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January 8, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
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Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES – HOUSING PROGRAMS REVIEW**

We completed a review of the Department of Public Social Services' (DPSS or Department) housing programs. DPSS administers multiple housing programs that provide homeless families and families at risk of homelessness with financial assistance to acquire or preserve suitable housing. Each of the housing programs we reviewed is for families who are either apparently eligible (as defined in State regulations) or currently approved for the California Work Opportunity and Responsibility to Kids program. Our review focused on determining whether DPSS housing program operations (e.g., eligibility requirements, benefit amount, etc.) were reasonable and effective, verifying that the housing program benefit process complied with policies and procedures, and evaluating internal controls. Our review included interviewing DPSS managers and staff, examining housing program benefit payments and recipient case files, and identifying best practices used by other counties.

Summary of Findings

We noted that DPSS' housing program eligibility requirements, allowable expenses, and benefit amounts appeared reasonable, similar to practices used by other counties, and consistent with the overall program objectives. However, DPSS could not provide any of the required housing program documentation for over half of the housing program payments we selected for our review. The lack of housing program documentation resulted in our inability to verify if recipients were eligible for housing program benefits, received correct benefit amounts, and used funds appropriately. For payments we

could review (i.e., documents available), we noted that some payments were issued to recipients who were not eligible for benefits, incorrect benefit amounts were paid to recipients, and expense records for recipient use of benefits were missing. DPSS' response indicates that they have taken corrective actions to address these issues.

Detailed findings and recommendations of our review are included in Attachment I.

Review of Report

We discussed our report with Department management. DPSS' attached response (Attachment II) indicates general agreement with our findings and recommendations, as well as actions they have taken or plan to take to address our recommendations.

We thank DPSS management and staff for their cooperation and assistance during our review. If you have any questions, please contact me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:ZP

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Audit Committee
Public Information Office

DEPARTMENT OF PUBLIC SOCIAL SERVICES
HOUSING PROGRAMS REVIEW

Background

The Department of Public Social Services (DPSS or Department) administers multiple housing programs that provide homeless families and families at risk of homelessness with financial assistance to acquire or preserve suitable housing. Eligible families may receive payments for temporary and permanent housing, eviction assistance, relocation assistance, and short-term rental subsidies. DPSS issued approximately $16.7 million in housing program payments in Fiscal Year 2013-14. The following is a brief summary of the housing programs we reviewed:

- **Homeless Assistance Program:** Provides homeless families with payments for temporary shelter (e.g., hotels, etc.) and costs involved in acquiring permanent housing (e.g., rental security deposits, etc.). The program also provides families at risk of homelessness (i.e., approaching eviction due to financial hardship) with payments for two months of past due rent.

- **Moving Assistance Program:** Provides homeless families and families at risk of homelessness with payments for the costs involved in acquiring, and moving into, permanent housing (e.g., stove, refrigerator, etc.).

- **4-Month Rental Assistance Program:** Provides families at risk of homelessness with payments to subsidize four consecutive months of rent.

- **Emergency Assistance to Prevent Eviction Program:** Provides families at risk of homelessness with payments for two months of past due rent or utilities.

- **Housing Relocation Program:** Provides families who need to relocate closer to employment, childcare, and transportation with payments for moving costs (e.g., truck rental, etc.).

Each of the housing programs we reviewed is for families who are either apparently eligible (as defined in State regulations) or currently approved for the California Work Opportunity and Responsibility to Kids (CalWORKs) program. DPSS raises housing program awareness by displaying program information (e.g., benefits, etc.) throughout their facilities, on their website, and within local community centers. In addition, Department staff will discuss the programs with clients who they believe may qualify. While each program has different eligibility requirements, recipient families generally must have low income and demonstrate that they are homeless or at risk of homelessness (e.g., confronting eviction, etc.). DPSS staff will review the information provided on program applications and other required documents (e.g., leases, etc.) to determine if potential recipient families meet the eligibility requirements. The housing programs are funded by a combination of federal, State, and County funds.

