



State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, RI 02908-5889
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July 24, 2014

Mr. Richard Godfrey
Executive Director
Rhode Island Housing
44 Washington St.
Providence, RI 02903

Dear Director Godfrey:

The Bureau of Audits has completed its limited scope audit of the Rhode Island Housing's administration of the Continuum of Care grant. The limited scope audit was conducted in accordance with Rhode Island General Laws (RIGL) §35-7-3. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on July 22, 2014, and such response is included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of Rhode Island Housing for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,

Dorothy Z. Pascale, CPA, CFF
Chief

c--Richard A. Licht, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General
Thomas Mullaney, Acting Director, Office of Management and Budget, Department of Administration
Board of Commissioners, Rhode Island Housing



AUDIT Executive Summary

Why the Bureau Did This Review

The Bureau conducted its limited scope audit of Rhode Island Housing administration of the Continuum of Care grant as requested by the Board of Commissioners. The purpose of this limited scope engagement was to determine if Rhode Island Housing is administering the program efficiently and effectively, in accordance with applicable statutes and federal program requirements, and with adequate controls to ensure safeguarding of assets and accurate reporting.

Background Information

The Continuum of Care (CoC) program was created to address the problems of homelessness. Its legal authority is established by Subtitle C of Title IV of the McKinney-Vento Homeless Assistance Act, and currently governed by CFR-2013 Title 24 CFR Part 578, known as the HEARTH CoC Program Interim Final Rule. The Rhode Island Continuum of Care is an association of nonprofit and government organizations that provide housing and services to homeless individuals and families in Rhode Island in connection with grant programs administered by the U.S. Department of Housing and Urban Development (HUD). The RI CoC designated Rhode Island Housing (RIH) to serve as the administrator, also referred to as the collaborative applicant, of the CoC program in Rhode Island.

To Improve Controls the Bureau of Audits recommends Rhode Island Housing, as the Administrator of the Rhode Island Continuum of Care program:

- Collaborate with the Rhode Island CoC Committee to develop a governance charter which clearly defines the roles and responsibilities of each party responsible for CoC operations.
- Establish written policies and procedures to govern the day-to-day operations of the CoC program.
- Develop a formalized risk assessment of sub-recipients and perform on-site monitoring visits based upon the results of the risk assessment.
- Update the current monitoring evaluation packet to completely comply with the requirements of 24 CFR 578.
- Retain documentation to provide evidence of sub-recipient monitoring.
- Obtain adequate support from sub-recipients for all expenses incurred.
- Review all grant agreement terms and determine if modifications are necessary.

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OBJECTIVE AND SCOPE

At the request of the Rhode Island Housing Board of Commissioners the Bureau of Audits (BOA) conducted a limited scope audit which focused upon Rhode Island Housing (RIH) performance as administrator of the Rhode Island Continuum of Care Program (CoC). The purpose of this limited scope engagement was to determine if the RIH is administering the program efficiently and effectively, in accordance with applicable statutes and federal program requirements, and with adequate controls to ensure safeguarding of assets and accurate reporting.

METHODOLOGY

As part of our audit work we gained an understanding of the existing controls over the grant administration of the CoC program. To address our audit objective, we performed the following:

- Researched 24 CFR 578, known as the HEARTH CoC Program Interim Final Rule
- Researched the Office of Management and Budget (OMB) A-133 Circular
- Interviewed key personnel from RIH, RI Coalition for the Homeless (RICH), and Housing Resources Commission (HRC)
- Gained an understanding of RIH's organizational structure and internal control environment as it relates to the day-to-day operation of the CoC program
- Tested 15 active grants (of the 45 fiscal year 2012 approved CoC grants) for compliance with the federal drawdown requirements¹
- Reviewed monitoring tools used by RIH to ensure requirements of 24 CFR 578 are adequately addressed

INTRODUCTION

The CoC program mission is to address homelessness. Its legal authority is established by Subtitle C of Title IV of the McKinney-Vento Homeless Assistance Act, and currently governed by CFR-2013 Title 24 CFR 578, known as the HEARTH CoC Program Interim Final Rule. The CoC is an association of nonprofit and government organizations that provide housing and services to homeless individuals and families in Rhode Island in connection with grant programs administered by the U.S. Department of Housing and Urban Development (HUD). In accordance with federal guidance, the CoC designated RIH to serve as the administrator (also known as the collaborative applicant) for the program.

