



2018-11

Department of Social Services - Special Funds

Healthy Start Initiative & Shelter Plus Care Grants

City of Richmond, VA
City Auditor's Office
May 11, 2018



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Highlights

Audit Report to the Audit Committee,
City Council, and Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY18 audit plan approved by the Audit Committee.

This audit focused on the Healthy Start Initiative and the Shelter Plus Care grants. The objective of this audit was to verify that special fund grants were adequately managed and adhered to the grants' conditions.

What We Recommend

The Director of Social Services needs to ensure the DSS Grants Manager and the Healthy Start Budget Analyst work together on reimbursement requests to ensure reimbursement requests are accurate.



Department of Social Services – Special Funds *Healthy Start Initiative and Shelter Plus Care Grants*

Background

Healthy Start Initiative Grant - Healthy Start is a national program that started in 1991. Since its inception, it has grown to 100 projects in 37 states and Washington D.C. The grant's purpose is to reduce the infant mortality rate and decrease the racial and ethnic disparity in infant deaths by working with women who are pregnant or have a child under the age of two. The City's goal for the Program is to improve the health and welfare of women and infants through intensive case management for families who are at risk of poor outcome. The City received \$680,250 for the grant year audited. In addition to the funding received, the City also provided \$154,000 from the general fund. Through three sub-recipients, the grant helped serve 345 families during the audit scope.

Shelter Plus Care Grants (Shelter Plus) - Shelter Plus is a U.S. Housing and Urban Development (HUD) funded rental assistance Program specifically for persons who are homeless and have a disability, such as a serious mental illness, substance abuse, and/or AIDS. Participants remain in the Program for as long as they need assistance and they adhere to the Program guidelines. During the audit scope, the City received funding of \$1,032,165. The grant provided rent subsidies to 109 participants during the audit scope.

Commendations - *Healthy Start and Shelter Plus*

Eligibility - 100% of the participants tested for both grants met the eligibility requirements.

Allowable Expenditures - 100% of expenditures tested for both grants were allowed and properly supported.

Reporting – DSS submitted all required financial and participants' data reports to the grantor for both grants.

Recertification/Home Inspection - 100% of the Shelter plus participants tested had the required Home Inspections performed and 97% had all required recertification documentation files.

Local Match – The Shelter Plus grant has a 25% local match requirement. The grant allows for the match to be monetary or in kind. Testing revealed the City met the 25% match.

Healthy Start

DSS Finance submitted one quarterly reimbursement request to the grantor based on available funding divided by four quarters instead of actual expenditures. As of December 31, 2017, the excess funding totaled \$47,000.

Management concurred with 1 of 1 recommendation. We appreciate the cooperation received from management and staff while conducting this audit.

BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Those Standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives. The auditors believe that the evidence obtained provides a reasonable basis for their findings and conclusions based on the audit objectives.

BACKGROUND

This audit focused on Special Revenue Fund Grants within the City's Department of Social Services (DSS). The two grants audited were as follows:

Healthy Start Initiative Grant

Healthy Start is a national program that started in 1991. Since its inception, it has grown to 100 projects in 37 states and Washington D.C. The grant's purpose is to reduce the infant mortality rate and decrease the racial and ethnic disparity in infant deaths by working with women who are pregnant or have a child under the age of two.

The grant's goals are to:

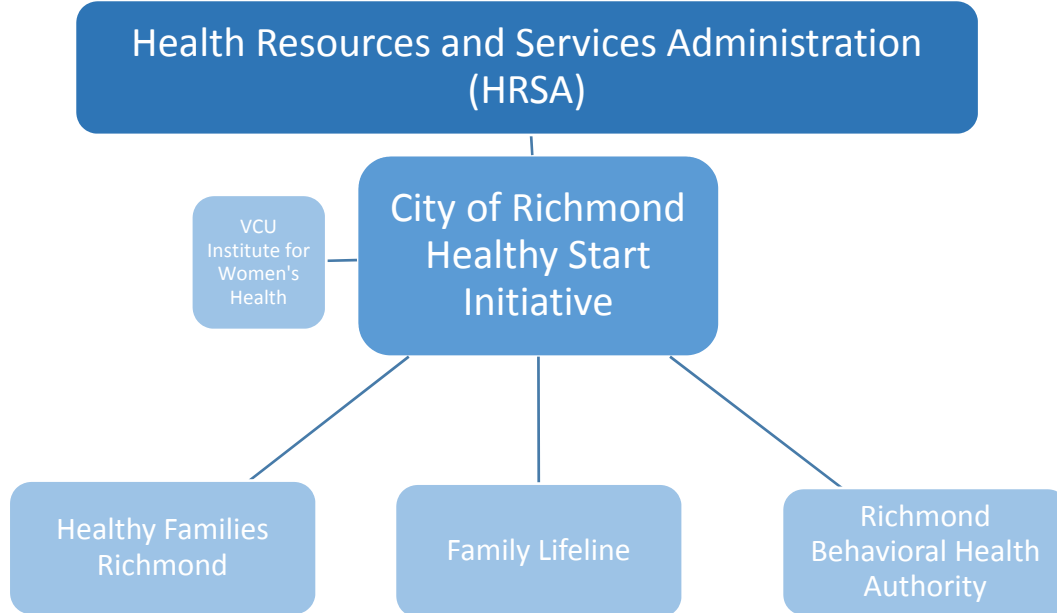
- Reduce differences in access to, and use of health services,
- Improve the quality of the local health care system,
- Empower women and their families, and
- Increase consumer and community participation in health care decisions.

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The City receives funding annually in five-year increments and it must be renewed every five years. The City received \$680,250 during the audit scope. In addition to the grant funding, the City also budgeted \$154,000 from the general fund. This grant does not have a local match requirement.

The City receives grant funding for an Office Manager, a Consortium Coordinator and a Program Coordinator. Additionally, grant funds are distributed to the three sub-recipients who handle the cases and a sub-recipient who handles data collection and reporting. The City's Healthy Start employees work in collaboration with the Healthy Start community to keep sub-recipients up to date on the program's activities. They also provide training and mentoring for the Program's activities.

The chart below depicts how the grant money flows:



Source: Auditor Prepared

Below are some of the tasks performed by the sub-recipients (excluding VCU):

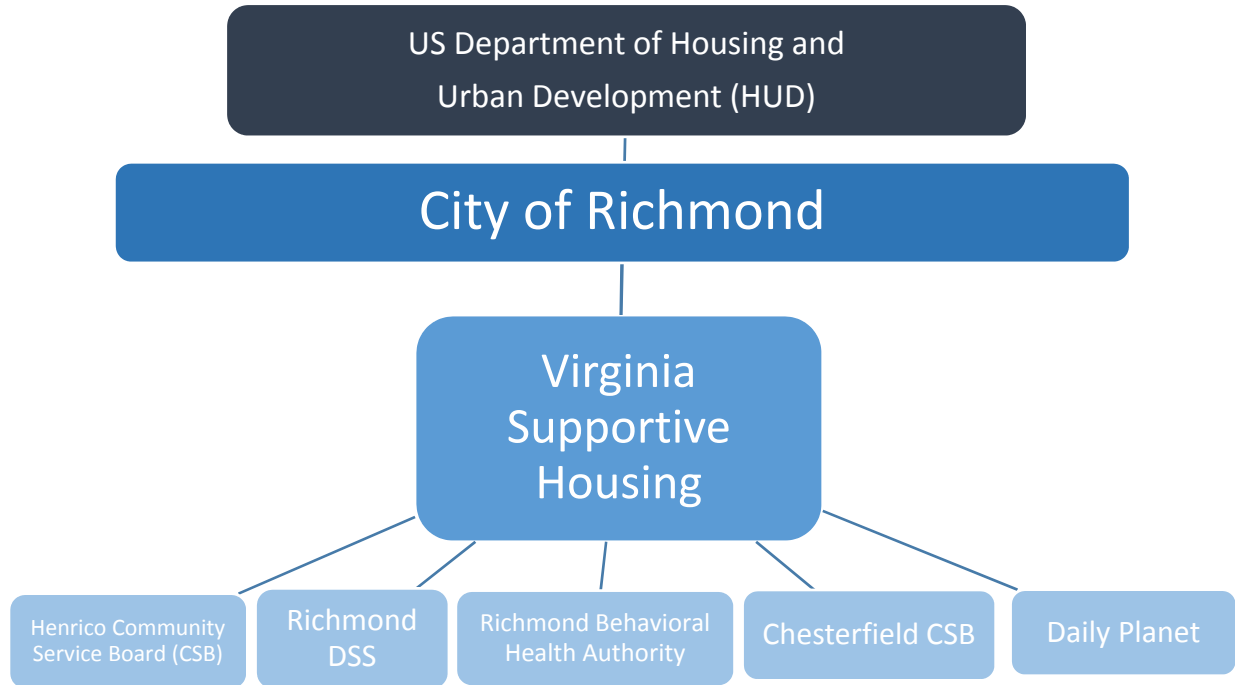
- Conduct home visits to provide
 - Education and mentoring,
 - Links to community resources,
 - Good parenting modeling, and
 - Effective problem solving.
- Provide mental health assessments and counseling for participants ranging from:
 - Child health screening,
 - Domestic violence, and
 - Depression (post-partum).