Scope

Our review focused on determining whether DPSS housing program operations (e.g., eligibility requirements, benefit amounts, etc.) were reasonable and effective, verifying that the housing program benefit process complied with policies and procedures, and evaluating internal controls. Our review included interviewing DPSS management and staff, examining housing program benefit payments issued from February 2011 through July 2014 and recipient case files, and identifying best practices used by four other counties (i.e., Orange, San Bernardino, Ventura, and San Francisco).

Housing Program Reasonableness and Effectiveness

While DPSS housing programs have different operations, processes, and requirements, they all share the same general objective of assisting homeless families and families at risk of homelessness to transition from their current housing crisis to suitable housing. We evaluated the eligibility requirements, allowable expenses, and benefit amounts for each housing program, and noted that they appeared reasonable, similar to practices used by other counties, and consistent with overall program objectives. For example, eligibility requirements appropriately targeted families in need, and payment amounts were equivalent to anticipated recipient expenses (e.g., rental costs, etc.).

We also contacted 30 housing program recipients to determine whether programs were effective in meeting their primary objective (i.e., helping families obtain suitable housing). We noted that 25 (83%) of the recipients we contacted were not homeless, and 24 (80%) recipients indicated that their housing situation was stable. It appears as though the housing programs were effective for most of the recipients we contacted.

It should be noted that homelessness is a significant issue throughout the County. DPSS' housing programs are part of a network of County homeless program variants designed to address various risk factors for homelessness and/or the consequences once an individual or family becomes homeless. The intent of DPSS' housing programs is to foster housing stability and homelessness prevention.

The DPSS housing programs we reviewed provide a short-term safety net for aided CalWORKs families experiencing, or at risk of, homelessness. They are not designed to help homeless individuals or the chronically homeless, which make up the majority of the homeless population and generally require higher levels of service (e.g., mental health and substance abuse treatment, etc.). As a result, DPSS' housing programs should not be perceived as a solution for all forms of homelessness.

Housing Program Benefit Processing

DPSS staff are required to review housing program eligibility documentation (e.g., applications, leases, employment information, etc.) to verify that recipients are eligible for programs, and to establish benefit payment amounts. After the benefits are paid, staff are supposed to review recipient expense records (e.g., receipts, etc.) to ensure

benefits were used appropriately. Payments are generally recovered if expense records are not provided and it is subsequently determined that recipients are not eligible for the program. In addition, all supporting documentation involved in processing housing program benefits must be maintained in recipient case files and/or the DPSS Electronic Document Management System.

We randomly selected 45 housing program benefit payments to verify that DPSS staff processed benefits in compliance with Department policies and procedures. We noted that DPSS could not provide any of the required housing program documentation for 24 (53%) of the payments we selected, totaling $31,500. As a result, we could not determine if these recipients were eligible for housing program benefits, received correct benefit payment amounts, or used benefits appropriately. In addition, the missing documentation could potentially result in grantor audit findings and the release/disclosure of recipient personal information (e.g., address, income, etc.).

We reviewed the available documentation for the remaining 21 housing program benefit payments, totaling $31,200, and noted the following:

- **Program Eligibility:** Recipients were not eligible for housing program benefits for one (5%) benefit payment, totaling $2,300, because benefits would not have prevented eviction. We also could not determine if the recipients were eligible for housing program benefits for five (24%) payments, totaling $11,000, because DPSS could not provide required eligibility documents or staff did not fill out the documents completely.

- **Benefit Amounts:** DPSS did not pay recipients correct benefit amounts for three (14%) payments, totaling $4,700. Two of the recipients were overpaid by a total of $550 and one recipient was underpaid by $50.

- **Expense Records:** DPSS could not provide recipient expense records for 15 (71%) payments, totaling $26,600. As a result, we could not determine if the recipients used housing program benefits appropriately.

