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Office of the City Auditor

Audit Report

**AUDIT OF HOMELESS RESPONSE SYSTEM
EFFECTIVENESS**

(Report No. A18-004)

December 8, 2017

City Auditor

Craig D. Kinton

Table of Contents

	Page
Executive Summary	1
Audit Results	
Section I – Homeless Management Information System Participation, Implementation, Procurement, and Oversight Affect City’s Homeless Response System Effectiveness	
Low Homeless Management Information System Participation Limits Ability to Assess Effectiveness and Reduces Federal Funding	5
Inadequate Planning, Coordination, and Implementation of Homeless Management Information System Puts Emergency Shelter Funding and Viability at Risk	8
Homeless Management Information System Procurement Did Not Comply with Federal Requirements	12
Ineffective City Oversight of Metro Dallas Homeless Alliance’s Homeless Management Information System Implementation	14
Section II – City Oversight of The Bridge	
Efforts to Require The Bridge to Fully Report in Homeless Management Information System Without Proper Planning Pushed the Shelter to the Brink of Closure	17
The Financial Viability of The Bridge Warrants Closer Monitoring	20
The City’s Monitoring of The Bridge Management Contract Is Inadequate	23
The Bridge’s Bank Funds Are Above FDIC Limits and at Risk of Loss	26

Section III – City Evaluation of the Effectiveness of Homeless Services

The City’s Planning for Homeless Services Has Significant Gaps	28
Fragmentation and Insufficient Coordination and Monitoring of Homeless Services Created Challenges	30
Homeless Services’ Funding Is Returned to HUD, Decreasing the Effectiveness of Federal Grant Funds Received	34
The City Lacks an Adequate and Timely System for Receiving and Responding to Feedback from Clients	35
Policies and Procedures Do Not Specifically Ensure Segregation of Duties Following Past Fraud Incident	37

Appendices

Appendix I – Background, Objective, Scope and Methodology	38
Appendix II – Dallas Shelter Survey Results	43
Appendix III – Peer City Survey Results	45
Appendix IV – Evaluation of the City’s Homeless Services Strategic Review and Planning Process	51
Appendix V – Major Contributors to This Report	55
Appendix VI – Management’s Response	56

Executive Summary

The City of Dallas (City) cannot tell how well the homeless response system is performing and needs to improve: (1) oversight of the Metro Dallas Homeless Alliance (MDHA) and The Bridge (see textbox); and, (2) how the City evaluates, coordinates, and monitors homeless services. The homeless response system is the coordinated government and community effort to resolve, prevent, and end homelessness in the area¹.

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Incomplete Homeless Management Information System Limits Ability to Assess Effectiveness

The Homeless Management Information System (HMIS) that the area relies on to evaluate the effectiveness of homeless resources is incomplete, covering only 30 percent of the beds in 2016 dedicated to the homeless, including homeless emergency shelters and longer-term housing. As a result, the City cannot fully evaluate how the homeless response system's resources are contributing to reducing homelessness, and the area is receiving less money in competitive Federal grants, including a reduction of \$1.1 million from two years earlier.

Background Summary

The Department of Housing and Community Services (HOU) oversaw homeless services for the City of Dallas (City) until 2017 when the City created a separate Office of Homeless Solutions to improve the coordination and performance of homeless services. Two new organizations were also created: (1) the Dallas Area Partnership to End and Prevent Homelessness which is co-chaired by a Dallas City Council Member and a Dallas County Commissioner; and, (2) the Citizen Homeless Commission which is appointed by the Mayor and City Council.

The number of unsheltered homeless residents in the Dallas area increased sharply from 251 in 2013 to 1,087 in 2017 as the total homeless population increased more gradually from 3,163 to 3,789. The 2016 Dallas Commission on Homelessness report determined limited availability of affordable housing is a significant challenge to reducing homelessness.

The City contracts with multiple organizations to provide homeless services, including The Bridge and the Metro Dallas Homeless Alliance (MDHA). The City also employs staff to administer and provide homeless services.

Source: Interviews, City documents, and the 2016 Dallas Commission on Homelessness report

Inadequate Homeless Management Information System Implementation, Procurement, and Oversight

The MDHA's implementation of a new HMIS from a vendor without prior HMIS experience faced multiple challenges, including delays, a lack of system capabilities for homeless emergency shelters, and technical difficulties. The new HMIS was purchased in a non-competitive process, which violated Federal procurement requirements and could result in the loss of the HMIS' Federal

¹ For purposes of this report, "area" is defined as the City of Dallas, Dallas County, Collin County, and the City of Irving.

funding. During the implementation period, the City's oversight of MDHA was inadequate.

Ineffective Contract Oversight of The Bridge Homeless Assistance Center

Delayed payment from the City pushed The Bridge, the City's homeless assistance center, to the brink of temporary closure twice in 2017 due in part to challenges with the HMIS implementation. The City's monitoring and oversight of the contract with The Bridge to operate a homeless assistance center is inadequate to ensure effectiveness of services, compliance with contract terms, and the financial viability of The Bridge. The Office of the City Auditor's risk evaluation² indicates The Bridge's financial viability warrants closer monitoring. The Bridge's reliance on government for 84 percent of its funding in Fiscal Year (FY) 2016 increased the risk The Bridge could not continue to serve the homeless should the funding be delayed, reduced, or eliminated.

Insufficient Evaluation and Monitoring of City Homeless Services

A review of the City's homeless services determined:

- The City uses multiple City and United States Department of Housing and Urban Development (HUD) required plans; however, they are not adequately aligned to: (1) allow for clear decision-making; (2) assess homeless services' performance; and, (3) monitor progress in meeting key objectives
- Fragmentation exists in both case management and compliance oversight, and the monitoring of services is not sufficient to ensure effectiveness
- The City is not spending grant money timely, returning a combined \$531,105, or 9.7 percent, in unspent grant funds to the Federal government for FY 2015 and FY 2016
- The City does not have an adequate and timely system for receiving and responding to feedback from homeless services clients
- Policies and procedures do not specifically ensure segregation of duties following a past fraud incident to prevent recurrence

² The risk evaluation was based on analysis of financial and operational information for Fiscal Year (FY) 2014 through FY 2016 including: (1) audited financial statements, general ledger trial balances, and Federal tax returns (Internal Revenue Service Form 990), if available; (2) analyses of key non-profit financial ratios; and, (3) survey information.

**An Audit Report on –
Homeless Response System Effectiveness**

We recommend the City improve oversight of the homeless response system effectiveness by implementing the recommendations in this report.

The objective of the audit was to assess the efficiency and effectiveness of the City's homeless response system, which included an evaluation of the contracting procedures for homeless services, including how contracted services meet assessed needs and are monitored for quality performance. The audit scope covered management operations from FY 2015 through FY 2016; however, certain other matters, procedures, and transactions outside the scope were reviewed to understand and verify information during the audit period.

Management's response to this report is included as Appendix VI.

