



**The District's Management Contract with
The Community Partnership for the
Prevention of Homelessness was not
Properly Managed in Fiscal Year 2014 to
Ensure Performance Consistent with
Contract Terms**

March 9, 2016

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Why ODCA Did This Audit

This audit follows a letter report, “[Examination of Non-Governmental Organizations \(NGOs\) Receiving Local District Funds to Provide Homeless Services in fiscal year \(FY\) 2014,](#)” published on March 5, 2015, both in response to a request from Councilmember Mary Cheh (D-Ward 3.) We chose to audit the management contract, given its size and scope, the high priority placed on the issue of homelessness by Mayor Muriel Bowser and members of the D.C. Council, and to assist the Council in its oversight of homelessness and procurement.

What ODCA Recommends

This report makes 35 recommendations including urging the Mayor and Council to improve the budgeting process for homeless services. They include having DHS develop a more robust contract oversight strategy to hold TCP or any successor contractor accountable for its performance. This strategy should include site visits, review of subcontract agreements and use of HMIS for independent monitoring. Also, DHS should provide its contractor with more detailed expectations for the solicitation of subcontractors, training, security, and indirect costs. Additionally, DHS should work with the Office of Contracting and Procurement and the contractor to bring contract amounts closer to actual costs, as well as limiting the use of budget modifications. Finally, DHS should enter into written agreements to cover any continuing self-managed services that outline information-sharing, detailed policies and procedures and specific performance targets.

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The District’s Management Contract with The Community Partnership for the Prevention of Homelessness was not Properly Managed in Fiscal Year 2014 to Ensure Performance Consistent with Contract Terms

What ODCA Found

Since 1993, The Community Partnership for the Prevention of Homelessness (TCP), a District-based 501(c)(3) non-profit organization, has managed the District’s comprehensive homeless services on behalf of the Department of Human Services (DHS). In fiscal year (FY) 2014, DHS spent \$66,513,814 on the management contract with TCP and provided 48,456 beds or other units of service (such as an apartment or outreach services for an individual for a year).

In FY 2014, DHS did not provide adequate oversight of the TCP management contract. DHS failed to:

- Enforce all contract deliverables;
- Verify TCP performance prior to authorizing payments;
- Adequately supervise the contract administrator;
- Regularly re-bid homeless service subcontracts; and
- Enforce its guidance on overhead costs, permitting two subcontractors to exceed the 10 percent cap.

Additionally, DHS allowed TCP to manage itself for 10 services, without written agreements. In providing those services TCP:

- Billed unrelated expenses to supplies, material and equipment;
- Billed maintenance costs for a non-District owned facility;
- Made multiple payment errors for the Permanent Supportive Housing Program;
- Charged the costs of a separate program to D.C. General;
- Made significant late rental payments in the Rapid Re-Housing Program; and
- Made duplicate payments in the Local Rent Supplement Program.

While not at the level of an audit finding, we also identified an area of concern: DHS treatment of the contract type raises potential Anti-Deficiency Act concerns. We referred this to the Board of Review for Anti-Deficiency Violations.

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Background

The Community Partnership has managed the District's Continuum of Care on behalf of the Department of Human Services since 1993

Consistent with federal homeless policy and as stated in the Homeless Services Reform Act of 2005¹ (the Act), as amended, the District of Columbia has established a comprehensive system of services for individuals and families who are homeless or at imminent risk of becoming homeless called the "Continuum of Care."² The District's Continuum of Care was initially designed to serve clients based on their individual levels of need and may include crisis intervention, outreach and assessment services, shelters, transitional housing, permanent supportive housing, and supportive services. Services are carried out principally by the Family Services Administration, within the Department of Human Services (DHS), utilizing federal and local funds.

For the last 23 years, since 1993, The Community Partnership for the Prevention of Homelessness (TCP), a District-based non-profit 501(c)(3) organization, has managed the District's Continuum of Care on behalf of DHS. This arrangement was the result of a Memorandum of Understanding (MOU) between the United States Department of Housing and Urban Development (HUD) and the District government which directed the District to contract with a local non-profit agency to overhaul the District's approach to homelessness by becoming "entrepreneurial and customer service driven," according to HUD. As described in The Urban Institute's assessment of the arrangement, the goal in the early 1990s was to transform the District's approach and response to homelessness – which had been referred to as a "non-system" and described as "warehousing" people – to one focused on comprehensive services for those who are homeless or at risk of homelessness.

The audit report that follows mentions a "relationship of trust" that has developed between The Community Partnership and the District of Columbia government. At the time of the MOU, HUD leadership wanted to create a model program in the nation's capital but was hesitant to make a direct investment in the District government. Testimony given by

¹ The "Homeless Services Reform Act of 2005" (Bill 16-103; D.C. Law 16-25) went into effect on October 22, 2005.

² The United States Department of Housing and Urban Development (HUD) defines a Continuum of Care as a program that "is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and state and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness."

the Executive Director of The Washington Legal Clinic for the Homeless before the D.C. Council's Committee of the Whole on September 28, 2015, summarized the situation at that time:

The city was on the verge of bankruptcy, human services programs were in disarray, and virtually every government program that touched the lives of low-income D.C. residents was under some sort of court intervention, with receivers, masters and monitors playing more significant roles in managing D.C. agencies. HUD agreed to invest in D.C.'s continuum of care *only if an independent, non-governmental organization was established to take on the coordination of the effort*, which became known as the "D.C. Initiative."

A report commissioned by private business leader Oliver T. Carr identified the need for a new non-profit to leverage public dollars and private partnerships, and TCP subsequently was created.

While members of the District's advocacy community were generally supportive of the approach taken by HUD, there were reservations as, again, noted in The Washington Legal Clinic for the Homeless' recent testimony:

We had concerns about this arrangement, especially the extent to which a core government function – policy-setting – was delegated to a non-governmental agency. TCP was insulated from the accountability and transparency requirements that should be in place to assure effective oversight....Even with these limitations, though, TCP seemed at the time a better alternative than the District government, which had more serious limitations. In any event, it was to be only a three year effort.

The founding and current Executive Director of TCP, Sue Marshall, had previously served in both the District and federal governments: she had been vice-chair of the D.C. Housing Finance Agency, chief of staff at DHS, the Mayor's Homeless Coordinator, an Urban Policy Analyst for HUD, and staff economist for the D.C. Council's Committee on Finance and Revenue. Over time, as indicated in the findings that follow, the lines between the government and the non-profit contractor became blurred. During the audit period 100 percent of TCP's revenue came from District and federal contracts and grants. In certain instances detailed in this report, TCP rather than DHS, appears to have made decisions on expenditures, operating with wide latitude developed over the 20-plus years of the contractual relationship. An example of this close relationship is the fact that the then-Administrator of the DHS Family Services Administration previously served eight years in various positions at TCP, including Chief of Systems Integration. During the audit scope, she was responsible for

overseeing the staff responsible for administering the DHS contract with TCP.

It is also important to note that the TCP board has long included representatives of non-profit organizations that have received subcontracts from TCP. Service providers, who might otherwise have been candidates to compete with TCP for the overall management of the homeless program, arguably could be less likely to compete if they were currently or prospectively in a subcontracting role. Additionally, it was the board's decision to compensate TCP's founding Executive Director, Sue Marshall, at a level higher than the compensation received by the vast majority of District government agency directors. Her package during the year covered by this audit was a total of \$268,213, which included a salary of \$198,881 and a retirement benefits package of \$69,332. The comparable average for District agency directors was \$175,491, which included an average salary of \$167,134 plus the 5 percent standard retirement contribution average of \$8,357.

TCP now holds two separate management contracts related to the Continuum of Care – which DHS refers to as the “management contract” and the “sole source contract.”³

From 1999 to 2004, DHS used a competitively awarded grant with TCP, and since 2005, it has been managed under a competitively awarded requirements contract. According to the Office of Contracting and Procurement, DHS switched to a contract because DHS wanted more of an active role in the day to day decisions and implementation of the programs.

The management contract was the much larger of the two current contracts and encompasses management oversight for the homeless services Continuum of Care. The sole source contract provided management oversight for specific services that were place-based under the homeless services Continuum of Care.

The Office of the District of Columbia Auditor (ODCA) initiated this audit of the management contract between DHS and TCP following work requested initially in 2013 by Councilmember Mary Cheh (D-Ward 3.) She asked the D.C. Auditor to “examine all programs receiving D.C. money and aimed at assisting the homeless...Who are the groups, how much money do they get, how long have they gotten it, can they document who they have helped and by what measure, how much goes to the homeless and how much to salaries and administrative expenses, etc.” On March 5, 2015, we published the letter report “[Examination of Non-Governmental](#)

³ In FY 2014, the contracts did not follow the FY, but was made up of three different contracts/extensions for the following periods: 1) October 2013; 2) November 2013-January 2014; 3) February-September 2014. DHS adjusted the contract to coincide with FY 2015.

[Organizations \(NGOs\) Receiving Local District Funds to Provide Homeless Services in fiscal year \(FY\) 2014.](#)” Following this report and in consultation with Councilmember Cheh and other members of the Council, we initiated an audit of the FY 2014 management contract with TCP (the contract). We chose to audit the management contract given these factors: its size and scope; the DHS contract administrator was overseeing 151 separate contracts, TCP subcontracts and grants totaling \$107 million; the fact that TCP was overseeing itself for 10 of the services covered by the contract; and the high priority placed on the issue of homelessness by both Mayor Muriel Bowser and members of the D.C. Council.

In the same period of time we were finalizing and releasing the letter report detailing the allocation of funds to District non-profit organizations for homeless services, the incoming Bowser administration was also signaling its interest in reviewing the way in which homeless services were provided. As noted in the Council’s Human Services Committee budget report for FY 2016, the Mayor’s proposed budget “reflects a commitment to ending homelessness in the District of Columbia by making historic investments in the creation of the infrastructure necessary to support families and individuals experiencing homelessness in achieving stability and self-sufficiency.”

One element of the Bowser Administration’s focus on homeless services has been enhancing the role of the Interagency Council on Homelessness (ICH). Under the District statute, each member agency of the ICH is to “[c]onduct or commission an annual audit of any private entity designated by the agency to approve or allocate any grants or contracts, on behalf of the Mayor, for services within the Continuum of Care, and make available a report of the audit to all Interagency Council members.”⁴ Additionally, the ICH shall “[r]eview on a regular basis the efforts of each member of the Interagency Council to fulfill the goals and policies of the annual plan ... including a review of the number and nature of contracts and grants entered into by each agency to provider services within the Continuum of Care.”⁵ The ICH had not fulfilled this function in FY 2014. We did not include ICH in our audit, but believe that a review of it could be beneficial.

While this audit focuses exclusively on the TCP management contract in FY 2014, we write with the expectation that the findings and recommendations will be useful to District policymakers going forward as they continue to focus on efforts to end chronic homelessness.

In FY 2014, DHS spent \$66,513,814 on the management contract with TCP and as a result, provided 48,456 beds or other units of service (such as an apartment or outreach services for an individual for a year). As part of this contract, TCP was to establish a competitive system of awarding

DHS spent \$67 million on the management contract in FY 2014, which resulted in 48,456 beds or other units of service (an apartment or outreach services for an individual for a year)

⁴ See D.C. Code § 4-752.02(d)(1).

⁵ See D.C. Code § 4-752.02(b)(4).

subcontracts to various nongovernmental organizations (NGOs) for carrying out the Continuum of Care, such as street outreach services, security services and low-barrier emergency shelters (overnight shelter without the imposition of identification, time limits or other program requirements).

The contract consisted of 20 Contract Line Item Numbers (CLINs), which are specific units of work to be performed by the contractor and listed as separate pay items. Figure 1 shows the CLINs, as well as their item descriptions for FY 2014, Option Year Two, of the contract.

Figure 1

Option Year Two Contract Line Item Numbers (CLINs) for the Contract

CLIN	Item Description	Unit	Estimated Quantity	Price Per Unit
2001	Administrative Management Oversight CLIN 2001 for Administrative Management Oversight shall not exceed 8% of the cumulative total of CLINs 2002-2020	Monthly	12	\$422,525.00
2002	Supplies, Material & Equipment	Monthly	12	\$44,634.38
2003	Maintenance of District owned facilities	Monthly	12	\$89,268.75
2004	Street Outreach Services	Monthly	12	\$32,853.78
2005	Hotline Transportation Services (Non-Hypothermia Season)	Monthly	7	\$134,364.47
2005A	Hotline Transportation Services (Hypothermia Season)	Monthly	5	\$134,364.54
2006	Security Services	Monthly	12	\$454,373.47
2007	Food Service	Monthly	12	\$562,136.48
2008	Hypothermia Shelters/Beds – Single Adults	Monthly	5	\$125,055.60
2009	Low-Barrier/Emergency Shelters/Beds – Single Adults	Monthly	12	\$618,500.77
2010	Temporary Shelters/Beds – Single Adults	Monthly	12	\$189,946.05
2011	Transitional Shelter/Programs – Single Adults	Monthly	12	\$141,490.97
2012	District Permanent Supportive Housing – Single Adults	Monthly	12	\$711,315.72
2013	Homeless Services for Youth	Monthly	12	\$88,410.43
2014	Day/Feeding Programs – Single Adults	Monthly	12	\$34,031.48
2015	Hypothermia Shelters/Units – Families	Monthly	5	\$1,542,564.00
2016	Family Intake Center Services (Non-Hypothermia Season)	Monthly	7	\$90,612.78
2016A	Family Intake Center Services (Hypothermia Season)	Monthly	5	\$90,612.78
2017	Temporary Shelters/Units – Families	Monthly	12	\$69,094.01
2018	Transitional Housing (Site-Based) – Families	Monthly	12	\$121,431.39
2019	Transitional Housing (Scattered Sites) – Families	Monthly	12	\$826,026.65
2020	District Permanent Supportive Housing – Families	Monthly	12	\$378,229.46
Option Year Two Grand Total including 2001 – Administrative Management Oversight				\$68,449,050.70

To carry out some of these CLINs, in FY 2014, TCP entered into 58 subcontracts with service providers. As part of its management duties, TCP was responsible for providing oversight and monitoring of the subcontractors' scope of services.

TCP did not subcontract all of the CLINs and services listed and carried out 10 services itself, which will be discussed below in more detail. Pursuant to the contract, TCP received a fee for providing administrative management oversight not to exceed eight percent of the total cost for all of the contract components. Appendix 1 provides a detailed list of all of the subcontractors and TCP self-managed services for FY 2014, including the actual costs for each.⁶

During FY 2014, the best estimate for the number of homeless individuals in the District was 7,784

The contract also required that subcontractors report on the services provided by entering data in the Homeless Management Information System (HMIS), which TCP manages and refers to as the primary repository for client level data for consumers of homeless services in the District of Columbia.⁷ Additionally, the contract stipulated that TCP ensure that "designated DHS staff has access to all information within the HMIS" for programs and services covered in the contract.

