program Coordinators and a Certified Housing Inspector spent a combined total of less than two full-time employees performing the primary Shelter Plus Care program activities in fiscal year 2011. Staff reported that other HHCS staff worked part-time performing activities to support the program, bringing the combined total up to 2.3 full-time employees. This was still about 1.4 (38 percent) full-time employees fewer than HUD’s recommendation. One Program Coordinator, who spent just under one-third of her time on the Shelter Plus Care program, changed positions in fiscal year 2012 and had not been replaced by the end of our audit.

HHCS staff’s in-depth knowledge of the Shelter Plus Care program and its recipients contributed to the department’s ability to manage the program with fewer staff than HUD recommends. Throughout this audit, the Program Coordinator and Certified Housing Inspector demonstrated their experience through a clear command of program requirements and participant circumstances. If one of those staff were to leave, it would be difficult for the same number of new staff to manage the program with the same success due to the loss of that institutional knowledge.

Errors in a partner organization’s service match went undetected

Constraints caused by staffing reductions limit HHCS’ ability to assess the supportive service matches reported by partner organizations. For example, program staff do not have the capacity to request and review in detail the documentation supporting service match calculations for each partner organization. This prevented staff from discovering that one partner organization miscalculated its service match and overreported \$1,175 for the 2011 grant period. The error does not put the City at risk of having

to pay back any of the grant because the department still exceeded – by more than \$54,000 – the federal requirement to provide one dollar in supportive services for every dollar it provided in rental assistance.<sup>4</sup>

The partner organization also mismatched its cost of services with persons served. The cost of services provided to participants during a grant period should be supported by expenditures made during the same period. Instead, the partner organization used its 2010 fiscal year audit to match the cost of services provided to Shelter Plus Care participants assisted during the 2011 grant period. HUD does not require service providers to use audited figures, but the partner organization did so believing it lent more credibility to its service match. Because the agency's 2011 audit showed that its supportive services costs were consistent with 2010, HHCS is not at risk of having to pay back any of the grant due to mismatching.

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**Limited capacity prevents staff from monitoring partner organizations more closely**

If HHCS staff could have thoroughly reviewed the partner organization's service match calculation, they would have identified the errors. Instead, HHCS monitors partner organizations only at a level that is achievable with its limited staffing. Program staff focus on reviewing client files to ensure clients received services, which, according to the Program Coordinator, is something HUD identified as a priority. Staff review each partner organization once every three years during site visits. They conduct the site visits on a staggered basis and visit three to five organizations a year. Annually, program staff assess the methodology partner organizations use to determine service costs, but they do not review supporting documentation.

Although the problems with the partner organization discussed above did not result in noncompliance with federal regulations, the errors demonstrate how the gap in oversight due to staff reductions negatively affects HHCS' ability to monitor the Shelter Plus Care program. This gap could result in more significant errors going undetected and prevent HHCS from meeting all the grant requirements and having to refund grant funds.

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<sup>4</sup>According to HHCS, the match requirement has been reduced to 25 percent under the new grant agreements.

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**Monitoring risks resulting from budget cuts must be disclosed to City Council**

We discussed the risks of reducing oversight staff in two reports in fiscal year 2012:

- In our report, *Audit Action: Reduce Fraud, Enhance Service Delivery and Revenue*, we cited that recommendations previously reported as implemented in other City departments were no longer in place.<sup>5</sup> We believe that our recommendations may have become “unimplemented” because of staffing changes made as a result of budget cuts in oversight and administrative functions.
- In our *City Auditor’s Annual Report for Fiscal Year 2011*, we recommended that the City Manager disclose the internal control risks of recommended budget cuts in future budget reports.<sup>6</sup> City Council and the City Manager agreed. We reminded City Council that it is critical to know the effects of reductions in staff who have oversight responsibilities.

Gaps in internal control increase the risk of fraud and the likelihood of noncompliance with regulations and provisions of grant agreements.

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**Recommendations**

Inform Council of the risks resulting from budget cuts

**The City Manager should:**

- 1.1 Provide Council with information regarding the impact to Health, Housing and Community Services’ ability to administer the Shelter Plus Care program in compliance with grant requirements if further staff reductions are considered necessary as a result of decreased revenue for community services.