We also completed a cursory data analysis of DPSS' housing program benefit payments and noted 125 overpayments, totaling $36,200. Some of the overpayments were due to staff issuing payments that exceeded maximum benefit amounts or not noticing that the recipients already received some benefits in the past. We also identified 146 payments, totaling $84,249, that were mistakenly posted to incorrect housing programs, which can result in recipients being ineligible for future benefits. DPSS should consider developing within the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) replacement system controls (e.g., maximum payment amounts, incorrect postings, etc.) to prevent similar issues, and data analytics to monitor for potential over payments and payments posted to incorrect housing programs.

Recommendations

Department of Public Social Services management:

1. **Reinstruct staff to maintain housing program supporting documents, and regularly monitor for compliance.**

2. **Reinstruct staff regarding housing program benefit eligibility, payment amount, and expense substantiation requirements, and regularly monitor for compliance.**

3. **Consider developing within the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting replacement system controls (e.g., maximum payment amounts, incorrect postings, etc.) to prevent inappropriate housing program benefit payments, and data analytics to monitor for potential overpayments and payments posted to incorrect housing programs.**

Housing Program Policies and Procedures

DPSS management has established policies and procedures that address each housing program. However, we noted that some housing program processing requirements were not included in the policies and procedures. For example, the policies and procedures do not indicate that Eligibility Supervisors are required to review the physical applications and supporting documents for the Homeless Assistance Program prior to approving benefit payments. We also noted that DPSS issues separate addendums that identify revisions to policies and procedures, but does not update original policies and procedures to reflect revisions. Use of addendums is a prudent method of quickly disseminating revisions to policies and procedures. However, DPSS should consolidate all housing program policies and procedures into a single source document, for each housing program, that includes addendums and revisions to ensure that staff have a single reference source of program requirements. We noted that staff provided inconsistent descriptions of requirements at times during our review.

Recommendations

Department of Public Social Services management:

4. **Revise housing program policies and procedures to include all of the processing requirements.**

5. **Consolidate all housing program policies and procedures into a single source document, for each housing program, that includes addendums and revisions to ensure that staff have a single reference source of program requirements.**

Housing Program Internal Controls

Public assistance programs have inherent risks of fraud and abuse, which can undermine the integrity and effectiveness of programs. Examples include unauthorized payments, illegitimate eligibility, and inappropriate benefits usage. We identified the various risks associated with DPSS housing programs, reviewed preventive and detective internal controls, and evaluated whether the controls were operating effectively. We noted that DPSS has generally implemented a framework of internal controls intended to mitigate the inherent housing program risks. However, we identified the following opportunities for DPSS to strengthen its compliance with and oversight of its controls framework.

Management Review and Approval

DPSS requires Eligibility Supervisors and/or Deputy District Directors to review and sign housing program supporting documentation before issuing benefit payments. Both of these managers must also provide approvals in LEADER to issue the payments, which is consistent with the County Fiscal Manual guidelines requiring two payment approvals. However, DPSS indicated that Deputy District Directors may solely provide approval in limited circumstances (e.g., eligibility supervisors not available, delays caused by a high volume of recipients, etc.) to assist recipients as quickly as possible.

We reviewed ten housing program benefit payments, totaling $8,500, to determine if the Eligibility Supervisors and Deputy District Directors performed the required review prior to providing benefit payment approvals. DPSS could not provide required supporting documentation for all ten payments, so we could not make a determination. However, given the significant benefit processing issues we noted earlier, it is questionable if they are conducting a thorough and appropriate review of the documents. We also noted that the Deputy District Directors are not providing sole approvals in limited circumstances. Nine (90%) of the payments we reviewed only had their one approval.

Recommendations

Department of Public Social Services management:

6. **Ensure Eligibility Supervisors and Deputy District Directors review and sign housing program supporting documentation before approving benefit payments.**

7. **Monitor housing program benefit payments to ensure both Eligibility Supervisors and Deputy District Directors provide benefit payment approvals.**

Eligibility Verification and Payment Methods

Housing program recipients must provide lease agreements or affidavits of lease terms to determine program eligibility. DPSS staff compare lease information to property data they receive from DPSS' Property Services Unit (e.g., property type, owner, etc.) before issuing benefit payments. If the lease information appears questionable or inconsistent with available property data, staff will contact landlords to verify the information. Benefit payments are generally issued directly to recipients. However, in some situations (e.g., recipient previously misused housing program funds, etc.) DPSS will issue a two-party check, which requires endorsements from both recipients and landlords before it can be deposited.