VCU Institute for Women's Health is responsible for data collection and reporting. They create annual reports on the Program participants.

Shelter Plus Care Grants

Shelter Plus is a U.S. Housing and Urban Development (HUD) funded rental assistance Program specifically designed for persons who are homeless and have a disability, such as a serious mental illness, substance abuse, and/or AIDS. Funding is used for rental subsidies for the Program participants. Participants remain in the Program for as long as they need assistance and adhere to the Program guidelines.

The chart below depicts how funding is distributed:



Auditor Prepared

The Shelter Plus grants (*three grants*) are automatically renewed on an annual basis. Funding is based on the number of participants in the Program during the previous year and is provided on an annual basis. The City receives funding for these grants from HUD, which is passed on to Virginia Supportive Housing (VSH). VSH is responsible for ensuring compliance with the grants' requirements. VSH is also responsible for reviewing, approving, and assigning participants to one of the five approved agencies shown above.

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The table below depicts the funding received and the number of Program participants allowed during the audit scope:

<i>Grant Number</i>	<i>Funding Received</i>	<i>Number of Participants</i>
<i>One</i>	\$859,878	97
<i>Four</i>	\$68,893	9
<i>Five</i>	\$103,394 ¹	9

DSS assigns two of their staff members to the Shelter Plus Program. These staff members have a case load of approximately 34 participants. The other participants are assigned to other agencies through VSH.

As the recipient of the grants, the City collects required data and monitors the grant activities to ensure compliance with the grants. A DSS Operations Manager is responsible for reviewing and submitting the annual report to HUD.²

OBJECTIVES

The objective of this audit was to verify that special fund grants were adequately managed and adhered to the grants' conditions

¹ If funds are left over after the units have all been paid, additional units can be added not to exceed the grant dollar value.

² Starting September 1, 2018 (target date), the City will no longer be responsible for the Shelter Plus grants as the regulation requiring government entities was lifted.

SCOPE

All income, expenses, reports, and actions related to the Healthy Start Initiative and the Shelter Plus Care Grants. As each grant has a separate grant period, the scope varied between the two as follows:

Healthy Start Initiative – 12 Months ended March 31, 2017

Shelter Plus Care – 12 Months ended August 31, 2017

METHODOLOGY

Auditors performed the following procedures to complete this audit:

- Interviewed management and staff;
- Reviewed and evaluated relevant policies and procedures and tested for compliance;
- Reviewed hard copy files; and
- Performed other tests, as deemed necessary.

MANAGEMENT RESPONSIBILITY

City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for

measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the auditors concluded that internal controls for the Shelter Plus Care and the Healthy Start Initiative Grants were in existence and functioning to ensure compliance with the grants' terms and conditions. However, the internal controls within DSS Finance need improvement. Improvement is needed in the fund reimbursement request, which is discussed below in this report.

