

**SEMINOLE COUNTY**

**SPECIAL REVIEW  
OF THE  
SHELTER PLUS CARE (SPC) PROGRAM**

**REPORT NO. 111213**

**NOVEMBER 2013**

**The Office of the Clerk of the Circuit Court and  
Comptroller**

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OFFICE OF THE CLERK OF THE CIRCUIT COURT AND  
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**SPECIAL REVIEW OF  
THE SHELTER PLUS CARE (SPC) PROGRAM**

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Prepared by:  
The Office of the  
Clerk of the Circuit Court

## **SEMINOLE COUNTY**

### **SPECIAL REVIEW OF THE SHELTER PLUS CARE (SPC) PROGRAM**

#### **HOMELESS SERVICES NETWORK OF CENTRAL FLORIDA INC, (HSN)**

This review was requested by the Community Services (CS) Department based on their initial assessment that the federal housing guidelines were not being adhered to by HSN. This review confirmed their findings.

### **PURPOSE**

The objective of this audit was to determine if : (1) financial resources are being used in an efficient, effective, and economical manner; (2) the administration of the program is in compliance with applicable laws, regulations, policies and procedures; and (3) the program is in compliance with federal grant guidelines.

### **BACKGROUND**

Since 1992, the United States Department of Housing and Urban Development (HUD) has awarded funds to state and local government and public housing agencies (PHAs) to assist with housing of homeless persons with disabilities such as serious mental illness, chronic substance abuse, and/or AIDS and related diseases. The SPC program is authorized by Title IV, Subtitle F, of the Stewart B McKinney – Vento Homeless Assistance Act.

The program encourages local communities to offer both housing and supportive services to these special needs homeless persons to ensure their stability. Local governments (i.e. Grantees) must not only provide rental assistance but must show proof that in the aggregate that supportive services have also been offered that are equal in value to the amount of rental assistance. The services must also be appropriate to the needs of those served.

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Also, the rental housing for the homeless persons with disabilities must meet Housing Quality Standards outlined in 24 CFR. Thus, all units must be inspected before any funds are used for rentals. There are also rent reasonableness tests for each unit receiving funds that must be documented in accordance with 24 CFR 582.305.

The Shelter Plus Care Program is a program funded by HUD. Seminole County applied for and was awarded three grants. To administer the grant, Seminole county entered into a contract with HSN (a not-for-profit) as a sub recipient grantee.

There are three active sub recipient agreements and their status is noted below:

S+C Grant	Date	Grant Amount	Expenditures	Balance
FL0307C4H071103	9/25/2012	\$235,872.00	\$156,389.81	\$79,482.19
FL0084C4H070800	6/22/2010	568,920.00	321,635.07	247,284.93
FL0334C4H070900	7/24/2012	607,860.00	14,463.12	593,396.88
<b>Total</b>		<b>\$1,412,652.00</b>	<b>\$492,488.00</b>	<b>\$920,164.00</b>
<b>Percent of Grant</b>		<b>100%</b>	<b>35%</b>	<b>65%</b>

## SCOPE OF WORK

The scope of this review included all expenses associated with this program for the period October 1, 2010 to September 30, 2013.

The review included:

- Applicable policies, procedures, statutes and county ordinances, federal housing policies and regulations;
- administrative controls;
- program participant files;
- financial records; and
- Other related records as considered necessary in the circumstances.

The review was conducted by the Office of the Clerk of the Circuit Court and Comptroller.

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## OVERALL EVALUATION

The results of this review are two-fold: (1) the CS compliance review team has identified issues that are in the process of being addressed. This review confirmed the team's findings. It is our opinion, the monitoring program is effective, and, (2) HSN is not in compliance with HUD guidelines or the contract with Seminole County.

The records were inadequately maintained; this is a violation of Section 12 (c) and Exhibit B (Scope of Services).

Per Section 12 (c):

"All records and contracts, of whatsoever type or nature, required by this Agreement shall be available for audit, inspection and copying in accordance with Chapter 119, Florida Statutes. COUNTY shall have the right to obtain and inspect any audit or other documents pertain to the performance of this Agreement made by any Federal, State or local agency."

