

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

An Internal Audit of the Ending Homelessness (EH) Fund and Homeless Housing and Services Program (HHSP)

Audit Report # 21-003

Executive Summary

The Office of Internal Audit (OIA) reviewed the Ending Homelessness (EH) Fund and Homeless Housing and Services Program (HHSP), its internal controls, and policies and procedures that are currently in place. Based on our review and testing, we found that the EH Fund and HHSP provide good services and housing activities to local cities and municipalities in combating homelessness, and to encourage self-sufficiency and help the homeless secure stable housing.

Findings and Recommendations

OIA did not identify any findings or instances of non-compliance

Objective, Scope and Methodology

Our scope included a review of the TDHCA's internal policy and procedures, Texas Administrative Codes (TAC) Chapter 7, Subchapter A, B, and D, TAC Chapter 1, Subchapter C, the relevant portion of Texas Government Code 2306, and other applicable rules and regulations. In addition, we reviewed the internal accesses to Housing Contract System (HCS) that houses the contracts, draw requests, and other documents related to management of HHSP contracts.

Based upon our preliminary understanding of the EH Fund and HHSP we identified critical points and risks to develop audit objectives and an audit program including methodology. We reviewed the EH Funds and HHSP's goals, processes, and roles and responsibilities. We reviewed the controls related to each and tested certain transactions and controls

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit

August 11, 2021

Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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August 11, 2021

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit of the Ending Homelessness Fund and Homeless Housing and Services Program (HHSP)

Dear Board Members:

This report presents the results of the Office of Internal Audit (OIA) review of the Ending Homelessness (EH) Fund and Homeless Housing and Services Program (HHSP). This audit was included in the Fiscal Year 2021 Annual Audit Plan and was conducted in accordance with applicable audit standards. Ending Homelessness Fund and Homeless Housing and Services Program rated high on the annual risk assessment due to legislative interest, as well as the economic effects of current pandemic on low income individuals. This is also the first internal audit of the Ending Homelessness fund and Homeless Housing and Services Program.

This report includes the following sections:

- A. Overall Result
- B. Background
- C. Scope and Methodology
- D. Processes and Procedures
- E. Monthly and Annual Reporting Requirements

- F. Testing
- G. Program Achievements

A. Overall Results

Based on our review and testing, the EH Fund and HHSP provide good services and housing activities to local cities and municipalities in combating homelessness, and to encourage self-sufficiency and help the homeless secure stable housing.

B. Background

The Single Family and Homeless Programs Division awards funds to assist units of general local governments, public housing authorities, nonprofits, and local agencies in the provision of assistance to low-income Texans, with a focus on housing and housing-related assistance and services. The Ending Homelessness program is a statewide program to benefit persons experiencing or those at risk of homelessness, and has its own designated fund.

Ending Homelessness (EH) Fund was established through 85th Texas Legislature which was enacted to be effective on September 1, 2017. This act gives Texas vehicle owners an opportunity to donate to the State's Ending Homelessness Fund. Donated funds are sent by the assessor collector to the Comptroller, and held in a trust to be administered by the Department as trustee. The funds are utilized to provide grants to counties and municipalities to combat homelessness. Contributions to the EH Fund help enhance the number and quality of emergency shelters, prevent families and individuals from becoming homeless, encourage self-sufficiency behaviors and secure stable housing.

According to the **2020 Annual Homeless Assessment Report**, on a given night in January in Texas

- 21,115 person were homeless
- 1,408 Unaccompanied youth (under the age 25) were homeless
- 1,948 Veterans were homeless
- 6,154 People in families with children were homeless

Homeless Housing and Services Program (HHSP) was established during the 81st Texas Legislative session in 2009 through an appropriation rider and was codified during the 82nd Texas Legislature. Through HHSP, the state provides funding to the large cities with over 285,500 in population. Currently there are nine large cities in Texas that meet this criteria and receive HHSP in support of services to homeless individuals and families. These cities include Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Plano, and San Antonio.