The best estimate for the number of homeless individuals in the District comes from the Point-in-Time count.⁸ HUD requires that federally-supported Continuum of Care entities conduct a Point-in-Time count annually of homeless persons including both those who are unsheltered and sheltered (i.e. in emergency shelter, transitional housing, etc.) on a single night in January. During 2014, the count was 7,784. Based on the count, there was a 12.9 percent increase in the homeless population over 2013.

⁶ Due to the auditing process, the figures in Appendix 1 have changed slightly from the version published in our March letter report.

⁷ Federally-supported homeless services require providers to maintain a Homeless Management Information System.

⁸ TCP has conducted the Point-in-Time count on behalf of the District since 2001.

Objectives, Scope and Methodology

Objective

The objective of this audit was to determine whether:

1. The Department of Human Services' (DHS) and The Community Partnership for the Prevention of Homelessness' (TCP) performance were consistent with the terms of the Continuum of Care management contract to ensure the provision of services to the District's homeless population.

Scope

Our scope for this audit was fiscal year (FY) 2014 (October 1, 2013 – September 30, 2014). We limited our review of the TCP subcontracts to February 1, 2014 to September 30, 2014, which was the term of those subcontracts.

Methodology

We reviewed all laws and regulations relevant to the provision of homeless services in the District. We also assessed the internal controls of the management of the contract. Due to the size of the contract and how it was implemented, ODCA approached the audit as if there were 23 separate audits, including: the contract relationship between DHS and TCP; a sample of 12 subcontractors to assess TCP management and oversight; and all 10 services that TCP provided itself under the contract. Details on the ODCA analysis for each are provided below:

Contract relationship between DHS and TCP:

- Requested and reviewed TCP contract deliverables;
- Reviewed 12 months of TCP invoices submitted to DHS;
- Reviewed TCP's list of Homeless Management Information System (HMIS) users;
- Assessed duties, training and supervision of the DHS contract administrator;
- Interviewed other District government staff familiar with the contract, including the Director of the Interagency Council on

Homelessness and staff from the Office of the Chief Financial Officer and the Office of Contracting and Procurement;

- Interviewed TCP staff, including the Executive Director and the Chief Financial Officer;
- Interviewed stakeholders, such as homeless advocacy organizations, that do not have TCP subcontracts to provide services;
- Reviewed contractor performance evaluation conducted by DHS;
- Interviewed staff from DHS' Office of Program Review, Monitoring and Investigation (OPRMI) and selected for review a sample of six of its annual provider monitoring visits; and
- Reviewed TCP training offered.

TCP oversight of subcontractors:

- Interviewed TCP staff, including the Executive Director, Chief Financial Officer, Chief of Policy & Programs, Senior Program Officer, an Accountant, and Chief of Housing;
- Selected a sample of 12 of the 58 TCP subcontractors to review contract deliverables and compare provider invoices to TCP invoices;
- Conducted site visits at 11 of the 12 sample providers to review files, interview staff and verify program data in HMIS. (One of the providers could not be scheduled for a site visit despite repeated attempts);
- Assessed TCP oversight of 12 providers' personnel spending; and
- Compared date of signatures on subcontracts to payment dates for all providers.

TCP self-managed services:

As described above, interviews were conducted with TCP staff, as well as the following steps for each of the 10 TCP self-managed services:

1. Supplies, Material and Equipment
 - Reviewed supporting documentation for all 11 transactions
2. Maintenance of District Owned Facilities
 - Reviewed supporting documentation for all 12 transactions billed by TCP (in addition to TCP, there was a subcontractor for this Contract Line Item Number, but we did not include it in our review)

3. Permanent Supportive Housing Program – Singles: One-Time Costs
 - Reviewed 50 transactions for supporting documentation (such as leases and invoices), proper amounts paid and proper charges billed
 - Cross-checked clients that received TCP assistance against DHS client list
4. Permanent Supportive Housing Program – Singles: Rent
 - Reviewed 12 months of rental payments for 50 clients for supporting documentation, proper amounts paid and proper charges billed
 - Cross-checked clients that received TCP assistance against DHS client list
5. Permanent Supportive Housing Program – Families: One-Time Costs
 - Reviewed 35 transactions and 14 furniture and moving assistance transactions for supporting documentation, proper amounts paid and proper charges billed
 - Cross-checked clients that received TCP assistance against DHS client list
6. Permanent Supportive Housing Program – Families: Rent
 - Reviewed 12 months of rental payments for 39 clients for supporting documentation, proper amounts paid and proper charges billed
 - Cross-checked clients that received TCP assistance against DHS client list
7. D.C. General
 - Briefly reviewed General Ledgers for 12 months and selected a sample of 2 months to review supporting documentation for all expenses, including payroll and cell phones bills
 - Reviewed all computer spending
 - Reviewed 100 percent of Sweat Equity program expenditures that we could identify
8. Short-Term Leasing Units
 - Reviewed 9 transactions, which represented 14 clients, for supporting documentation, proper amounts paid and proper charges billed

- Cross-checked clients that received TCP assistance against HMIS data
9. Family Re-Housing and Stabilization Program/Rapid Re-Housing Program
- Reviewed 12 months of rent and one-time costs payments for 60 clients out of 931 clients
 - Reviewed 21 transactions of the 60 clients that appeared unusual
 - Reviewed 8 transactions unrelated to the sample clients that appeared unusual
 - Reviewed 50 transactions unrelated to the sample clients to determine if they represented late rental payments
10. Local Rent Supplement Program
- Selected a sample of 40 transactions to review for supporting documentation and whether payments were proper
 - Cross-checked clients that received TCP assistance against DHS client list

Figure 2 provides an overview of the analysis conducted.

Figure 2

Overview of ODCA Analysis

Contract Component	Total Population/ Amount Spent	Number/ Amount ODCA Reviewed	Percentage Reviewed
TCP Subcontractors	58	12	21%
TCP: Supplies, Material and Equipment	\$140,180	\$140,180	100%
TCP: Maintenance of District Owned Facilities	\$357,820	\$357,820	100%
TCP: Permanent Supportive Housing Program (PSHP) – Families			
One-Time Costs	\$490,065	\$163,373	33%
Rents	\$2,484,681	\$684,525	28%
TCP: Permanent Supportive Housing Program (PSHP) – Singles			
One-Time Costs	\$267,549	\$142,390	52%
Rents	\$4,773,672	\$546,360	11%
TCP: D.C. General	\$5,038,284	\$1,009,141	20%
TCP: Short-Term Leasing Units (Family Hypothermia Shelter)	\$184,225	\$44,528	15%
TCP: Family Re-Housing and Stabilization Program (FRSP)/Rapid Re-Housing Program (RRH)	\$8,186,920	\$849,279	10%
TCP: Local Rent Supplement Program (LRSP)	\$114,823	\$73,258	45%

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.

Audit Results

The audit results that follow focus exclusively on the Department of Human Services' (DHS) oversight of The Community Partnership for the Prevention of Homelessness (TCP) Continuum of Care management contract in fiscal year 2014. We write with the expectation that these findings and recommendations will be useful to District policymakers going forward as they continue the focus on efforts to end chronic homelessness.

The following audit findings, recommendations and area of concern are organized in the following five sections:

- I- The Department of Human Services (DHS) did not conduct adequate oversight of The Community Partnership for the Prevention of Homelessness (TCP) Continuum of Care management contract;
- II- DHS did not identify shortcomings in TCP's oversight of subcontractors;
- III- DHS did not provide sufficient guidance on overhead costs;
- IV- DHS allowed TCP to manage itself for 10 services, without written agreements; and
- V- Area of Concern: DHS treatment of the contract type raises potential Anti-Deficiency Act concerns.

I. The Department of Human Services (DHS) did not conduct adequate oversight of The Community Partnership for the Prevention of Homelessness (TCP) Continuum of Care management contract.

This section describes eight separate issues related to DHS' lack of adequate oversight.

The Department of Human Services did not enforce the requirement that TCP provide contract deliverables.

The contract required that TCP submit the following to DHS:

- A contract compliance plan, that includes a performance monitoring plan to ensure that each program, service and subcontractor operates in compliance with all applicable laws, regulations, practice standards, and provisions;
- Monthly reports on implementation of the monitoring plan, including findings and actions to cure deficiencies related to the monitoring plan;
- Monthly reports on progress towards task completion and scope of service requirements;
- Quarterly reports on singles and families; and an
- Annual performance report that summarizes "all service delivery data, accomplishments, issues and recommendations."

TCP did not submit these deliverables during fiscal year 2014. Without these deliverables, there was no evidence that DHS provided adequate monitoring of contractor performance. There were many reasons that DHS cited for not having enforced these requirements. DHS stated that the contract was outdated and that some of the required documentation was no longer necessary, as electronic communications allowed transfers of daily, weekly and monthly information from TCP to DHS. We disagree, these deliverables could show if TCP had standard operating practices and specific measurable plans in place for the management of the Continuum of Care.

A second reason DHS cited was the long relationship between DHS and TCP, built on trust, such that DHS leadership and staff regarded some of these documents as unnecessary, as they received sufficient and frequent communications from TCP. While it is clear that any contract should require only relevant documentation, there was obvious value in much of what was required in the text of the contract. For example, the monthly and annual performance reports could have been useful products not just to DHS, but also for the Council of the District of Columbia and the

Interagency Council on Homelessness. These deliverables could include TCP analysis of performance trends and spending data by the subcontractors, as well as recommendations related to policy issues and problems that TCP was uniquely positioned to identify.

Another factor in the deliverables not being required prior to payment of invoices was that a sole contract administrator was responsible for all DHS homeless contracts: a total of 151 contracts, subcontracts and grants comprising approximately \$107 million in expenditures and 98 percent of all District funds spent to provide homeless services. Given the extraordinary size of the TCP contract alone, oversight could not be responsibly carried out by a single staff person.

This is not the first time that ODCA has raised concerns to DHS about the staffing of its homeless grants and contracts oversight, specifically about the workload of the contract administrator. In our 2012 report, "[Review of the Permanent Supportive Housing Program: Department of Human Services](#)," ODCA found:

DHS did not review TCP invoices because DHS lacked the staff to review TCP invoices. DHS had one employee, a Policy Analyst, who was responsible for reviewing all invoices received from TCP. The Policy Analyst was also responsible for reviewing monthly invoices from the eight case management providers, which submitted invoices for approximately one thousand individuals and families in the PSH Program.

We recommended that DHS review "staff assignments to ensure adequate staffing so DHS can properly review invoices prior to payment." DHS responded that it would review staff assignments and ensure there was adequate staffing. However, the Policy Analyst referred to in our 2012 report was the same person who served as the contract administrator for the TCP management contract during our review.

Recommendation:

1. To the extent that DHS continues to contract for the management of homeless services, the agency should carefully review the required deliverables for future contracts, design a contract oversight plan that includes regular performance assessment metrics of the contractor (such as a sample of interviews with subcontractors, Homeless Management Information System (HMIS) data analysis, training reviews, unannounced desk audits, etc.); and assign sufficient personnel to perform contract administration.

Neither the DHS contract administrator, nor other staff, verified TCP's performance prior to authorizing payments.

The contract required that:

- Invoices include a “description, price, quantity and the date(s) that the supplies or services were delivered or performed;”
- The contract administrator review “deliverables to ensure receipt of goods and services” prior to payment;
- The “District will monitor the Contractor’s performance”; and
- TCP “ensure that designated DHS staff has access to all information within the HMIS for programs and services funded through this Solicitation.”

Additionally, the District of Columbia Municipal Regulations (D.C.M.R.) states that among the duties of the contract administrator is to “perform surveillance to assess compliance with contractual terms for schedule, cost, and technical performance in the areas of design, development and production.”⁹

DHS approved and paid TCP's monthly administrative management oversight fee without receiving information on TCP activities, such as the number of training sessions or monitoring site visits conducted that month

While the contract administrator verified that TCP mathematical calculations were correct before signing off on TCP invoices, there was no evidence that the contract administrator monitored TCP performance prior to approval of the invoices, such as requesting supporting documentation for the invoice amounts or performing subcontractor surveillance. Additionally, invoices did not include information on the number of clients served each month. In our fieldwork, we selected a sample of 12 TCP subcontractors to review and found 2 of the 12 (17 percent) had not delivered all of the services they had been contracted to provide. For example:

- 3 housing units for families were available but were not being utilized; and
- 18 clients were not receiving case management.

If TCP had provided detailed invoices, as required, it is probable that the contract administrator would have detected issues such as these and worked with TCP to correct them. This, combined with the fact that DHS did not require monthly performance reports, meant that DHS was not in compliance with the contract requirements in terms of monitoring TCP performance. For example, DHS did not receive information on TCP activities related to its administrative management oversight, such as the number of training sessions or monitoring site visits conducted that

⁹ D.C. Mun. Regs. tit. 27, § 1209.2(j).

month, but DHS approved and paid TCP's monthly administrative management oversight fee.

The contract administrator told us that he would have liked to have conducted periodic and unannounced reviews of subcontractor invoices if he had additional staff support.

Some of these shortcomings might have been ameliorated had the contract administrator been granted access to HMIS, the web-based information system that both TCP and its subcontractors used to record program data. With such access, the contract administrator and other key DHS staff could have independently reviewed data for contract and program monitoring. While some DHS staff did have access in order to input data in the system, these were more junior employees who could not generate reports or verify information submitted by TCP on provider performance.

Recommendations:

2. DHS should ensure that TCP submit the required monthly and annual performance reports, based on subcontract services to be provided, for each Contract Line Item Number (CLIN) and subcontract, as well as monthly invoices that detail the quantity of services provided for each CLIN and subcontract.
3. DHS should invest in staffing for homeless services contract administration, including expanding the team, outlining specific responsibilities and providing for creation of data reports in HMIS.

DHS did not adequately supervise its contract administrator.

The Government Accountability Office (GAO) Standards for Internal Control state that good human capital policies and practices, which include "providing a proper amount of supervision," are critical in laying the foundation for an internal control system.