Per Exhibit B (Scope of Services), Section 3 (a) of the Agreement:

"Sub recipient shall maintain all records regarding HQS inspections, rent determinations, tenant rental payment calculations, income certifications or recertifications, rental income, copies of Eligible Participant's signed occupancy agreements and terminations from assistance."

This includes having a complete history of all participant activities to include each lease agreement, proper verification of income (including certification), and a complete auditable trail of all calculations and verifications performed. With this being said, it is our recommendation, that CS develop a data base that contains all of the tracking information required by 24 CFR 582 and the contract for monitoring purposes and compliance with the regulations.

Complying with the guidelines of federally funded programs helps: (1) ensure that these programs continue to offer services to the homeless; and, (2) provides for the innermost accountability and transparency.

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The conditions noted below require management attention:

- Income certification is not done on an yearly basis;
- Rent reasonableness tests is not always being completed;
- Apartments rented may exceed physical needs;
- Administrative fees may exceed 8% allowance;
- The dollar value of matching supportive services might be overstated;
- Utility allowances were calculated in error; and,
- Written policies and terms of contract do not adequately define requirements.

The report that follows addresses these issues.

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## FINDING NO. 1

### *Income certification was not being completed.*

As previously stated in CS monitoring reports, HSN had not been formally certifying the income of participants annually as required. We support the CS position on this issue. It is a requirement of the contract that should be followed.

Per Exhibit B, Scope of Services, Section 1 (c) (d) (e):

*“Sub recipient shall: complete Income certifications and document the file of each participant as to such determination,; calculate monthly tenant rental payment calculations; and conduct annual income recertifications”*

Per Exhibit B, Scope of Services, Section 3 (a):

*“Sub recipient shall maintain all records regarding HQS Inspections, rent determinations, tenant rental payment calculation, income certifications or recertifications, rental income, copies of Eligible Participants’ signed occupancy agreements and terminations from assistance.”*

At the time of the compliance review by CS, none of the files at HSN had income certifications. Subsequently, HSN started performing the income certifications in February 2013.

Income certifications ensure that participants are eligible for the program and the correct rental and utility payments are calculated by HSN.

### **Current Status**

CS has now assumed the responsibility for this program. The requirement noted above should be required no matter which organization is processing the applications.

### **Recommendation**

1. Incorporate requirement into written procedures.
2. Based on new income certifications that have been verified, CS should either;  
(1) refund the participants directly with Shelter Plus Care Program funds; or,  
(2) pay it directly to management company as a credit to the tenants account.
3. Correspondence should be sent to participants on a regular basis on income reporting requirements and other changes.

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## Management Response

We concur.

## FINDING NO. 2

### *Rent reasonableness tests were not completed.*

As previously stated in CS monitoring reports, HSN had not been verifying the reasonableness of the rents prior to signing lease agreements. We support the CS position on this issue. It is a requirement of the federal regulations.

Per 24 CFR Part 582.305 (b);

*"HUD will only provide assistance for a unit for which the rent is reasonable. For TRA, PRA and SRA, it is the responsibility of the recipient to determine whether the rent charged for the unit receiving rental assistance is reasonable in relation to rents being charged for comparable unassisted units, taking into account the location, size, type, quality, amenities, facilities, and management and maintenance of each unit, as well as not in excess of rents currently being charged by the same owner for comparable unassisted units".*

Also, this is a contractual requirement. Per Exhibit B (Scope of Services), Section 3 (a) of the Agreement:

*"Sub recipient shall maintain all records regarding HQS Inspections, rent determinations, tenant rental payment calculations, income certifications or recertifications, rental income, copies of Eligible Participant's signed occupancy agreements and terminations from assistance."*

By not performing this test, there is no reasonable assurance that the rent is in accordance with federal guidelines.

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### **Current Status**

Community Services and HSN agreed that rent comparisons were required and on February 18, 2013 HSN updated all participant files with the requested information.

### **Recommendation**

1. Document files that a rent reasonableness test was performed before signing lease agreement.
2. Incorporate requirement into written procedures.

### **Management Response**

We concur.

## **FINDING NO. 3**

### *Apartments rented may exceed physical needs.*

Apartments rented may exceed physical needs and requirements of the program.