RIH responsibilities, pertaining specifically to HUD and other pertinent federal regulations regarding the CoC program, include the following:

- Gathering required information for HUD application and assisting the committee, committee members, and sub-committees of the CoC
- Ensuring all regulations are followed both programmatically and financially for all grants
- Disbursing money to sub-recipients in accordance with federal program requirements

¹ Federal drawdown requirements specific to this program may be found at 24 CFR 578.85

- Ensuring the CoC Committee and sub-committees have the necessary information to comply with the HEARTH regulations

When HUD publishes a Notice of Funding Availability for the Continuum of Care Homeless Assistance in the Federal Register, applicants (sub-recipients) must submit specific information about their proposed project, along with their CoC application, to Rhode Island Housing. Rhode Island Housing, as the administrator and/or collaborative applicant of the program, applies for a grant to HUD on behalf of the CoC.²

RIH has recently issued a request for proposal (RFP) on behalf of the CoC Program for a consultant to develop a policies and procedures manual for the state CoC program. Responses to this RFP were to be received by July 7, 2014. The goal is to update its governance policies and procedures to align with the recent regulations promulgated by HUD. The following recommendations to strengthen controls and develop various procedures should be incorporated into the development of the manual.

RECOMMENDATIONS FOR IMPROVED CONTROLS

Organizational Structure and Lines of Authority

Define Roles and Responsibilities by Developing a Governance Charter and Executing a Memorandum of Understanding

The HEARTH CoC Program Interim Final Rule requires that the governance charter be developed by the Homeless Management Information System (HMIS) lead, the collaborative applicant,³ and the CoC Committee. This governance charter must include policies and procedures to comply with the requirements designated to the CoC within the interim final rule. Additionally, it must include a code of conduct and recusal process for the board (Committee), its chair, and other persons acting on behalf of the board.

Because no charter exists the lines of authority and/or responsibility were not clearly defined and standard operating procedures were not consistently applied.

Recommendations

1. Develop a governance charter in accordance with the requirements of the HEARTH CoC Program Interim Final Rule. It must clearly define the roles and responsibilities of each party responsible for CoC operations and define all terms and acronyms used by the CoC program to ensure there is cohesive understanding amongst all parties.
2. Establish a memorandum of understanding between RI Housing, as the collaborative applicant, and the Continuum of Care Committee which dictates the responsibilities of the collaborative applicant and the reporting structure to be maintained between the parties.

² For fiscal year 2012, there were 24 sub-recipients awarded 45 grants by HUD to the RI CoC as the collaborative applicant.

³ Rhode Island Housing is the HMIS Lead and the Collaborative Applicant as referenced throughout this report.

Management Responses

Staff from Rhode Island Housing, in collaboration with staff from the Housing Resources Commission (HRC) and other interested parties, is developing governance documents for the management of the unincorporated association to be known as the Rhode Island Continuum of Care (RICOC) that are consistent with the HEARTH CoC Program Interim Final Rule. These documents include a Governance Charter, an Administrative Charter and Memoranda of Understanding (MOU) to set forth the relationship between the RICOC and the collaborative applicant, and between the RICOC and the Homeless Management Information System (HMIS) lead.

Upon adoption of these governance documents by the CoC and ratification by the HRC and the Interagency Council on Homelessness, the RICOC will supplant the current Continuum of Care (CoC). The RICOC will then enter into MOUs with the collaborative applicant and the HMIS lead.

Contact Person

Carlos Hernandez

Anticipated Completion Date

September 30, 2014

Develop Policies and Procedures to Further the Strategic Mission

RIH, as administrator of the CoC program, has no formal written policies and procedures governing the day-to-day operation of the CoC program. Formal policies and procedures are a key component of a sound internal control environment. Additionally, policies and procedures educate staff to achieve the program mission and objectives.

