New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Homeless Housing and Assistance Program – Project Selection and Maintenance

Homeless Housing and Assistance Corporation

Executive Summary

Purpose

To determine if the Homeless Housing and Assistance Program (HHAP) is selecting feasible projects to provide permanent supportive housing to the homeless and if HHAP projects are being properly maintained. This audit covered the period from April 1, 2015 through September 14, 2018.

Background

The Homeless Housing and Assistance Corporation (HHAC) was established on June 8, 1990 to administer HHAP and is staffed by 17 Office of Temporary and Disability Assistance employees. HHAP was created in 1983 to provide funding for the establishment of homeless projects in the form of grants, loans, or loan guarantees to acquire, construct, or rehabilitate supportive housing for the homeless. Financial assistance is provided through direct contracts with municipalities, not-for-profits, charitable organizations, or public corporations. Projects eligible for HHAP funding may serve families, single persons, youth, and the elderly, as well as a range of persons with special needs. In addition, HHAC's contractors are required to provide supportive services to these clients to assist in maintaining their residence. HHAP also must perform a review, at periodic intervals, of the entities receiving financial assistance. From the inception of the program in 1983 through State Fiscal Year 2015-16, the State has appropriated $974.5 million for HHAP for the development of 17,768 units of housing. For State Fiscal Years 2016-17 and 2017-18, $63 million was appropriated for HHAP. During State Fiscal Year 2016-17, HHAP developed 531 units consisting of 1,092 beds that became operational.

Key Findings

- HHAP awarded funding for 51 projects that it concluded met the scoring criteria during the three-year period ending March 31, 2016. These included 31 completed projects and 20 in the pre-construction or construction phase; all but one were operational or in the pre-construction or construction phase within two to four years of being awarded funding.
- We found that HHAP completed or scheduled monitoring visits for 326 HHAP projects. However, 32 HHAP projects did not receive timely monitoring visits, with delays ranging from one to nine months.
- HHAC requires all project providers to submit detailed annual reports. The annual reports are critical, as they act as a control to alert HHAC of possible red flags or warnings for issues that may require attention. Forty-six annual reports were delinquent, with delays ranging from 94 to 980 days.
- HHAP officials are aware that their database is not always reliable and, in some instances, query results are not accurate. Officials are seeking solutions to replace this system.

Key Recommendations

- Continue improving the timeliness of monitoring site visits and ensure all projects are visited within a 12-month cycle.
- Ensure all annual reports are received and reviewed timely to ensure the projects meet the milestones. Take appropriate action to acquire delinquent annual reports.

• Continue taking the needed steps to implement a management information system that generates reliable data for decision making.

Other Related Audits/Reports of Interest

Office of Temporary and Disability Assistance: Oversight of Homeless Shelters (2015-S-23)
Office of Temporary and Disability Assistance: Homeless Shelters and Homelessness in New York State (2016-D-3)

State of New York
Office of the State Comptroller

Division of State Government Accountability

January 10, 2019

Mr. Samuel D. Roberts
Chairman
Homeless Housing and Assistance Corporation
40 North Pearl Street
Albany, NY 12243

Dear Chairman Roberts:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively. By doing so, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Homeless Housing and Assistance Program – Project Selection and Maintenance*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

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Background

The Homeless Housing and Assistance Corporation (HHAC) was established by the New York Private Housing Finance Law on June 8, 1990. HHAC was created to administer the Homeless Housing and Assistance Program (HHAP), and has entered into a service agreement authorizing the Office of Temporary and Disability Assistance (OTDA) to administer the HHAP. HHAC's Board members include the Commissioner of OTDA, the Chairperson of the Housing Finance Agency (HFA), and the Commissioner of the Office of Mental Health – appointed by the HHAC Chairperson. The Commissioner of the Office of Alcoholism and Substance Abuse Services is a non-voting Advisory Member. HHAC has no direct employees; rather, OTDA provides all staffing. Currently, 17 OTDA employees work on HHAP. OTDA employees also serve as corporate officers.