**The Health, Housing and Community Services Department should:**

Perform a risk assessment of partner organizations

- 1.2 Perform a risk assessment of partner organizations to determine whether the agencies pose a risk to the service match reporting requirement that is so great that reprioritizing staff time is necessary to review calculations

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<sup>5</sup> [http://www.cityofberkeley.info/uploadedFiles/Auditor/Level\\_3\\_-\\_General/2012-06-26\\_Item\\_51\\_Audit\\_Action\\_Reduce\\_Fraud.pdf](http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/2012-06-26_Item_51_Audit_Action_Reduce_Fraud.pdf)

<sup>6</sup> [http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level\\_3\\_-\\_City\\_Council/2011/12Dec/2011-12-13\\_Item\\_29\\_City\\_Auditors\\_Annual\\_Report.pdf](http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2011/12Dec/2011-12-13_Item_29_City_Auditors_Annual_Report.pdf)

for accuracy and grant compliance. If reprioritization is needed, submit a report to Council disclosing the shift in oversight capabilities and identifying the areas that HHCS staff are unable to monitor due to limited capacity. See recommendation 2.2 for procedural requirements for partner organizations to submit supporting documentation.

**City Manager's  
Response**

The City Manager agreed with the recommendations. The full response is at Appendix B.

**Finding 2: Gaps in  
Procedures Could  
Affect HHCS'  
Ability to Remain  
Grant Compliant**

"Staff genuinely care about this program."

- Jane Micallef,  
HHCS Director

Health, Housing and Community Services' procedures help ensure that Shelter Plus Care grant funds are administered in accordance with federal regulations. The department successfully administered the Shelter Plus Care program and provided assistance to 276 people in fiscal year 2011. This success is the result of management's implementation of policies, procedures, and practices designed to meet Shelter Plus Care grant requirements. It is also the result of staff's in-depth knowledge of the program and their commitment to its recipients. In our review of 31 client files, we found only one minor payment error, which HHCS corrected and refunded to the grant. Although HHCS demonstrated compliance with federal regulations, its procedures have some weaknesses that could result in noncompliance if not addressed.

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**HHCS developed  
well-organized and  
descriptive Shelter  
Plus Care program  
policies and  
procedures, but  
does not have  
detailed accounting  
procedures**

HHCS has well-organized and descriptive program policies and procedures for the Shelter Plus Care program, but has not established detailed accounting procedures.

The program procedures cover the majority of the grant program requirements, as well as general operations and eligibility. However, the procedures are missing guidance for a few of the grant requirements. HHCS adheres to those requirements in practice, but the department has not documented those practices in the procedures. For example, federal regulations require occupancy agreements to have an initial term of at least one month with automatic renewal. In practice, HHCS' occupancy agreements are for one year with automatic renewal.

Some practices differ from the procedures

There are also a few instances in which actual practices differ from the procedures. The inconsistencies are not significant and do not



put HHCS at risk of being noncompliant with grant requirements. For example, the procedures state that rent cannot exceed HUD’s established fair market rent, yet some rents do exceed that amount. This is because the actual HUD requirement is that rent be reasonable, meaning rent charged for an assisted unit is reasonable in relation to rent charged for a comparable, unassisted unit. In practice, HHCS ensures rents meet the reasonableness standard.

One area not covered in the general operations portion of the operating procedures is specific guidance for following up on participants who have not made contact with their case managers. Because case managers and program staff did not have this guidance, there was a delay in HHCS learning that two Shelter Plus Care participants had passed away. The department has procedures to ensure it stops making housing assistance payments as soon as a case manager notifies HHCS of a participant’s death. However, HHCS paid rent for these two participants after they had passed away: four months for one participant and two for the other. In both instances, HHCS stopped payments as soon as it became aware of the deaths and then refunded the grant for the inadvertent overpayments.