Recommendations

3. Establish written policies and procedures to govern the operation of the CoC program and ensure compliance with federal requirements.
4. Provide policy documentation to the CoC Committee for approval and adoption.

Management Responses

As noted in the above response, staff from Rhode Island Housing, in collaboration with staff from the HRC and other interested parties, is developing an Administrative Charter for the RICOC. The RICOC Administrative Charter will detail the administration and day-to-day operation of the RICOC and will set forth the written policies for the application process and priorities, fund reallocation, contracting, sub-recipient oversight, coordinated assessment and reporting. The RICOC Administrative Charter will be the foundation document for the policies and procedures required by the HEARTH regulations.

Other specific policies to be included in the policies and procedures manual will be those regarding the maximum amounts and time of rental assistance, performance measures, coordination with the Emergency Solutions Grant Program, relationship to the HMIS system and financial management. The CoC has received a \$73,750 HUD planning grant to be used, in part, to engage a consultant to develop the policies and procedures for the CoC program. It is expected that this work will be completed by the end of the year.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Monitoring Sub-Recipients

Monitoring sub-recipients is a key component of effective grant administration. It provides reasonable assurance that the entities receiving grant funding are aware of and in compliance with federal program requirements. Monitoring is an ongoing process which consists of planning, implementation, communication and follow-up. Improvements to RIH's monitoring process are discussed below.

Develop a Risk Assessment Methodology for Monitoring Sub-Recipients to Prioritize Resources

RIH does not have a policy or procedure in place to assess their sub-recipients as high, medium, or low risk. A risk assessment assists management in the determination of the nature, timing, and extent of monitoring. OMB Circular A-133 Part 3 Section M states that sub-recipients may be evaluated as high risk for frequent monitoring or low risk for less frequent monitoring. With a risk assessment plan in place, RIH could efficiently utilize staff resources to monitor for compliance.

RIH should consider the following risk assessment factors:

- CoC program experience
- Management or staff turnover
- Prior compliance issues
- Audit and monitoring findings

Recommendations

5. Create a process to assess the risk of all CoC sub-recipients.
6. Develop and perform a monitoring plan of sub-recipients based upon the results of the formalized risk assessment.

Management Responses

Risk assessments are currently performed for all sub-recipients during the Notification of Funding Availability (NOFA) renewal application period. All renewals must meet criteria established by HUD and the CoC which include, but are not limited to, program capacity, staff turnover, prior or outstanding compliance issues as well as monitoring and audit findings. Rhode Island Housing staff assesses each sub-recipient applicant and reports to the CoC which determines if a program is eligible for renewal. The same process is performed for new program applications. The process is established by the requirements set forth in the applicable NOFA.

Rhode Island Housing is in the process of developing a formal risk assessment monitoring tool to be used annually for all renewals and new programs. As a guide, Rhode Island Housing will use a risk assessment monitoring tool established by the Association of General Accountants (AGA) in cooperation with the U.S. Office of Management and Budget. Once the monitoring tool is completed, it will be presented to the RICOC Board for approval and adoption.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Update Monitoring Tools to include all Federal Requirements

RIH has three main documents used as monitoring tools which include:

- Annual Performance Report (APR)
- HEARTH Renewal Application
- On-site monitoring evaluation packet (created by RIH)

The Bureau cross-referenced these three documents to 24 CFR 578, and noted that the monitoring tools used do not address all federal requirements. Although the monitoring evaluation packet was updated during 2012, the revision does not completely address compliance requirements of 24 CFR 578. Therefore, RIH may not be detecting a sub-recipient's non-compliance with federal regulations.

Recommendations

7. Update the current monitoring evaluation packet for the CoC program to ensure all compliance requirements of 24 CFR 578 are included.
8. Use monitoring checklists to ensure all compliance requirements are addressed and results are documented.

