

# Memorandum



CITY OF DALLAS

DATE January 8, 2018

Honorable Members of the Human and Social Needs Committee:  
TO Councilmember Casey Thomas, II (Chair), Deputy Mayor Pro Tem Adam Medrano (Vice Chair), Mayor Pro Tem Dwaine R. Caraway, Councilmember Omar Narvaez, Councilmember Mark Clayton, Councilmember B. Adam McGough

SUBJECT **Office of Homeless Solutions Audit and Management Report**

## Summary

The Office of Homeless Solutions will provide an overview of the corrective action plan that will be implemented to address the Office of the City Auditor's *Audit of Homeless Response System Effectiveness* (full report attached). According to the report, the City is not able to determine "how well the homeless response system is performing and needs to improve: (1) oversight of the Metro Dallas Homeless Alliance (MDHA) and The Bridge; and, (2) how the City evaluates, coordinates, and monitors homeless services.

## Background

The Audit Report is dated December 8, 2017 and includes a Management Response that was provided on November 30, 2017. The objective of the audit was to assess the efficiency and effectiveness of the City's homeless response system, which included an evaluation of the contracting procedures for homeless services, including how contracted services meet assessed needs and are monitored for quality performance. The audit scope covered management operations from FY 2015 through FY 2016. However, the auditors also reviewed procedures and transactions outside the scope to understand and verify information during the audit period.

## Overview of Audit Findings

The audit report included 13 findings that were divided in the three (3) sections described below. Each finding included a recommendation to address the identified deficiencies.

### **Section I: HMIS Participation, Implementation, Procurement, and Oversight Affect City's Homeless Response System Effectiveness**

**Finding I:** Low HMIS participation limits ability to assess effectiveness and reduces Federal funding;

**Finding II:** Inadequate planning, coordination, and implementation of HMIS puts emergency shelter funding and viability at risk;

**Finding III:** HMIS procurement did not comply with federal requirements; and

**Finding IV:** The City's oversight of Metro Dallas Homeless Alliance's (MDHA) HMIS implementation was ineffective

## **Section II- City Oversight of The Bridge**

**Finding V:** Efforts to require The Bridge to fully report in HMIS without proper planning pushed the shelter to the brink of closure

**Finding VI:** The financial viability of The Bridge warrants closer monitoring

**Finding VII:** The City's monitoring of The Bridge Management Contract is inadequate

**Finding VIII:** The Bridge's bank funds are above FDIC limits and at risk of loss

## **Section III- City Evaluation of the Effectiveness of Homeless Services**

**Finding IX:** The City's planning for homeless services has significant gaps

**Finding X:** Fragmentation and insufficient coordination and monitoring of homeless services created challenges

**Finding XI:** Homeless services' funding is returned to HUD, decreasing the effectiveness of federal grant funds received

**Finding XII:** The City lacks an adequate and timely system for receiving and responding to feedback from clients

**Finding XIII:** Policies and procedures do not specifically ensure segregation of duties following past fraud incident

### **Management Response**

Staff agreed with the findings discussed in the audit report and committed to address the findings through the organizational structure of the new Office of Homeless Solutions, modifications to internal controls, development of a strategic plan, processes used to allocate funding, and contractual agreements with The Bridge, MDHA, and other subcontractors providing homeless services.

With the development of the new office that was created to address the fragmentation and lack of coordination of City-funded homeless services (formally effective 10/1/17), the corrective action plan is well underway. It is anticipated that the full implementation plan will be in progress by the end of the 2<sup>nd</sup> quarter of FY2018. Ongoing evaluations will be conducted to identify additional measures that the City should take to improve the effectiveness of the homeless response system.

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Please contact me if you have any questions or require any additional information.

A handwritten signature in blue ink, appearing to read 'Nadia Hardy', with a large, stylized flourish at the end.