Staff need guidance for following up on participants who fail to make contact with their case managers

Shelter Plus Care participants may fail to make contact with their case managers for a number of reasons: they may be ill, be in jail, have left town, be purposefully not following program requirements, or have passed away. These scenarios are, unfortunately, not infrequent among the Shelter Plus Care population. Both case managers and HHCS staff need guidance for actions to take to determine the actual reason clients have not been in contact. With that information, HHCS staff can take immediate action to cease rental payments, if appropriate.

Accounting procedures do not provide guidance to help staff understand management’s intent

HHCS implemented a prepayment review process to monitor Shelter Plus Care check registers. The department uses a housing assistance payment checklist to document the review. However, the checklist is misleading and unclear. For example, it includes a step for an accountant to review the prepayment batch listing for accuracy. The intent of the accountant’s accuracy review is not clear because accounting staff are not in a position to know what the housing subsidies should be and who the participants are.

Accounting staff are, however, able to verify that adjustments and changes approved by program staff were applied.

A prepayment review is an opportunity to look for fraudulent accounts

The checklist also includes a step for the program coordinator to review the prepayment batch listing for accuracy. It does not clarify that this review should include checking for fraud. The program coordinator is in a good position to perform a prepayment review that looks for fraudulent accounts because he has inquiry-only access to Elite, meaning he cannot make changes to records in the system. He is also familiar with each Shelter Plus Care participant. However, the program coordinator should review the preposting payment register that HHCS sends to Accounts Payable to issue the housing assistance checks, not the prepayment batch listing.

Accounting procedures have not been formalized

The housing assistance payment checklist is unclear because HHCS has not developed formal, written procedures for Shelter Plus Care accounting activities. Staff developed a list of activities that are not descriptive enough and do not adequately explain the purpose for each part of the review process to ensure that staff understand management's intent. Additionally, the activities list lacks guidance for making adjustments to housing subsidies and payees. Accounting staff need this information to ensure that grant funds are accounted for properly and, if necessary, adjusted and refunded.

The activities list also does not include a requirement to reconcile the Elite system with FUND\$, the City's general ledger. As a result of this omission, accounting staff had not reconciled transactions in the two systems. Not reconciling FUND\$ with Elite could result in inaccurate or invalid entries and balances in FUND\$ going undetected. It could also allow for unauthorized changes or charges made to hide employee fraud to go unnoticed. As we reported in our audit, *Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenue*, the lack of reconciliation is a citywide problem that has been cited in three prior audits of other departments.<sup>7</sup>

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<sup>7</sup> [http://www.cityofberkeley.info/uploadedFiles/Auditor/Level\\_3\\_-\\_General/BLT%20Revenue%20Collection%20Audit\\_Final\(1\).pdf](http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/BLT%20Revenue%20Collection%20Audit_Final(1).pdf)

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**Staffing cuts increase the importance of having clear and complete written procedures**

Management is responsible for establishing detailed and complete policies and procedures to promote consistent work performance, ensure employees understand management’s intent, and ensure that HHCS remains grant compliant and that operations are not disrupted. The risk of such occurrences increases as new or different employees begin managing and accounting for the Shelter Plus Care program after staff turnover. We provided the Director of Health, Housing and Community Services and the Manager of Community Services and Administration with a complete list of the gaps in the operating policies and procedures identified during this audit.

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**Recommendations**

**The Health, Housing and Community Services Department should:**

Establish written accounting procedures for Shelter Plus Care transactions

2.1 Establish detailed written procedures for Shelter Plus Care accounting activities. During this process, management and staff should evaluate the current practices to determine validity, need, and improvements. Improvements should include but are not limited to:

- FUND\$ reconciliations with Elite.
- Reviews of the housing-assistance preposting payment register to check for invalid accounts.
- Accuracy reviews by appropriate personnel.
- Guidance on refunding a grant, if required, to account for housing subsidy payment errors.

Also see recommendation 3.2.