We found that there was insufficient supervision of the DHS contract administrator. Despite not requiring the contract deliverables, or verifying that services were provided, the supervisor gave the contract administrator a 5 out of 5 for contract oversight on his annual performance review. Further, we found that the contract administrator conducted a performance evaluation of TCP that he did not have sufficient information to complete. The evaluation asked the following four questions to which the administrator responded positively, yet had not performed inspections or other confirmation of delivery of services:

1. The delivered good or service conformed to the specific contract requirements/scope of work?

2. The good or service met agreed final delivery date and was delivered per instructions?
3. Vendor services were invoiced in accordance with contract prices?
4. The vendor was cooperative and responsive?

While giving the contract administrator the highest rating in his performance review, the contract administrator's supervisor also told us in an interview that the contract administrator was not properly overseeing the contract.

Recommendation:

4. DHS should review and revise the performance expectations of homeless services contract administrators and incorporate these detailed responsibilities into the contract administrators' annual performance assessment.

TCP did not consistently and regularly competitively re-bid the homeless services subcontracts.

The contract stated that one of TCP's administrative management oversight responsibilities was to:

[E]stablish a competitive system for awarding subcontracts to providers that will provide for hypothermia services; emergency shelter; temporary shelter, transitional housing and a range of services to help transition residents to move toward self-sufficiency; and permanent housing. The Contractor shall provide to the Contract Administrator (CA) a copy of all solicitation requests.

The contract administrator did not receive documentation of TCP's solicitation requests and TCP could not provide ODCA with documentation on when all of the subcontracts were last competitively bid. Dating back to the initial MOU with the Department of Housing and Urban Development, there has been the expectation that the new entity (TCP) would be "entrepreneurial" and based on competitive bidding to ensure that competent providers had the opportunity to bid on the services. The scope of the contract – 58 subcontracts and 10 services carried out by TCP itself – makes competition even more of a priority.

We did, however, find some evidence of competition. In 2010, TCP submitted to DHS a procurement strategy that included a procurement plan, a performance-based bonus plan, a list of programs for the sole source contract, and a Request for Proposals (RFP) for security services. In this strategy, TCP notified DHS that it issued RFPs and Requests for Applications (RFA) for new programs. TCP also stated that it intended to

subcontract 90 percent of the portfolio. TCP provided ODCA copies of RFPs and RFAs that were issued in 2014 for new programs. We did not verify that the solicitations were issued or what process was used to select the subcontractors due to TCP delays in submitting the information, which we requested in May 2015 and which TCP did not submit until November 2015, after fieldwork was completed. While TCP provided evidence that it did use competition in limited cases, it did not develop a robust and transparent system that showed when, or whether, all services were to be competitively bid.

DHS has consistently not received a full 12 months of funding for contracted services. The fiscal year typically begins without full funding available to TCP

One of the reasons cited by DHS and TCP for the difficulty with bidding the subcontracts has been the budget cycle for homeless services. DHS has consistently not received a full 12 months of funding for contracted services. The fiscal year typically begins without full funding available to TCP. As recently as September 27, 2015, the Council approved an additional option year for the two TCP contracts, acknowledging that the full annual amount was not being provided and additional budget modifications would be necessary. With regard to the management contract, the Mayor proposed and the Council approved \$63 million to be awarded to TCP while noting that “the total estimated cost for FY 2016 Option Period Four (4) will be \$96,500,000.” The remaining \$34 million would be funded through federal Temporary Assistance to Needy Families (TANF) carryover funds that will not be “available for certification” (i.e. could not be allocated through the budget and contracting processes) until December 2015.¹⁰

In addition to posing problems for subcontracting, this funding issue had the effect of making TCP’s existing subcontracting system inefficient and confusing for providers. For example, subcontractors may have been expected to begin work prior to their contract being finalized. Of the 58 subcontracts, we found 35 were signed more than one month after the contract start date. Additionally, TCP paid invoices for 11 subcontracts before either the subcontractor or TCP signed the contract. Another effect of the funding issue was that, during FY 2014, there were three separate contracting periods – a one month, a three month and an eight month period.

In addition to the ongoing budget difficulties, we learned that there were not clear expectations of either TCP or DHS on which services required competitive bidding, and how often the re-competition should take place.

Recommendations:

5. Policymakers, including the Mayor and the Council, with the assistance of the Chief Financial Officer, should devise a more

¹⁰ See CA21-191 – Proposed contract to exercise option year four (4) with The Community Partnership for the Prevention of Homelessness, deemed approved by the Council of the District of Columbia on September 27, 2015.

suitable annual funding cycle for ongoing critical services that does not rely on a series of budget and contract modifications, including working with federal counterparts as necessary.

6. DHS should develop a solicitation plan including justification for which services should be competitively bid and a timeline for solicitations going forward.

DHS monitoring of subcontractors was inadequate, as the results of the annual site visits conducted by the DHS Office of Program Review, Monitoring and Investigation were not forwarded for action.

The contract stated that the:

District will provide staff with responsibility for monitoring the delivery of services to individuals and families with children who are homeless to assure that shelters are safe, direct services are appropriately delivered, identified problems are [resolved] and corrected and to provide technical assistance to the Contractor. The monitor conducts sites visits to the shelter facilities, reviews clients' satisfaction surveys; investigates unusual incident reports and reviews client eligibility and program records.

The DHS Office of Program Review, Monitoring and Investigation (OPRMI) was tasked with these site visits.

While we found that OPRMI conducted all required subcontractor site visits in 2014, the results were not sent to providers in a timely fashion. For example, the results of four of the six OPRMI site visits that we reviewed had not been sent, though the site visits occurred nine to twelve months prior. This was an issue because two of the providers had deficiencies identified during the site visit. While OPRMI staff briefs providers on deficiencies immediately following the site visit, without the results being sent formally by DHS, the process for implementing and completing a corrective action plan was stalled.

DHS stated that the reports were not sent due to staff shortages.

Recommendation:

7. DHS should review the number of staff in OPRMI to determine if additional employees are necessary or other staff can assume additional responsibilities to ensure reports are sent to the providers timely.

While each subcontractor was to have rules for its programs that were required to be reviewed and approved by DHS and signed by clients every year, this process was unclear and frustrating to providers.

The contract required that TCP:

[E]nsure that all programs for which it has oversight complies with the requirement for developing program rules that are in compliance with the [Homeless Services Reform Services Act] and the published rules for the homeless Continuum of Care. These rules must be submitted annually (by the date designated by DHS) to, and approved by, DHS.

While mid-way through our audit TCP provided us with a new policy and planning strategy for addressing the prompt review and approval of annual program rules for each of its subcontractors, during our FY 2014 scope, neither DHS nor TCP had a system for the process. We heard confusion and frustration from providers about the process, as well as observed that many had used out-of-date rules. Program rules are important not just because they are required by law, but because they provide clients with clarity on their rights, including eligibility criteria, sanctions, internal complaint procedures, and client responsibilities. Thus, if a provider's rules had changed, being able to hold clients accountable for breaking of a rule can become contentious and potentially subject the District to a lawsuit.

This resulted from the fact that the approval process required coordination by multiple parties – providers, TCP and DHS – and there was no plan or approved schedule. Also, neither DHS nor TCP had policies and procedures in place related to program rule approval during our scope.

Recommendation:

8. DHS should hold TCP accountable for the implementation of its program rules strategy in its annual performance review.

TCP did not provide training sessions to its subcontractors that were required by the contract.

The contract required that TCP provide training on: Emergency Preparedness; CPR; First Aid; Security Protocols; and Unusual/Emergency Incident Protocols.

We found that TCP did not provide any of these five training sessions in 2014. While TCP provided documentation that subcontractors provided some of this training to their staff, this was not the same as TCP offering

the training itself, as TCP could have ensured high quality and consistency across providers.

The problem with TCP's failure to provide training was that the topics were sensitive, important and had a direct impact on clients and staff. Client safety was at risk if providers' employees were not properly trained, and this could have exposed the District to lawsuits if an emergency situation arose.

There was a lack of clarity between DHS and TCP about which entity was to provide training on some topics

One reason why TCP did not provide the required training was that the contract administrator did not request proof of training, as required by the contract, nor include this metric in an assessment of TCP's performance, which was not appropriately conducted. There was also a lack of clarity between DHS and TCP about which entity was to provide training on some topics. Additionally, TCP experienced staff changes that weakened its training offerings.

Aside from these required trainings, TCP did offer a great deal of other types of training during our scope. Yet, we identified ways it could have better met provider needs. For example:

- TCP only held one (1) training on "Rapid Re-Housing Learning Collaborative for Case Management Staff" and filled all but 1 spot. TCP should have offered more sessions because there were many changes to the program.
- TCP only held one (1) Family Re-Housing and Stabilization Program (FRSP), or Rapid Re-Housing program (RRH), provider meetings during our scope. TCP should have held more sessions because there was rapid growth of the program and multiple changes to program requirements.
- TCP only held one (1) "Full [Service Prioritization Decision Assistance Tool (SPDAT)] for Single Individuals Training" and it had a waitlist. TCP should have offered more sessions.

Additionally, we learned from providers that TCP could have provided advance notice of cancelled training, and more actively solicited subcontractors and other stakeholders on topics for training. TCP did provide documentation that it offered Unusual Incident Reporting training in 2015, as well as increased the number of sessions on Cultural Competency, Housing Quality Standards and Reasonable Accommodations.

Recommendation:

9. With feedback from TCP and providers, DHS should assess which training TCP is to provide and how often, and this information

should be included in the contract and annual performance reviews.

DHS did not provide TCP with a security staffing plan for shelters, as required by the contract, thus TCP developed a plan itself. This put a contractor in the position to conduct a sensitive government function.

The contract required that DHS provide TCP with a security staffing plan for shelters. We found that DHS did not provide this to TCP, thus TCP used its own judgment and experience to develop the staffing strategy. Thus, DHS put the contractor in a position to conduct a sensitive government function. One of the reasons this occurred was that the contract did not contain all of the cited attachments, including the security plan list.

Recommendation:

10. With feedback from TCP and providers, DHS shall determine the programs/facilities for which TCP shall be responsible for providing security services, including the number of security personnel needed and hours of coverage.

II. DHS did not identify shortcomings in TCP's oversight of subcontractors.

TCP subcontracts contained multiple problems, including out-of-date documentation, lack of clarity and omission of details.

The contract stated that as part of its management responsibilities, TCP “shall ensure the provision of services, and provide oversight and monitoring of the all programs and services under this Solicitation for compliance with contract specifications.” [sic]

Of TCP's 58 subcontracts in place in FY 2014, we reviewed a sample of 12 and found multiple problems with the subcontract agreements, such as:

- **Unprofessional cut-and-paste document:** One contract was for single women, but the contract specifications stated it was for a family shelter.
- **Out-of-date:** One contract required case management for 18 clients, but the provider stated that was a requirement several years ago and was not current.
- **Lacked key detail:** Several contracts did not provide sufficient explanation of terminology. TCP left it to the providers to determine how to define the requirements. For example, some subcontracts required “comprehensive case management” and others required “case management” without adequate definitions of what they were. In another example, the Rapid Re-Housing program (RRH) case management subcontracts required providers to devise a “spending plan” with their clients. Of the three RRH subcontractors we visited in the sample, there were different interpretations of what comprised a “spending plan.” TCP informed us that a spending plan was a budget designed with the client; none of the three providers were doing this adequately. For example, there was no apparent review or correction from case managers when the client made miscalculations of their income or expenses, nor were end-of-month reconciliations done. Because RRH is a short-term program designed to help clients achieve self-sufficiency in one year, it was imperative that case managers prepared the budget with clients to ensure it was done properly and consistently each month.

One problem with not having accurate, clear and complete subcontract agreements was that TCP and the providers may not have been on the same page in terms of service expectations, which could lead to a contract dispute. Additionally, client services could have been compromised when there was insufficient detail for providers on service requirements.

There was no single cause for the poorly drafted and maintained contract documents. DHS did not enforce the requirement that TCP submit a Performance Monitoring plan, which contributed to a lack of sufficient TCP subcontract monitoring, as will be discussed in the following section. Additionally, we saw that TCP training could have included more topics related to the subcontract requirements.

Recommendation:

11. DHS should require that TCP submit, for agency approval, revised subcontract templates by program type (transitional housing, outreach, etc.) based on conversations with the subcontractor and including details on terms such as “comprehensive case management” and “spending plan.”

While we found evidence of TCP monitoring its subcontractors, it could be strengthened. TCP subcontracts had appropriate and meaningful deliverables, yet TCP did not consistently enforce them.

The contract required that TCP “provide management oversight” of the subcontracts. TCP’s subcontractor agreements required TCP monitoring site visits, desk audits (which are the request of documents sent by the subcontractor for TCP review) and the submission of required documentation.

We found some weaknesses in TCP’s management and oversight of its subcontractors, such as:

- Of the 12 providers in our sample, TCP conducted site visits at only one (1) during our scope, which is 8 percent. However, of the site visit reports that we reviewed, the content of the monitoring appeared to be quite strong in terms of document review, inspections, etc.;
- TCP conducted no desk audits for any of the subcontractors;
- For the shelters, the contracts included a valuable component to ensure client feedback was gathered and considered. However, when we asked for the required documentation of client recommendations at one (1) of the shelters we visited, the staff replied that “our residents only have complaints” and could not provide the required summary of resident recommendations.
- Of the 9 providers responsible for case management that we reviewed, 7 were not complying with all or most of the case management documentation requirements. For example, one (1) provider did not document case plans in HMIS, which were also to be signed by the case manager and client, and put into the client’s file, as required per the subcontract. Another provider,

handwrote case notes, did not put them into HMIS and did not comply with the requirement to update the goal at least once per month.

- 2 of the 12 subcontractors sampled did not submit their 2014 audited financial statements within 4 months of the subcontractors' fiscal year end, as required by the subcontract;
- 11 of the 12 did not submit job descriptions for their program, as required by the subcontract;
- 4 of 12 did not submit organizational charts, as required by the subcontract;
- All 12 submitted 905 forms, which are tables that show which staff and how much annual salary and percentage of salary the subcontractor plans to bill TCP. However, we learned that this form was not used to monitor billing of each staff person's salary and that several staff salaries were billed more than their allowable amount. Also, when 5 providers' budgets changed, they did not submit updated 905s to reflect the new budgeted amount; and
- 3 subcontractors had established client escrow accounts, which are inherently risky because they involve cash, but TCP was not monitoring them and controls for the accounts were not included in the subcontracts.

However, we did find some strong components of oversight and management, including the fact that TCP:

- Drafted a clear and comprehensive monitoring plan for 2015, which included a goal to visit each site once per year as well as monthly desk audits, but ODCA did not verify implementation of the plan;
- Monitored corrective actions from providers;
- Ranked and tracked subcontractors on their financial compliance;
- Conducted 5 financial monitoring visits (9 percent), which appeared to be quite thorough. TCP reviewed documentation such as bylaws, organizational charts and board meeting minutes, as well as made recommendations related to an organization's internal controls;
- Conducted rigorous financial monitoring and counseling for one (1) of the subcontractors, whose poor performance resulted in strong consequences; and
- Had performance measurements that were outcome-focused, i.e. client employment, housing, etc.