FINDINGS and RECOMMENDATIONS

Healthy Start Grant

What Works Well

Eligibility

In order to qualify for the Healthy Start Program, participants must have a child under the age of two or be pregnant. The sub-recipient agencies perform intake assessments to determine if the candidates qualify for the Program. The auditors tested a sample of 35 participants (10%) from the three approved sub-recipients and found that all 35 met the criteria to participate in the Program.

Allowable Expenditures

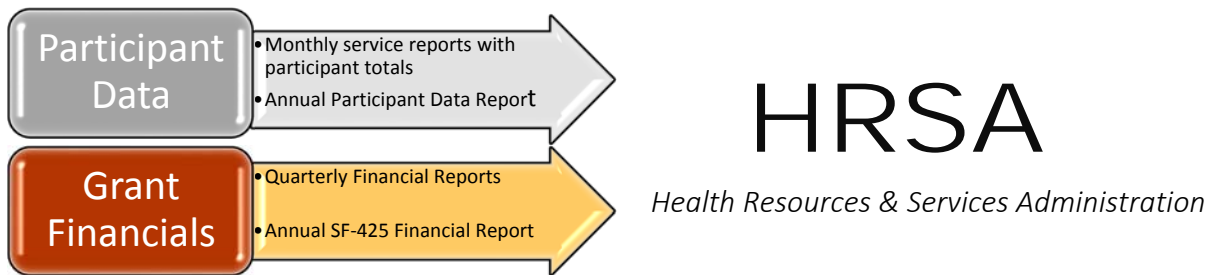
The Healthy Start Grant does not allow the grant funds to be spent on entertainment or fundraising related costs. The auditors tested grant expenditures to verify whether these were

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allowed and whether they were properly approved. The auditors tested 25 invoices (21%) and found that all 25 were expenditures that were allowed and properly approved.

Reporting

The Healthy Start Grant requires monthly, quarterly and annual participant and financial data reports to be submitted to HRSA as depicted below:



Auditor Prepared.

The City is required to report data on the participants in order to assist in studying the improvements the Grant is making in the health of pregnant women and their children in communities. The DSS Healthy Start Program Coordinator is responsible for submitting monthly participant reports for each sub-recipient. Also, Virginia Commonwealth University compiles the annual participant data, such as the number of pregnant women, racial background, etc., and creates an annual report. This report is submitted to the Program Coordinator who then submits it to HRSA. These reports are submitted through the Grantor's online system.

According to the Grant agreement, the City was required to submit monthly reports and an annual report to the grantor detailing information regarding the participants. The auditors verified the annual report was submitted to the grantor, however, we were not able to verify the monthly reports as the grantor's system was replaced and the information was no longer available.

Improvement Needed

Reimbursement requests

As the recipient of the Grant, the City must submit quarterly reports noting the expenditures to be reimbursed. The Grant also required an annual expenditures report. These reports are prepared by DSS Finance and sent to the grantor. The auditors noted DSS Finance submitted the quarterly reports requesting reimbursement as well as the annual report. The auditors noted one of the quarterly requests was based on the total funding for the year (*funding total divided by 4*). However, according to the grant, reimbursement requests should be based on actual expenditures. Additionally, over the life of the grant, the City had been reimbursed more than it had spent resulting to an excess \$47,000 as of December 31, 2017. The excess funding was due to lack of coordination between the grant team and the DSS Finance Department. In order to remove the surplus and align the reimbursements with actual expenditures, DSS Finance submitted subsequent quarterly submissions claiming no expenditures.

Recommendation

- 1. The Director of Social Services needs to ensure the DSS Grants Manager and the Healthy Start Budget Analyst work together on reimbursement requests to make sure accurate amounts are requested.***

Shelter Plus Care Grants

What Works Well

Eligibility

In order to qualify for the Shelter Plus Care grants, the participant must be homeless, have a low income, and have a disability. In order to start receiving funds, they must go through a certification process. The process includes:

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- Application
- Participant agreement
- Release of information form
- Homeless documentation or documentation of disability
- Lease agreement
- Income verification
- Supportive services agreement

The auditors tested 34 (31%) participants to ensure the agencies complied with the certification process. Of the 34 tested, 33 files had all the required documentation. One file was missing the application, however, it was noted the participant was transferred from another locality and had been in the Program for many years. Available documentation demonstrated the participant qualified for the Program.