In 1983, HHAP was created under the Social Services Law to provide funding for the establishment of projects for the homeless. Through the Homeless Housing and Assistance Fund, HHAC provides State financial assistance in the form of grants, loans, or loan guarantees to acquire, construct, or rehabilitate supportive housing for the homeless. Financial assistance is provided through direct contracts with municipalities, not-for-profits, charitable organizations, or public corporations.

HHAC awards HHAP funds through a Request for Proposal (RFP) process. Awards are to be made for a range of projects that include diverse populations located in a variety of geographical areas. Projects eligible for HHAP funding may serve families, single persons, youth, and the elderly, as well as a range of persons with special needs. HHAP has provided capital funding for a wide range of housing types for various homeless special needs populations, including but not limited to:

- Emergency and transitional facilities for victims of domestic violence;
- Transitional housing for adolescents aging out of foster care;
- Housing for runaway youth and people in recovery; and
- Supported housing for veterans, people living with HIV/AIDS, persons released from correctional facilities, persons who are chemically dependent, chronically homeless individuals, and persons with severe and persistent mental illness.

Most HHAP clients reside in permanent supportive housing (80 percent), and the balance utilize shelters. HHAC's contractors are required to provide supportive services to these clients to assist in maintaining their residence.

HHAP performs monitoring inspections to ensure the projects are adequately maintained. As an additional means of monitoring, HHAC requires all project providers to submit detailed annual reports that include information related to budget, finances, milestones, proof of insurance and tax payments, and various other fiscal and program information. HHAP analyzes this data to ensure the project adheres to standards and has a reasonable budget for the coming year.

From the inception of the program in 1983 through State Fiscal Year 2015-16, the State appropriated $974.5 million for the development of 17,768 units of housing. For State Fiscal Years

2016-17 and 2017-18, $63 million was appropriated for HHAP. During State Fiscal Year 2016-17, HHAP developed 531 units consisting of 1,092 beds that became operational.

For the period April 1, 2015 through September 14, 2018, HHAP received 113 proposals in response to their RFP requesting $388,159,122 in funding. Of these, 54 received passing scores after review and were included as feasible projects on the recommendation list submitted to executive management and HHAC's Board members. Executive management and the Board members approved all 54 proposals, awarding $180,390,973 of the available $189,000,000 in HHAP funds, leaving $8,609,027 in uncommitted funds. According to HHAP officials, uncommitted funds remaining each year are used for other HHAP expenses such as technical assistance, including property management and the general administration of HHAP.

Audit Findings and Recommendations

As the need for supportive permanent housing has increased, HHAP has selected feasible projects (in the judgment of HHAC, there is sufficient organizational capacity to develop the proposed project) for funding to implement this program. Of the 51 projects, all but one was operational or in the pre-construction or construction phase within two to four years of the project being awarded funding. Further, we found HHAP conducts the required inspections of its projects, although about 10 percent of the inspections were not done timely. Our site visits at 97 HHAP units, comprising 135 beds, also revealed minor issues with the interior and exterior at some facilities; however, these issues did not affect the living conditions of the residents.

Annual reports are another component of HHAC's provider monitoring practices. We found that 46 annual reports (14 percent) were delinquent, ranging from 94 to 980 days. However, during the course of our audit, HHAC obtained 43 of these delinquent reports, while three remain outstanding.

HHAP officials also disclosed that they are aware of deficiencies with their project management database and, in July 2016, began seeking solutions to replace it.

Selecting Feasible Projects

To obtain State financial assistance for HHAP projects, participants must submit a proposal as part of the RFP process. The proposal must include provisions concerning eligibility of program participants for State financial assistance. HHAC can require that preference be given to projects that:

- Involve other sources of funds (municipal, federal, or any source other than the State);
- Involve innovative and cost-effective homeless projects that may help resolve the long-term problems of the homeless; or
- Involve the rehabilitation of existing structures.

As part of the RFP process, HHAP consults with other agencies when evaluating the need for homeless projects among areas of the State and various populations. HHAP also takes steps to mitigate risks when reviewing and ultimately selecting applicants for HHAP funding. All proposals received are logged and entered into HHAP's database to ensure a complete listing of all applicants. A log is also kept of all reviewers who receive a copy of the application, such as the Dormitory Authority of the State of New York (DASNY) or local social service departments.