Audit Results

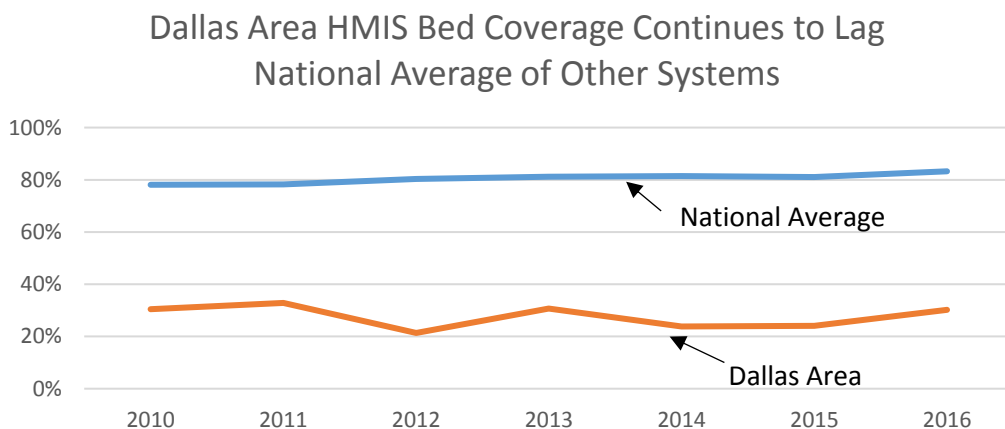
Section I – Homeless Management Information System Participation, Implementation, Procurement, and Oversight Affect City’s Homeless Response System Effectiveness

Low Homeless Management Information System Participation Limits Ability to Assess Effectiveness and Reduces Federal Funding

The Dallas Area’s³ Homeless Management Information System (HMIS)⁴ participation in 2016 was very low with only 30.2 percent of the beds dedicated to the homeless, including homeless emergency shelters and longer-term housing reporting information in HMIS. The participation ranked 378th out of 402 communities nationwide as reported by the National Homeless Information Project. Participation in HMIS has consistently lagged national averages due to the area’s dependence on homeless emergency shelters that have not previously been required to participate in HMIS. As a result, the City of Dallas (City) cannot fully evaluate how the homeless response system’s resources are contributing to reducing homelessness, and the area is losing Federal funds – receiving \$1.1 million less in the 2016 award through the United States Department of Housing and Urban Development (HUD) Continuum of Care (CoC) program than in 2014.

Chart I

Dallas Area’s HMIS Bed Coverage Continues to Lag National Average



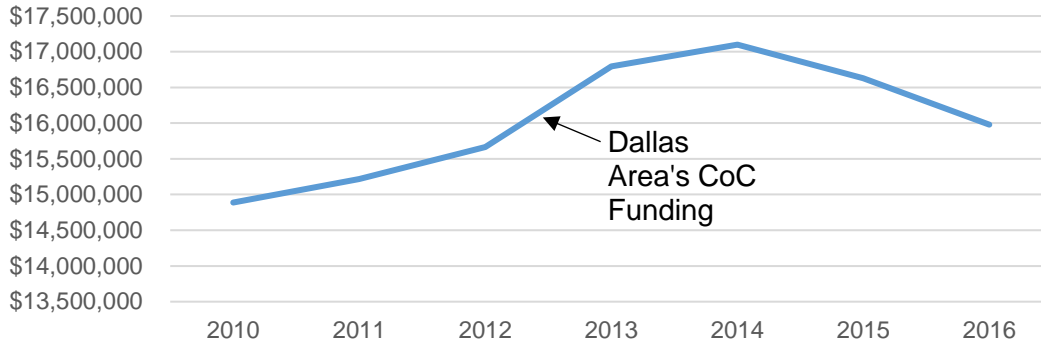
Source: National Homeless Information Project report, 2010 through 2016

³ For purposes of this report, “area” is defined as the City of Dallas, Dallas County, Collin County, and the City of Irving.

⁴ The HMIS is a database required by HUD for tracking homeless information in each area, such as the number of beds occupied each night. The HMIS participation is measured by the percent of those beds that are reported in HMIS.

Chart II

Dallas Area’s Federal CoC Funding Declined from 2014 to 2016



Source: Metro Dallas Homeless Alliance Documents

Federal Requirements Set a Target of 85 Percent Participation in HMIS

The HUD guidelines require a minimum of 50 percent HMIS participation of beds with a target of 85 percent for the homeless response system. If fewer than 50 percent of beds are included, the area will lose scoring points in the annual application for funding to HUD which could reduce funding.

Peer City Surveys Provide Guidance on Improving HMIS Participation

Eleven of 13 cities surveyed have been actively involved in increasing participation in HMIS. At least six cities use or recommend the following approaches:

Metro Dallas Homeless Alliance Responsibilities

The Metro Dallas Homeless Alliance (MDHA) plays a significant role in the homeless response system as the area's authority on homelessness and the Continuum of Care (CoC) lead agency. The City contracts with MDHA to administer the Homeless Management Information System (HMIS) and coordinate regional efforts to end homelessness.

About 40 organizations use HMIS to report on homeless services; however, these organizations have less than half the beds in the homeless response system.

The MDHA used the launch of its new HMIS in spring 2017 to attract more participation among homeless emergency shelters. The MDHA also asked other funders, including governments and philanthropic organizations, to require full HMIS participation.

Many key homeless emergency shelters in the City have not been previously required to report all shelter services in HMIS and do not believe HMIS meets their requirements.

Source: Interviews and MDHA documents

**An Audit Report on –
Homeless Response System Effectiveness**

- Collaborating with the CoC's⁵ lead agency and community partners to drive decision-making and find solutions
- Incentivizing HMIS participation through funding and contractual requirements
- Using data-driven solutions to end homelessness, such as with HMIS
- Incentivizing HMIS participation by providing resources, such as grant allocations, software licenses, computer labs, and technical assistance

See Peer City Survey Results (Appendix III) for more detailed survey results. Additional information on how the City of Seattle and its partners use HMIS data to evaluate and improve the effectiveness of the homeless response system is also included in Appendix III.

Recommendation I

We recommend the City Manager prioritizes increasing the participation in the HMIS by the methods identified through the survey, including using data-driven solutions to end homelessness and incentivizing HMIS participation by providing resources, such as grant allocations, software licenses, or other assistance.

Please see Appendix VI for management's response to the recommendation.

⁵ The MDHA is the lead agency for the area's CoC. The HUD CoC Program is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families...and, optimize self-sufficiency among individuals and families experiencing homelessness.

Inadequate Planning, Coordination, and Implementation of Homeless Management Information System Puts Emergency Shelter Funding and Viability at Risk

The MDHA's implementation of the area's HMIS did not meet the needs of the largest homeless emergency shelters, including The Bridge, the Austin Street Center for the Homeless, the Salvation Army, the Union Gospel Mission, and Dallas Life. For MDHA to increase the very low participation rate identified on page five, these homeless emergency shelters had to now participate in the HMIS.

Because area homeless emergency shelters rely on the HMIS to meet Federal and State of Texas (State) grant reporting requirements for grants provided through the City, the HMIS implementation put the homeless emergency shelters' funding and financial viability at risk. In addition, if the HMIS cannot accommodate complete compliance with HUD's HMIS reporting requirements for multiple grant programs, the City may lose Federal and State funding.