Nadia Chandler Hardy  
Chief of Community Services

c: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billerae Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
M. Elizabeth Reich, Chief Financial Officer  
Theresa O'Donnell, Chief of Resilience  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Directors and Assistant Directors

# **Office of Homeless Solutions Audit and Management Report**

**Human and Social Needs Committee  
January 16, 2018**

**Charletra Sharp  
Interim Managing Director  
Office of Homeless Solutions**



# Purpose

1. Provide an overview of findings identified by the Officer of the City Auditor under the Audit of Homeless Response System Effectiveness (Report No. A18-004)
2. Discuss the corrective action plan described in management's response

# Background

- On December 8, 2017, The Office of the City Auditor provided the City Council with an Audit Report that had an objective to assess the efficiency and effectiveness of the City's homeless response system, which included an evaluation of the contracting procedures for homeless services
- The audit scope covered management operations from FY 2015 to FY 2016; however, certain other matters, procedures, and transactions outside the scope were reviewed to understand and verify information during the audit period
- The report provided 13 recommendations to the City Manager on how to improve the oversight and effectiveness of the Homeless Response System. Management agreed with the findings/recommendations and provided a corrective action plan with implementation dates

# Overview of Audit's Findings/Recommendations

- The Audit Report's 13 recommendations were related to findings in the processes/systems divided into the following sections:
  - I. Homeless Management Information System Participation, Implementation, Procurement, and Oversight Affect City's Homeless Response System Effectiveness
  - II. City Oversight of The Bridge
  - III. City Evaluation of the Effectiveness of Homeless Services

# Section I- HMIS Participation, Implementation, Procurement, and Oversight Affect City's Homeless Response System Effectiveness

## *Findings I-IV*

- The auditor found that:
  - low HMIS participation limits ability to assess effectiveness and reduces Federal funding;
  - inadequate planning, coordination, and implementation of HMIS puts emergency shelter funding and viability at risk;
  - HMIS procurement did not comply with federal requirements; and
  - the City's oversight of Metro Dallas Homeless Alliance's (MDHA) HMIS implementation was ineffective



## Section II- City Oversight of The Bridge

### *Findings V-VIII*

- The auditor found that:
  - efforts to required The Bridge to fully report in HMIS without proper planning pushed the shelter to the brink of closure
  - the financial viability of The Bridge warrants closer monitoring
  - the City's monitoring of The Bridge Management Contract is inadequate
  - the Bridge's bank funds are above FDIC limits and at risk of loss

# Section III- City Evaluation of the Effectiveness of Homeless Services

## *Findings IX-XIII*

- The auditor found that:
  - the City's planning for homeless services has significant gaps
  - fragmentation and insufficient coordination and monitoring of homeless services created challenges
  - homeless services' funding is returned to HUD, decreasing the effectiveness of federal grant funds received
  - the City lacks an adequate and timely system for receiving and responding to feedback from clients
  - policies and procedures do not specifically ensure segregation of duties following past fraud incident

# Section I- HMIS Participation, Implementation, Procurement, and Oversight Affect City's Homeless Response System Effectiveness

## *Management's Response to Findings I-IV*

- As of FY2017, all City-funded contracts administered by the Office of Homeless Solutions (OHS) are required to input funded homeless services in the Homeless Management Information System (HMIS) designated by the local Continuum of Care (CoC)
- Additionally, the City Council approved an allocation of \$24,000 in Emergency Solutions Grant for FY2018 to increase HMIS participation by new users. To ensure consistent HMIS participation, contract monitors will conduct monthly HMIS desk reviews, assess and verify data input, and require annual HMIS training and refresher courses as available. Staff will develop a master tracking system to manage training and participation compliance.
- The City will be able to assess and evaluate the impact of its increased HMIS participation efforts at the end of the fiscal year after the completion of the CoC's Annual Homeless Assessment Report (AHAR).

# Section I- HMIS Participation, Implementation, Procurement, and Oversight Affect City's Homeless Response System Effectiveness

## *Management's Response to Findings I-IV, cont.*

- The Office of Homeless Solutions staff is working with the City Attorney's Office and MDHA leadership on the draft contractual terms for the 2017-2018 contract with MDHA. The proposed terms included a detailed scope of services that specify deliverables related to:
  - prioritizing HMIS customization to meet homeless emergency shelters needs;
  - understanding current homeless emergency shelter system capabilities;
  - ensuring effective stakeholder engagement as HMIS customization; and
  - MDHA's coordination with the Citizen Homelessness Commission (CHC) and the Dallas Area Partnership to End and Prevent Homelessness Local Government Corporation in order to improve the effectiveness of the homeless response system and implement the appropriate infrastructure for long-term impact.
- City staff will assess MDHA Board composition and will make recommendations as appropriate regarding City representation, contract monitoring, oversight and reporting.