HHAP's manual details steps for the entire RFP proposal, review, and award process, and the Review Workbook includes detailed instructions for scoring the proposals. The review's objective is to ensure projects are feasible. All proposals first go through a threshold review – a control HHAC implemented to ensure only complete applications are further reviewed. Each proposal is scored by two separate reviewers whose scores are averaged for a final numeric score. If the two scores differ significantly, a third reviewer evaluates the proposal. The proposals are also

distributed to DASNY for a more technical review of the applicant's project plans and proposed budget, as DASNY reviewers have more technical expertise than HHAP reviewers.

The Review Workbook is the scoring instrument used for proposals. The areas that are scored include: Site Control, Documentation of Need (population to be served), Project Feasibility, Local District Support, Project Cost, Other Funding Source, Scope of Work, Time Frames, Energy Efficiency, Operating Budget, Sponsor Qualifications, and Project and Program Administration.

All applicants with a passing score receive a feasibility site visit to ensure the proposed project's information is accurate, complete, and verified. This visit is performed by both HHAP and DASNY personnel to provide the needed expertise when reviewing the potential project site.

After the proposal review is complete, an evaluation review meeting is held with HHAP and DASNY to discuss the merits of each proposal and to develop a draft funding recommendation list. The recommendation list is then forwarded to HHAP executive management for review, comment, and approval. Awards are then made for selected proposals, and post-award meetings are held with the grantees. At these meetings, grantees are informed of the contracting process, items that need to be addressed prior to entering into a contract are identified, and a timeline is developed for project development and completion.

We judgmentally selected, based on geographic location and project cost, a sample of eight original applications for both selected and unselected projects. For these eight proposals, we also obtained the Review Workbooks completed by HHAP staff and the materials used to present the projects to the Board members for approval. We reviewed all of these documents to determine if the scores HHAP awarded each of the proposals aligned with the information in the RFP and compared the two workbooks to determine if there were significant variances in the reviewers' scoring methods. We also sought to determine whether HHAP executive management and the Board members deviated from the recommendation list when awarding projects and if the deviation was justified.

For the sample of eight applications submitted during our audit scope period, we found no significant issues in the selection, evaluation, and approval process for projects. The projects selected and approved by HHAP's executive management and HHAC's Board members did not deviate from the recommendation list and appeared to be feasible.

We requested the current status of all projects awarded during State Fiscal Years 2013-14, 2014-15, and 2015-16 and the current number of units/beds available for those contracts. Fifty-one projects received funding during this period. Currently, 30 of those projects are operational and 21 are in the pre-construction or construction phase. These projects from across the State varied from new construction to rehabilitation projects comprising single buildings with apartments, multiple buildings with apartments, or multi-family homes.

We analyzed how long it took for projects currently in operation to obtain a certificate of occupancy, and found all projects took one to four years to complete. The majority of currently operational projects fell into the three- to four-year range from project award to completion. We

also analyzed projects still in the pre-construction or construction phase and found all but one had been awarded funding between two and four years ago. One project was awarded funding just over four years ago, and, with the exception of this outlier, we determined the projects awarded during this period were completed or scheduled to be completed in a reasonable amount of time.

Project Monitoring – Site Visits

As part of its administrative role, HHAP performs cyclical inspections of HHAP projects once every 18 months to monitor program outcomes, housing conditions, and maintenance of projects. HHAP designates three grades for contract sites: positive, minor (non-health and safety issues), and follow-up (issues where corrective action is needed immediately – within a week or 30 days). Additional monitoring visits may also be conducted in response to prior inspections, the filing of an incident report, complaints from residents, or a request for assistance from the provider itself.