We heard from subcontractors that they generally received payments on time from TCP and that TCP was clear about how invoices were to be submitted.

It is also worth noting that we heard from subcontractors that: they generally received payments on time from TCP; TCP was clear about how invoices were to be submitted; and the invoices appeared to be thoroughly reviewed. There was also a call from providers for greater clarity on who their TCP staff contacts were as well as greater transparency.

While TCP did track client outcomes, it did not track subcontractor compliance with the number of clients to be served. As discussed above, at least two subcontractors were being paid fully while not fully delivering the contracted services. Additionally, we found significant data quality issues at one shelter, which was under-reporting clients served, which may have been addressed by greater TCP monitoring.

We believe many of these weaknesses resulted from the fact that DHS did not require that TCP submit a Performance Monitoring plan and use that to assess TCP performance at least annually.

Recommendation:

12. DHS should require that TCP include monitoring of specific contract elements in the Performance Monitoring plan (i.e. number to be served, case management documentation, client feedback), that the plan be circulated to all of the subcontractors and include, when necessary, training to ensure subcontractors are familiar with the terms and requirements; and assess TCP's compliance on an annual basis.

III. DHS did not provide sufficient guidance on overhead costs.

TCP allowed two subcontracts to exceed its 10 percent cap on indirect costs.

TCP allowed two of its subcontractors – the United Planning Organization (UPO) and Catholic Charities – to exceed the 10 percent cap. This resulted in a total of \$177,419 in over-paid indirect costs, which took funds away from actual services.

The contract was silent on the appropriate level of subcontractors' overhead or indirect costs. TCP's "Budgeting and Invoicing Manual: DHS Contracts" did include this guidance: "Indirect costs are costs associated with administrative functions of the organization and are related to the program, but not included in the allowable operating costs. These expenses are capped at 10% of the subtotal of the other categories."

We found that TCP allowed two of its subcontractors – the United Planning Organization (UPO) and Catholic Charities – which had a total of eight subcontracts under the management contract, to exceed the 10 percent cap. This resulted in a total of \$177,419 in over-paid indirect costs to UPO (\$68,618) and Catholic Charities (\$108,801), which took funds away from actual services. It also appeared to be unfair to other providers, who complied with the policy but had indirect cost rates higher than 10 percent. This occurred because DHS had approved higher rates for those two contractors.

Recommendation:

13. DHS should be consistent in enforcing guidance including communicating with the UPO and Catholic Charities that they must comply with TCP's Policies and Procedures as Continuum of Care subcontractors.

IV. DHS allowed TCP to manage itself for 10 services, without written agreements.

TCP served as a subcontractor for 10 services in the contract, totaling \$22,038,219, or 33 percent of the contract, as shown in Figure 3 below. It also collected approximately \$1,763,058 in an administrative management fee for managing itself in these 10 services.

Figure 3

Total Spending for TCP Self-Managed Services

TCP Self-Managed Service	Total Spending in FY 2014
Supplies, Materials & Equipment	\$140,180
Maintenance of District Owned Facilities	\$357,820
Permanent Supportive Housing Program (PSHP) Singles – One-Time Costs (OTC)	\$267,549
PSHP Singles – Rents	\$4,773,672
PSHP Families – OTC	\$490,065
PSHP Families – Rents	\$2,484,681
D.C. General	\$5,038,284
Short-Term Leasing Units	\$184,225
Family Re-Housing Stabilization Program/ Rapid Re-Housing Program	\$8,186,920
Local Rent Supplement Program	\$114,823
Total TCP Services Spending	\$22,038,219
Total Contract Spending	\$66,513,814
Percentage of Total Spending	33%

Unlike the 58 subcontractors, whose invoices required supporting documentation and TCP review prior to payment, TCP did not receive such oversight for the provision of these services. For each of these services, we determined that DHS did not properly manage TCP, knowing that TCP was managing itself, as detailed below. Additionally, as mentioned in a previous section, TCP stated in its contract proposal that it intended to subcontract 90 percent of the portfolio. As seen from the 33 percent of contract spending that went to TCP for the 10 services, TCP only subcontracted 67 percent of the portfolio.

Supplies, Material and Equipment: TCP billed unrelated expenses.

The contract stated that TCP shall provide “Supplies, Material and Equipment,” specifically “at a minimum cots, beds, cribs, basinetts, blankets, furniture to ensure clients have needed materials for adequate sleeping arrangements and subcontractors have sufficient equipment to ensure efficient operations of programs.” [sic] The total spending for this

Contract Line Item Number (CLIN) was \$140,180. We reviewed 100 percent of the amount spent.

We found TCP charged costs to this CLIN that were unrelated to Supplies, Material and Equipment, such as:

- \$40,425 on client stipends that were only to be paid during hypothermia season, that were paid outside of hypothermia season; and
- \$15,686 on food for warming buses during hypothermia season, while there was a separate food CLIN.

While those billed costs appeared to be consistent with the goals and services of the Continuum of Care, we found that TCP's practice of allocating those non-supplies costs to the supplies CLIN resulted in the accounting for the CLIN not reflecting actual costs. For example, the costs mentioned above should have been billed to the CLINs associated with the particular shelter and food vendor, and if the funds allocated to the appropriate subcontract or CLIN had already been exceeded, a reprogramming should have been conducted prior to the end of the fiscal year. If the accounting was not accurate, then neither TCP, DHS, nor the Council, could conduct analysis of the Supplies, Material and Equipment costs, such as identify historical trends or properly budget.

According to DHS, it was in agreement with TCP on how the costs were allocated, as it viewed the CLIN as not strictly for supplies in the traditional sense of staples and paper. According to TCP, part of the reason that TCP billed these unrelated costs was that there were available funds in the supplies CLIN. In fact, we also heard concerns from additional sources that the CLIN amounts were not based on actual spending.

Recommendations:

14. DHS should work with the Office of Contracting and Procurement and TCP to bring CLIN amounts closer to actual costs.
15. DHS should require TCP to reprogram budget authority or submit budget modifications if necessary.

Maintenance of District Owned Facilities: TCP billed maintenance expenses for a non-District owned facility.

The contract also had a CLIN for "Maintenance of District Owned Facilities," which stipulated that TCP shall be "responsible for the repair and maintenance of designated District-owned facilities utilized within the Continuum of Care." In addition to TCP, there was also a subcontractor for this CLIN, however, we did not review their spending. The total TCP

spending for this CLIN was \$357,820. We reviewed 100 percent of the amount spent.

We found TCP charged \$6,897 on elevator maintenance for a non-District owned facility. This resulted in less funding available for District owned buildings. Additionally, it put TCP out of compliance with the contract terms.

The contract stated that DHS would provide “a listing of all facilities where the Contractor shall be responsible for the repair and maintenance of District-owned facilities,” yet DHS did not include this listing in the contract. Also, the building lease for the non-District owned facility stipulated that the landlord would not be responsible for elevator maintenance if it was used regularly, yet it needed to be used regularly to be in compliance with the Americans with Disabilities Act (ADA), thus TCP paid for the maintenance. While we do not dispute that the maintenance may have been necessary to carry out the Continuum of Care in compliance with federal law, TCP and DHS violated the contract terms by paying for maintenance on a non-District owned facility.

Recommendation:

16. DHS should ensure that TCP only provide repair and maintenance of designated District-owned facilities and should include all relevant attachments in the contract to clarify which facilities TCP can provide repair and maintenance.

Permanent Supportive Housing Program: There were multiple types of payment errors and insufficient documentation for the rent and other payments TCP made to landlords on behalf of DHS.

The contract stated that TCP was to assist DHS with its Permanent Supportive Housing Program (PSHP) by:

The identification of appropriate housing units ... the development and issuance of solicitations for available units, providing landlords with program information, viewing available units, coordinating unit inspections and securing units through making payments for security deposits. The Contractor shall gather and process landlord documents and information required by the District’s Permanent Supportive Housing Program. The Contractor shall coordinate rent reasonableness determinations, inspections, rent negotiations and client lease-ups for units with landlords under the District’s Permanent Supportive Housing Program. The Contractor shall disburse security deposits, purchase and coordinate the delivery of furniture, purchase and disburse gift cards and disburse ongoing rent subsidy payments for clients (and on the behalf of DHS).

The program provided permanent housing and supportive services to both homeless individuals (Singles) and Families to ensure housing stabilization, self-sufficiency and a better quality of life. The program included on-going case management, permanent housing placement, rent subsidies, and other supportive services. DHS determined the amount of each client's rent that would be paid by the client, which could equal zero, and the amount that would be paid by the District. DHS established two CLINs; one for Singles and one for Families. TCP further itemized spending so that for both Singles and Families there was an account for One-Time Costs (OTC) and another for Rents. DHS told us that items that were to be billed out of OTC were security deposits, furniture and moving assistance, and that items to be billed out of Rents were first month's rents (pro-rated or full) and all other on-going rent payments.

When we cross-checked the client names for TCP payments with the client lists provided by DHS, we identified a number that were missing from the DHS list.

We examined all four of these accounts. The total spending for Rents – Singles was \$4,773,672 and we reviewed 11 percent of the total expenditures. The total spending for Rents – Families was \$2,484,681 and we reviewed 28 percent of the total expenditures. The total spending for OTC – Families was \$490,065 and we reviewed 33 percent of the total expenditures. The total spending for OTC – Singles was \$267,549 and we reviewed 52 percent of the total expenditures.

TCP made multiple types of payment errors, such as:

- **Late payments:** Paying either security deposits or rents several months after they were due. A major cause of this was the delay in DHS sending TCP leases. For example, TCP did not receive a lease until September for a lease signed in April, thus the security deposit was not paid until five months after it was due. In this case, as well as others, the lease was sent by the client's case manager, who was employed by one of the nine non-governmental organizations that had contracts with DHS to provide case management for PSHP clients. Thus, there were multiple parties involved with sharing key information, with inadequate coordination.
- **Paying for clients not on DHS client lists:** When we cross-checked the client names for TCP payments with the client lists provided by DHS, we identified a number were missing from the DHS list, including:
 - 38 out of 118 from the OTC – Families analysis (32 percent);
 - 8 out of 50 from the OTC – Singles analysis (16 percent);
 - 5 out of 50 from the Rents – Singles analysis (10 percent); and
 - 3 out of 39 from the Rents – Families analysis (8 percent). Of these 3 clients, TCP was able to provide documentation for one client for whom DHS signed their PSHP gift card voucher and for another client for whom TCP prepared a PSHP

Payment Verification Notice. This pointed to problems with the reliability of DHS' client data as well as the information sharing between DHS and TCP.

- **Spending outside of CLIN:** We found multiple examples, including:
 - All furniture purchases for Singles clients were paid from the Families CLIN. In our analysis of the Families OTC CLIN, out of 83 clients, 36 clients were on the DHS Singles client list.
 - Singles clients' rent and security deposits billed to the Families CLIN, and similarly Families client costs billed to the Singles CLIN.
 - TCP paid first month's rent, as well as other month's rent, out of One-Time Costs, not Rents. However, DHS told us that first month's rent should be billed from Rents. This difference in expectations highlights the need for written agreements that detail how the different costs were to be handled. While the contract did not require that these costs be tracked separately, we believe TCP's practice of splitting and tracking them was a good one that they should try to follow consistently in order to provide DHS with accurate information about various program costs.
- **Duplicate payments:** Paying the same month's rent to two landlords for one client, sometimes for multiple months, totaling:
 - \$11,133 for Rents – Families;
 - \$7,140 for OTC – Families;
 - \$3,783 for OTC – Singles; and
 - \$2,686 for Rents – Singles.

This appeared to be the result of DHS failing to notify TCP in a timely manner of changes in clients' housing. For example, a client moved into a new apartment on April 1, 2014, but TCP did not receive the lease with the new landlord from DHS until early April 2014; thus, it had already paid April's rent to the former landlord. In another example, TCP provided evidence that it did not receive a lease from DHS until May 2014 for a client who moved into a new unit in February 2014. TCP paid back-rent to the new landlord in June. While not in these examples, in other cases, TCP recovered the duplicate rent paid to the former landlord. When duplicate rent payments were made for clients, and not recovered, this resulted in a waste of District funds.

- **Spending outside of the program:** We found nine PSHP clients' costs billed to the Rapid Re-Housing program. For example, for one client, his:

- April, May, August, and September rents were properly paid from PSHP;
 - April and May rents were doubly, and June and July rents were inappropriately, paid from the Rapid Re-Housing program (RRH); and
 - Security deposit and first month's rent was paid from the Emergency Rental Assistance Program (ERAP), which was not even part of the contract, and will be discussed below in more detail.
- **Payments not equal to lease amounts:** We found a handful of instances in which TCP paid amounts (rent and security deposit) that were slightly different than those reflected in the lease. For example, TCP paid \$1,757 for a security deposit that the lease stated was \$2,000. These appeared to occur mostly because TCP paid the amounts stipulated in District of Columbia Housing Authority (DCHA) letters confirming the client's participation in the Housing Choice Voucher Program, which did not always equal the amounts stipulated in the leases. As the lease was a legally binding document, if there had been a difference in the DCHA and lease amount, TCP should have alerted DCHA, DHS and the landlord, so that the lease could reflect the actual amount due.

We also found TCP had inadequate documentation to support payments. The following documentation was missing from the sample files at the time we reviewed them at TCP:

- 3 leases for OTC – Families representing 9 percent of the clients or \$4,686. However, TCP was able to provide leases for these 3 clients 3 months after we concluded our field work at the TCP office. As the documentation was not available on-site when requested, we still contend that TCP was out of compliance with the District's standard contract provisions which state that supporting documentation be retained for 3 years after the termination of the contract.
- 5 leases for OTC – Singles representing 10 percent of the clients or \$13,405. However, TCP was able to provide leases for 4 of the 5 clients 3 months after we concluded our field work at the TCP office.
- 5 leases for Rents – Families representing 13 percent of the clients or \$70,140. However, 3 months later, TCP was able to provide leases for 2 of the 5 clients, thus 3 leases remained missing.
- Lack of supporting documentation including new lease, new rental amount agreement or client share documentation for 9 Rents – Singles clients, whose rental payments changed, representing 18 percent of the clients. However, 3 months later, TCP was able to

provide supporting documentation for 5 of the 9 clients. This demonstrated weaknesses in their record-keeping system. For example, TCP rent portions increased for 8 of the 9 clients, but an amended lease or client share documentation was not provided when we were on-site. While we understand that there had been PSHP staff changes at TCP, the record-keeping system could have been stronger to prevent missing documentation.