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## Section II- City Oversight of The Bridge *Management's Response to Findings V-VIII*

- OHS has implemented new practices that will ensure a timely contract execution process with the Bridge and other subcontractors.
  - Staff has working closely with the City Attorney's Office to ensure that the Management Services Contract (MSC) with The Bridge clearly describes the expectation for all funded-services to be entered in HMIS. If and when technical difficulties arise, the Bridge will have the opportunity to document its due diligence of complying with the HMIS requirements, and City staff with coordinate with MDHA, as applicable
- City staff and Bridge leadership have agreed to monthly monitoring and reporting work sessions to monitor progress with HMIS participation, operational performance, financial management and propose new initiatives to address homelessness.
- Monthly invoices submitted to the City will require financial and performance data to support the expenditures requested for reimbursement
- The MSC requires that The Bridge takes reasonable steps to mitigate risk of financial loss by monitoring the creditworthiness of banking institutions where funds are deposited, and where appropriate, utilizing a service to apportion funds to multiple banking institutions so that account balances remain below the Federal Deposit Insurance Corporation (FDIC) insurance ceiling

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# Section III- City Evaluation of the Effectiveness of Homeless Services

## *Management's Response to Findings IX-XIII*

- OHS is currently developing a strategic review process that will be used to evaluate the effectiveness of all homeless services provided directly by the City and its subcontractors. As advised, Staff will use the Government Accountability Office's seven criteria in the development and implementation of the strategic plan
  - The scope of services of contractual agreements will clearly define how the funded activities will address City-wide objectives to intervene and prevent homelessness
- FY2018, City Council approved the establishment of a new office to focus on homelessness and household stability. Effective October 1, 2017 the Office of Homeless Solutions came into full operation, consolidating the formerly fragmented services of Street Outreach, Supportive Housing Program, Community Mobilization and Contract Administration
  - Performance measures were established as part of the Dallas 365 performance tracking system to reflect the office's new direction toward housing-oriented intervention and prevention systems

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# Section III- City Evaluation of the Effectiveness of Homeless Services

## *Management's Response to Findings IX-XIII, cont.*

- City established the Citizen Homeless Commission (CHC) to advise City staff and City Council on matters related to homelessness
  - All programs, policies, contracts and office initiatives are vetted at the commission level and approved by the Human and Social Needs Council Committee prior to implementation
- City leadership will assess OHS staff performance and will establish individual staff performance expectations based on industry standards and best practices. As it relates to ESG Homeless Prevention rental assistance funds, OHS will partner with the Office of Community Care (Administrating Office) to ensure the funds are distributed effectively and efficiently.
- OHS will partner with other City departments to conduct an internal assessment to determine the cost of homeless services.
- The Chief of Community Services is working to partner with a consultant to conduct third-party reviews for all CoC programs
  - The purpose of the review is to evaluate case management practices, effective housing standards as well as operational and financial administration.

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# Section III- City Evaluation of the Effectiveness of Homeless Services

## *Management's Response to Findings IX-XIII, cont.*

- Under the organizational structure of the new Office of Homeless Solutions, the Chief of Community Services included an Operations Research Analyst position which was filled on November 13, 2017. This position was funded to not only ensure that the Office's practices are directly aligned with the objectives and performance outcomes, but also to improve the City's customer service and responsiveness to client concerns. Revised policies and procedures will specify processes that will be utilized to obtain feedback from clients to improve the client experience and the required actions that will take place to modify any applicable practices that have a negative impact on the clients.
- To kick off the client feedback process, OHS staff are working with the Library and other homeless service providers to conduct a series of homeless and household stability forums to capture the client's voice and begin the process of enhancing services to meet the client's needs.
- All existing policies and procedures and internal controls of OHS are being reviewed, assessed and evaluated; updated written processes and practices will include internal controls to mitigate the risks of fraud and other non-compliance actions that create a liability for the City.

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# Implementation Plan

- Several of the recommendations identified by the auditor have been completed or are underway; however, steps to address all findings will begin no later than the 2<sup>nd</sup> quarter of FY2018
- Internal controls will be put in place to assess progress on at least a monthly basis; ongoing assessments will be needed to evaluate whether any modifications are needed.



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