For the period April 2015 through March 2018, HHAP completed or scheduled monitoring visits for 326 HHAP projects. The outcomes for the monitoring visits were: 145 positive, 141 minor, 31 follow-up, 2 reports pending, and 7 visits scheduled for April 2018. However, we found 32 HHAP projects did not receive timely visits, with past-due time frames ranging from one to nine months. HHAP officials stated that the 32 monitoring visits fell outside of the 18-month standard review period because that threshold was a relatively new goal for HHAC. Additionally, other priorities and staff attrition had affected HHAP resources. For example, in 2016, the statewide homeless shelter inspection initiative was given a higher priority than HHAP monitoring assignments. HHAP also experienced a number of staff departures, resulting in fewer monitoring visits. HHAP officials noted that site visits are not the only method it uses to monitor projects, and projects can also be monitored through regular phone and email communication, annual reports, and related follow-up as well as provider meetings.

Overall, HHAP has increased its monitoring efforts over the audit scope period, visiting just 40 projects in 2016, 191 in 2017, and 95 as of March 31, 2018. This trend resulted from a 2016 change in HHAP that included additional management staff, which led to more resources for oversight of operational projects. The increase in available staff to complete monitoring visits helped achieve a higher number of inspections. The number of HHAP staff increased by four, and staff from the Services Program Unit also began to routinely monitor HHAP projects. As result of the increase in resources, HHAP projects are receiving more timely monitoring visits. In addition, starting in 2018, HHAP began conducting monitoring inspections for all projects on a 12-month cycle, with the goal of being able to respond to issues more quickly.

We judgmentally selected a sample of ten HHAP projects to visit to determine if HHAP site visits were performed as intended and projects were adequately maintained. The ten HHAP projects included a total of 274 HHAP units with 307 HHAP beds. Overall, the team inspected 97 HHAP units consisting of 135 HHAP beds. We determined that HHAP site visits were performed as intended and noted minor aesthetic issues with the interior and exterior at some of the facilities; these issues did not affect the living conditions of the residents.

Project Monitoring – Annual Reports

HHAC requires all project providers to submit detailed annual reports that include information related to budget, finances, milestones, proof of insurance and tax payments, and various other fiscal and program information. HHAP analyzes this data to ensure each project is adhering to standards and has a feasible budget for the coming year.

The annual reports act as a control to alert HHAC of possible red flags or warnings for issues that may require attention. For example, when reviewing annual reports, missing tax payments, financial issues, loss of a funding source, failure to reach milestones, high vacancies, and lack of proof of insurance are all potential concerns HHAP reviewers may need to investigate. The lack of the submission of an annual report may also be considered a red flag. Annual reports and related documents are due to HHAC five months after the project provider's fiscal year end date.

We requested the most recent list of annual reports received by HHAC. The list includes the dates HHAC received the providers' most recent annual reports as of February 15, 2018 and a Delinquent Report, which shows the annual reports that HHAC did not receive. The list we received showed HHAC received 271 (83 percent) of 326 annual reports timely. For the remaining 55 annual reports:

- 47 reports were delinquent (14 percent);
- 4 reports had undetermined due dates; and
- 4 reports were not yet due.

Further, 40 reports were delinquent by 61 to 449 days, and seven reports were delinquent by more than 450 days, or 15 months.

HHAP officials stated their procedures require that when a provider's annual report is delinquent, HHAP officials remind the provider via emails and phone calls. If the reports are still not received after these reminders, HHAP sends a formal letter reminding the provider of its contractual obligations to HHAC for the submission of annual reports. If this letter does not produce results, a pre-breach of contract letter may be issued outlining HHAC's contract remedies for non-compliance.

We requested these procedures and the follow-up activities taken by HHAP for the delinquent annual reports. HHAC did not provide its procedures or the follow-up actions taken, referring us instead to the contract requirements for the timely submission of a provider's annual report. Under the contract terms, if providers fail to submit an annual report, they may be required to submit a remedial plan. Failure to submit an acceptable remedial plan to HHAC is considered to be in default of the contract terms.

We followed up on the 55 delinquent annual reports and found that:

- Four annual reports were not yet due;
- Three contracts had expired and their annual reports were no longer due;

- One contract was being transferred to a new provider; and
- One contractor was in litigation.