- 2 leases for Rents – Singles representing 4 percent of the clients or \$24,435. However, TCP was able to provide one (1) lease 3 months after we concluded our field work at the TCP office.

Additionally, documentation to support the client's portion of rent and the District's portion was missing for 77 of 89 clients (36 clients reviewed in Rents – Families analysis and 41 clients reviewed in Rents – Singles analysis), thus 87 percent of rental payments reviewed could not be properly supported. TCP stated that it "forwarded a copy of all pending subsidy payments for the upcoming month to DHS. DHS was responsible for notifying and authorizing TCP of any payment changes via email communication to former TCP staff. TCP only processed payments as authorized by DHS." In theory, this would have been a sufficient level of reconciliation by DHS, but we learned that DHS did not capture client portion, District portion or the lease rent amount in its database until FY 2015, thus it could not conduct such a reconciliation. This gap highlighted the need for a written agreement between the two parties that detailed the responsibilities of each. Also, the data that DHS did retain was not always accurate; Singles clients were categorized as Families and Family clients as Singles, due to the fact that dependent and family demographics information was not recorded in the DHS data system prior to FY 2013, which impacted any current client entered prior to FY 2013.

The payment errors discussed above had the effect of making the actual PSHP costs inaccurate, making it difficult to track actual program costs for planning purposes, budgeting, analysis, and performance evaluation.

We also found some positive aspects about TCP's management of these CLINs. As mentioned above, TCP split PSHP CLINs for Families and Singles into OTC and Rents for better tracking. Additionally, TCP had landlords sign an overpayment return agreement; in the case of overpayments, the landlord agreed to repay the amount to the District. TCP also withheld payment to a landlord until they submitted an updated Basic Business License.

Recommendations:

17. DHS should develop policies and procedures for the PSHP, which includes detailed processes for communicating timely changes in client amounts, rental amounts and housing changes, as well as information sharing between case managers, TCP and DHS.

18. DHS should ensure it has full, complete and accurate data as it relates to its clients (i.e. current client list, rental amounts, and client share amounts) so that it can conduct periodic reconciliations of TCP's rental payments and conduct periodic desk audits to ensure that clients are charged to the correct programs.
19. DHS should advise TCP to pay security deposits and monthly rental payments that are stipulated in the lease.
20. DHS should advise TCP to comply with the contract's record retention requirement by strengthening its storage and organization of PSHP leases and supporting documentation.
21. DHS should enter into written agreements with TCP on the Families and Singles CLINs and include clear guidance on how to bill specific costs, as well as detailed performance metrics (i.e. timely and accurate rent payments).

D.C. General: TCP charged the costs of a separate program to the D.C. General CLIN.

The contract did not outline specific responsibilities for TCP to manage D.C. General, a family shelter. According to DHS, as no other providers sought the subcontract, TCP took over as the manager in May 2010 when TCP removed the previous subcontractor, Families Forward, Inc., for management failings. The total spending for D.C. General was \$5,038,284. We reviewed approximately 20 percent of the amount spent and also 100 percent of expenditures that we could identify that were charged to this CLIN for a separate program, Sweat Equity.

We found TCP charged approximately \$71,708 for non-D.C. General expenses. The majority of the non-D.C. General spending was \$45,561, which included the annual salary of a staff person for a different program, Sweat Equity, plus the staff person's work cell phone annual costs and the cable bill for the program's facility, Wayne's Place. Other non-D.C. General costs charged to the CLIN were \$7,922 in furniture for non-D.C. General clients and \$7,633 in computers for non-D.C. General staff. As TCP billed an 8 percent administrative fee for managing D.C. General on top of the overall 8 percent administrative management fee, we calculated both of the over-charged administrative fees for the non-D.C. General spending and included it in the \$71,708.

Again, when costs not directly related to the program were billed, it created inaccurate spending data that obscured the program's true costs. As stated previously, DHS did not properly manage TCP knowing that TCP was managing itself. This is even more of a problem when TCP stepped in to replace the subcontractor and DHS did not approve the annual operating budget for D.C. General. TCP stated that it billed the Sweat Equity program to D.C. General because: there was no separate CLIN for

this DHS-initiated project; D.C. General staff used to operate the program; and some of the participants came from D.C. General. However, TCP independently made the decision to allocate these Sweat Equity costs to D.C. General without DHS knowledge or approval, as DHS did not require a detailed budget or review costs on a monthly basis. TCP also explained that it billed the computers to D.C. General because they were used by employees at the Virginia Williams Family Resource Center who worked directly with D.C. General to determine client eligibility, placements, exits, diversion, and prevention.

Recommendations:

22. DHS should determine how TCP should allocate the Sweat Equity costs.
23. DHS should enter into a written agreement with TCP on the management of D.C. General, including the review and approval of a detailed budget annually.

Short-Term Leasing Units (Family Hypothermia Shelter): No issues found.

The contract did not include language about how TCP was to manage Short-Term Leasing Units (STLU), but DHS stated that TCP was responsible for paying the rent for the units, which were for families who had disability-related needs that could not be met at D.C. General or at the motels used for shelter. The total spending for STLU was \$184,225. We reviewed 15 percent of the amount spent and found no issues.

Family Re-Housing and Stabilization Program/Rapid Re-Housing Program: Evidence of significant late rental payments, errors in payments, insufficient documentation, and multiple other problems. Also, funds were used from a separate program, the Emergency Rental Assistance Program, that was not a part of the contract.

The contract stated that TCP “shall assist DHS with the identification of appropriate housing units for homeless families with children that are placed in the District's Scattered Sites Transitional Housing Initiative (STI) Program.” The contract language was not updated to include the STI program’s new name: Family Re-Housing and Stabilization Program, which is commonly known as Rapid Re-Housing (RRH).

The contract further stated that TCP was to assist with:

[T]he development and issuance of solicitations for available units, providing landlords with program information, viewing available units, conducting unit inspections and securing units through making payments for security deposits. The Contractor

shall gather and process landlord documents and information required by the District's STI Program. The Contractor shall coordinate rent reasonableness determinations, inspections, rent negotiations and client lease-ups for units with landlords under the District's STI Program. The Contractor shall disburse security deposits, purchase and coordinate the delivery of furniture, purchase and disburse gift cards and disburse ongoing rent subsidy payments for clients (and on the behalf of DHS) under the District's STI Program.

According to DHS, the goal of Rapid Re-Housing was to:

[H]elp individuals and families quickly exit homelessness and return to permanent housing. Rapid Re-Housing assistance and the resources and service provided are tailored to the unique needs of the household. The core components of a rapid re-housing program are housing identification, move-in and rental assistance, and case management and supportive services.

According to DHS' District of Columbia Rapid Re-Housing Guide, a client was to receive from the District, and paid by TCP, moving assistance, furniture, security deposit, and first month's rent. Clients also were to receive a short-term rental subsidy, in which they paid 40 percent of their income for four months starting with the second month's rent. Clients could then request recertification, which was dependent on compliance with program rules, for an additional four month rental subsidy, but they had to increase their rental portion to 50 percent of their income. After those eight months, clients were eligible for another recertification in which they were responsible for paying 60 percent of their income towards rent. The total spending for RRH rents and one-time costs was \$8,186,920, which was separate and apart from the subcontractors who provided case management to RRH clients. We reviewed 10 percent of the amount spent.

The total spending for RRH rents and one-time costs was \$8,186,920, which was separate and apart from the subcontractors who provided case management to RRH clients.

We found a multitude of significant problems related to TCP's payment of rent and one-time costs:

- **TCP billed RRH one-time costs to the Emergency Rental Assistance Program (ERAP):** ERAP is a rental assistance program and not a part of the Continuum of Care contract; TCP had a separate grant agreement with DHS to disburse ERAP funds. While ERAP's regulations allow for those experiencing homelessness to qualify for ERAP, we believe that ERAP funds should not have been used to cover RRH program costs as it made the actual costs of RRH inaccurate. As RRH was a new and growing program it was crucial that actual program costs were tracked and used for future budgets, as well as measuring program effectiveness, i.e. identifying the actual cost per client.

Additionally, using ERAP funds to pay for RRH program costs took much-needed funds out of ERAP, which DHS stated had a big demand. Also, DHS put TCP in a position that posed risk to its compliance not just to the contract, but also to its ERAP grant agreement, as DHS left it to TCP to decide for which RRH clients to use ERAP funds. This billing to ERAP happened due to the rapid growth of the program, which did not correspond with an increased budget.

Late rental payments can lead to clients being evicted and having their credit negatively affected, as well as stress on the family.

- **Late rental payments:** We reviewed 50 payments that appeared to be late payments, and found that 25 were in fact late and totaled 93 months of rent payments that were paid late. We also found evidence of late fees paid, which was not an effective use of program funds. Additionally, late rental payments can lead to clients being evicted and having their credit negatively affected, as well as stress on the family. We could not determine the cause of the late rental payments.
- **Errors in leases:** We selected a random sample of 60 clients and found 4 leases unsigned by either tenant or landlord, and 2 had incorrect leasing periods. This was a problem because if there was a dispute with the landlord, an invalid lease leaves the tenant vulnerable. TCP did not have detailed policies and procedures (P&P) for this program, such as who was responsible for the review of leases.
- **Inconsistent payments between clients:** Of the 60 clients, we found 9 clients had pro-rated first month's rent stipulated in the leases. For 4 clients, TCP paid the pro-rated first month's rent amount, as well as an additional full first month's rent, and for 5 clients, TCP did not pay the pro-rated first month's rent stipulated in the leases. Another example of inconsistent treatment was in some cases TCP paid the client's share of rent in addition to the TCP portion of rent without a clear policy about who was eligible for this and what the terms of the assistance were. While DHS made efforts during our scope to create guidebooks for both providers and clients, these were not sufficiently detailed to address the inconsistencies we found. Thus, DHS put TCP in the position to make its own program funding decisions.
- **Non-compliance with recertification rental payment amounts:** We found that the majority of the 60 clients we reviewed did not have their rent portion increase every 4 months (capping at 60 percent) per regulations¹¹ and the District of Columbia Rapid Re-Housing Guide. We also found 3 clients recertified for 5 month periods. This means that clients were not being treated uniformly; some paid a lower percentage of their income than those who had been in the program for the same duration. It also resulted in fewer funds available for additional clients. This emerged from a lack of clear guidance from DHS about the program objectives.

¹¹ Homelessness Prevention and Rapid Re-Housing Program regulations are found in Title 29, Chapter 76 of the D.C. Municipal Regulations.

- **Inadequate data analysis:** We requested from TCP a data report showing all of the clients in the program and the amount of their rent subsidies from their program entry to-date, but TCP stated that the request was too large given the multiple data sources that would have to be merged. This was a problem as both DHS and TCP needed to regularly analyze that data to identify program trends and issues.
- **Program operated as a long-term program:** We found significant evidence that the program was not operated as a short-term program, against its regulations, which state it was a one (1)-year program with extensions made for extraordinary circumstances. Out of our random sample of 60 clients, 16 had been in the program or its precursor program, STI, prior to 2012 (27 percent), including one (1) client who had been in since 2001, one (1) since 2002 and 3 since 2004. We also heard from providers that they were told TCP was taking time limits off the program. Not only does this lead to program over-crowding, but it means that long-term clients may not be in the suitable program for their needs. The reasons for this were that RRH adopted clients from its precursor program, STI. TCP stated that there were not enough long-term rent subsidy programs in the District for all of the clients who needed them, including the closure of the public housing waitlist. Additionally, during our review of the RRH regulations, we found that DHS had utilized multiple emergency and proposed rulemakings; at a minimum, it appeared there were seven since 2012. Also during this time, there appeared to be gaps and lapses when no rules were in effect, including during our scope. Currently, there is no final rulemaking for the program. While we understand that the program was new and that DHS was trying different models to see what worked best for clients, by not establishing a final rulemaking for the program, DHS created a lack of predictability for program implementation, which impacted not only TCP, but also RRH clients and providers.
- **Insufficient documentation to support payments:** Even if clients had been in the program for a long period, TCP should have maintained copies of their leases to support the monthly rental subsidy payments. We found that for 14 out of 60 clients we sampled randomly (23 percent), leases were unavailable and payments of \$135,329 could not be supported. Additionally, 56 of these (93 percent) did not have their Initial Rent Calculation Worksheets to verify that clients' income was calculated correctly and that TCP was paying the correct portion of the rent. Also, 42 clients (70 percent) had insufficient recertification documentation. Without this documentation, neither ODCA, TCP nor DHS could ensure that rent or recertification amounts were accurate.

Additionally, we learned from our site visits with providers that it would be helpful if TCP could integrate the Case Plan and Stabilization Plan, and make Service Prioritization Decision Assistance Tool (SPDAT) information available for case managers. They also proposed policy-level changes,

such as to: continue to classify those in RRH as homeless, as clients lose key services and access to homeless programs; and increase access to PSHP and the Local Rent Supplement Program for long-term RRH clients.

Recommendations:

24. DHS should consult with the D.C. Council about the use of ERAP funds to cover RRH costs.
25. DHS should work with TCP to develop and approve detailed RRH Policies and Procedures that includes procedures to prevent late rental payments and policies on pro-rated rent and rent assistance.
26. DHS should verify that providers are complying with program requirements related to recertification and regularly review transactions for compliance.
27. DHS should advise TCP to resolve data issues so that data analysis can be conducted to track all clients' rental subsidy amounts over time and analyze the cases of long-term RRH clients to come up with a plan for their transition from the program, if the program is going to continue to be a short-term program.
28. DHS should promptly finalize rule-making for the RRH program.
29. DHS should advise TCP to comply with the contract's record retention requirement by strengthening its storage and organization of RRH leases and supporting documentation.
30. DHS should create sub-CLINs for One-Time Costs and Rent for tracking and planning, as TCP and DHS had done for PSHP.
31. DHS should enter into written agreements with TCP for RRH, with detailed performance metrics, i.e. timely rent payment, and consistent recertification requirements.

Local Rent Supplement Program: TCP made duplicate payments to landlords, paid unallowable costs, maintained insufficient documentation, and made payments on behalf of clients that were not included on DHS client lists.