Per 24 CFR Part 582.305 (b):

*HUD will only provide assistance for a unit for which rent is reasonable. For TRA, PRA, and SRA, it the responsibility of the recipient to determine whether the rent charged for the unit receiving rental assistance is reasonable in relation to rents being charged for comparable unassisted units, taking into account the location, size, type, quality, amenities, facilities, and management and maintenance of each unit, as well as not in excess of rents currently being charged by the same owner for comparable unassisted units"*

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Some participants in the program are leasing two and three bedroom apartments; others are renting in higher rent districts; thus fewer funds are available to help other homeless individuals.

Sixteen (16) participants had rented either a two or three bedroom unit. Three of the 16 (19 %) participants required the extra bedrooms because they were either the caregivers of children or had a medical condition that required the extra space. The other 13 of 16 (81 %) did not have sufficient rationalization in our opinion.

It is open for discussion if sound reasoning is being used with the signing of certain leases. For example, we found two apartment rentals in Sanford, one was rented for \$571 per month; the other for \$550 per month. We also found an apartment that was rented in Winter Springs for \$955 and another in Oviedo for \$925 per month. These more expensive apartments could end up costing the taxpayers an additional \$4,600 to \$4,700 per year. Multiply this by 5 years and they could cost approximately an extra \$23,000 for a participant.

Another case in point reference, we noted that on HUD's Exhibit 2 Tenant Based Rental Assistance (TRA) S+C 2 document, there is a specific reference that should be considered. It states in part:

"HUD agrees, subject to the terms of the Agreement, to provide the Grant Funds in the amount specified below for the approved project (s) described in the Application. HUD's total funding obligation is **\$568,920** for **11 (eleven) one bedroom units** of tenant-based rental assistance to be located in Scattered Sites in Seminole County, Florida to serve eleven (11) households that are comprised of disabled persons who are **chronically homeless** and **severally mentally ill**.

By restricting larger units to only those participants with a family or medical need ensures that the funds are being used efficiently.

### **Recommendation**

1. Participants should be located in one bedroom units and consideration should be given to having them live in low cost areas.
2. Participants housed in larger units and/or in high-priced areas must have written justification for the necessity (documented in file).
3. Written justification for the necessity must be confirmed or verified during the inspection process.
4. There should be an annual verification that the necessity continues to exist.

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### **Management Response**

We concur. However, we are hesitant to relocate some or most of the current tenants, due to mental health/instability issues. Some tenants are "handicapped" by criminal or unfavorable credit or eviction history, and their case managers must assist them in finding (and often convincing) landlords who are willing to accept associated risks. It is the County's intent to properly match future tenants with appropriately-sized housing units, in accordance with the regulations.

### **Audit Comment**

We concur.

## **FINDING NO. 4**

### *Administrative fees charged may exceed 8% allowance.*

The administrative fees charged by HSN may exceed 8% of the actual cost of paying the rent expenses of the homeless.

Per 24 CFR 582.105 (2) (e) (1):

*"Up to eight percent of the grant amount may be used to pay the costs of administering the housing assistance. Recipients may contract with another entity approved by HUD to administer the housing assistance"*

After each sub recipient was established with HSN, the county established a budget for administrative service cost. This budget was established at 8 % of the grant which is in compliance with 24 CFR 582.105 and also in compliance with the contract.

Our review of the financial records indicates that HSN's actual administrative costs are slightly over the 8% or about 9%. Although this is still within the

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established budget, it indicates that the county may exhaust the administrative funds before it runs out of rental funds. See the comparison below.

<u>Administrative Budget</u>	<u>Actual Cost Incurred</u>	<u>Percent</u>	<u>Balance</u>
\$103,322.60	\$44,214.34	43%	\$59,108.26

<u>Tenant based Budget</u>	<u>Actual Cost Incurred</u>	<u>Percent</u>	<u>Balance</u>
\$1,309,329.40	\$448,273.66	34%	\$861,055.74

The issue is that HSN is no longer performing this service for the county and the remaining budget available to process this program is much lower than the 8% of actual costs.