Update program procedures

2.2 Update the Shelter Plus Care program operations policies and procedures using the *Guide to Preparing a Shelter Plus Care Program Policies and Procedures Manual*<sup>8</sup> as a reference. The department should:

- Ensure procedures agree with practices and that all the grant program requirements are covered.
- Require partner organizations to submit service-match

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<sup>8</sup> The *Guide to Preparing a Shelter Plus Care Program Manual* was prepared by Kate Bristol Consulting through a technical grant from the U.S. Department of Housing and Urban Development (HUD). The consulting firm is solely responsible for the accuracy of the guide’s statements and interpretations, which do not necessarily reflect HUD’s views. However, the guide is comprehensive and serves as a useful tool for management to prepare a set of complete Shelter Plus Care policies and procedures.

supporting documentation. Also see recommendation 1.2.

- Provide staff with guidance for reviewing the service-match support information submitted by partner organizations. The guidance may include reviews on a sample basis and be dependent on risk assessments of the partner organizations. Also see recommendation 1.2.
- Include a requirement for case managers in the partner organizations to contact HHCS if a client missed a monthly meeting and cannot be reached.
- Provide staff and partner organizations with guidance on a proactive approach to determine why a client cannot be reached so the department can determine whether housing assistance payments should cease because a client has passed away. Include a requirement to perform periodic death audits to determine if any Shelter Plus Care participants have passed away but have not been removed from the payment schedule.

### ***City Manager's Response***

The City Manager agreed with the recommendations. The full response is at Appendix B.

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### **Finding 3: Departments Are Not Always Clear on Their Responsibility Regarding Specialized Software**

Some City staff believe that the Department of Information Technology is fully responsible for all software used for City business. Information Technology offers guidance and assistance. However, it is the business-line owner's responsibility to have working knowledge of applications unique to a department, such as the Elite software that Health, Housing and Community Services uses to administer the Shelter Plus Care program. Because HHCS staff did not fully understand Elite's access capabilities, the accounting staff who are responsible for preparing, reviewing, and producing the housing assistance payment register all have the same level of access to Elite. This level gives them each unrestricted and incompatible access to the system, including the ability to set up an account and make adjustments without proper approval.

Unrestricted access to business applications provides an opportunity for fraud

Unrestricted access to any system allows for unauthorized and inappropriate entries that could remain undetected. The impact of such access to Elite could be severe: If someone set up fake accounts to defraud the City of grant funds, fewer homeless would get access to housing and the City would likely be liable for repaying the stolen grant funds to HUD. We did not see any indication that such activities had taken place during the period covered by this audit. All 72 records included in our test sample were supported by actual Shelter Plus Care client files. HHCS' prepayment review process helped ensure the accuracy and validity of payments. However, the department needs to understand Elite access levels and user capabilities to ensure proper assignments of Elite system users. HHCS also needs to understand access levels to ensure, when necessary, that mitigating procedures are in place to detect inappropriate changes.

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## Recommendations

Issue guidance for users of department-specific business applications

### The City Manager should:

- 3.1 Direct the Director of Information Technology to issue citywide guidance clarifying that applications unique to a department are the department's responsibility as the business-line experts. The guidance should inform staff that Information Technology offers guidance and assistance, but that responsibility for knowledge of specific applications belongs to the departments that use them. The guidance should stress the importance of a business-line expert's responsibility to ensure, document, and monitor system access.

### The Health, Housing and Community Services Department should:

Review Elite access levels and understand user capabilities

- 3.2 Review Elite access levels to gain an understanding of the restrictions and permissions provided to all users. After evaluating the levels, HHCS should determine whether access can be modified so system users do not have access levels that provide them the ability to perform incompatible duties. If user access cannot be modified, HHCS should implement mitigating procedures to prevent someone from defrauding the City of grant funding through a fake account or inappropriate adjustments. HHCS should document these

mitigating controls in its written accounting procedures. Also see recommendation 2.1.

***City Manager's Response***

The City Manager agreed with the recommendations. The full response is at Appendix B.

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**FISCAL IMPACT**

Budget cuts or theft of grant funds could jeopardize HHCS' ability to continue to offer \$2.5 million a year in housing assistance

Continued reductions in oversight staff have significantly reduced Health, Housing and Community Services' ability to monitor the Shelter Plus Care program. HHCS could lose its ability to perform the mandatory grant activities and oversight with fewer staff than it currently has performing the work.