The activities that are allowed under this program include construction, development, or procurement of housing for homeless persons, rehabilitation of structures targeted to serving homeless persons or persons at-risk of homelessness, provision of direct services and case management to homeless persons

or persons at risk of homelessness, and other homelessness related activities as approved by the Department.

C. Scope and Methodology

Our scope included a review of the TDHCA’s internal policy and procedures, Texas Administrative Codes (TAC) Chapter 7, Subchapter A, B, and D, TAC Chapter 1, Subchapter C, the relevant portion of Texas Government Code 2306, and other applicable rules and regulations. In addition, we reviewed the internal accesses to Housing Contract System (HCS) that houses the contracts, draw requests, and other documents related to management of HHSP contracts.

Based upon our preliminary understanding of the EH Fund and HHSP we identified critical points and risks to develop audit objectives and an audit program including methodology. We reviewed the EH Funds and HHSP’s goals, processes, and roles and responsibilities. We reviewed the controls related to each and tested certain transactions and controls.

D. Processes and Procedures

The HHSP funds are set through appropriation from the state legislature, and are made available to municipalities of cities with population of 285,000¹ or more. The funds are distributed in accordance with the Allocation Formula that is calculated each year. The formula takes into account the proportion of the following factors²:

1. Population of the municipality
2. Poverty
3. Population of Homeless persons
4. Population of Homeless veterans
5. Population of Homeless Unaccompanied Youth
6. Population of persons with disabilities
7. Incidents of family violence

The municipality can apply to administer the funds directly or can designate a private nonprofit organization to apply for and administer the funds on their behalf. The municipalities that are designating an entity to administer the funds within their jurisdiction are required to provide a notification to the Department within 60 days of notification of the allocated amount.

Each participating municipality submits to the Department an application along with other required documents. These documents include an HHSP Sub-recipient Program Description for General Set-Aside as well as Youth Set-Aside, HSSP General Set-Aside Budget and Youth Set-Aside Budget, and Proposed

¹ Tex. Gov’t Code §2306.2585

² Texas Administrative Code, Chapter 7, SubCh B, Rule § 7.23

performance target. A Sub-recipient of HSSP is also subject to the Department's Previous Participation Rule³. Once the applications and all the required documentation are received by the Department, the final amount of the allocation for each municipality is determined and a contract is created and routed for approval and signature to authorized parties.

The EH Fund is made available once per fiscal year to eligible applicants based on the amount of available funding, and the balance of the EH fund determines the distribution method. If the annual balance does not exceed \$500,000 as of the end of the state fiscal year, the total amount of available EH funds will be distributed equally among the eligible entities that wish to participate in the program. For an annual balance that exceeds \$500,000, the total amount of the available EH fund may be made available through Notice of Funding Availability (NOFA). As of the current fiscal year, the EH Fund has not reached the \$500,000 threshold, and therefore no NOFA has been issued.

EH Fund contracts will generally have an initial period of 12 months for fund expenditure, and extension of a contract term is considered on a case-by-case basis. EH Funds awarded are not subject to any Match requirements, but may be used as match for other programs that do require match.⁴

E. Monthly and Annual Reporting requirements

Monthly Expenditure Report (MER) and Monthly Performance Report (MPR)

The Sub-recipients of the HHSP must submit a Monthly Performance Report (MPR) and a Monthly Expenditure Report (MER) through the Department's web-based Housing Contract System (HCS). The Department uses the financial and performance information submitted through these monthly reports to understand the success and improve the administration of the program, and to report performance data to the Texas Legislature. The MPRs and MERs are due on or before the last day of each month of the Contract Term, following the reporting month. In our review we have noted that some Sub-recipients frequently missed the deadline for submitting their monthly reports. This condition could affect the accuracy and effectiveness of the reporting by the program and the Department to the Texas Legislature. The program management is consistently working with the sub-recipients to support and assist them in meeting their deadlines.