The county has already spent \$44,214.34 (43%) of the administrative budget of \$103,322.60. Comparing this to remaining funds budgeted for future rental expenses; the county has spent \$448,273.66 (34%) out of the budget of \$1,309,329.40. In other words, because we are spending above the 8% level, the county will now have to get a bit creative to limit the administrative cost to about 7% of actual tenant based rental (\$59,108.26/\$861,055.74).

### **Recommendation**

Develop a plan on how the remaining administrative budget is to be spent.

### **Management Response**

We concur. As you stated, progressive administrative expenditure *to date* exceed an 8% *rate*, as compared with overall expenditures, on S+C2. The 8% admin allowance is based upon the entire grant amount and, theoretically, we can spend all 8% up front, even before spending any TRA funding, as long as we do not exceed the 8% cap for the life of the grant; however, as you state, the County is now left "short" on S+C2 administrative funds, having now taken it over. We are currently weighing the factors on whether to attempt to recapture administrative payment overages. Fortunately, we still have yet to spend any administrative funds from S+C3.

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## FINDING NO. 5

*The dollar value of matching supportive services might be overstated.*

The contract with HSN and 24 CFR 582.1 (a) and 582.110 require that the sub recipient demonstrate dollar for dollar matching of Shelter Plus Care funds.

### **Section 7. Matching Requirements:**

"Pursuant to 24 CFR 582.1 (a) and 582.110 (a), SUBRECIPIENT must demonstrate dollar per dollar matching of S+C funds distributed by COUNTY which may be in the form of dollars or for professional services or in-kind services. SUBRECIPIENT shall, as soon as practicable after the execution of this Agreement and no less frequently than quarterly, submitted within thirty (30) days following each quarter thereafter during the term of this Agreement, provide adequate documentation to COUNTY of the matching funds or in-kind services obtained."

### **24 CFR 582.110 (c) states:**

(c) Calculating the value of the services. In calculating the amount of matching supportive services, applicants may count:

1. Salaried paid to staff of the recipient to provide supporting services to S + C participants;
2. The value of supportive services provided by other persons or organizations to S+C participants;
3. The value of time and services contributed by volunteers at the rate of \$10.00 an hour, except for donated professional services which may be counted at the customary services.....they provide in their occupation;
4. The value of any lease on a building used for provision of supportive services; and,
5. The cost of outreach activities.

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Although there was evidence in the files that services were being provided, the requirement is that a dollar for dollar matching is formally reported and tracked and part of the official files.

Some of the costs reported by Seminole Behavioral Healthcare (SBH) are for expenses incurred by other federal agencies; SBH did not incur any costs but just helped the client fill out the necessary applications to receive services such as food stamps or prescribed medicines.

For example, on the November 2012 Matching Report submitted by SBH it had medications and the value of food stamps reported for each participant. These costs are provided by other federal programs. The cost of medicines reported on the November report was approximately \$10,000.00 and food stamps roughly \$600.00

Complete and accurate reporting ensures compliance with the HUD housing guidelines.

### **Recommendation**

SBH should either: (1) report only the costs it spends in support of the Shelter Plus Care program; or (2) agencies should provide the name of the entity providing the support so that CS can determine if the cost is allowed as part of the reporting.

### **Management Response**

We concur in part. HSN's match log is attached for your consideration and review. We have reviewed the match log and it appears to be in order. The match amount is not necessarily documented in each client's file, but rather is maintained separately. The client files contain documentation of time spent by case managers with each client on a monthly basis, and this, along with other eligible match documentation, is used to calculate the match, which is tallied on the attached supportive Services Match Documentation. I have attached as sample monthly Tracking Form, which depicts the amount of match per month per client, and the Supportive Services Match Documentation for each grant through June of this year. A random sample of verifying the former with the latter indicates that they are accurate; however, we have yet to receive the Tracking Forms beyond January 2013 for S+C1 and February 2013 for S+C2. We have contacted HSN for these records.

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## FINDING NO. 6

### *Utility allowances were calculated in error.*

On an annual basis, HUD publishes a schedule of allowances to be used for applying a credit for low income tenants that furnish their utilities and services. This schedule is used to offset the tenant rent and to establish a reasonable and affordable rent payment for the participant.