We noted that some other counties with similar housing programs contact landlords to verify lease information for all recipients and issue all payments directly to the landlords. This practice helps ensure that housing program benefits are based on actual need and used for intended purposes. DPSS should consider implementing similar practices.

Recommendations

Department of Public Social Services management consider:

8. **Requiring staff to contact landlords and verify lease information before issuing housing program benefit payments.**

9. **Issuing housing program benefit payments directly to landlords.**

Conflicts of Interest

DPSS requires staff to immediately notify management of potential conflicts of interest (e.g., social relationship with recipient, etc.) in writing. Management will then ensure staff are not involved in the housing program benefit process by transferring recipients to other district offices or assigning them to other staff. We reviewed benefit payments totaling $6,300 made to recipients who shared the same address as seven DPSS staff. Five (71%) of the DPSS staff did not notify management of the potential conflict of interest in writing. Two of the staff were also assigned to the same district office as the recipients. While the recipients may have had a legitimate need for housing assistance, there is a risk that DPSS staff could use their knowledge of program requirements to bypass controls and secure program benefits for related parties who do not qualify. We could not determine if this risk materialized due to the insufficient documentation discussed earlier. DPSS management should reinstruct staff to notify management of potential conflicts of interest in writing.

Recommendation

10. **Department of Public Social Services management reinstruct staff to notify management of potential conflicts of interest in writing.**

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November 23, 2015

TO: John Naimo
Auditor-Controller

Sheryl L. Spiller

FROM: Sheryl L. Spiller, Director

SUBJECT: DEPARTMENT OF PUBLIC SOCIAL SERVICES RESPONSE TO THE AUDITOR-CONTROLLER'S HOUSING PROGRAMS REVIEW DRAFT REPORT

Attached is the Los Angeles County Department of Public Social Services' (DPSS) response to the Auditor-Controller's draft report on the DPSS Housing Programs Review.

As described in the attachment, DPSS is working on completing corrective actions for nine of the ten recommendations. The Department agreed to consider Recommendation 9, but determined the recommendation was not feasible.

Please let me know if you have any questions, or your staff may contact Francisco Sanchez, Division Chief, Research, Evaluation and Quality Assurance Division at (562) 908-5879 or via e-mail at FranciscoSanchez@dpss.lacounty.gov.

SLS:jr

Attachment

ATTACHMENT

DEPARTMENT OF PUBLIC SOCIAL SERVICES (DPSS)
HOUSING PROGRAMS REVIEW

Housing Program Benefit Processing

Recommendation 1: Reinstruct staff to maintain housing program supporting documents, and regularly monitor for compliance.

DPSS Response to Recommendation 1: Agree and corrective action plan is in progress.

The Department released Line Operation Division (LOD) Memo 15-09 – Electronic Document Management System (EDMS) Scanning Requirements for Homeless Case Managers (HCM) on April 23, 2015. It provided clarification to the HCMs of their responsibility to ensure all homeless documents and forms requiring retention in the CalWORKs case are submitted to the Case Carrying Eligibility Worker (CCEW) for imaging into EDMS. Additionally, LOD provided a detailed overview of the memo to Housing Program staff at the DPSS Joint Housing Meeting held on May 12, 2015.

The Department provided refresher CalWORKs Housing Programs and Services Training to a total of 534 staff including all 24 CalWORKs District Offices during the period of November 2014 through September 2015. The training reinforced policy on Housing Program applications and supporting documents and the need to ensure that all applications, forms, and supporting documentation are thoroughly completed, reviewed, and maintained. All refresher training was completed by September 21, 2015.