The contract did not include language about the Local Rent Supplement Program (LRSP) but according to DHS, the way the program was to work was that DHS received client referrals for the LRSP from TCP and other homeless service providers. DHS then screened the referrals for eligibility and helped clients apply directly to the District of Columbia Housing Authority (DCHA). TCP and other providers also assisted clients with their DCHA applications. TCP was to assist DHS with paying for clients' one-time costs (first month's rent, security deposit, furniture, and moving assistance). Then, DCHA was to pay clients' ongoing rents, which involved a client share of the rent. According to DCHA's website, the District of

Columbia Local Rent Subsidy Program (LRSP) was modeled on the federal program but funded by the District of Columbia government. The program provided 700 tenant-based vouchers, but participants holding these vouchers must live in the District. The total contract CLIN spending for LRSP was \$114,823. We reviewed 45 percent of the amount spent.

We found 23 improper payments, including:

- 18 payments of ongoing rent, which was not an allowable cost per DHS, including 7 months of rent payments for a client who was not on DHS' list of approved clients. These payments obscured the true program costs.
- Included in these ongoing rent payments were 5 duplicate rent payments to landlords, who were also being paid by DCHA. TCP caught these duplicate payments and money was recovered.
- 15 payments for 8 clients for whom DHS did not have a record of being approved by DCHA for the program. In the case of 2 of these clients, TCP stated that the clients had moved directly into DCHA's program, which was not consistent with DHS' expectation that it was to approve clients for referral to DCHA.

We also found insufficient documentation, such as invoices and leases, to support 30 of 40 transactions (75 percent), totaling \$44,813.

Part of the cause for these problems was that LRSP involved coordination between three separate entities: DHS, TCP and DCHA. There was no written memorandum of understanding between these parties on their respective responsibilities and the contract did not speak to the program. This created different interpretations and expectations. For example, according to DHS, TCP was to pay first month's rent, security deposit, furniture, and moving assistance (one-time costs) for LRSP clients. Yet, according to TCP, they operated a bridge program in which they paid one-time costs *and* ongoing rental assistance for clients who were in the process of applying to DCHA. They did this because the DCHA application process was "extensive" and many families were "unable to complete the application timely or obtain required application supporting documentation for an extended period." While TCP's actions were consistent with the goals of the Continuum of Care by creating stable housing for families, it was an example of TCP independently making a program spending decision, and one that did not reflect DHS' program expectations on how funds were to be spent. This was allowed to happen because DHS was not conducting proper oversight of TCP, knowing that TCP was managing itself. For example, through review of the transactions, DHS could have identified the payments of ongoing rent, or through reconciliations, DHS could have identified the discrepancy in the clients who were not on their list.

We found 15 payments for 8 clients for whom DHS did not have a record of being approved by DCHA for the program.

Recommendations:

32. DHS should enter into a written agreement with TCP for LRSP that includes detail on allowable costs, and detailed performance metrics, i.e. timely payments of one-time costs.

33. DHS should regularly review LRSP transactions for compliance.

As seen above, most of the services performed by TCP could benefit from written agreements with DHS that provide greater detail on the service requirements, budget approvals, as well as performance expectations. Additionally, TCP collected an 8 percent administrative management fee for the direct cost of all of these services; thus a fee for managing itself. TCP's self-managed services totaled \$22,038,219 in spending, thus it collected approximately \$1,763,058 in an administrative management fee for managing itself. In addition, 10 services were not competitively bid, thus the District could not be sure it was getting the most value and quality for these services, and could benefit from a competitive process in which TCP also competes.

Given the multitude of findings and issues we identified in the self-managed services:

Recommendations:

34. DHS should determine whether it is appropriate for TCP to receive an administrative fee for managing itself.

35. DHS should require TCP to competitively bid the 10 services that TCP self-managed.

V. Area of Concern: DHS treatment of the contract type raises potential Anti-Deficiency Act concerns.

While not a finding, we believe that the practice of carrying over funds from one fiscal year to be spent in the following fiscal year raises Anti-Deficiency Act concerns that the Board of Review for Anti-Deficiency Violations should assess.

The management contract is a firm fixed price contract.¹² Our analysis, in addition to statements by the current DHS leadership, provides evidence that the contract had not been treated as a firm fixed price contract, but rather as a cost reimbursement contract.¹³ Our Office has no position on whether the contract should have been firm fixed price or cost reimbursement, only that it should have been treated consistently and that regardless of contract type, TCP should regularly provide DHS with an accurate accounting of the actual costs of homeless programs and services.

In our review of the TCP invoices and DHS approvals, we determined numerous ways in which the billing practices were inconsistent with a firm fixed price contract, such as:

- Only the February invoice, the first month of the eight month contract period, appeared to be an estimate, (one-eighth of the funding amount for nearly all CLINs), in keeping with the nature of a firm fixed price contract. The remaining months' invoices were not one-eighth of the CLINs and some appeared to be based on subcontractors' monthly invoices, in keeping with a cost reimbursement contract type.
- The letter from TCP attached to the February invoice stated that TCP "normally adjusts final billing invoice amount based on the YTD actual spending at the end of each contract period," which is consistent with a cost reimbursement contract. TCP's final invoice of the period, in September, did identify an unbilled balance, which was inconsistent with a firm fixed price contract. If TCP and DHS kept with a firm fixed price contract, one would expect TCP to bill for this balance, as they were entitled to it based on the contract type.
- When ODCA asked DHS about the billing practices, DHS stated that:

In our review of the TCP invoices and DHS approvals, we determined numerous ways in which the billing practices were inconsistent with a firm fixed price contract.

¹² D.C. Code § 2-351.04(32) defines a fixed-price contract as "a contract where the price is not subject to any adjustment on the basis of the contractor's cost experience in the performance of the contract."

¹³ D.C. Code § 2-351.04(20) defines a cost-reimbursement contract as "a contract under which the District reimburses the contractor for those contract costs, within a stated ceiling, which are recognized as allowable and allocated in accordance with cost principles, and a fee, if any."

TCP bills DHS for services rendered and identified operating costs (i.e. rents) that must be paid to subcontractors and landlords by a target date. Because coverage of these costs would create a potential cash flow issue for TCP, DHS allows TCP to invoice monthly to cover such expenses. It is not an estimated bill, but an anticipated bill based on past and current expenditure levels. The difference in actual versus anticipated funds may be spent on jointly identified priorities in concurrence with DHS prior to the conclusion of the fiscal year.

- In a media interview following the release of our letter report, DHS Director Laura Zeilinger stated that “there were [DHS] staff that were aware that the billing and payment process needed to be changed and had taken steps to change it, but I don’t think that anyone was fully aware of the degree to which there was an overpayment.”

Since DHS and TCP were treating the contract more like a cost reimbursement contract, we compared providers’ actual costs to TCP billing and DHS payment of invoices for FY 2014, and determined a difference of approximately \$4.2 million, that TCP intended to use in FY 2015. In a cost reimbursement contract, these funds would have been required to be returned to the District. Yet the funds were not returned to the District. Instead, DHS and TCP had communications about how to spend the excess funds in the following fiscal year. However, due to the Anti-Deficiency Act concerns raised in our [Letter Report](#), those funds were not spent but rather were placed by TCP into an escrow account, pending the results of this audit.

At the time of our Letter Report, we determined that there was a balance that was carried over from FY 2013 and spent in FY 2014 on homeless services. Both TCP and DHS stated that together they agreed on the expenditures, in furtherance of the contract objectives. TCP provided documentation to support that the carryover was spent on Rapid Re-Housing Program (RRH) one-time and rental costs, payments to providers to become compliant with increased personnel costs resulting from Living Wage Act increases, RRH program training, portable radios for United Planning Organization (UPO) transportation services, and waste removal at D.C. General. Figure 4 provides detail on the amounts and providers that received FY 2013 carryover funds in FY 2014.

FY 2013 Carryover Funds that TCP Spent in FY 2014

Provider	Service	Amount
The Community Partnership (TCP)	Family Re-Housing Stabilization Program (FRSP)/ Rapid Re-Housing Program (RRH)	\$471,727
New Hope Ministry	Open Door Shelter	\$30,403
The National Center for Children & Families	Consultation sessions for D.C. General	\$29,560
United Planning Organization (UPO)	Non-Hypothermia Hotline Transportation	\$25,121
Echelon Community Services	KIA III	\$20,964
New Hope Ministry	John Young Shelter	\$19,859
Coalition for the Homeless	Emery Shelter	\$17,958
Coalition for the Homeless	Blair Shelter	\$15,325
The Community Partnership (TCP)	D.C. General	\$12,532
Coalition for the Homeless	Valley Place	\$10,545
Coalition for the Homeless	La Casa TRP	\$10,114
The Community Partnership (TCP)	Supplies	<u>\$1,400</u>
Total		\$665,508

Based on this information, we suspect there may be an Anti-Deficiency Act¹⁴ violation because funds from one fiscal year may not be carried over and used in the next fiscal year without an appropriation for the following fiscal year.

We suggest a review of the practice that led to these carryover funds for potential violations by the Board of Review for Anti-Deficiency Violations.

After further review, it has become clear that DHS and TCP did not adhere to practices typical of a single contract type. This has made it difficult to determine proper invoicing and payments and to make a definitive determination on Anti-Deficiency Act compliance. Based on our audit, we suggest a review of the practice that led to these carryover funds for potential violations by the Board of Review for Anti-Deficiency Violations, an independent District of Columbia investigative board that reviews reported violations of the Anti-Deficiency Act by officers and employees of the District of Columbia government; assesses culpability; and recommends appropriate action to the Mayor, the Chief Financial Officer, the Inspector General, and the Council of the District of Columbia.

¹⁴ See D.C. Code § 47-355.01 et seq.

Audit Results Summary

Our audit identified 35 recommendations that could improve DHS management of the contract with TCP. To ensure compliance with legislative requirements, we recommend:

Finding	Recommendation
<p>I. The Department of Human Services (DHS) did not conduct adequate oversight of The Community Partnership for the Prevention of Homelessness (TCP) Continuum of Care management contract.</p>	
<p>The Department of Human Services did not enforce the requirement that TCP provide contract deliverables.</p>	<p>1. To the extent that DHS continues to contract for the management of homeless services, the agency should carefully review the required deliverables for future contracts, design a contract oversight plan that includes regular performance assessment metrics of the contractor (such as a sample of interviews with subcontractors, Homeless Management Information System (HMIS) data analysis, training reviews, unannounced desk audits, etc.); and assign sufficient personnel to perform contract administration.</p>
<p>Neither the DHS contract administrator, nor other staff, verified TCP's performance prior to authorizing payments.</p>	<p>2. DHS should ensure that TCP submit the required monthly and annual performance reports, based on subcontract services to be provided, for each Contract Line Item Number (CLIN) and subcontract, as well as monthly invoices that detail the quantity of services provided for each CLIN and subcontract.</p> <p>3. DHS should invest in staffing for homeless services contract administration, including expanding the team, outlining specific responsibilities and providing for creation of data reports in HMIS.</p>
<p>DHS did not adequately supervise its contract administrator.</p>	<p>4. DHS should review and revise the performance expectations of homeless services contract administrators and incorporate these detailed responsibilities into the contract administrators' annual performance assessment.</p>

<p>TCP did not consistently and regularly competitively re-bid the homeless services subcontracts.</p>	<p>5. Policymakers, including the Mayor and the Council, with the assistance of the Chief Financial Officer, should devise a more suitable annual funding cycle for ongoing critical services that does not rely on a series of budget and contract modifications, including working with federal counterparts as necessary.</p> <p>6. DHS should develop a solicitation plan including justification for which services should be competitively bid and a timeline for solicitations going forward.</p>
<p>DHS monitoring of subcontractors was inadequate, as the results of the annual site visits conducted by the DHS Office of Program Review, Monitoring and Investigation were not forwarded for action.</p>	<p>7. DHS should review the number of staff in OPRMI to determine if additional employees are necessary or other staff can assume additional responsibilities to ensure reports are sent to the providers timely.</p>
<p>While each subcontractor was to have rules for its programs that were required to be reviewed and approved by DHS and signed by clients every year, this process was unclear and frustrating to providers.</p>	<p>8. DHS should hold TCP accountable for the implementation of its program rules strategy in its annual performance review.</p>
<p>TCP did not provide training sessions to its subcontractors that were required by the contract.</p>	<p>9. With feedback from TCP and providers, DHS should assess which training TCP is to provide and how often, and this information should be included in the contract and annual performance reviews.</p>
<p>DHS did not provide TCP with a security staffing plan for shelters, as required by the contract, thus TCP developed a plan itself. This put a contractor in the position to conduct a sensitive government function.</p>	<p>10. With feedback from TCP and providers, DHS shall determine the programs/facilities for which TCP shall be responsible for providing security services, including the number of security personnel needed and hours of coverage.</p>
<p>II. DHS did not identify shortcomings in TCP's oversight of subcontractors.</p>	
<p>TCP subcontracts contained multiple problems, including out-of-date documentation, lack of clarity and omission of details.</p>	<p>11. DHS should require that TCP submit, for agency approval, revised subcontract templates by program type (transitional housing, outreach, etc.) based on conversations with the subcontractor and including details on terms such as "comprehensive case management" and "spending plan."</p>

<p>While we found evidence of TCP monitoring its subcontractors, it could be strengthened. TCP subcontracts had appropriate and meaningful deliverables, yet TCP did not consistently enforce them.</p>	<p>12. DHS should require that TCP include monitoring of specific contract elements in the Performance Monitoring plan (i.e. number to be served, case management documentation, client feedback), that the plan be circulated to all of the subcontractors and include, when necessary, training to ensure subcontractors are familiar with the terms and requirements; and assess TCP's compliance on an annual basis.</p>
<p>III. DHS did not provide sufficient guidance on overhead costs.</p>	
<p>TCP allowed two subcontracts to exceed its 10 percent cap on indirect costs.</p>	<p>13. DHS should be consistent in enforcing guidance including communicating with the UPO and Catholic Charities that they must comply with TCP's Policies and Procedures as Continuum of Care subcontractors.</p>
<p>IV. DHS allowed TCP to manage itself for 10 services, without written agreements.</p>	
<p>Supplies, Material and Equipment: TCP billed unrelated expenses.</p>	<p>14. DHS should work with the Office of Contracting and Procurement and TCP to bring CLIN amounts closer to actual costs.</p> <p>15. DHS should require TCP to reprogram budget authority or submit budget modifications if necessary.</p>
<p>Maintenance of District Owned Facilities: TCP billed maintenance expenses for a non-District owned facility.</p>	<p>16. DHS should ensure that TCP only provide repair and maintenance of designated District-owned facilities and should include all relevant attachments in the contract to clarify which facilities TCP can provide repair and maintenance.</p>