Challenges related to MDHA's launch of the new HMIS included:

- A full accounting of the specifications and needs of the stakeholders, including the homeless emergency shelters was not developed during the planning phase and in advance of the selection of the HMIS vendor
- An assessment of the stakeholder needs underestimated the complexity of The Bridge. In March 2016, The Bridge was rated as "medium" complexity with one program and 320 clients, a fraction of the services The Bridge provides to more than 7,000 clients annually.
- The start date was delayed from October 2016 to May 2017. Therefore, the new HMIS was not operational until more than half-way into the fiscal year, requiring the use of two HMIS systems during the same fiscal year.
- The HMIS did not interface with the homeless emergency shelters' management systems, complicating the entry of historical data. In one example, although a significant months-long effort was made to migrate data from The Bridge's system to the HMIS, it was not immediately successful, and The Bridge terminated the migration agreement.
- A survey of six homeless emergency shelters' representatives said the HMIS launch did not include adequate coordination with MDHA or the vendor and did not meet the homeless emergency shelters' needs for use as a stand-alone system. Core emergency shelter functionality, such as client ID scan-card capability, client restrictions, and a bed management system, were not included when the HMIS was launched. Client restrictions and bed management capabilities were added in September 2017 and

**An Audit Report on –
Homeless Response System Effectiveness**

client ID scan-card capability is under development. See Dallas Shelter Survey Results (Appendix II) for more information about the survey of Dallas homeless emergency shelters.

Multiple factors led to the implementation challenges, including:

- The MDHA used a non-competitive process to select a vendor without previous HMIS experience, as discussed on page 12
- The MDHA did not prioritize customization and additional capabilities for the homeless emergency shelters
- The City did not adequately oversee the HMIS procurement and launch of the HMIS, as discussed on page 14
- The MDHA and the vendor had to complete the HMIS launch by the end of May 2017 to qualify for the Federal grant funding used to pay for the new HMIS. If the HMIS did not launch by the deadline, the Federal funds could not have been used for that period.
- The City required The Bridge to record all services in HMIS, in part because of concerns that data entry was required to meet Federal and State grant program requirements

In addition, The Bridge said the previous version of HMIS did not have the capabilities it needed to track all services The Bridge provides. When The Bridge experienced technical issues with the new HMIS and was not immediately able to complete the City's requirements for data entry, there was no contingency available to report data to the City.

Survey Results and Best Practices Emphasize Homeless Emergency Shelter Involvement in System Development

A survey of homeless emergency shelters in other cities found the more involved the shelters were in the development of the HMIS, the more likely shelters were to use HMIS as their only system. Shelters in other cities provided important guidance on what helped make their use of HMIS successful:

- Extensive consultation and customization to make the system work for shelters
- Incentivizing the use of the HMIS through reduced or subsidized license fees or costs
- Emphasizing benefits of HMIS participation

Specific Benefits of HMIS Participation

A Jacksonville shelter used HMIS data to open new avenues for winning competitive grants. Data on low high school diploma attainment among adults in homeless families led to a new educational grant program to help shelter guests pass General Educational Development tests.

Minneapolis shelters use weekly HMIS shelter population tracking to assess and coordinate occupancy and to plan for seasonal demand.

A New Orleans shelter uses HMIS for reliable information on new arrivals and to ensure its clients are not receiving duplicative care elsewhere.

Source: Survey responses

The HUD guidance emphasizes the importance of stakeholder development and understanding user needs beyond HMIS requirements when switching HMIS vendors.

The National Institute of Standards and Technology emphasized the importance of complete advance analysis in a June 2008 report on software development for building systems: *“Many projects fail or miss deadlines and come in severely over budget for the simple reason that thorough analysis and design are not done up front and risk is not managed.”*

The ISACA, an international information technology assurance organization, identifies a key component of a software development project as adequate management governance over the project to ensure the project is properly defined. The ISACA guidance states management should ensure appropriate stakeholder involvement in the development process.

Recommendation II

We recommend the City Manager works with the MDHA to improve the planning, coordination, and implementation of the HMIS by: (1) prioritizing HMIS customization to meet homeless emergency shelters' needs; (2) understanding current homeless emergency shelter system capabilities; and, (3) ensuring effective stakeholder engagement as HMIS customization continues.

Please see Appendix VI for management's response to the recommendation.

Homeless Management Information System Procurement Did Not Comply with Federal Requirements

The MDHA procured a new HMIS for the area without using a competitive process which is non-compliant with the \$409,588 HUD HMIS Grant Agreement with MDHA. In addition, MDHA did not retain documentation for the basis of contractor selection and the justification for the lack of a competitive process which are required (see textbox). Not following Federal procurement requirements increases the risks:

- The HUD could terminate the grant agreement resulting in a loss of Federal funds for the HMIS
- The most appropriate system may not have been selected
- The area cannot assess the effectiveness of the homeless response system
- Of unfair procurement procedures and ineffective use of government funds

Federal Procurement Requirements

The HMIS Grant Agreement between MDHA and HUD is governed by the CoC Interim Rule codified in 24 Code of Federal Regulations (CFR) Part 578.

- The Rule states that MDHA must retain documentation of compliance with procurement requirements in 24 CFR Part 84.
- Procurement standards in 24 CFR Part 84 express the expectation of a competitive solicitation process and require written procurement procedures for awards made to contractors. Procurement records for the small purchase threshold of \$100,000 must include the basis for contractor selection and justification for the lack of a competitive process.

Source: (1) HMIS Grant Agreement TX0405L6T001500; and, (2) Electronic Code of Federal Regulations for 24 CFR Part 578 and 24 CFR Part 84

Although the Pieces Technology Inc.'s (Pieces Tech) IRIS had not been previously used as an HMIS, the MDHA determined the system could meet requirements for operating the Federally-mandated HMIS without: (1) formally consulting with the homeless emergency shelters, key stakeholders; and, (2) identifying and documenting the system's specifications as required in a competitive procurement. The MDHA board approved the IRIS by unanimous decision on November 12, 2015 as it met MDHA's goals of interconnectivity with other systems, such as healthcare, criminal justice, and the food bank. The MDHA board included a representative from the City and representatives from two homeless emergency shelters. Between November 2016 and June 2017, MDHA made payments totaling \$239,000 to Pieces Tech for IRIS and related operations.

The MDHA said it was aware of other HMIS vendor options and did not think a competitive procurement process was required for HMIS procurement under the HUD HMIS Grant Agreement.

Recommendation III

We recommend the Chief of Community Services provides additional oversight to ensure MDHA is administering the local HMIS to meet all Federal procurement requirements and has processes in place for the retention of documents. If additional oversight language is needed in the contract with MDHA, we recommend the Chief of Community Services works with the City Attorney's Office to revise the contract.

Please see Appendix VI for management's response to the recommendation.

Ineffective City Oversight of Metro Dallas Homeless Alliance’s Homeless Management Information System Implementation

The City does not have appropriate oversight of MDHA’s implementation of the HMIS. The delayed and challenging launch of the HMIS put the City’s funding from other government entities at risk, particularly for the approximately \$4 million contracted out to The Bridge. Without effective oversight, including sufficient City representation on the MDHA Board of Directors, the City’s investments in the homeless response system may not be adequately protected.

In Fiscal Year (FY) 2017, the City provided more than \$8.2 million and received more than \$8.4 million for homeless services from other government entities. The City relies on MDHA to successfully administer the HMIS in order to assess the effectiveness of the homeless response system and ensure accurate and consistent reporting on homeless services across agencies.

MDHA Leadership

The MDHA is responsible for administering the HMIS as the lead agency of the CoC. The MDHA Board of Directors, which also serves as the CoC’s Board of Directors, is responsible for nominating members by a majority vote.