The \$2.5 million in Shelter Plus Care funds are also at risk of theft because unrestricted access to Elite provides an opportunity for fraud to occur and go undetected. HHCS' review process works as a monitoring tool to detect fraudulent accounts, but restricting system access provides a better means of protecting the grant funding.

Both of these situations could cause HUD to reduce or eliminate the Shelter Plus Care grants Berkeley receives to provide \$2.5 million in housing assistance to people with disabilities and to their families. Staffing reductions could also cause the City to have to decline any future grants due to the lack of capacity to administer them in compliance with the grant requirements. Loss of funding would be detrimental to the City's goal to help the homeless find permanent housing. In order to continue to provide the Shelter Plus Care program and ensure that homeless are connected with supportive services and housing, Council must fully recognize the effect that staffing reductions have on oversight responsibilities.

Theft of grant funding would damage the City's reputation

Limiting access in Elite would also help protect the City's reputation, which could be severely damaged if grant funding were lost to theft, even if the amount were immaterial to the total grant amount.

## CONCLUSION

HHCS and its staff are committed to the success of the Shelter Plus Care program

The Shelter Plus Care program is an important part of Health, Housing and Community Services' goal to find permanent housing for the homeless. The program connects participants with much needed supportive services so that they may become more self-sufficient and remain housed. In fiscal year 2011, the department demonstrated that it is achieving its goal while remaining grant compliant and properly accounting for the funds. This achievement is due to the department's commitment to implementing and improving its Shelter Plus Care policies and procedures so that staff understand their responsibilities and grant funds are protected. Staff's support of the program and their genuine concern for the participants has also led to HHCS' success.

Budget cuts have significantly reduced HHCS' ability to monitor grant activities

Continued success, however, is jeopardized by staffing reductions due to budget cuts. Administering the Shelter Plus Care program requires considerable effort, and HUD suggests one full-time employee for every 75 program participants. Based on this estimate, HHCS should have 3.7 staff to administer the program, but it is well below this level. In fiscal year 2011, HHCS operated the Shelter Plus Care program and provided assistance to 276 participants with only three program staff, who each worked only part time on the program, and five administrative staff who also worked only part time on the program. Combined, these 8 staff worked the equivalent of 2.3 full-time employees on the program, which was 38 percent less than HUD's recommended staffing level. This puts significant strain on staff capacity and increases the likelihood that grant requirements will not be met.

Access to software must be understood and limited to only authorized users

HHCS currently complies with grant requirements, but there are areas for improvement that will help the department continue to do so. The department does not fully understand its access to Elite, its housing software. This is one area in which HHCS is not alone. Several previous audits of other departments have reported fraud risk because too many people have incompatible access to software functions. It is important for the protection of City assets that departments understand that they are responsible for the access granted to software users. That understanding includes knowledge of access levels, rights, and restrictions.

Improvements to procedures will help HHCS continue to safeguard grant revenues

Among HHCS' achievements are its Shelter Plus Care program policies and procedures. They are detailed and well-organized. However, some enhancements are needed, including guidance for following up on participants who fail to contact their case managers and a requirement to perform periodic death audits. The department's accounting procedures do not have the same qualities as the program procedures. The department successfully accounted for the grant funds during fiscal year 2011, which suggests that the department's practices are working. However, accounting procedures need to be formalized so staff have clear guidance. This includes instructions for adjusting and refunding grant funds, reconciling FUND\$ and Elite, and reviewing prepayment registers for fraud. Having these procedures will help ensure continued grant compliance, particularly during times of staff turnover resulting from budget cuts.

Although HHCS staff successfully provided housing assistance payments to 276 Shelter Plus Care participants in fiscal year 2011, further reductions in the number of HHCS staff available to oversee the program could put the City at risk of not being able to meet mandatory grant requirements and having to repay some or all of the \$2.5 million in grant funds. Staffing reductions could also cause the City to have to decline any future grants due to the lack of capacity to administer them in compliance with the grant terms. It is important that Council fully recognize the effect that staffing reductions have on oversight responsibilities.