<p>Permanent Supportive Housing Program: There were multiple types of payment errors and insufficient documentation for the rent and other payments TCP made to landlords on behalf of DHS.</p>	<ol style="list-style-type: none"> 17. DHS should develop policies and procedures for the PSHP, which includes detailed processes for communicating timely changes in client amounts, rental amounts and housing changes, as well as information sharing between case managers, TCP and DHS. 18. DHS should ensure it has full, complete and accurate data as it relates to its clients (i.e. current client list, rental amounts, and client share amounts) so that it can conduct periodic reconciliations of TCP’s rental payments and conduct periodic desk audits to ensure that clients are charged to the correct programs. 19. DHS should advise TCP to pay security deposits and monthly rental payments that are stipulated in the lease. 20. DHS should advise TCP to comply with the contract’s record retention requirement by strengthening its storage and organization of PSHP leases and supporting documentation. 21. DHS should enter into written agreements with TCP on the Families and Singles CLINs and include clear guidance on how to bill specific costs, as well as detailed performance metrics (i.e. timely and accurate rent payments).
<p>D.C. General: TCP charged the costs of a separate program to the D.C. General CLIN.</p>	<ol style="list-style-type: none"> 22. DHS should determine how TCP should allocate the Sweat Equity costs. 23. DHS should enter into a written agreement with TCP on the management of D.C. General, including the review and approval of a detailed budget annually.
<p>Short-Term Leasing Units (Family Hypothermia Shelter): No issues found.</p>	

<p>Family Re-Housing and Stabilization Program/Rapid Re-Housing Program: Evidence of significant late rental payments, errors in payments, insufficient documentation, and multiple other problems. Also, funds were used from a separate program, the Emergency Rental Assistance Program, that was not a part of the contract.</p>	<ol style="list-style-type: none"> 24. DHS should consult with the D.C. Council about the use of ERAP funds to cover RRH costs. 25. DHS should work with TCP to develop and approve detailed RRH Policies and Procedures that includes procedures to prevent late rental payments and policies on pro-rated rent and rent assistance. 26. DHS should verify that providers are complying with program requirements related to recertification and regularly review transactions for compliance. 27. DHS should advise TCP to resolve data issues so that data analysis can be conducted to track all clients' rental subsidy amounts over time and analyze the cases of long-term RRH clients to come up with a plan for their transition from the program, if the program is going to continue to be a short-term program. 28. DHS should promptly finalize rule-making for the RRH program. 29. DHS should advise TCP to comply with the contract's record retention requirement by strengthening its storage and organization of RRH leases and supporting documentation. 30. DHS should create sub-CLINs for One-Time Costs and Rent for tracking and planning, as TCP and DHS had done for PSHP. 31. DHS should enter into written agreements with TCP for RRH, with detailed performance metrics, i.e. timely rent payment, and consistent recertification requirements.
<p>Local Rent Supplement Program: TCP made duplicate payments to landlords, paid unallowable costs, maintained insufficient documentation, and made payments on behalf of clients that were not included on DHS client lists.</p>	<ol style="list-style-type: none"> 32. DHS should enter into a written agreement with TCP for LRSP that includes detail on allowable costs, and detailed performance metrics, i.e. timely payments of one-time costs. 33. DHS should regularly review LRSP transactions for compliance.

<p>Given the multitude of findings and issues we identified in the self-managed services:</p>	<p>34. DHS should determine whether it is appropriate for TCP to receive an administrative fee for managing itself.</p> <p>35. DHS should require TCP to competitively bid the 10 services that TCP self-managed.</p>
<p>V. Area of Concern: DHS treatment of the contract type raises potential Anti-Deficiency Act concerns.</p>	

Conclusion

We found that the Department of Human Services (DHS) did not conduct adequate oversight of The Community Partnership for the Prevention of Homelessness (TCP) Continuum of Care management contract. For example, the contract required multiple deliverables that TCP did not submit, as well as services that the DHS contract administrator did not verify. We also found that DHS did not identify shortcomings in TCP's oversight of subcontractors, such as problems with the subcontract agreements and weaknesses in its monitoring of the service providers.

DHS did not provide consistent guidance on overhead costs. As a result, TCP allowed two of its subcontractors – the United Planning Organization (UPO) and Catholic Charities – which had a total of eight subcontracts under the management contract, to exceed the 10 percent cap. This resulted in a total of \$177,419 in over-paid indirect costs, which took funds away from actual services. It also appeared to be unfair to other providers who complied with the policy but had indirect cost rates higher than 10 percent.

DHS allowed TCP to manage itself for 10 services, without written agreements. We believe this led to the multiple problems we found with TCP's payments of one-time costs and ongoing rent for the Permanent Supportive Housing, Rapid Re-Housing and the Local Rent Supplement programs, including late, duplicate and incorrect payments. Additionally, TCP collected an 8 percent administrative management fee for the direct cost of all of these services; thus a fee for managing itself. In addition, 10 services were not competitively bid, therefore the District could not be sure it was getting the most value and quality for these services, and could benefit from a competitive process in which TCP also competes.

While not a finding, we did identify an *Area of Concern*: DHS treatment of the contract type raises potential Anti-Deficiency Act concerns. We are referring this matter to the Board of Review for Anti-Deficiency Violations for appropriate action. We did not take a position on what would be the most appropriate contract type. But, regardless of contract type, we believe that DHS should receive an accurate accounting of the actual costs of each program type, provider and service from TCP. We also found that the issues of oversight, bidding and managing subcontractors has been complicated by inadequate budgeting, and we urge policymakers to address this issue. While this audit focused exclusively on the TCP management contract in fiscal year 2014, we write with the expectation that the findings and recommendations will be useful to District

policymakers going forward as they continue to focus on efforts to end chronic homelessness.

Agency Comments

On February 8, 2016, we sent a draft copy of this report to the Director of the Department of Human Services (DHS) for review and written comment. DHS provided its written comments on February 29, 2016, which are included, in their entirety, with this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Human Services



Office of the Director

Ms. Kathleen Patterson
Auditor
Office of the District of Columbia Auditor
717 14th Street NW, Suite 900
Washington DC 20005

Thank you for the opportunity to provide suggested edits and corrections to your draft report, “The Department of Human Services Management Contract with the Community Partnership for the Prevention of Homelessness (TCP) Was Not Properly Managed in FY 14 To Ensure Performance Consistent with Contract Terms.” This Administration has taken on the ambitious goal of making homelessness in the District rare, brief and non-recurring. The new District leadership has brought with it the Homeward DC strategic plan and new programs, strategies and investments – from a year-round access to family shelter policy and coordinated entry for Veterans and singles, to the \$100M Housing Preservation Trust Fund and replacing DC General with smaller community-based facilities that will help families regain independence.

As we embark on new solicitations to replace the current Homelessness Continuum of Care management oversight contract, set to expire at the end of September 2016, we plan to incorporate a number of your suggestions to help us craft robust and detailed requirements.

The District has ultimately benefited from contracting with a not-for-profit provider that has a mission to prevent homelessness. TCP has a long history of working closely with the federal Department of Housing and Urban Development (HUD) to support DHS in providing innovative solutions to support families and individuals experiencing housing crises. Amidst all of the systemic changes that the Bowser Administration has taken to end homelessness in the District, TCP has continued to meet the grueling task of providing critical support for our most vulnerable citizens, including providing outreach services, emergency shelter, transitional housing, rapid re-housing, meals, and case management.

As highlighted in your introduction, the original intent of both the TCP organization and the management contract was a collaborative public-private partnership. This has been a lasting model where weekly meetings between DHS Family Services Administration (FSA) staff and TCP leadership allowed for evolving programmatic design and creative problem solving to be conducted in tandem.

The background of the audit states that there is the appearance of TCP, rather than DHS, making decisions on expenditures (p 3). The audit fails to cite any evidence of TCP making unauthorized or unilateral decisions around spending and policy. This allegation is further fueled by highlighting the executive director of TCP's compensation, which was determined by her Board of Directors after a benchmarking exercise, and that a DHS employee once worked at TCP, which are comments we recommend you remove, as the District benefits from this employee's expertise. We believe our shared missions and long standing partnership were mischaracterized as inappropriate and somehow inuring benefit to TCP at the District's expense.

As you know, a number of your findings tied to the FY14 activity have been repaired. We agree with your finding related to the inadequate level of contract administration by the District. For a contract as large and complex as the TCP management oversight contract, there should have been two dedicated contract administrators. Instead, there was one staff person who managed the TCP contract along with a number of other contracts and grants for the Family Services Administration. Indeed, the inadequate staff allocation is the basis for most of the DHS findings in your report, including that:

- I. DHS did not conduct adequate oversight of the TCP Continuum of Care management contract (all eight findings)
- II. DHS did not identify shortcomings in TCP's oversight of its subcontractors (both findings)
- III. DHS did not provide sufficient guidance on overhead cost (one finding)

We are pleased to report that DHS addressed the inadequate staff coverage initially through redeploying an existing staff member and more recently by hiring two contract administrators dedicated to oversight of the Continuum of Care contracts.

The lack of dedicated contract administrators should not be misconstrued as a lack of insight on, or oversight of, TCP's performance. While the District may not have enforced the requirement that TCP provide specific reports outlined in the contract (p 13) or that invoices were not sufficiently detailed (p 15), the reporting from TCP to the District greatly expanded over time based on improved technology and information, as well as our strong working relationship with TCP. Reporting on contract activities evolved into real time, daily, weekly and monthly status reports, as well as ad hoc reports on specific topic areas. DHS program staff received reports that were far more robust than those required in the contract and were well informed that the services were being delivered as expected. DHS received the following regular reports from TCP:

- Daily census reports at each of the shelters for singles and families
- Weekly entries/exits/census report
- Weekly Veteran counts and assessment status reports
- Weekly Emergency shelter intake and exit report, including the type of exit placement (e.g. to another emergency shelter, transitional housing, PSH, family/friend, etc.)
- Housing unit leasing status report
- Housing occupancy and exit report (by type – temporary, transitional, PSH, youth, family, veteran)
- Runaway Youth Homeless Hotline information report
- Monthly turnaway totals at low barrier shelter
- Family continuum listings for STEP and SLED matching

- Annual homeless point in time counts
- Counts and lengths of stay in low barrier/severe weather shelter
- Virginia Williams Intake Center applications and placements detailed report (including family make up, season, length of stay, etc.)
- Data on first time homeless counts
- Reports on percentage of youth aging out of foster care who experience homelessness, and
- Reports on returns to homelessness after exiting from permanent housing.

Your report also highlights that for a firm fixed rate contract such as this, monthly payments should have been consistent and based on the contract amount (divided by twelve), not based on actual expenditures incurred by the provider. We concur. For a number of months in FY14, the amount that TCP invoiced (and the District paid) was based on actual expenditures, some of which were lower than the monthly contracted amount, so the error was a technical one, not one that disadvantaged the District. DHS has subsequently modified the contract to include firm fixed unit price CLINs that would allow the District to pay for certain items (such as meals or furniture) based on demand and usage. Invoice payments are now paid at a consistent monthly rate for most CLINs and only fluctuate based on actual usage for those CLINs with a firm fixed unit cost.

The report states that DHS' monitoring of subcontractors was inadequate, as the results of the annual site visits conducted by the DHS Office of Program Review, Monitoring and Investigation (OPRMI) were not forwarded for action. Specifically, the report found that although all required subcontractor site visits were conducted, there was a significant delay in sending the final reports to the provider (p 19). This problem too has been cured. In FY16, reports are consistently finalized and sent within 45 days of a site visit.

On page 21, the report states that TCP did not provide training sessions to its subcontractors that were required by the contract (Emergency Preparedness, CPR, First Aid, Security Protocols and Unusual Incident Protocols). The report later states that TCP had the subcontractors provide these trainings for their staff rather than TCP directly conducting the training, and that TCP provided evidence that the trainings occurred. This was flagged as problematic because "the topics were sensitive, important and a direct impact on clients and staff". The Unusual Incident Protocols was delivered to subcontractors by DHS' OPRMI staff that year. It is unclear why the value of these somewhat standard trainings (other than Unusual Incident Protocols) would be diminished if not provided directly by TCP. The report did acknowledge that TCP conducted "a great deal of other types of trainings," including those for specific homeless policy and procedural issues. As an example, last year TCP held over 30 separate training sessions for 361 staff on the Service Prioritization Decision Assistance Tool (SPDAT) and Vulnerability Index-SPDAT alone. TCP prioritizes its use of internal training resources in a reasonable manner, conducted appropriate trainings, and we thus suggest that this finding and recommendation be removed.

One of the audit's key findings involves DHS not providing sufficient guidance on overhead costs (p 27). The audit highlights that "TCP allowed two subcontracts to exceed its 10 percent cap on indirect costs." This requirement was never part of the contract terms, but rather arcane guidance from TCP's "Budgeting and Invoicing Manual: DHS Contracts." This manual was meant to serve as a guideline and in

no way a hard cap, and it has subsequently been removed from the referenced TCP Manual. In the two cases where indirect costs were paid above 10 percent, the providers appealed the 10 percent cap and refused to continue to provide services unless they could receive a higher rate. The two organizations provide large scale, arduous services with very limited, if any, alternative providers (running multiple emergency men's shelters and a homeless hotline/transportation service). The overhead rates those organizations sought were consistent with the overhead rates those organizations received from the Federal government. DHS leadership at the time understood the value of the providers and, as you referenced, concurred with the increased overhead rate. This decision was mischaracterized in the audit both as a failure to comply with the terms of the contract and as an overpayment.

Another major finding in the audit is "DHS allowed TCP to manage itself for 10 services, without written agreements" (p 28). The report refers to TCP as "overseeing itself" for 10 of the services covered (p 5). Although TCP mentioned in its initial proposal that it intended to subcontract 90 percent of the portfolio, there was never a contractual obligation or expectation that TCP subcontract a specific percentage of the included services. Seven of the ten services listed as "self-managed" (PSH Singles One-Time Costs; PSH Singles – Rents; PSH Families – One Time Costs; PSH Families – Rents; Short-term Leasing Units; Family Rehousing Stabilization Program/Rapid Rehousing Program; and Local Rent Supplement Program) merely involve the payment of rents or one-time housing cost. It would have been impractical and unwieldy to engage a subcontractor in this sort of task, particularly when TCP had all of the systems in place to track the landlords, tenants and housing units. One of the other "self-managed" services was Supplies, Materials and Equipment – again, it is unclear that the purchasing of these items could have been reasonably outsourced. In the case of managing DC General, TCP *did* conduct a solicitation after an initial provider failed to perform, but there were no responses. TCP took on the management of DC General when no one else would. The report incorrectly points to maintenance of District owned facilities as a self-managed service when, in fact, these services were subcontracted out to a maintenance company and not provided directly by TCP. In short, the insinuation of self-dealing is defeated because these contracts were handled efficiently; others didn't want to bid on them; or they were in fact subcontracted. So we respectfully suggest that this finding should be deleted.