In 2006, the City Council approved a resolution recognizing MDHA as the lead authority on regional homeless issues to better coordinate matters affecting homelessness. At that time, the Mayor’s Homeless Task Force was merged with the MDHA Board of Directors and the Mayor’s Homeless Task Force Chair became the Chair of the MDHA Board of Directors.

Source: MDHA By-Laws, the FY 2017 City contract with MDHA, and City Council Resolution 06-2657

The City currently has only one representative, an Assistant Chief of Police, on the 27-member MDHA Board of Directors. At the time of the vendor selection for HMIS, the City’s representative was the then-director of the former Department of Housing / Community Services (HOU). This representative approved the selection of the HMIS and served on the board during the preparations for the development and launch of the new HMIS.

Complex Reliance on MDHA Presents Oversight Challenges

The City relies on MDHA in multiple ways that may pose challenges implementing proper City oversight. Specifically, the City:

- Contracts with MDHA to help fund efforts to coordinate the homeless response system and administer HMIS (\$209,055 in FY 2017, including \$163,385 in City general funds).
- Appoints representation to and serves on the MDHA Board of Directors

**An Audit Report on –
Homeless Response System Effectiveness**

- Receives Federal CoC funding from the HUD distributed by MDHA (\$3.2 million in FY 2017)
- Depends on MDHA’s management of HMIS to meet the City’s Federal and State reporting requirements for grant funding

Peer City Survey Found Stakeholder Input and Leadership of CoC Structure Varies

The Peer City Survey found other cities have varying influence over the leadership of their CoC, including:

- Charlotte, North Carolina – The Housing Advisory Board of Charlotte-Mecklenburg is the governing board for the CoC and its members are appointed by the Mayor, City Council, and Mecklenburg County Board of Commissioners
- Houston, Texas – A representative from the City of Houston and a Harris County representative sit on the steering committee overseeing the CoC
- Minneapolis, Minnesota – The Mayor is Co-Chair of Heading Home Hennepin which oversees the ten-year plan to end homelessness. The Hennepin County Office to End Homelessness oversees the CoC with direction and funding support from the City of Minneapolis. Two Minneapolis City Council members and two Minneapolis City officials also serve on the Heading Home Hennepin committee.
- New Orleans, Louisiana – The City of New Orleans oversees the New Orleans Interagency Council on Homelessness, one of two organizations setting priorities for the New Orleans’ Homeless Response System. The City of New Orleans is one of 63 members of the other organization, the Service Providers and Professional Association, which also sets priorities.
- St. Petersburg, Florida – The City of St. Petersburg has two voting members on the Pinellas County Homeless Leadership Board, the group overseeing the CoC, including a St. Petersburg City Council Member. The St. Petersburg City Council member is currently the Chair.

The City of Fort Worth is considering increasing its influence over the CoC, the Fort Worth / Arlington / Tarrant County CoC. The City of Fort Worth currently has one representative on its CoC board; however, it is considering a proposal to have a small governing board made up of mayors and county judges. This governing board would select members of the CoC board.

Recommendation IV

We recommend the City Manager ensures appropriate and effective oversight of the MDHA, which may include working with MDHA and the City Attorney's Office, to: (1) increase the City's representation on the MDHA Board of Directors; (2) improve its contract oversight; and, (3) request increased reporting on MDHA performance and initiatives.

Please see Appendix VI for management's response to the recommendation.

Section II – City Oversight of The Bridge

Efforts to Require The Bridge to Fully Report in Homeless Management Information System Without Proper Planning Pushed the Shelter to the Brink of Closure

The City's efforts to require The Bridge to fully participate in HMIS in FY 2017 twice significantly delayed payment to The Bridge to the point that The Bridge's executives warned it may close. The Bridge is among the largest providers of homeless services in the City, and a temporary closure would damage the City's homeless response system.

According to The Bridge, the City withheld payment of more than \$4 million until March 2017 due to delayed contract execution, in part for negotiations to include new language requiring complete HMIS data entry. In August 2017, the City withheld payment of at least \$3.1 million to The Bridge due to non-compliance with the new contract's HMIS reporting requirement.

Background on The Bridge

The Bridge is the largest provider of homeless services for the City through two contracts totaling approximately \$7.8 million in FY 2017. The Bridge serves 250 people each night and many more each day, providing case management, programs, meals, and other assistance, serving more than 7,000 people annually.

The City built The Bridge as a multi-purpose homeless assistance center using \$26.8 million in 2003 and 2005 bond funds. The Bridge began operations in 2008, the same year the City executed a long-term contract for its management with a non-profit organization, now known as The Bridge of North Texas.

The HOU oversaw monitoring of the contract through FY 2017. The new Office of Homeless Solutions now oversees the contract.

Source: The City Management Services Contract with The Bridge and The Bridge documents

The HMIS reporting requirement in the FY 2017 contract was not negotiated prior to the start of the fiscal year and was not included in the City Council resolution which approved the contract on October 11, 2016. The Bridge expressed concerns with the new requirement, due in part to concerns about HMIS capabilities to meet its needs, and the contract execution was delayed until February 15, 2017. Between March 15, 2017 and March 18, 2017, the City paid The Bridge \$3.6 million, most of the \$4 million in outstanding payments for homeless services.

The Bridge provided documentation to show it made a good-faith effort to fully participate in HMIS. For much of FY 2017, the HMIS did not have the capability to allow The Bridge to meet the new contract terms. As a result, The Bridge did not meet full compliance with the contract requirement and was not paid timely for services provided in the interim.

An Audit Report on – Homeless Response System Effectiveness

A months-long attempt by Pieces Tech to migrate The Bridge’s historical data into the new HMIS was unsuccessful. The Bridge terminated the agreement before completion and began entering data manually. The City requested a timeline for The Bridge to complete data entry into HMIS. The Bridge expressed concerns with the request, citing ongoing concerns with HMIS capabilities, further delaying a resolution. On August 24, 2017, The Bridge’s Interim President / Chief Executive Officer wrote the City Manager that its cash was at “*crisis level*” and that continued non-payment would result in temporary closure of the facility.

Several key factors contributed to the delayed payments:

- The delayed annual contract execution process – in FYs 2015, 2016, and 2017, The Bridge contract was executed months after each fiscal year began
- The City’s need to have The Bridge’s data in HMIS to ensure compliance with State and Federal grant program requirements
- The complexity of The Bridge’s services and reporting needs which were initially not fully understood by the HMIS vendor Pieces Tech
- Technical difficulties with the delayed launch of the new HMIS in May / June 2017 prevented timely data entry

The Bridge’s dependence on government funds amplified the impact of the delayed payments and is explained in more detail on page 20.

The City’s Administrative Directive 4-05, *Contracting Policy*, (AD 4-05) requires management services contracts to be completed before the City Council approves the contract.

Recommendation V

We recommend the Chief of Community Services ensures The Bridge remains able to provide services to the City’s homeless residents by:

- Working with The Bridge and the City Attorney’s Office to ensure the contract execution process is timely and in accordance with AD 4-05 requiring agreement to the contract terms prior to City Council approval

**An Audit Report on –
Homeless Response System Effectiveness**

- Continuing efforts to require The Bridge to comply with HMIS participation requirements with potential allowances for technical difficulties associated with HMIS
- Working with The Bridge and MDHA to ensure HMIS can meet the City's HMIS requirements

Please see Appendix VI for management's response to the recommendation.