In 2012, there was a \$7.00 monthly electric surcharge that was a new allowance to be added to the schedule. This was only for 2012. This surcharge was overlooked by HSN. In other words, the participants would be entitled to an additional \$7 per month allowance to be deducted from the cost of the rent.

This issue was brought to HSN's attention by the CS Compliance Officer. The amounts to be refunded to the various tenants based on this surcharge are approximately \$1,900.

By not complying with HUD guidelines, the participants are paying more for rent than they are required to pay.

### **Recommendation**

CS should either refund the participants directly with Shelter Plus Care Program funds or pay it directly to the management company as a credit offset to the tenants share of monthly rent.

### **Management Response**

We concur in part. Efforts are underway by County staff to calculate reimbursement to tenants impacted (to be paid out of S+C funds), and we have until October 31 of this month to report to HUD on those findings. File mismanagement, incompleteness, and calculation errors have made this task very difficult. We have found that it is much more complex than we originally thought, due to gross miscalculations in income verifications, tenant payments, utility allowances, and (therefore) S+C subsidies. We have discovered that we cannot calculate how much owed back to tenants is solely based only upon the \$7 surcharge because we recently discovered that we had to completely recalculate

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annual incomes, which affects other calculations. And as you know, any miscalculation results in a reimbursement to a tenant or the County.

**Audit Comment**

We concur. Now that the files and cases are under the direct management of the Community Services Department, there is an opportunity for the new case manager to work with each of the tenants to improve the documentation within the files. We agree that it is a very difficult task to accurately assess each file when supporting income and rental documentation is not accurate or consistent.

**FINDING NO. 7**

*No written procedures to supplement contract.*

The sub recipient (HSN) is required to comply with Exhibit B (Scope of Services) of the contract. There are four sections to Exhibit B:

- Leasing Agreements;
- Supportive Services;
- Records and Reports; and,
- Miscellaneous

No written procedures were provided to the county so it was totally familiar with the processes being used so that it can monitor the program effectively.

24 CFR 582.30 (3) states:

*Each recipient must develop, and make available to the public upon request, its procedures for managing the rental housing assistance funds provided by HUD. At a minimum, such procedures must describe how units will be identified and selected; how the responsibility for inspections will be handled; the process for deciding which unit a participant will occupy; how participants will be placed in, or assisted in finding appropriate housing; how rent calculations will be made and the amount of rental assistance payments determined; and what safeguards will be used to prevent the misuse of funds".*

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When the CS compliance team did a field inspection in May 2013, the records were deficient. For case in point, there was missing documentation that: (1) income was being certified; and (2) tenant rents were comparable to other rentals in the area.

Well written policies and procedures not only promote efficiency, effectiveness and consistency but also help ensure the terms of the contract are being complied with.

### **Recommendation**

Future contracts should require the county to formally approve the sub recipient procedures.

### **Management Response**

We concur. HSN provided us with their Policies and Procedures relating to S+C, and they are attached for your consideration and review. As you state in your draft report, 24 CFR 582.30 (3) requires that policies address:

- *"How [housing] units will be identified and selected."* The policy statement only alludes to clients location their own units, and that only in passing.
- *"How the responsibility for inspections will be handled."* This appears to be addressed adequately.
- *"The process for deciding which unit a participant will occupy."* This is not addressed at all, as tenants are expected to locate their own units. As we know, and as HSN had informed us, many (if not all) of this participant need a great deal of assistance.
- *"How participants will be placed in, or assisted in finding appropriate housing."* This is not addressed at all.
- *"How rent calculations will be made and the amount of rental assistance payment determined."* This is not addressed adequately. In fact, HSN's Policy sets a Payment Standard and, although the 5- and 1- year grant allocations are based upon Fair Market Rent (FMR), a Payment Standard is actually non-applicable under S+C rules.
- *What safeguards will be used to prevent the misuse of funds."* This is not addressed at all, except with regard to termination tenants.

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The Community Assistance Division staff will modify, amend, and expand on HSN's policy statement to the point that it meets or exceeds the above-stated requirements, and adopt them for use in the S+C Program.

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