Management Responses

The evaluation packets currently used for program monitoring were originally developed for the McKinney Vento program and require updating to better conform to HEARTH regulations. Rhode Island Housing is in the process of developing monitoring packets that will address each HEARTH program component separately. The packet will include a monitoring checklist tailored to 24 CFR 578 HEARTH regulations. Onsite monitoring will be conducted at least once every three years along with quarterly desk monitoring. The risk assessment tool will be used to determine whether a sub-recipient/program will require technical assistance and/or more frequent onsite monitoring.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Retain Documentation to Provide Evidence of Sub-Recipient Monitoring

OMB Circular A-133 advises that a recipient conduct regular reporting, perform site visits, and maintain contact with sub-recipients to provide reasonable assurance that Federal awards are administered in compliance with regulations and grant agreements. Further, specific to this grant program, 24 CFR 578.103(16)(ii), states:

The recipient must retain documentation of monitoring subrecipients, including any monitoring findings and corrective actions required.

RIH is not complying with the documentation requirements of the federal regulation noted above. As such, the Bureau was unable to verify whether monitoring visits were or were not performed.

Based on file documentation provided by RIH, the intended practice was to perform on-site monitoring visits once every three years. The Bureau sampled 15 of the 45 CoC 2012 grants (33%)⁴ awarded by HUD to RIH. RIH had documentation on file for CoC program sub-recipients from calendar year 2010 forward. Approximately 36%⁵ of the grants tested did not have required monitoring documentation on file. Of the grants tested which did have monitoring documentation on file, approximately 30% did not contain complete records.

Without consistent monitoring, there is an increased potential for misappropriation of federal awards and other non-compliance with the regulations in the HEARTH CoC Program Interim Final Rule.

⁴ The 2012 CoC grant period began in 2013 and ended during 2014. All grants selected for testing were renewal projects, other than one. Since the grants sampled were renewals, BOA looked at the prior grant periods for documentation of on-site monitoring visits.

⁵ Four of the grants selected for testing were not required to have a monitoring visit as of the date of testing.

Recommendation

9. Retain all monitoring documentation in accordance with 24 CFR 578.103(16)(ii).

Management Response

Rhode Island Housing staff will retain all monitoring documentation in accordance with 24 CFR 578.103(16)(ii).

Contact Person

Carlos Hernandez

Anticipated Completion Date

June 22, 2014

Track Sub-Recipient Program Income

RIH does not monitor the use of program income received by its sub-recipients including rent and occupancy charges. 24 CFR 578.97(b) states:

Program income earned during the grant term shall be retained by the recipient, and added to funds committed to the project by HUD and the recipient, used for eligible activities in accordance with the requirements of this part.

According to RIH, sub-recipients do not earn program income other than rent; however, due to a lack of program income documentation collected or maintained at RIH we are unable to verify this assertion.

Recommendation

10. Create and implement policies and procedures to monitor the collection and use of program income by sub-recipients.

Management Response

Rhode Island Housing currently reviews the use of program generated income. However, the only program income currently received by sub-recipients is from occupancy charges. Rhode Island Housing is developing policies and procedures to monitor any other program generated income that may be received by sub-recipients.

For Rental Assistance projects, staff will request from sub-recipients a breakdown of total rent payment, subsidy payment and program participant payment. For Permanent Supportive Housing projects, staff will request an accounting of money collected and the accounting of the use of the funds. For Transitional and Rapid Re-Housing projects, if income is to be returned to program participants, an accounting of the funds in escrow will be provided.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Ensure Program Fees are not imposed by Sub-Recipients

Per 24 CFR 578.87(d), program fees are not allowed to be imposed upon program participants. The monitoring evaluation packet and the grant agreement between RIH and the sub-recipient references the term “program fee” which give the impression program fees are allowable. When BOA inquired as to the inclusion of this term in these two documents, RIH personnel referenced 24 CFR 578.77, *Calculating Occupancy and Rent*. However, rent/occupancy charges and program fees are not synonymous and utilizing the term “program fee” in the grant agreement and monitoring evaluation packet may lead to misinterpretation.

Testing revealed one sub-recipient imposed program fees to program participants as a flat fee maintenance charge. The documentation provided for review did not indicate the sub-recipient was made aware that this is not an allowable practice nor was it noted that this charge was in lieu of rent.