The Financial Viability of The Bridge Warrants Closer Monitoring

The Office of the City Auditor’s risk evaluation⁶ identified various concerns related to the financial viability of The Bridge that present an increased risk. The Bridge may not be able to fulfill its contract requirements should funding from the City and other government entities cease or be delayed. As a result, The Bridge’s financial viability warrants closer monitoring by the City.

The Bridge does not meet certain key non-profit financial ratios (benchmarks) as follows:

- Percentage of Each Income Source to Total Income – This ratio indicates the diversity and mix of income sources.

Income from City contracts, including money from other government entities, consistently accounted for over 80 percent of The Bridge’s total income, reaching a high of 84 percent in FY 2016. Multiple benchmarks indicate that over-reliance on a single source of income, particularly government funding, raises the risk of decreased financial viability should government funding cease or be delayed. As discussed above, delayed payments from the City occurred in the FY 2017 contract year, providing additional evidence that delayed government funding is a risk to The Bridge’s financial viability.

Rather than raise private philanthropic funds to support The Bridge’s mission, as originally envisioned in the management services contract, the City allowed the Bridge to provide the required 50 percent matching funds to the City’s contribution through other government funds, of which there is currently no limit.

Financial Viability of Non-Profit Organizations

Ability of the non-profit organization to:

- Pay its bills
- Secure reliable and diverse sources of income
- Balance income and expenses

Non-profit organizations that strive to be financially viable need to have good practices and management processes in place that directly influence financial health, such as: (1) financial planning; (2) budgeting; (3) managing costs; (4) managing cash; (5) managing grants; (6) diversifying sources of funding; (7) selling products and services; (8) building up reserve funds; and, (9) managing performance.

Source: *Building Capacity through Financial Management*, John Cammack; Klaus Boas – *Indicators of Financial Sustainability and Establishing Good Financial Management*

⁶ The risk evaluation was based on analysis of financial and operational information for Fiscal Year (FY) 2014 through FY 2016 including: (1) audited financial statements, general ledger trial balances, and Federal tax returns (Internal Revenue Service Form 990), if available; (2) analyses of key non-profit financial ratios; and, (3) survey information.

**An Audit Report on –
Homeless Response System Effectiveness**

- Earned Income to Total Income – This ratio measures the relationship of earned income to all income.

Most of The Bridge's earned income is provided by payments from government entities. The Bridge, therefore, has little true autonomy when providing homeless services to the City, as revenue generation from these funding sources could cease or be delayed due to factors outside of The Bridge's control, such as government budget constraints or program elimination.

One ratio used to assess financial viability of The Bridge was unreliable, as follows:

- Current Ratio – This ratio measures the financial strength of an organization. The current ratio shows to what extent an organization can take care of its short-term liabilities with the cash and cash equivalents it owns.

The Bridge has a current ratio consistently well over 1.0 (4.16 at the end of FY 2016), indicating the ability to meet short term obligations at fiscal year-end; however, consistent delays in the City's payments during the year (see page 17) affect The Bridge's ability to manage current assets effectively due to the uncertainty of when a significant portion of its working capital will be received. This delay renders the current ratio ineffective at assessing The Bridge's actual ability to meet short-term obligations throughout the year.

A critical factor in The Bridge's ability to meet its mission is the on-site facilitation of vital supportive services for those in need which makes it a one-stop-shop for homeless residents. As such, The Bridge is also dependent on the viability of the on-site organizations continuing to be successful. The Office of the City Auditor did not evaluate the viability of The Bridge's partner organizations, such as Parkland Hospital, Metrocare Services, Workforce Solutions Greater Dallas, and North Texas Legal Aid.

The *State of Texas Contract Management Guide*, which provides contract managers with recommendations on improving existing contract management processes and practices, identified Financial Capability as one of the contract monitoring activities. Organizations which the City contracts with to provide services should be financially capable and viable of handling a project of a specific size and scope and operate in a manner that reduces the risk that the organization will not be able to meet the contract requirements.

Recommendation VI

We recommend the Chief of Community Services implements procedures to more closely monitor the financial viability of The Bridge by:

- Requiring City approval of The Bridge’s annual operating budget and significant adjustments
- Reviewing The Bridge’s operating budget for variances to anticipated revenues and expenses throughout the year
- Working with The Bridge to increase emphasis on philanthropic fundraising efforts to support its mission as originally envisioned which may include phasing in a cap on the percentage of matching funds that can be met from other government entities
- Working with The Bridge to develop a contingency plan in the event of a loss of one or more significant supportive services vital to fulfilling the mission of the homeless response system

Please see Appendix VI for management’s response to the recommendation.

The City's Monitoring of The Bridge Management Contract is Inadequate

The City did not monitor to ensure both the City and The Bridge followed the original contract requirements for approval of The Bridge's comprehensive plan, operating budget (including the amount of funds expected to be raised by The Bridge), or adjustments greater than 20 percent to budget line items (see textbox). The City is also not monitoring the following contract requirements to ensure The Bridge:

- Maintains at least two months, or not less than \$1.5 million of cash, in a cash operating reserve
- Maintains the cash operating reserve in a separate account and does not co-mingle contributed funds
- Provides the City a copy of monthly bank statements for all accounts related to the Homeless Assistance Center (HAC)

In addition, the City did not monitor to ensure the accuracy, completeness, and evaluation of results and outcomes for services provided by The Bridge, particularly against meaningful established performance outcomes and expectations. Examples of outcome measures include percentage of clients returning to homelessness and percentage of clients remaining housed for a certain time period.

Although the City reviews certain information provided by The Bridge prior to making contractual payments, the documentation of these reviews did not show the City had validated The Bridge's financial and performance data or performance data adjustments prior to making the payments.

Management Contract with The Bridge

The original contract between the City and MDHA in which The Bridge assumed MDHA's obligations in 2011 for operation of the Homeless Assistance Center (HAC) specifies the following key terms that are still in effect:

- City Director approval of The Bridge's comprehensive plan for operations and operating budget
- Maintenance of a cash operating reserve to cover three months of operations (this amount was reduced in the fourth amendment)
- Requirement to keep separate accounts for HAC operating budget funds and the HAC cash operating reserve
- Obligation of The Bridge to match funds provided by the City in escalating amounts over the course of the contract through fundraising efforts; however, subsequent amendments allow The Bridge to count grant income towards its required contribution to the operating budget. The contract also specifies an intent that The Bridge will establish a foundation to invest and produce income from funds raised for the HAC
- Submittal of proof acceptable to the City accounting for all funds necessary to fulfill its contribution to the HAC operating budget for the upcoming contract year, such as letters of commitment or bank statements

Source: (1) Management Services Contract, Phase II with Metro Dallas Homeless Alliance, approved December 12, 2007; and, (2) Second Amendment to the First Renewal to the Management Services Contract, Phase II, approved October 11, 2016

As a result, the risk is increased that: (1) the City and The Bridge are not complying with key contract provisions; (2) services performed by The Bridge are ineffective; (3) The Bridge is not financially viable; and, (4) the Inter-Local Agreement with Dallas County may be terminated.

Monitoring the performance of the contract is a key function of proper contract administration. Contract management best practices include clearly specifying well-developed deliverables and performance metrics in the contract, as well as monitoring compliance and performance consistently throughout the contract term.

The National Alliance to End Homelessness recommends entities use performance measures to understand whether current activities are working to achieve intended results, to drive program improvement and share information on effective practices with others, to ensure a common understanding among all stakeholders of what the expectations are, to communicate and advocate for community support, and to accomplish established goals.