We would like to thank Health, Housing and Community Services for demonstrating a continued commitment to protecting city resources by requesting this audit. We would also like to thank city staff and the partner organizations for their continued cooperation during this audit.



## APPENDIX A:

### Scope and Methodology

We audited the City's Shelter Plus Care program, managed by the Health, Housing and Community Services Department (HHCS). We focused on the department's policies, procedures, and practices for ensuring that it administers Shelter Plus Care grants in accordance with federal regulations, including ensuring that grant funds are used for only allowable activities and are properly accounted for. We used federal standards as the benchmark in our review of those procedures. We limited our work to reviewing grants awarded to the City of Berkeley between March 2010 and December 2010 so that we could assess housing assistance payments and grant billings made in fiscal year 2011.

#### *Accomplishing Our Objective*

We reviewed federal laws and regulations pertaining to Shelter Plus Care grant requirements, as well as HHCS' Shelter Plus Care operating and accounting policies and procedures. We also interviewed department staff to understand how they:

- Ensure that individuals applying for housing assistance meet federal rules for eligibility.
- Capture participant demographic information for federal reporting.
- Assess a participant's income to determine his or her share of rent.
- Inspect rental units to ensure they meet federal housing quality standards.
- Ensure participants receive supportive services.
- Monitor partner organizations and collect supportive services information.
- Account for housing subsidies paid for on behalf of program participants.
- Ensure administrative costs do not exceed grant limitations and are for eligible activities.
- Ensure payments are accurate and made only for qualified individuals.

In relation to those duties, we examined:

- Participant referral, eligibility, and intake forms.
- Shelter Plus Care grant applications, agreements, and annual progress reports.
- Income, rent determination, and housing inspection review forms.
- Partner organization monitoring reports, community agency grants, and supportive service match information.
- Accounting records and worksheets, and functional timecards.
- Staff access to Elite, the housing software.

We examined Shelter Plus Care participant files to determine compliance with federal regulations. We identified 276 people who received housing assistance through the Shelter Plus Care program in fiscal year 2011. We used a sample size calculator and input a confidence level of 95 percent and a confidence interval of 10 percent to determine a sample size of 72.<sup>9</sup> We

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<sup>9</sup> MaCorr Research Solutions – <http://www.macorr.com/>

used a list randomizer to select the files to review.<sup>10</sup> We performed a complete review of 31 files and determined that each of the participants was eligible for Shelter Plus Care assistance; that HHCS performed inspections, income verifications, and tenant-rent-share calculations; and that housing assistance payments were within allowable limits. We also found that HHCS stopped making housing assistance payments when participants left the program. The evidence presented in our review of the first 31 files of the random list indicated that HHCS was in compliance with federal regulations. We determined that further testing would not change our conclusion and did not review the remaining 41 files.

We expanded our compliance review to determine whether HHCS stopped making housing assistance payments for participants who had passed away. We submitted a list of 283 Shelter Plus Care participants to a third-party vendor for reconciliation with death records.<sup>11</sup> The list included participants who received assistance outside of fiscal year 2011. The vendor returned a list of matches with death records. We compared dates of death to payment registers to determine if HHCS stopped making housing assistance payments within 30 days of receiving notice of death.

We selected two partner organizations for review to determine whether they provided supportive services as reported. When reviewing the first organization, we learned that HHCS was unable to do a detailed review of partner organizations due to staff limitations. We determined that further review would not change our conclusion that HHCS is exposed to the risk that partner organizations pose because HHCS staff do not have the capacity to do more detailed monitoring. Therefore, we did not review the second partner organization or do any additional review of partner organizations.

During the period covered by our audit, our office performed routine nonaudit services related to the Shelter Plus Care program. Twice a month, the City Auditor reviewed the Shelter Plus Care preposting payment registers to ensure that the Director of Health, Housing and Community Services or her designee approved the registers before the Finance Department printed the housing assistance checks. The Senior Auditor assigned to this audit then recorded Shelter Plus Care payments in a check log. The City Auditor and Senior Auditor performed these tasks pursuant to City Charter language giving the City Auditor the authority to review City payments. We did not audit our own procedures for performing these routine activities. As of February 1, 2013, our office no longer performs these nonaudit services.