Lastly, the Department will revise the Master Case Review Checklist currently used by Quality Control Monitors (QCMs) to include a Quality Assurance Section on Homeless Program benefit eligibility, payment accuracy and document retention. Once completed, the District Office QCMs will regularly monitor for compliance through random reviews of Housing cases. In addition, as appropriate, the Eligibility Supervisor and/or Manager will review a sampling of the QCMs reviews. The revision of the Master Case Review Checklist is currently in progress and will be completed by December 30, 2015.

Recommendation 2: Reinstruct staff regarding housing program benefit eligibility, payment amount, and expense substantiation requirements, and regularly monitor for compliance.

DPSS Response to Recommendation 2: Agree and corrective action plan is in progress.

The Department provided refresher CalWORKs Housing Programs and Services Training to staff in all 24 CalWORKs District Offices, during the period of November 2014 through September 2015.

The training reinforced policy on Housing Program applications and the following:

- Determining the correct payment amounts for the programs, based on program limits;
- Importance of reviewing system payment history to prevent erroneous issuances;
- Training on the various payment type selections on the system to ensure the correct payment types are identified and chosen when a Housing payment is to be issued;
- Processes for seeking out required documentation from the participant to substantiate the funds were spent for the costs the payment is intended for; and,
- Establishment of overpayments, as appropriate, for the program.

All refresher training was completed by September 21, 2015.

The Department will also reinforce policies regarding Housing Program benefit eligibility, payment amount, expense substantiation requirements, and new validation requirements as recommended in Recommendation 8. The consolidated/updated/re-released policies are targeted for January 31, 2016. Additionally, the Department will revise the Master Case Review Checklist currently used by QCMs to include a Quality Assurance Section on Homeless Program benefit eligibility, payment accuracy and document retention. Once completed, the District Office QCMs will regularly monitor for compliance through random reviews of Housing cases. In addition, as appropriate, the Eligibility Supervisor and/or Manager will review a sampling of the QCMs reviews. The revision of the Master Case Review Checklist is currently in progress and will be completed by December 30, 2015.

Recommendation 3: Consider developing within the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting Replacement System (LRS) controls (e.g. maximum payment amounts, incorrect postings, etc.) to prevent inappropriate housing program benefit payments, and data analytics to monitor for potential overpayments and payments posted to incorrect housing programs.

DPSS Response to Recommendation 3: Agree and corrective action plan is in progress.

Maximum payment amounts for each Housing Program are programmed into the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting Replacement System (LRS). LRS tracks previous Housing Program issuances, and will therefore not allow duplicate or over-issuances to occur on a case.

The CalWORKs Program Section will enhance its current review of the monthly Housing Program report by selecting a sample of transactions for review to ensure staff is processing housing payments correctly, including posting payments under the correct program and payment type. Negative findings will be shared with District Directors for correction and all necessary follow-up.

Additionally, the CalWORKs Program Section will develop systems controls within LRS to monitor payments posted to incorrect Housing Programs.

Housing Program Policies and Procedures

Recommendation 4: Revise housing program policies and procedures to include all of the processing requirements.

DPSS Response to Recommendation 4: Agree and corrective action plan is in progress.

As noted in response to Recommendation 1, DPSS is revising and consolidating its policies to include all processing requirements and to have these policies and procedures in one single source document for each housing program. The consolidation will include incorporating all addendums. The policy will be available in our DPSS portal where our current policy resides. Our target for the release is January 31, 2016.

Recommendation 5: Consolidate all housing program policies and procedures into a single source document, for each housing program, that includes addendums and revisions to ensure that staff have a single reference source of program requirements.

DPSS Response to Recommendation 5: Agree and corrective action plan is in progress.

See response to Recommendation 4 above.

Housing Program Internal Controls

Recommendation 6: Ensure Eligibility Supervisors (ES) and Deputy District Directors (DDD) review and sign housing program supporting documentation before approving benefit payments.

DPSS Response to Recommendation 6: Agree and corrective action plan is in progress.