Recommendations

11. Revise monitoring evaluation packet and grant agreement to exclude the term program fees.
12. Identify all sub-recipients imposing a program fee on their program participants, and ensure the fees currently imposed are solely related to rent and occupancy.
13. Communicate to all sub-recipients that program fees are not allowed to be imposed per 24 CFR 578.87(d).

Management Responses

Rhode Island Housing staff communicates with sub-recipients regarding rent/occupancy charges during monitoring reviews. Staff has identified all sub-recipients who impose occupancy charges or rent and have requested that they submit an explanation as to how these charges are collected and spent. The term “program fee” is somewhat confusing as it has been used interchangeably in previous program agreements and monitoring packets with the phrase “occupancy fees and rent” (which are permitted). For existing grant agreements the term “program fee” will remain, but upon renewal, all new agreements will have the phrase changed to occupancy charge.

Although the collection of project income is detailed in each sub-recipient application, Rhode Island Housing staff will update the monitoring packets and sub-recipient agreements to exclude the term “program fees” and insert “occupancy charge or rent”, depending on which term most accurately reflects the payment. In addition, staff will communicate with all sub-recipients regarding program

charges and refer to regulation 24 CFR 578.87(d), as well as request that sub-recipients who charge for occupancy/rent submit a formal policy on the collection and expenditure of program related income.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Ensure the Housing Quality Standard Inspections are Performed and Documented

Housing Quality Standard (HQS) inspections are required to be performed for all sub-recipients where leasing or rental assistance payments are made with CoC funds per 24 CFR 578.75(b). The recipient or sub-recipient must inspect all units at least annually during the grant period to ensure the unit continues to meet HQS. BOA tested 15 grants and noted the following weaknesses or deficiencies:

- Three of the grants included leasing funds within their Program and Administration Budgets.
- Two of the three grants noted above did not have documentation supporting the performance of a HQS inspection.⁶
- There is no procedure to ensure that sub-recipients are in compliance with housing quality standards.

Refer to *Update monitoring tools to include all federal requirements* and *Develop policies and procedures to further strategic mission* sections of this report.

Recommendation

14. Ensure HQS inspections are performed on an annual basis as required by 24 CFR 578.75(b) (2).

Management Response

Responsibility for performing HQS inspections lies with the sub-recipients. Rhode Island Housing staff will ensure that all housing units which receive CoC program funds are inspected annually as per the program agreement, with inspection results retained either as a hardcopy or electronic file.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

⁶ Based upon documentation provided, BOA is unable to validate the performance of the inspections.

Improve Procedures for Review of Sub-Recipient Audit Reports

RIH's sub-recipient grants agreement states:

[submit] Audit report within thirty (30) days of receipt, but in no event later than nine (9) months after the end of the period covered by the audit, together with a plan for corrective action addressing of any audit findings.

Further, OMB Circular A-133 Part 3 Section M requires sub-recipients expending \$500,000 or more in federal awards to have an audit completed within nine (9) months of the end of their audit period.

RIH does not have adequate controls or procedures to ensure sub-recipient audit reports are received and reviewed timely. Appropriate review of these audit reports would include:

- Identifying findings related to the CoC program
- Reviewing going concern issues
- Determining whether there are cash management concerns
- Ensuring federal monies are disbursed in compliance with regulations
- Confirming sub-recipients have taken corrective action on audit findings
- Implementing sanctions if corrective action is not taken

RIH may be disbursing federal monies to sub-recipients that are in non-compliance with federal regulations or that may have cash management issues which could affect the organization's operations as it relates to the CoC program.

Recommendations

15. Develop and implement policies and procedures that ensure receipt and review of all sub-recipient audit reports. These policies and procedures need to address the timely collection of audit reports and the tracking of their receipt.
16. If a sub-recipient is subject to an A-133 audit, review audit issues related to federal compliance.
17. Review all audits to ensure there is no going concern or cash management issues, or other findings pertinent to the program.
18. Request and review management letters.
19. Incorporate the results of the audit report review into the risk assessment.