#### *Data Reliability*

We relied on data from Elite to perform our compliance review. To assess the reliability of Elite data, we compared data extracted from Elite to participant files while reviewing for compliance.

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<sup>10</sup> Random.org – <http://www.random.org/lists/>

<sup>11</sup> CRSA Inc. – <http://www.csrainc.com/>

We found the Elite data was accurate and consistent with participant files. We also reviewed Elite reports for completeness and found that data fields were populated as expected. We concluded that Elite data were sufficiently reliable for the purposes of this report.

We used FUND\$<sup>12</sup> accounting reports in our review of accounting internal controls. Our *FUND\$ Change Management Audit* report disclosed that Information Technology had given its programmers unrestricted access to production files.<sup>13</sup> This has not been corrected and compromises data integrity because unauthorized changes could be made. Therefore, we did not rely on FUND\$ controls over the data. Instead, we relied on Shelter Plus Care accounting staff's allocation worksheets and feedback, Elite preposting and payment registers, and functional timecards to draw our conclusions.

We did not rely on demographic data from the Homeless Management Information System (HMIS). We found that, by intentional design, other organizations have access to the system and HHCS cannot control input done by others. We ensured that HHCS is using the system as required by Congress and confirmed that Shelter Plus Care participants are added to the system by comparing participants from our compliance review to the annual progress reports for three of the grant awards. We concluded that the department is adding participants to HMIS as required and using that data for reporting to HUD.

#### *Standards Compliance Statement*

We conducted this performance 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>12</sup> FUND\$ is the City's financial system. Health, Housing and Community Services uses FUND\$ to record Shelter Plus Care program expenditures and grant reimbursements. It is a product of SunGard Public Sector, formerly HTE.

<sup>13</sup> [http://www.cityofberkeley.info/uploadedFiles/Auditor/Level\\_3\\_-\\_General/ChgMgmtReportFinalWeb.pdf](http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/ChgMgmtReportFinalWeb.pdf)

**APPENDIX B**  
**Audit Findings, Recommendations, and Management Response Summary**

<b>Audit Title: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts</b>				
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>
<b>Finding</b> Budget Cuts Have Reduced HHCS' Oversight Capabilities				
1.1 Provide Council with information regarding the impact to Health, Housing and Community Services' ability to administer the Shelter Plus Care program in compliance with grant requirements if further staff reductions are considered necessary as a result of decreased revenue for community services.	City Manager	Agree. The Health, Housing & Community Services Department does not currently project any staffing reductions in the Shelter Plus Care Program in FY2014. However, given that at least a portion of the staffing required for the program is funded with federal funds, it is difficult to predict into FY2015 the amount of federal funds that will be available. The City's FY 14, FY 15 biennial Budget book will include impact summaries providing the requested analysis and communication.	March 12, 2013	
1.2 Perform a risk assessment of partner organizations to determine whether the agencies pose a risk to the service match reporting requirement that is so great that reprioritizing staff time is necessary to review calculations for accuracy and grant compliance. If reprioritization is needed, submit a report to Council	HHCS	Agree. Under new, recently released interim regulations, the match requirements have changed. Whereas previously a 100% match was required, the match requirement has been reduced to 25%. We expect, therefore, that we can cover the match requirement with billing information from within the Department. That said, the higher the match that we can report, the more competitive our	July 15, 2013	

<b>Audit Title: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts</b>					
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>	
disclosing the shift in oversight capabilities and identifying the areas that HHCS staff are unable to monitor due to limited capacity. See recommendation 2.2 for procedural requirements for partner organizations to submit supporting documentation.		application for HUD funding becomes. Therefore, staff would continue to request match reports and supporting documentation from partner agencies. A risk assessment of agencies will be performed within four months.			
<b>Finding</b> Gaps in Procedures Could Affect HHCS' Ability to Remain Grant Compliant					
2.1 Establish detailed written procedures for Shelter Plus Care accounting activities. During this process, management and staff should evaluate the current practices to determine validity, need, and improvements. Improvements should include but are not limited to: <ul style="list-style-type: none"> <li>▪ FUND\$ reconciliations with Elite.</li> <li>▪ Reviews of the housing-assistance preposting payment register to check for invalid accounts.</li> <li>▪ Accuracy reviews by appropriate personnel.</li> <li>▪ Guidance on refunding a grant, if required, to account for housing subsidy payment errors.</li> </ul>	HHCS	Agree. The Fiscal and Administration Unit will develop detailed accounting policies and procedures within six months.	September 15, 2013		