For the remaining 46 delinquent annual reports, we found that, during the course of the audit, HHAP had taken actions, as 14 annual reports were received from April to June 2018 and 24 annual reports from July to September 2018. In total, HHAC received 43 of the 46 delinquent annual reports during the audit. Of the 43 reports received, 14 were complete and 29 were incomplete, requiring follow-up action. For the 14 annual reports considered complete, their delinquency ranged from 125 to 980 days, while delinquency for the 29 incomplete reports ranged from 94 to 803 days. Missing information from the incomplete reports included financial statements, insurance policies, and budget documents. HHAP staff has requested required information for 23 of the 29 incomplete annual reports. Finally, we found three contractors had not submitted their annual reports as of September 2018; their delinquency ranged from 259 to 440 days.

Data Reliability

Management is charged with ensuring assigned programs are implemented, providing intended services, and achieving desired outcomes. These responsibilities are fulfilled by establishing program objectives and goals, and implementing controls to measure these achievements through monitoring activities for program accomplishments. Automated electronic information systems store, track, and retrieve data, and also analyze data and generate management reports. Analyzing data and generating management reports are the basis for management making informed decisions. However, the information system must have reliable data. Data reliability refers to the accuracy and completeness of computer-generated data, given its intended uses.

When auditors attempted to obtain data from the HHAP project management database, HHAP officials disclosed that the database is not always reliable and that, in certain instances, the query results are not accurate. They also noted the existing database does not meet all of their needs and they have found it difficult to add functions and modify it. As such, HHAC has been seeking solutions to replace its current database since July 2016. Originally, HHAC officials sought to have a system designed specifically for their operations, but subsequently identified a software application currently used by HFA. The new software includes applications for loan origination and development, asset management and compliance, risk management, and auditability of all data throughout a project's lifecycle. In addition, according to HHAP officials, the use of this software will allow for the exchange of data and information between them and HFA for housing finance programs.

The current application has three distinct databases: one that records the initial application, another that generates contracts and tracks construction progress during a project's development phase, and a third that tracks contractor performance during a project's operational phase.

For data reliability purposes, we reviewed the three datasets from the operational database pertinent to our audit objective and found instances where information could not be relied upon, as it was not accurate or up-to-date. These inconsistencies were in the All Sponsor Contract Sites, Monitoring Results, and Annual Report datasets. For example, for the All Sponsor Contract Sites

dataset, we identified 17 contracts that did not appear on the Monitoring Results list. As HHAP officials explained, this occurred because, generally, contracts only appear on the Monitoring Results list after a monitoring result is reported. Initially, we identified 73 contracts that did not receive timely monitoring visits, but after reconciling the data with HHAP, we revised that number to 32 contracts.

Similarly, from the Monitoring Results list, we identified three contracts that were not on the All Sponsor Contract Sites list. HHAP officials stated the inconsistencies in the dataset occurred because it did not update prior to the data being extracted, which generated a report that did not reflect the most recent changes. HHAP was able to reconcile the differences and produce an accurate Monitoring Results listing that matched the All Sponsor Contract Sites listing. We also identified 12 contracts that appeared on the All Sponsor Contract Sites list but did not appear in the Annual Report list. The Annual Report list is divided into two reports: Annual Reports Received and Delinquent Annual Reports. HHAP officials stated that, generally, contracts would only appear on the Annual Report list after a project's first annual report is received or if a report is delinquent. Subsequently, HHAP was able to reconcile the difference.

Lastly, we identified 23 contracts in the All Sponsor Contract Sites list with a blank Certificate of Occupancy field. HHAP officials explained that the list was generated from the operational database. As a project is completed, information from the development database is transferred to the operational database, and officials have become aware that, in some instances, data fields were not being transferred. The identified fields had to be manually updated in the operational database.

Overall, due to the known issues with the database used by HHAP, we were able to verify the accuracy, but not the completeness of the information. However, based on our audit work, we believe those reports were sufficiently reliable for the purposes of this audit.

Recommendations

1. Continue improving the timeliness of monitoring site visits and ensure all projects are visited within a 12-month cycle.

2. Ensure all annual reports are received and reviewed timely and take appropriate action to acquire delinquent reports.

3. Develop and implement policies and procedures for the submission of timely and complete annual reports, with procedures for following up to obtain complete delinquent annual reports.