Management Responses

Rhode Island Housing currently tracks the receipt of required audits. Rhode Island Housing will implement additional policies and procedures for the tracking and review of sub-recipient audits, including those required by A-133, which comply with all appropriate federal and state audit systems and authorities. It will review the audits and management letters to ensure that there are no going

concern or cash management issues or other findings pertinent to the program. Audit findings and results will be incorporated into the risk assessment monitoring.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Collect Adequate Documentation to Support Match

Many federal grants require the sub-recipient to provide a cash or in-kind match for the grant. A match is the sum of money that must be provided by the sub-recipient which is typically calculated based on a percentage of the total grant amount awarded. For the CoC program, the required match is 25 percent of grant funds (except funds for leasing space) which can be provided on a cash or in-kind basis. For in-kind contributions, a memorandum of understanding (MOU) must be executed prior to the grant execution.

RIH does not require sub-recipients to submit MOUs documenting in-kind match contributions; however, it will review the MOUs during on-site monitoring visits. There is no assurance that MOUs with third parties are entered into prior to the grant execution as required by 24 CFR 578.73, and there is an overall inability to determine if sub-recipients are in compliance with match requirements.

Issues were identified within RIH's process for verifying match as follows:

- I. Sub-recipient No.1 grant agreement match amount did not equal the 25 percent required by federal program rules.
- II. Sub-recipient No.2 file did not state a dollar value for the federal program match. Therefore, we are unable to determine if the match equates to the required 25 percent.
- III. Sub-recipient No.3 file contained cash and in-kind match support letters, but the pertinent grant for which the match was being made was not indicated. Therefore, we were unable to determine if the cash and in-kind match equates to the required 25 percent.

Recommendations

20. Establish written policies and procedures to ensure compliance with match requirements.
21. Ensure that:
 - a. grant agreements made with sub-recipients state the minimum required match amount per 24 CFR 578.73
 - b. all match support letters are in the sub-recipient files
 - c. the match support letters specifically reference the relative grant
22. Require sub-recipients to submit all MOUs entered into with third party service providers prior to the execution of the RIH and sub-recipient grant agreement; retain these MOUs.

Management Responses

Rhode Island Housing will update its written policy with regard to monitoring minimum required match amounts to comply with the HEARTH CoFC Program Interim Final Rule. Rhode Island Housing currently has a requirement with regard to match requirements pursuant to 24 CFR 578.73 but it must be updated to reflect HUD's Interim Final Rule under the HEARTH Act. Sub-recipients must submit evidence of the availability of matching funding with each renewal application. They must identify the funds and/or activities to be utilized as a match and the amount of those services expected to be provided. Adequate match documentation for each sub-recipient is required prior to HUD executing the grant agreement with Rhode Island Housing.

HEARTH regulations allow sub-recipients to negotiate in-kind donations with providers of supportive services. Also, HUD requires that sub-recipients execute an MOU with providers to properly document the services. Rhode Island Housing has incorporated HEARTH regulations in agreements executed with sub-recipients. The agreements include the minimum match required to satisfy HEARTH regulations. Rhode Island Housing staff will ensure the required 25% match is identified in the agreements and that monthly funding requests include documentation that provides evidence of matching services.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Sub-Recipient Drawdown Process

Sub-recipients submit requests to RIH to draw down its CoC grant. There are specific federal requirements related to the process of drawing down grants from the federal government.⁷ The Bureau tested for compliance with these federal requirements and noted the following areas for improved controls over this process.

Distribute Funds to Sub-Recipient within 45 Days

Federal regulation states funds must be distributed to sub-recipients within 45 days of receiving an approvable drawdown request. The Bureau tested 30 drawdown requests of which seven (7) exceeded the 45-day requirement between when a sub-recipient requested funds (per the date of the request letter) and when RIH distributed the funds.

As of the date of the Bureau's review, there was no policy or procedure in place to ensure compliance with this requirement. Refer to *Develop Policies and Procedures to Further the Strategic Mission* and Recommendation 28.

⁷ Refer to 24 CFR 578.85 (c)

Recommendations

- 23. Implement a policy and procedure to ensure funds are distributed to sub-recipients within 45 days of receiving an approvable request.

- 24. Develop a method to record the date of the approvable request and the date of payment.