The HOU's February 2015 Comprehensive Homeless Services Division policies and procedures manual Chapter 16 states that the contract administrator will review the financial and performance documents for accuracy, completeness, consistency, and *"show the auditors that you have looked at the reports and documentation."* The manual says the contract administrator should review and reconcile performance reports, consistent with HMIS, and input financial and performance data in internal spreadsheets and Performance Soft.

The Interlocal Agreement between the City and Dallas County specifies the agreement can be terminated without cause with a 30-day notice or with cause for reasons, such as lack of funding, non-performance, City's improper use of funds, or City's submission of data, statements, and reports that are incorrect, incomplete, or false in any way.

Recommendation VII

We recommend the Chief of Community Services:

- Implements procedures to ensure both the City's and The Bridge's compliance with the management services contract or work with the City Attorney's Office and The Bridge to align the contract with agreed-upon operating and financial oversight procedures
- Develops measurable performance expectations and requirements that hold The Bridge accountable for the delivery of effective and quality services, including identification of how performance will be evaluated, particularly against meaningful established performance outcomes and expectations

**An Audit Report on –
Homeless Response System Effectiveness**

- Strengthens payment processing procedures to include documented financial review in relation to The Bridge's operating budget and validation and evaluation of performance data and performance data adjustments for completeness and accuracy

Please see Appendix VI for management's response to the recommendation.

The Bridge’s Bank Funds Are Above FDIC Limits and at Risk of Loss

The Bridge had an average of \$2 million at risk of loss above Federal Deposit Insurance Corporation (FDIC) limits at fiscal year-end each year from FY 2013 through FY 2016. The FDIC insures the first \$250,000 in each bank account against loss in the event of a bank failure. Any funds above this amount are not insured and could be at risk of loss. If The Bridge's bank failed for any reason, the loss of The Bridge’s cash operating reserve funds above FDIC limits could put The Bridge’s operations at risk, particularly in the event of a financial crisis that may increase demand for homeless services (see Table I).

Table I

Amounts That Were at Risk of Loss by Fiscal Year	
Fiscal Year	Amount above FDIC Limits
2013	\$ 2,075,464
2014	1,043,181
2015	2,136,160
2016	2,908,247
Average	\$ 2,040,763

Source: The Bridge’s annual audits performed by Huselton, Morgan & Maultsby, P.C.

Fiscal year-end balances present data as of a point in time (September 30). The amount above FDIC limits fluctuates during the year depending on when payments from government entities and other revenue sources are received.

The City’s management services contract with The Bridge requires The Bridge to have at least \$1.5 million in a cash operating reserve at all times. The contract also specifies the reserve fund be in one account which limits The Bridge's ability to use multiple banks to increase FDIC coverage.

The Texas Public Funds Collateral Act created the requirement that public entities cover all funds in banks above the FDIC limits. While the requirement does not extend to non-profits or City vendors, it supports the value of the coverage.

Two common steps for minimizing the risk to bank funds above FDIC limits include:

- Monitoring the bank's rating and credit worthiness on a regular basis
- Using a service that can spread the deposit to multiple banks to increase insurance coverage

According to The Bridge, management is currently aware of its bank's ratings and has not used, but is open to considering, a service that can spread the deposit to multiple banks.

Recommendation VIII

We recommend the Chief of Community Services works with The Bridge to minimize the risk of loss of its bank funds above FDIC limits by taking the following steps if reasonable and cost effective to do so, by:

- Monitoring The Bridge's documentation of its bank's rating and credit worthiness on a regular basis
- Considering use of a service that can spread the deposit to multiple banks to increase insurance coverage. If applicable, work with the City Attorney's Office to change the contract language requiring reserve funds be maintained in a single account.

Please see Appendix VI for management's response to the recommendation.

Section III – City Evaluation of the Effectiveness of Homeless Services

The City’s Planning for Homeless Services Has Significant Gaps

The City uses multiple City and HUD required plans to establish key strategic objectives for homeless services. These plans, however, are not adequately aligned to: (1) allow for clear decision-making; (2) assess homeless services performance; and, (3) monitor progress in meeting key objectives. For example:

- Key objectives for reducing homelessness and increasing housing placement opportunities are not measurable and do not clearly define what constitutes success
- Most output metrics described in the plans do not clearly indicate how they contribute to key objectives, reducing the effectiveness of these metrics as useful performance information
- Assessment of senior leaders; input from key external organizations that are directly involved in reducing homelessness, such as Dallas area homeless emergency shelters; and, identification of gaps or actions needed to improve efforts to achieve key objectives are partially addressed in the plans but lack sufficient detail to be effective

Practices for Effective Agency Strategic Reviews

The Government Accountability Office identified seven criteria for effective strategic reviews:

- 1) Establish a process for conducting strategic reviews
- 2) Clarify and clearly define measurable outcomes for each strategic objective
- 3) Review the strategies and other factors that influence the outcomes and determine which are most important
- 4) Identify and include key stakeholders in the review
- 5) Identify and assess evidence related to strategic objective achievement
- 6) Assess effectiveness in achieving strategic objectives and identify actions needed to improve implementation and impact
- 7) Develop a process to monitor progress on needed actions

Source: United States Government Accountability Office

Because important criteria for effective strategic review (see textbox) are missing in these plans, the City does not have the ability to fully assess whether it is effectively achieving the key objectives of reducing homelessness and increasing housing placement opportunities (see Evaluation of the City’s Homeless Services Strategic Review and Planning Process, Appendix IV, for more details).

These reports are described in more detail as follows:

- The Department of Housing / Community Services Business Plan: The plan aligns each department's Business Plan with the City's Mission and Vision, the City Council's Key Focus Areas, and the City's Strategic Plan. This plan states that it ties in the objectives set forth by the City and describes two key objectives of reducing homelessness and increasing housing placement opportunities.
- The HUD Mandated Five-Year Consolidated / Annual Action Plan: The plan focuses on goals and objectives for the use of specific HUD program grant funds; however, it does not provide details for the use of other City resources (inputs) for City-wide homeless objectives.
- The Neighborhood Plus Plan: The plan is to serve as a guide for future updates to the HUD Five-Year Consolidated / Annual Action Plan. This plan states that it combines, updates, and replaces the housing and neighborhood elements of the forwardDallas! Comprehensive Plan which is a separate plan that provides a broader vision and strategic direction to guide land use, economic development, and transportation policy for Dallas, and describes two goals related to homelessness. The plan also states that the purpose of the framework used in the Neighborhood Plus Plan is to guide community investment. Therefore, it is not limited to the use of HUD program grant funds.

Recommendation IX

We recommend the City Manager, in coordination with the Chief of Community Services, adopts a comprehensive and cohesive strategic review process that aligns with City-wide objectives and clearly defines what constitutes success / progress for each key objective of reducing homelessness and increasing housing placement opportunities. The City Manager should consider including the Government Accountability Office's seven criteria described in the textbox on page 28 when developing and implementing the strategic plan for key objectives.

Please see Appendix VI for management's response to the recommendation.

Fragmentation and Insufficient Coordination and Monitoring of Homeless Services Created Challenges

Fragmentation and insufficient coordination between City departments and divisions addressing homelessness created challenges ensuring homeless services meet the key objectives of ending homelessness and increasing housing placements. As a result, the City's efforts to reduce homelessness and increase housing placements may not be effective and efficient.