4. Continue taking the needed steps to implement a management information system that generates reliable data for reporting and decision making.

Audit Scope, Objectives, and Methodology

The objectives of our audit were to determine if HHAP is selecting feasible projects to provide permanent supportive housing to the homeless and if HHAP projects are being properly maintained. The audit covered the period April 1, 2015 through September 14, 2018.

To accomplish our objectives, we reviewed relevant laws, regulations, and HHAP procedures and interviewed HHAP officials. We became familiar with, and assessed the adequacy of, HHAC's internal controls as they relate to its performance and our audit objectives. We also reviewed the application, scoring, and awarding process for HHAP grants, and tested the data reliability of its information system. HHAC's monitoring systems – site visits and submission and analysis of annual reports – were also reviewed. Lastly, we conducted site visits at ten HHAP projects to observe their current conditions. Our judgmental sample of projects to visit was selected based on project funding, occupancy date, location, and the outcome of HHAP's latest monitoring visit.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating threats to organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution.

Reporting Requirements

We provided a draft copy of this report to HHAC officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety to the end. HHAC officials disagree with the draft report "to the extent such report issues recommendations pertaining to items previously self-identified by HHAC or for issues which HHAC had already taken steps to address." Our response to HHAC's comments are embedded within HHAC's response.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Homeless Housing and Assistance Corporation shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews, and evaluations of New York State and New York City taxpayer-financed programs.

Agency Comments and State Comptroller's Comments

NEW YORK STATE OF OPPORTUNITY. | **Office of Temporary and Disability Assistance**

ANDREW M. CUOMO
Governor

SAMUEL D. ROBERTS
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

December 14, 2018

Mr. Brian Reilly
Audit Director
Office of the State Comptroller
110 State Street, 11th Floor
Albany NY, 12236

**Re: Homeless Housing and Assistance Program
Project Selection and Maintenance (2018-S-4)**

Dear Mr. Reilly:

This letter responds to the Office of the State Comptroller's ("OSC's") draft report ("Draft Report") regarding OSC's audit of project selection and maintenance by the Homeless Housing and Assistance Program ("HHAP"). HHAP is administered by the Homeless Housing and Assistance Corporation ("HHAC"), and staffed by employees of the New York State Office of Temporary and Disability Assistance ("OTDA").

HHAC is pleased that OSC recognized and acknowledged that HHAC's Board and executive management appropriately applied HHAC policy and procedures in selecting and approving viable projects. HHAC also concurs with the Draft Report's assertion that projects awarded during the audit period were completed or scheduled to be completed in a reasonable amount of time. Finally, HHAC generally agrees with the results of OSC's site visits, and is proud that the recipients of HHAC awards are providing safe, clean, and wholesome living conditions for their residents, as well as the support services required by the HHAC contracts.

However, HHAC disagrees with the Draft Report to the extent such report issues recommendations pertaining to items previously self-identified by HHAC or for issues which HHAC had already taken steps to address.

Background

HHAP is a capital program that seeks to expand and improve the supply of housing for homeless individuals and families throughout New York State. Through the provision of funding in the form of grants or loans to not-for-profit and charitable organizations (and their subsidiaries), public corporations, and municipalities, as well as technical assistance to providers, HHAP has and continues to meet its goals.

OSC's stated objectives of this audit were to ascertain whether 1) HHAP is selecting viable projects to meet its goals of providing permanent supportive housing to the homeless and 2) those projects are being properly maintained. OSC's Draft Report does not reference any deficiencies with regards to HHAP's project selection processes, nor does it find deficiencies in the maintenance of HHAP projects. Rather, the Draft Report focuses instead on minor issues related to the tracking of hundreds of projects in various stages of development and operation. Furthermore, the Draft Report's recommendations stem from HHAP's previously self-identified objectives which were repeatedly communicated to OSC throughout the audit process. This letter responds to those recommendations and provides additional clarification on certain OSC statements in the Draft Report.