Management Responses

Lapses in availability of federal funds have occasionally extended the payment period beyond 45 days. Rhode Island Housing staff will continue to pay draw down requests within 45 days, unless access to federal funds is not available or sub-recipients do not provide proper documentation. Rhode Island Housing staff will track sub-recipient payment requests by date and amount, disbursement dates and amounts and note in the file the reason for any payment made after 45 days.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Collect Evidentiary Documentation to Support Drawdowns

Title 24 CFR 578.53(e) requires RIH to perform a review of costs submitted by sub-recipients for eligibility. As stated in the grant agreements, RIH requires sub-recipients to submit a general ledger, income statement, or trial balance, as documentation of the requested monthly drawdown amount. Time sheets are requested to document payroll expenses. The practice of only collecting a general ledger, income statement, or trial balance, which is at a summary (not detail) level, does not provide strong evidentiary documentation to ensure expenditures are for an allowable purpose or have been incurred within the period of availability for each grant.

Recommendations

- 25. Obtain adequate evidentiary support from sub-recipients for all draw-down reimbursement requests, including invoice detail for all expenditures, and match this detail to the request submitted.

- 26. Revise grant agreements with sub-recipients to reflect the above recommendation.

Management Responses

Current policies and procedures allow sub-recipients to submit general ledger reports as backup to requests for payment. Going forward, sub-recipients will be required to submit additional backup, such as bank statements, canceled checks and invoices, as detail and confirmation of expenditures.

Grant agreements between Rhode Island Housing and sub-recipients will be revised to reflect the new requirements regarding additional detail for program expenditures. Staff will analyze all program cost details and communicate with sub-recipients with regard to any discrepancies prior to releasing funds.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Verify Sub-Recipients' Disbursements in Accordance with Grant Agreements

Per RIH's grant agreement Section No. 4, *Disbursements*, if the sub-recipient is on an advance basis:

... Disbursements must be expended for eligible costs within three (3) days after receipt or returned to Rhode Island Housing for deposit.

Current practice does not ensure compliance with the terms of the grant agreements. First, there is no evidentiary documentation in the files which indicates whether sub-recipients are paid on an advanced basis. Second, if an advanced basis is used, there is no evidence to support compliance with the three-day rule noted above.

Recommendation

27. Establish and enforce a procedure to ensure that adequate supporting documentation is collected for sub-recipients' disbursements of drawn down funds.

Management Response

Other than rental assistance, Rhode Island Housing has not disbursed funds in advance of the sub-recipient incurring an expense. Policies and procedures will be established to ensure that, if such advances are made in the future, adequate supporting documentation is collected to demonstrate that such disbursements were expended for eligible costs within three days. Grant agreements between Rhode Island Housing and sub-recipients will be revised to reflect the new procedure.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014

Review Payment Terms set Forth in Grant Agreements

Per 24 CFR 578.85 (c.2), sub-recipients must draw down funds at least quarterly. However, RIH has more specific terms within its grant agreement with sub-recipients. The grant agreement states the sub-grant amount:

... [W]ill be made available by Rhode Island Housing to Sponsor in installments, no more frequently than monthly, to cover eligible Program costs.

BOA sampled and reviewed the drawdown sheets maintained by the RIH CoC Program Assistant. There were nine (9) instances of the 15 selected where sub-recipients were paid more than one (1) day per month. RIH does not have a method to ensure compliance with this term of the grant agreements. Refer to Recommendation 24.

Recommendation

28. Review all terms set forth in the grant agreement with the sub-recipients and determine if modifications may be necessary, and if not, ensure compliance with grant terms.

Management Response

Rhode Island Housing normally disburses funds on a monthly basis. However, occasions arise when more than one disbursement is appropriate, such as when access to federal funds was delayed or the sub-recipient has not provided proper documentation on a timely basis for previous requisitions. Policies and procedures will be revised to allow more than one payment per month in certain circumstances and staff will track sub-recipient payment requests by date and amount, disbursement dates and amounts and note in the file the reason if more than one payment occurs in any month.

Contact Person

Carlos Hernandez

Anticipated Completion Date

December 31, 2014