The Department provided refresher CalWORKs Housing Programs and Services Training to the ESs and the DDDs that oversee the CalWORKs Program in all 24 CalWORKs Districts during the period of November 2014 through April 2015.

Additionally, the Department is in the process of re-enforcing Housing Programs' policies and procedures to ensure clarity on the requirement for both the ESs and DDDs to review and validate Housing Program supporting documentation before approving benefit payments. The process to reinforce Housing Programs' policies and procedures is in progress and expected to be completed by January 31, 2016.

Recommendation 7: Monitor housing program benefit payments to ensure both eligibility supervisors and Deputy District Directors provide benefit payment approvals.

DPSS Response to Recommendation 7: Agree and corrective action plan is completed.

Effective November 2015, the Department began conducting monthly monitoring reviews of the Housing Program benefit payments to ensure that both ESs and the DDDs provide benefit payment approvals.

Eligibility Verification and Payment Methods

Department of Public Social Services management consider:

Recommendation 8: Requiring staff to contact landlords and verify lease information before issuing housing program benefit payments.

DPSS Response to Recommendation 8: Agree and corrective action plan is in progress.

The Department has considered the A-C's recommendation to require staff to contact landlords and verify lease information before issuing Housing Program benefit payments, and will implement the following policy changes:

- Workers will be required to call landlords to verify lease information for the Permanent Homeless Assistance, Moving Assistance, EAPE and Housing Relocation programs. If they are unable to speak to the landlord before issuance, workers will need to document in the case and follow-up after issuance.

- Because of the emergent nature of Temporary Homeless Assistance (THA) and the use of temporary lodging (e.g., motels), the landlord validation will not be required on THA.

- Policy instructions will be released by January 31, 2016, and the target date for implementation of the change is February 26, 2016.

Recommendation 9: Issuing housing program benefit payments directly to landlords.

DPSS Response to Recommendation 9: The recommendation was considered.

The Department considered the A-C's recommendation to require staff to issue the Housing Program benefit payments directly to the landlords. Given the implementation of Recommendation 8 and existing policies, the Department feels the legal risk outweighs the added value of adding this requirement.

As noted in the report, the State guidelines for State programs (Permanent and Temporary Housing) are explicit in requiring two-party checks only when there is a history of misuse of funds. While this restriction does not apply to our County programs (EAPE, MA, etc.), adding the two-party check requirement for these programs (even under limited conditions, such as failure to contact the landlord), would create a disparity across homeless programs and a potential adverse service impact with additional wait times.

In terms of legal exposure, our advocate community is aware of the State requirements. To implement a different policy around County programs will raise concerns with the advocate community about differential treatment. Given that these County homeless programs are funded with State CalWORKs Single Allocation, a legal challenge could be pursued about the differences in these sub-programs.

From a service side, we are serving a homeless population for which housing is key. Requiring additional lobby time (see below) would add time to the process to families trying to access affordable housing in a difficult market.

In terms of workload, with LRS implementation, two-party checks require an eCAPS interface. (LEADER is able to issue these directly.) This interface involves extra steps, including the completion of a form and cashier training (that is currently ongoing). That alone adds a small amount of time to the process, but in terms of total workload, we would be increasing the cashier's workload. We currently issue 200 two-party checks for homeless programs. However, if this recommendation was to be implemented, we would need to issue over 8,000 two-party checks.

Should the A-C believe the benefits of implementing this recommendation outweigh the service and legal risks, we could engage County Counsel to provide a legal review to ensure the legal risk is clearly evaluated.

Conflicts of Interest

Recommendation 10: Department of Public Social Services management reinstruct staff to notify management of potential conflicts of interest in writing.

DPSS Response to Recommendation 10: Agree and corrective action plan is in progress.

The Department has existing policy requiring employees to report potential conflicts of interest and also for supervisors/managers to review employee's reporting responsibilities annually at the time of performance evaluation. To reinforce this policy, the Department will release a Human Resources Memo by November 30, 2015.