Other Related Audits/Reports of Interest

As a threshold matter, HHAC questions OSC's inclusion of the homeless shelter audits referenced as related audits or reports of interest in the Draft Report, and is concerned that their inclusion reflects a potential misunderstanding of the HHAP program. While the audits cited by OSC covered OTDA programs, they are not related to HHAP or HHAC capital development. OSC previously issued the following reports on HHAC and HHAP, which we believe are more appropriate for inclusion as points of interest:

- Report 98-S-54
- Report 2004-S-19

Selecting Viable Projects

HHAC objects to OSC's assertion that the outlier project identified in the Draft Report was not completed in a "reasonable amount of time." The outlier project cited in the "Selecting Viable Projects" discussion encountered delays well beyond HHAC's ability to control. Generally, the HHAP project development process is complex and the length of time it takes for projects to become operational is influenced by many factors, some of which are outside of HHAC's purview. This includes factors related to local approvals, such as zoning or planning boards, and building code inspections, as well as those related to other external approvals and coordination of development timelines with funding partners. The outlier project cited in the report experienced issues with local zoning approvals which delayed development. Despite this setback, this valuable housing resource opened in June 2018. Any discussion of this outlier project in the Draft Report should fairly recognize the extent to which certain local approvals affected the project's development timeline.

Project Monitoring – Annual Reports

HHAC objects to OSC's portrayal of the annual report issue and reads Recommendations 2 and 3 as duplicative and auditor over-reach. To be clear, annual reports are submitted by HHAC awardees under contract, and are not drafted by HHAP staff. The Draft Report did not note any deficiencies in HHAC's review of annual reports once received. As noted in the Draft Report, the issue of annual report delinquency exists on a very minor scale; out of a total of 326 annual reports due in February 2018, only three annual reports were outstanding as of September 2018. As of

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October 2018, no annual reports are outstanding. Therefore, while recognizing that project monitoring via annual reports is a requirement of the HHAC Contract and a valuable tool that assists in tracking awardee performance, HHAC disagrees with OSC's characterization of the delinquency issue as one within HHAC's ability to remedy unilaterally.

Further, the Draft Report states that HHAC did not provide its procedures or follow-up activities taken for delinquent annual reports. This statement warrants clarification. HHAC provided an overview of the delinquency process and a list of annual reports and delinquency status. OSC was also provided with hard copies of all delinquent annual reports once received. Because HHAC exercises discretion in determining what follow-up activities are necessary for a delinquent annual report, HHAC chose to refer OSC to the HHAC contract requirements. The HHAC contract sufficiently outlines the annual report requirements and HHAC's remedies upon submission failure. Therefore, while it is technically correct that HHAC did not provide OSC with every follow-up item requested (e.g., delinquency letter, follow-up email, telephone call, etc.), HHAC did provide OSC with an overview of the process and the results of its efforts.

Finally, there are a number of contributing factors which may result in delinquent submission of annual reports, most of which are outside HHAC's control. HHAC has recently taken steps to increase awareness among providers by attending two regional meetings that discussed HHAP program requirements, including submission of annual reports. Ultimately, however, the onus to submit a report is on the awardee. With particularly recalcitrant awardees, HHAC exercises its discretion on a case-by-case basis, and HHAC's current procedures for following up on delinquent reports have proven effective (as demonstrated by the current lack of delinquent reports). For these reasons we request that Recommendations 2 and 3 be removed from the OSC's final audit report.

State Comptroller's Comment - We recognize HHAC's efforts to collect the delinquent annual reports during the course of our audit. However, we requested our initial list of annual reports on February 28, 2018 and found 46 reports that were delinquent from 94 to 980 days, as noted in our audit report. Therefore, we will not make any changes to our recommendations, as requested by HHAC officials. Further, in response to our preliminary findings, officials noted that HHAC is already pursuing a new method for tracking provider performance through the development of a new information management system. The new system's functionality will allow greater automation of the reporting process and enhance annual report compliance.