<b>Audit Title: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts</b>				
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>
<p>Also see recommendation 3.2.</p> <p>2.2 Update the Shelter Plus Care program operations policies and procedures using the <i>Guide to Preparing a Shelter Plus Care Program Policies and Procedures Manual</i> as a reference. The department should:</p> <ul style="list-style-type: none"> <li>▪ Ensure procedures agree with practices and that all the grant program requirements are covered.</li> <li>▪ Require partner organizations to submit service-match supporting documentation. Also see recommendation 1.2.</li> <li>▪ Provide staff with guidance for reviewing the service-match support information submitted by partner organizations. The guidance may include reviews on a sample basis and be dependent on risk assessments of the partner organizations. Also see recommendation 1.2.</li> <li>▪ Include a requirement for case managers in the partner organizations to contact HHCS if a client missed a monthly meeting and cannot be reached.</li> </ul>	HHCS	<p>Agree. Staff have begun work to update policies and procedures, incorporating these recommendations. The Shelter Plus Care Operations Board will consider the changes at their July meeting and procedures will be finalized by August.</p>	August 1, 2013	

<b>Audit Title: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts</b>					
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>	
<ul style="list-style-type: none"> <li>Provide staff and partner organizations with guidance on a proactive approach to determine why a client cannot be reached so the department can determine whether housing assistance payments should cease because a client has passed away. Include a requirement to perform periodic death audits to determine if any Shelter Plus Care participants have passed away but have not been removed from the payment schedule.</li> </ul>					
<b>Finding</b> Departments Are Not Always Clear on Their Responsibility Regarding Specialized Software					
3.1 Direct the Director of Information Technology to issue citywide guidance clarifying that applications unique to a department are the department's responsibility as the business-line experts. The guidance should inform staff that Information Technology offers guidance and assistance, but that responsibility for knowledge of specific applications belongs to the departments that use them. The guidance should stress the importance of a business-line expert's responsibility to	City Manager	Agree. The Director of Information Technology will issue citywide guidance clarifying that business-line software applications are the business-line department's responsibility as business experts. The guidance will stress departmental responsibility for routinely monitoring system access, documenting system operations procedures (also known as "desk procedures"), and establishing internal controls according to best practices established for each system. The guidance will also stress that internal controls must be	June 30, 2013		



<b>Audit Title: Shelter Plus Care: Fully Compliant but Vulnerable to Staffing Cuts</b>					
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>	
ensure, document, and monitor system access.		explicitly addressed by staff in the business-line department and by staff in the Department of Information Technology, as part of any software development or purchase, during the business analysis, RFP evaluation, and User Acceptance Testing (UAT) phases of all technology projects.			
3.2 Review Elite access levels to gain an understanding of the restrictions and permissions provided to all users. After evaluating the levels, HHCS should determine whether access can be modified so system users do not have access levels that provide them the ability to perform incompatible duties. If user access cannot be modified, HHCS should implement mitigating procedures to prevent someone from defrauding the City of grant funding through a fake account or inappropriate adjustments. HHCS should document these mitigating controls in its written accounting procedures. Also see recommendation 2.1.	HHCS and DoIT	Agree. Testing of the Elite system began on January 14. Since then, the Department of Information Technology and HHCS staff have held two meetings (2/21/13 and 3/6/13) to clarify roles and reprogram access levels within Elite to ensure that appropriate controls are in the place, and to test the new user access levels. We expect the testing and reconfiguration to be finalized by April. These controls will be incorporated into the new accounting procedures.	April 1, 2013		