Fragmentation was identified in case management and compliance oversight.

Fragmentation

Fragmentation is when more than one division is addressing the same general area. Federal reviews of homeless services have found extensive fragmentation.

Source: Government Accountability Office May 2012 Report – Homelessness: *Fragmentation and Overlap in Programs Highlight the Need to Identify, Assess, and Reduce Inefficiencies*

Fragmentation in Case Management

As of Spring 2017, two HOU divisions and one Dallas Police Department (DPD) unit had caseworker positions addressing or preventing homelessness:

- Twenty-six homeless services caseworkers in HOU's Comprehensive Homeless Services Division
- Eight homeless prevention caseworkers in HOU's Community Services Division
- Three homeless services caseworkers in DPD's Crisis Intervention Unit

The City also contracts with other organizations, including The Bridge, to provide caseworkers for homeless residents. Caseworkers reported varying current caseloads of between 24 to 65, and procedures which can result in a different level of assistance for clients. There was not sufficient coordination and oversight to ensure the caseworkers' services were effective and efficient.

Coordination between the two HOU divisions involved limited or no transfer processes for clients from one division to another or from the Martin Luther King Jr. Community Center to the West Dallas Multi-Purpose Center. A client receiving homeless prevention services could not easily be transferred from a Community Services' caseworker to a Comprehensive Homeless Services' caseworker as soon as they became homeless. Comprehensive Homeless Services' clients must be homeless for a certain period to receive services.

**An Audit Report on –
Homeless Response System Effectiveness**

A client receiving utility assistance may be required to call both centers' separate appointment lines and schedule appointments to receive related services.

Communication of an important new initiative was unsuccessful as multiple caseworkers were unaware of new City resources to help clients obtain birth certificates and other identification documents after the resources became available.

A survey of 13 peer cities found the City was unique in having City-employed caseworkers provide homeless services. While some cities use crisis police units; a limited number of street outreach caseworkers; or, an employee serving veterans, none reported using general homeless caseworkers. Most cities contract out that service or do not provide case management.

According to City management, a key Federal grant program initially required cities to apply for homeless services funds directly. Once the program rules were changed to no longer require direct application, the City continued to apply for and provide services directly.

Significant Changes in Homeless Services

During the audit, City management re-evaluated the organization of homeless services, creating a new Office of Homeless Solutions in part to improve coordination and reduce fragmentation among the units providing homeless services.

In addition, City management has taken significant efforts to improve the documentation of the services provided. The following divisions had new or revised policies and procedures:

- Homeless Services Division
- Dallas Police Department's (DPD) Crisis Intervention Unit
- Homeless Prevention Services at the West Dallas Multi-Purpose Center

In addition, some of the procedures include coordination between multiple divisions involved.

Source: Management documents

Fragmentation in Compliance Oversight

There is also fragmentation in the oversight of homeless services for compliance. There are compliance oversight functions both within HOU, as well as independent compliance by the separate Office of Budget (formerly known as the Office of Financial Services). The City experiences continued compliance challenges with HUD requirements which may mean these services are not coordinated and effective.

According to management, the use of a separate compliance effort outside of HOU is a response to past non-compliance and is designed to provide independent oversight.

Inadequate Monitoring of Homeless Services

The performance measures used by HOU's Comprehensive Homeless Services to evaluate the effectiveness of the homeless response system were not focused on outcomes of services. The performance measures included the number of people served, the amount of payments made, and the payments per household served. These measures are not sufficient to determine if the services are effective for reducing homelessness or improving housing placements which were identified as key objectives. For example, HOU's Comprehensive Homeless Services intake caseworkers had targets and tracking requirements for how many clients are helped to apply for benefits, but did not track if applicants received the benefits.

For homeless prevention services, there was just \$61,400 spread between 70 clients at both the Martin Luther King Jr. Community Center and the West Dallas Multi-Purpose Center under the Federal Emergency Solutions Grant (ESG) program in FY 2017. The grant requirements for participation are challenging to meet and the benefits are so limited most clients receive just one month of rental assistance. Also, the homeless prevention services caseworkers find it difficult to tell if the limited rental support they provide is sufficient to keep people housed because the recipient often cannot be reached for a follow-up call, and it is not always clear if the recipient is still living at the address where they received assistance.

The use of multiple City departments to address homelessness makes it difficult to determine the total cost of homelessness across the City and the community. The City of Fort Worth asks each department to provide the cost of its services related to homelessness and updates the amount annually. This information can be used to account for the amount of resources the City of Fort Worth spends on serving the homeless population and to analyze how these resources could be better spent towards ending homelessness.

Reasons for Fragmentation or Ineffective Performance Monitoring

Some specific roles for different caseworkers are by design and in response to program requirements. For example, DPD uses Crisis Intervention Unit caseworkers to help police officers work with homeless clients identified as needing case management assistance during a police-involved emergency. The caseworkers at The Bridge providing services through a grant with the Texas Department of State Health Services' Healthy Communities Collaborative program only serve clients with mental or behavioral health needs which may lead to the need for a smaller caseload.

Tracking for homeless services provided by the Federal ESG program requires specific performance measurement that is monitored by the City. Additional

performance reporting that would focus on outcomes, such as the effectiveness of services, is not required by the Federal ESG program.

Recommendation X

We recommend the Chief of Community Services:

- Assesses coordination and fragmentation between the City departments, divisions, and units providing homeless services to identify ways to improve the effectiveness and efficiency of services. The assessment should include the City's use of staff caseworkers for assisting clients' transitions to permanent housing.
- Develops and implements a process to improve coordination and communication between departments and divisions providing services related to homelessness
- Ensures that performance measures tracked in performance reports align with City priorities, such as for reducing homelessness and increasing housing placements
- Assesses the demand for homeless prevention resources, including ESG homeless prevention rental assistance funds, to ensure the funds are being used effectively to keep people housed
- Determines the cost of homeless services across City government

Please see Appendix VI for management's response to the recommendation.

Homeless Services’ Funding Is Returned to HUD, Decreasing the Effectiveness of Federal Grant Funds Received

In FY 2015 and FY 2016, the City did not spend money timely, and the City returned a total of \$531,105, or 9.7 percent, of the grant program funds received (see Table II). Unspent grant funds were also identified in a 2012 HUD monitoring review of the City. As a result, these funds cannot be used to reduce homelessness in Dallas.

Table II

Unspent Grant Funds Returned to HUD			
Fiscal Year	Total Dollars Received	Total Dollars Returned	Percent of Funds Returned
2015	\$ 2,666,179	\$ 276,804	10.4
2016	2,801,678	254,301	9.1
Totals	\$ 5,467,857	\$ 531,105	9.7

Source: Management documents

Most of the grant program funds returned were from the following two HOU programs: (1) The Rapid Rehousing, or My Residence Program, returned \$218,369, or 23 percent, of the funds received; and, (2) The Gateway to Permanent Housing program returned \$299,332, or 19 percent, of the funds received.

The HUD grant program requirement to spend funds during the fiscal year without possibility for extension increases the risk for unspent grant funds. City management said funds could not be spent timely due to caseworker position vacancies, client exits from the program, and difficulty placing clients into housing. In addition, the CoC Program Interim Rule states that any unused funds at the end of the grant term must be returned to HUD.