Recertification

The Shelter Plus Program participants must be recertified annually. The recertification process includes updating their information and conducting a home inspection. Participants that no longer meet the criteria are removed from the Program. The auditors tested 34 participants and noted 33 were properly recertified. For the remaining participant, the auditors noted they had been removed from the Program for not following the requirements.

Home Inspection

The Shelter Plus Program requires a certification that the home has been inspected and is safe to occupy. VSH staff performs the inspections and submits a report that the home has been inspected and whether it passed inspection. The home must pass inspection before the Program participant receives funding. Although not required, the VSH Inspector completed training for conducting in-home inspections. All 34 of the participants had their home inspections completed.

Allowable Expenditures

The Shelter Plus grants are reimbursement based. The sub-recipients submit monthly invoices to the City and once funding is received from the City, they pay vendors for the goods and services provided. The auditors selected one of the monthly invoices (out of 12) from the largest grant to validate whether the reimbursement request was properly supported. The auditors found that the funding requested for all participants was accurate and properly supported.

Local Match Requirement

The Shelter Plus grant has a 25% local match requirement. The grant allows for the match to be monetary or in kind (goods and services). In order to satisfy the local match, each sub-recipient and the City provided case workers' salaries as the local match. The auditors tested five invoices and found that the match was accurately calculated and met the 25% requirement. Additionally, the City had two case workers who were dedicated to the Program. The auditors verified that their salaries were paid by the City and that grant funding was not used for their salaries.

Reporting

The grant required DSS to submit an annual data report to HUD via the SAGE system (HUD's reporting repository system). The report includes housing, health insurance, number of children, number of veterans, gender and other information pertaining to each participant. The auditors found DSS complied with the required annual reporting.

Case Worker Responsibilities

Shelter Plus Program participants are assigned to a case worker in one of the five approved agencies. The case workers must meet with new participants every week during their first month in the Program. After the first month, the case worker must have monthly face to face meetings

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with each participant and conduct quarterly home visits. The case workers log their time and maintain monthly logs noting their visits.

Due to client confidentiality, the auditors could not access the case workers' files. However, the auditors obtained copies of the letters sent by VSH to the sub-recipients during the audit scope. The letters noted that each sub-recipient was in compliance based on their testing. VSH conducts these yearly on-site visits in order to review their processes. Also, VSH tests a few files to verify compliance with policies of:

- The grant,
- The City of Richmond, and
- Virginia Supportive Housing.

MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	<p><i>The Director of Social Services needs to ensure the DSS Grants Manager and the Healthy Start Budget Analyst work together on reimbursement requests to make sure accurate amounts are requested.</i></p>	Y	<p>FY17, 4th quarter, a reconciliation and validation process was implemented between the Healthy Start Budget Analyst and DSS Grants Manager to review and validate expenses reported to the Grantor. Outlined below are summary steps taken each quarter.</p>
	<p align="center">TITLE OF RESPONSIBLE PERSON</p>		<p align="center">TARGET DATE</p>
	<p align="center">Deputy Director of Finance & Administration</p>		<p align="center">FY2017-4th QTR</p>
	<p align="center">IF IN PROGRESS, EXPLAIN ANY DELAYS</p>		<p align="center">IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</p>
			<p>1. On a quarterly basis, the DSS Grants Manager extracts the Funds Available Inquiry Report (Project To Date) for the Healthy Start grant. 2. Subsequently, the DSS Grants Manager schedules a meeting with the Healthy Start Budget Analyst to review and validate expenses reported in the Funds Available Inquiry report for the current quarter. 3. The DSS Grants Manager compares the previous quarter's expenses to the current quarter's expenses to determine the amount to be drawn down for the current quarter. Note: If a discrepancy is found, it gets remediated before initiating the drawdown. 4. Copies of all reports, Funds Available Inquiry reports and spreadsheets are filed on the DSS G: drive.</p>