In terms of the potential Anti-Deficiency Act concern, we firmly disagree with the characterization of the FY13 funds that the District paid TCP served as "carryover" contract activity. TCP received its full contractual payment for FY13 activity. Unlike for-profit entities, TCP alerted the District to the fact that they had additional funds that they wanted to pour back into homeless Continuum of Care activities. There was no expectation or obligation for TCP to spend these funds to support a District need. TCP inquired about one-time investments that the District would prioritize and contributed their funds to these equipment purchases, trainings and other investments accordingly.

Managing the homeless services Continuum of Care for the District of Columbia requires an ability to respond to a range of crises and policy shifts that are difficult to fully contemplate when crafting contract requirements. The report lists a number of payments that were tied to the wrong Contract Line Item Number (CLIN), such as charging food for warming buses during hypothermia season to Supplies, Material and Equipment CLIN (p 29) or charging the new Sweat Equity program targeting DC General

clients to the “DC General CLIN (p 35). The report does not dispute the validity of the charges, - merely the CLIN to which they were charged. As programs evolved, the labels for the CLINs did not, and there had to be judgments made about the most appropriate “bucket” for the charge. We will strive to make sure the CLINS reflect the current programs and expenditures, and that all charges are made to the correct CLIN.

On page 44, the report states that this was a firm fixed price contract and should never have been treated like a cost reimbursement contract, where charges fluctuate based on actual expenses. However, on page 29 the report contradicts this point by stating “If the spending did not reflect actual costs, then neither TCP, DHS nor the Council, could conduct analysis of the Supplies, Material and Equipment costs, such as identify historical trends or properly budget.” It further states “In fact, we also heard concerns from additional sources that CLIN amounts were not based on actual spending.” The report then recommends (#14) that “DHS should work with the Office of Contracting and Procurement and TCP to bring CLIN amounts closer to actual costs.” This finding and recommendation make no sense. A firm fixed price contract establishes an estimated cost up front, and then remains within that established cost for the duration of the contract regardless of actual expenditures. In some cases the costs are higher and in some cases lower – the District and vendor live with that uncertainty. We request that the related statements and recommendation be removed.

The report asserts that the contract administrator lacked the training to oversee such a large contract and recommends that DHS invest in additional training for contract administration (p 16). The report states that “the DHS contract administrator only had 32 hours of training” and makes the comparison to the federal government, where the most complex and mission-critical contracts within an agency are overseen by contract administrators with 60 hours of training. The amount of contract administrator-related training that the DC government even offers is limited to 17.5 hours (see the Office of Contracting and Procurement (OCP) course listing <http://ocpapps.in.dc.gov/KPI.html>). The DHS contract administrator took all available relevant training provided by OCP for contract administrators in the District, as well as training on OCFO reporting and purchase card management. The contract administrator has taken the relevant courses multiple times as refresher sessions as well. Is the contention that the standard contract administration training is inadequate? Federal government contracts are often far more complex – think billion dollar fighter jets and satellites - than this large firm fixed rate homeless services contract. While we have already concurred that the staffing supporting this contract needed to expand, we disagree with the recommendation that DHS should invest in additional training for homeless services contract administration beyond what is provided by OCP.

Recommendation 24 of the audit (p 39) indicates that, “DHS should notify TCP not to use [Emergency Rental Assistance Program] ERAP funds for [Rapid Re-Housing] RRH costs and to request budget modifications if costs exceed available funds,” on the basis that “RRH and ERAP have different target populations.” We firmly disagree with this finding as a matter of policy. As noted in “Mayor’s Order 2006-115: Establishment of Emergency Rental Assistance Program” (which is still in effect), “The purpose of the Emergency Rental Assistance Program is to provide crisis intervention for families with a minor child or an aged or disabled household member for the purpose of preventing homelessness by enabling individuals and families at imminent risk of becoming homeless, due to an emergency, to

remain in or access permanent housing.” Families who have already become homeless and enter the Family Re-Housing and Stabilization Program (FRSP), also referred to as the District’s Rapid Re-Housing program, have been subject to a housing crisis and are in need of accessing permanent housing immediately. ERAP is a legitimate tool for RRH clients, and the DHS regulations were never violated when clients that received permanent housing through FRSP were also supported with ERAP. We request removal of this recommendation.

Thank you for the opportunity to respond to your draft report. The scale and complexity of the work performed under this contract and the challenges facing our clients are vast. We are pleased that we have already addressed many of the issues raised in this report, and both TCP and the District are striving to improve our records management capabilities and contract management functions. Further, the agency, on behalf of clients in rental housing, has many reasons why particular rental payments may have been late or why various client re-certifications appeared inconsistent. Behind each rental payment is a story of a family in crisis and perhaps on the move; and the re-certification program for clients likewise strives for uniformity, but the factual nuances of each family’s situation make perfect comparisons between situations difficult. Both TCP and DHS have been working hard to make improvements in both areas, but the nature of our work makes it impossible to eliminate all interference in the process.

We are making a number of changes to the provision of homeless services in the District and appreciate your suggestions, which we will consider carefully. Please contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Laura Zeilinger', written in a cursive style.

Laura Zeilinger
Director, Department of Human Services

Auditor's Response to Agency Comments

The Auditor appreciates the comments provided by the Department of Human Services (DHS).

DHS stated that our audit failed to cite any evidence of TCP making unauthorized or unilateral decisions about spending and policy. In the final version of our audit report, we added language to highlight more clearly the instances of TCP independently making expenditure decisions related to D.C. General, the Local Rent Supplement Program and the Rapid Re-Housing Program.

DHS expressed concern that by including the salary and retirement package of TCP's Executive Director we mischaracterized their long standing partnership as somehow inuring benefit to TCP at the District's expense. As the D.C. Council has expressed increased interest in our Office exploring the outsourcing of government functions, we take seriously the responsibility of providing as complete a picture as we can of the costs of these relationships, including executive compensation. TCP's budget is almost 100 percent funded by government grants and contracts which underscores why management salaries should be publicly available. Further, the initial request from Councilmember Mary Cheh (D-Ward 3) that lead to this audit included questions about how much of homeless service providers' funds go to salaries.

Based on DHS comments, we added language to the report about TCP taking over the management of D.C. General only because no other providers were willing to do so.

It appears that DHS misconstrued our concerns about the treatment of the contract type. Our draft report did not state that the contract "should never" be treated like a cost reimbursement contract, just that it needed to be treated consistently. In fact, our Office has no position on what contract type is most appropriate and we included that language in the final report. We did, however, agree with DHS that some of our draft report language on actual spending in relation to the discussion on the firm fixed price contract was contradictory and we have revised it for clarity. Again, while we take no position on the best future contract type, we do believe that TCP or another contractor should be able to provide to DHS accurate spending reports on the actual costs of each Contract Line Item Number (CLIN), provider and service for the purposes of budgeting, planning, evaluation, etc.

We were persuaded by DHS' comments on the contract administrator's training and removed the language from the final report.

We also agree that Emergency Rental Assistance Program (ERAP) funds can be used as a tool by families experiencing homelessness, and added to the report that regulations support that. We do not agree, however, that the Rapid Re-Housing program (RRH) should be subsidized by ERAP funds and changed the recommendation to recommend that the D.C. Council work with DHS to address what is a policy level decision.

We stand by our remaining recommendations as we feel that there was sufficient evidence to support both our findings and recommendations.

Appendix 1

Spending Information for Subcontractors/Service Providers for The Community Partnership (TCP) Continuum of Care Management Contract, FY 2014

#	Subcontractor/Service Provider	Service	Actual Cost Note A
Supplies, Material and Equipment			
1	The Community Partnership	Supplies, Material and Equipment	\$140,180
Maintenance of District Owned Facilities			
2	MJM Contracting	Maintenance of District Owned facilities	\$1,213,842
3	The Community Partnership	Maintenance of District Owned facilities	\$357,820
Street Outreach Services			
4	Community Council for the Homeless	Friendship Place Outreach	\$31,346
5	Capitol Hill Group Ministries	Outreach	\$15,076
6	DC Central Kitchen	First Helping	\$103,831
7	Georgetown Ministry Center	Outreach	\$66,498
8	Neighbor's Consejo	Outreach	\$28,629
9	Rachael's Women's Center	Outreach	\$39,810
10	First 7th Day Adventist Church	Outreach	\$2,120
11	Salvation Army	Grate Patrol	\$25,328
Hotline Transportation Services			
12	United Planning Organization	Hotline Transportation Services (including operation of shelter hotline, outreach services)	\$1,130,545
13	United Planning Organization	Non-Hypo-Hotline Transportation Services	\$1,138,761
Security Services			
14	Professional 50	Shelter security services	\$4,449,621
15	Prince	Shelter security services	\$1,741,695
Food for Singles			
16	DC Central Kitchen	Food for Singles	\$1,452,982
17	Henry's Soul Café	Americans with Disabilities Act (ADA) meals (special diet meal services)	\$531,904
Food for Families			
18	DC Central Kitchen	Food for Families	\$308,882
19	Henry's Soul Café	Food for Families	\$2,456,054
Hypothermia Shelters (Single Adults)			
20	CCNV	CCNV Drop In Center	\$195,603
Low Barrier/Emergency Shelter (Single Adults)			
21	Catholic Charities	801 East Shelter (year-round low barrier emergency shelter and services)	\$1,464,640
22	Catholic Charities	Adams Place Shelter (including services)	\$655,828
23	Catholic Charities	Harriet Tubman Shelter (including assisting clients in search for housing and other services)	\$848,130
24	Catholic Charities	New York Avenue Shelter (including assisting clients in search for housing and other services)	\$1,269,973
25	New Hope Ministry	John Young Shelter (including assisting clients in search for housing and other services)	\$523,704
26	New Hope Ministry	Open Door Shelter (including comprehensive case management)	\$697,593

#	Subcontractor/Service Provider	Service	Actual Cost Note A
Temporary Shelter (Single Adults)			
27	Coalition for the Homeless	Blair Shelter (including comprehensive case management)	\$821,085
28	Coalition for the Homeless	Emery Shelter (including provision of employment and other social services)	\$1,423,675
Transitional Housing Programs (Single Adults)			
29	Catholic Charities	801 East Shelter (including comprehensive case management)	\$209,667
30	Coalition for the Homeless	La Casa TRP (including comprehensive case management and substance abuse recovery)	\$870,599
31	House of Ruth	Madison (including counseling for employment goals and independent living skills)	\$595,054
District Permanent Supportive Housing Program (Single Adults)			
32	N Street Village	11th Street Project (including comprehensive permanent housing services)	\$336,022
33	The Community Partnership	Permanent Supportive Housing Program (PSHP) Singles: One-Time Costs	\$267,549
34	The Community Partnership	PSHP Singles: Rent	\$4,773,672
Homeless Services for Youth			
35	Catholic Charities	Youth Transitional Program @ 801 East Shelter (includes social services and housing search assistance)	\$304,472
36	Covenant House	Covenant House temporary shelter and case management services	\$316,633
37	Echelon Community Services	KIA III (includes temporary housing and supportive services)	\$896,629
38	Latin American Youth Center	Latin American Youth Center (includes temporary shelter and case management)	\$179,414
39	Sasha Bruce Youthworks	Sasha Bruce Youthworks	\$282,175
40	Sasha Bruce Youthworks	Sasha Bruce Youthworks (includes intensive case mgmt. and supportive services)	\$188,167
Day/Feeding Program Services (Single Adults)			
41	Thrive DC	Day/Feeding Program Services (Single Adults)	\$395,162
Hypothermia Shelters (Families)			
42	The Community Partnership	DC General	\$5,038,284
43	The Community Partnership	Short-Term Leasing Units	\$184,225
Family Intake Center			
44	Coalition for The Homeless	Family Intake Center (Hypo)-Virginia Williams Family Resource Center (VWFRC), (includes case management, emergency services, shelter placements, and other social services)	\$1,225,584
45	Coalition for The Homeless	Family Intake Center (Non-Hypo)-VWFRC	\$1,467,426
Temporary Shelter (Families)			
46	Capitol Hill Group Ministry	Corcoran ADA Unit	\$32,635
47	Capitol Hill Group Ministry	Kramer ADA Unit	\$32,599
48	Jobs Have Priority	Naylor Road Shelter (includes comprehensive case management)	\$625,444

#	Subcontractor/Service Provider	Service	Actual Cost Note A
Site-Based Transitional Housing Programs (Families)			
49	Coalition for the Homeless	Valley Place (includes supportive services)	\$881,485
50	Transitional Housing Cooperation	Partner Arms 3-37th Street Shelter	\$499,003
Scattered Sites Transitional Housing (Families)			
51	Catholic Charities	Case Management for Rapid Re-Housing program (RRH) clients (includes housing relocation services and continuous counseling)	\$403,612
52	Community Family Life Services	Youth Supportive RRH (includes housing, a case management plan and continuous counseling)	\$24,285
53	Capitol Hill Group Ministries	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$284,476
54	Columbia Heights/ Shaw Family Support Collaborative (FSC)	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$192,484
55	Community of Hope	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$363,323
56	Edgewood Brookland FSC	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$104,767
57	Echelon Community Services	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$256,330
58	East of the River FSC	Case Management for RRH Program clients (includes housing relocation services and continuous counseling)	\$123,528
59	Far Southeast FSC	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$106,407
60	Georgia Ave FSC	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$138,297
61	North Capitol FSC	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$498,691
62	The Community Partnership	Family Re-Housing and Stabilization Program (FRSP)/ RRH	\$8,186,920
63	The Community Partnership	Local Rent Supplement Program (LRSP)	\$114,823
64	Transitional Housing Corp.	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$582,060
65	SOME	Case Management for RRH clients (includes housing relocation services and continuous counseling)	\$18,293
District Permanent Supportive Housing Program (Families)			
66	The Community Partnership	Permanent Supportive Housing Program (PSHP) Families: Rents	\$2,484,681
67	The Community Partnership	PSHP Families: One-Time Costs	\$490,065
68	Transitional Housing Corporation	Partner Arm I	\$213,456
Total			\$57,323,553
Notes			
A	Providers' Actual Costs were taken from TCP's General Ledger. For the 12 subcontracts in our sample, we examined monthly invoices, for the 10 services provided by TCP, we reviewed a sample of transactions for each service.		