Data Reliability

HHAC objects to OSC's characterization of its "recommendation" with respect to the HHAC data management system. From the inception of the OSC audit process, HHAC was forthcoming about current database limitations, stating that while the data maintained on the system was accurate, HHAC recognizes that the current data management system is limited in its data reporting and project tracking functions. HHAC continues its efforts to secure new software to implement a more robust system. Despite these known shortcomings, HHAC could explain and reconcile differences in requested reports. In fact, OSC acknowledged that these reports were sufficiently reliable for the purposes of the audit.

State Comptroller's Comment - As noted on page 11 of this report, HHAC officials have been seeking solutions to replace their database since July 2016. HHAC officials are aware of the

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limitations, and auditors also found limitations with the data during our testing. Therefore, we would be remiss to not include a recommendation to continue to implement the needed management information system. We will follow up on this recommendation to ensure progress has been made in this area, as it has already been two years since the problem was identified.

Miscellaneous

The Draft Report incorrectly characterizes the HHAC Board members. By statute, the HHAC Board consists of the Commissioner of Social Services (now OTDA), who also serves as Chairperson, the Chairperson of the Housing Finance Agency, and an additional member to be appointed by the HHAC Chairperson. The current third member is the Commissioner of the Office of Mental Health. The HHAC by-laws provide for up to three, non-voting Advisory Members. The only current Advisory Member is the Commissioner of the Office of Alcoholism and Substance Abuse Services.

State Comptroller's Comment - Changes were made to page 5 of the report to more clearly identify the HHAC Board members.

Response to Recommendations

1. **Continue improving the timeliness of monitoring site visits and ensure all projects are visited within a 12-month cycle.**
This recommendation has already been implemented. Prior to OSC's audit, HHAC made the unilateral decision to increase the frequency of monitoring visits by setting an aspirational goal of annual on-site visits for each operational project. As noted, 191 projects were visited in 2017 and HHAC is on track to conduct annual site visits of all 341 operational projects going forward.

2. **Ensure all annual reports are received and reviewed timely and take appropriate action to acquire delinquent reports.**
HHAC requests that this recommendation be removed as it relates to the actions of third parties. HHAC provides reminders to HHAC sponsors/contractors and will continue to follow- up on delinquent reports, using both requests and contractual remedies as appropriate.

3. **Develop and implement policies and procedures for the submission of timely and complete annual reports, with procedures for following up to obtain complete delinquent annual reports.**
This recommendation is duplicative of recommendation #2 and HHAC requests that this recommendation be removed as discussed above. HHAC will continue to adhere to its procedures to follow-up on delinquent annual reports and update them as necessary to coordinate with the capabilities of the new information management system.

State Comptroller's Comment - We recognize HHAC's efforts to collect the delinquent annual reports during the course of our audit. However, we requested our initial list of annual reports on February 28, 2018 and found 46 reports that were delinquent from 94 to 980 days, as noted in our audit report. Therefore, we will not make any changes to our recommendations, as requested by HHAC officials. Further, in response to our preliminary findings, officials noted that

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HHAC is already pursuing a new method for tracking provider performance through the development of a new information management system. The new system's functionality will allow greater automation of the reporting process and enhance annual report compliance.

4. Continue taking the needed steps to implement a management information system that generates reliable data for reporting and decision making.
HHAC disagrees with this recommendation in that this is neither a "recommendation," nor was it a finding made by OSC. As noted previously, HHAC self-identified the need for a new data management information system well in advance of OSC's audit, and is in the process of obtaining and implementing a new software suite. Additionally, OSC acknowledged that HHAC provided sufficient data for the purposes of the audit.

State Comptroller's Comment - As noted on page 11 of this report, HHAC officials have been seeking solutions to replace their database since July 2016. HHAC officials are aware of the limitations, and auditors also found limitations with the data during our testing. Therefore, we would be remiss to not include a recommendation to continue to implement the needed management information system. We will follow up on this recommendation to ensure progress has been made in this area, as it has already been two years since the problem was identified.

If you have questions concerning this response, please contact Ms. Linda Glassman at (518) 402-3741.

Respectfully,

Kevin Kehmna

Kevin Kehmna
Director, Audit & Quality Improvement

Cc:　Barbara Guinn
　　　Krista Rock
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