The MPR and MER comprise the HHSP Draw Request. The MER collects monthly expenditures of HHSP funds, and the Sub-recipient may be reimbursed for the amount of actual cash disbursements as reflected in MER. The MPR collects demographic data of persons assisted through TDHCA HHSP funded program components, as well as information on outputs and outcomes achieved. Any program participants must be reported only once during the program year in a particular program component event if they receive the same service more than once.

³ Texas Administrative Code, Chapter 1, SubCh C, Rule §1.302

⁴ Texas Administrative Code, Chapter 7, SubCh D

Single Audit Report

The Single Audit Act, and the Texas Administrative Code Rule §1.403(e) states that “*Sub-recipients that expend \$750,000 or more in federal and / or state awards or have an outstanding loan balance associated with a federal or state resource of \$750,000 or more with continuing compliance requirements, or a combination thereof must have a Single Audit or program specific audit conducted*”. Sub-recipients and entities that meet this threshold are required to submit their annual Single Audit report within nine months after the end of the audited fiscal year.

The Single Audit reports are submitted by the Sub-recipients to the Federal Clearinghouse, and the Compliance Monitoring staff is tasked with reviewing these reports for areas of non-compliance as well as entities’ action plans (if any) related to any findings. The Compliance staff informs the HHSP management team of the result of their review, and the results are taken into consideration for any potential Previous Participation Review for the municipalities or entities designated to administer HHSP funds.

As part of our audit, we reviewed the Single Audits of the cities within our Contract testing sample. We found that the Single Audit report requirements were met and appropriate actions were taken to address any variance.

F. Testing

According to the Housing Contract System (HCS), TDHCA had entered into contract with eleven sub-recipients in 2020 and ten sub-recipients in 2021 to administer HHSP and EH funds. We selected a sample of seven contracts, which consisted of two contracts from 2020 and five contracts from 2021, to review and test. We reviewed the selected contracts for completion, accuracy, and consistency. In addition, we reviewed the draw requests and approvals associated with each of the selected contracts. We found the contracts to be complete and accurate, the draw requests showed proper approval process, and no exceptions were noted in our samples.

Furthermore, we reviewed the list of all of the TDHCA employees with internal access to HCS to verify their job function and the need for access to HCS. We verified that all of the current accesses are to valid employees of TDHCA, and five of the Texas General Land Office (GLO) employees, with job function related HCS. No unauthorized accesses were identified during our review.

G. Program Achievements

In fiscal year 2020, six Sub-recipients received Ending Homelessness funds to provide services to individuals and families facing homelessness. The six cities were able to provide assistance and services to a total of 487 individual, for a total of 437 households.

The following chart reflects the data reported by the eleven sub-recipients of HHSP for FY 2019 through beginning August of 2021. The FY 2021 HHSP contracts are still active, and therefore the data reported does not reflect the entire year.

As shown in this chart, the program has been growing each year and providing assistance to more individuals and households in most of the cities, such as Austin and San Antonio, that participate in the program.

Sub-recipient	Persons Served		Households Served	
	2019 & 2020	2021 (as of Aug 2021)	2019 & 2020	2021 (as of Aug 2021)
City of Arlington	238	34	92	19
City of Austin	362	214	256	149
City of Dallas	1063	206	1063	206
City of El Paso	925	319	368	143
City of Fort Worth	114	85	84	67
City of Houston	3937	0	3050	0
City of Plano	76	25	45	11
City San Antonio	189	220	188	220
Haven for Hope of Bexar County (City of San Antonio)	6443	1040	3156	660
Mother Teresa Shelter (City of Corpus Christi)	1091	0	909	0
United Way of Tarrant County (City of Fort Worth)	111	0	85	0
Total	14549	2143	9296	1475

OIA extends our appreciation to management and staff of the Single Family and Homeless program for their time and cooperation during the course of this audit.

Sincerely,

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

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