Recommendation XI

We recommend the Chief of Community Services assesses the effectiveness of the Gateway to Permanent Housing and Rapid Rehousing / My Residence programs and develops and implements processes to ensure CoC grant funds are spent within the appropriate grant period.

Please see Appendix VI for management’s response to the recommendation.

The City Lacks an Adequate and Timely System for Receiving and Responding to Feedback from Clients

The City does not have an effective method for receiving feedback from its clients regarding the services provided. As a result, the City is not able to quickly respond to concerns identified by the people depending on its services and misses out on the opportunity to further improve services.

The City performs a limited feedback process with clients which includes:

- Monthly client-visit checklists used by the caseworker contain an opportunity to provide comments by either the client or the caseworker
- A survey at the time the clients are no longer receiving the City's services had a low response rate
- No questions on the client-visit checklist or the exit survey directly relate to client satisfaction and the effectiveness of services received, limiting availability of client feedback that would resolve client concerns and hold management accountable for incorporating feedback

Effective Client Feedback Process at The Bridge

The Bridge uses a weekly feedback meeting with its clients to receive feedback and identify areas to improve its services.

When client concerns are raised, they become action areas that are assigned to a responsible Bridge employee to resolve. Issues identified included theft / loss of possessions, fights, water and facility temperatures, and facility policies.

The Bridge demonstrated instances in which customer feedback led to improved services.

Source: Documentation provided by The Bridge management

The current feedback process is not designed to receive timely, complete, and relevant client feedback. For example, a regular client satisfaction survey would provide feedback on the City's homeless services.

A local government in the State of Washington developed a uniform guide for evaluating customer satisfaction, King County's *Measuring Customer Satisfaction*. This guide says the goal of customer feedback is to improve the effectiveness and efficiency of services by identifying key drivers of customer satisfaction, quantifying satisfaction, and taking steps to improve. The guide recommends asking for overall satisfaction, satisfaction with key drivers, and an open-ended question. The results should then be reviewed.

Administrative Directive 4-09, *Internal Control*, (AD 4-09) requires the City establish a system of internal control in accordance with the Green Book. Green Book Principle 15 states: "*Management should externally communicate the necessary quality information to achieve the entity's objectives, including Communication with External Parties and Appropriate Methods of Communication.*"

Recommendation XII

We recommend the Chief of Community Services designs a feedback process that involves receiving timely input from clients as they are receiving services. This includes surveying clients about satisfaction of services received; areas that can be improved; and, making staff accountable for responding to feedback and implementing suggested improvements to services.

Please see Appendix VI for management's response to the recommendation.

Policies and Procedures Do Not Specifically Ensure Segregation of Duties Following Past Fraud Incident

The HOU's policies and procedures for case management, revised in 2016, includes caseworker job descriptions; however, the appropriate segregation of duties and responsibilities among caseworkers is not explicitly stated. Given the HOU's history of fraud related to improper segregation of duties, properly documented control activities in this area are imperative to prevent recurrence.

In 2014, an Office of the City Auditor's investigative report regarding HOU identified an instance in which a caseworker was found guilty of Federal criminal charges involving exchange of Federally-funded housing for the caseworker's personal benefit. The caseworker both enrolled (authorized) people for services and administered (processed) the services, an inadequate segregation of duties without independent review. Management's response to the investigative report stated: *"Internal controls have been improved to require supervisor approval prior to payments to prevent future occurrences."*

Segregation of Duties

Divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the following responsibilities so that no single individual controls all key aspects of a transaction or event:

- Authorizing
- Processing
- Recording
- Reviewing
- Handling any related assets

Source: Green Book

Without properly documented control activities, City management cannot properly monitor the implementation or effectiveness of control activities and processes designed to prevent fraud. Changes in operations, personnel, and management could prevent consistent and effective application of these control activities.

The AD 4-09 requires the City to establish a system of internal control including design of control activities to achieve objectives, including policies and procedures, and segregation of duties. The Green Book states management should consider the need to separate control activities related to authority to achieve objectives and help prevent errors, fraud, waste, and abuse.

Recommendation XIII

We recommend the Chief of Community Services formally adopts and documents policies and procedures to mitigate risks of fraud related to segregation of duties and reviews policies and procedures to ensure proper documentation of controls related to risk of fraud.

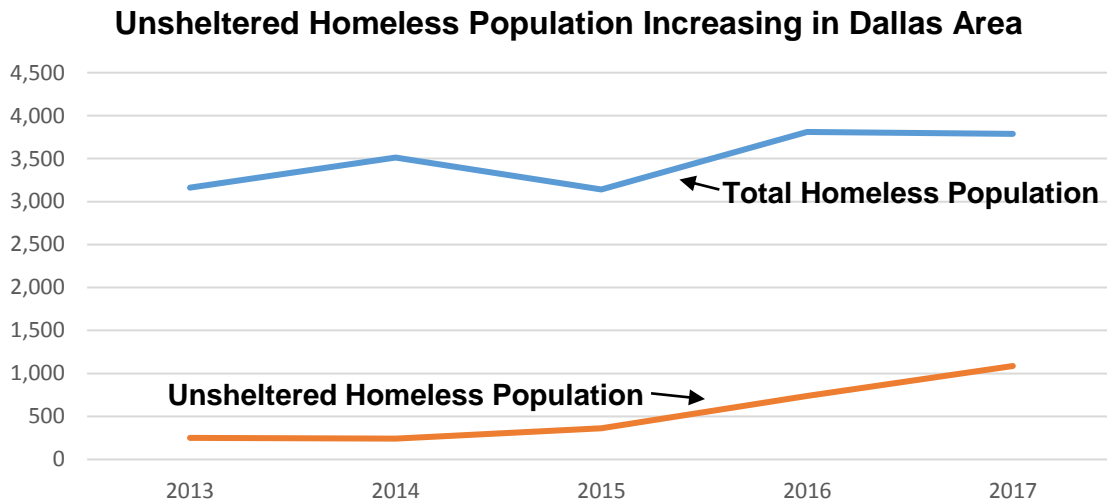
Please see Appendix VI for management's response to the recommendation.

Background, Objective, Scope and Methodology

Background

While the overall national homeless population has been declining, the City of Dallas (City), Dallas County, Collin County, and the City of Irving and several other large urban areas have seen increasing homelessness and particularly large increases in unsheltered homeless residents which more than quadrupled from 251 in 2013 to 1,087 in 2017 (see Table III). These challenges have raised concerns about the effectiveness of the City’s homeless response system.

Table III



Source: Dallas City & County / Irving CoC Point in Time Counts 2013 through 2017. Note: Point in time counting methodologies improved during the period.

Commission on Homelessness Report and Recommendations

In November 2016, the Dallas Commission on Homelessness report stated: *“The impact of homelessness in Dallas is severe and pervasive. It wears on our neighborhoods, depresses our businesses, and shocks our visitors when they see such extreme deprivation alongside extreme prosperity. The human condition in our numerous tent encampments is deplorable, yet there is little excess shelter capacity, a lack of affordable housing, and no community wide supportive housing plan to relieve the pressure on the system and move people experiencing homelessness into housing.”*

The report included six recommendations. Since the report’s publication, there have been significant changes to the City’s oversight for homeless services with the formation of both a Dallas Area Partnership to End and Prevent Homelessness and a Citizen Homeless Commission appointed by the Dallas City Council.

Effective Homeless Response System Components

The United States Interagency Council on Homelessness (USICH) states communities need a coordinated government and community homeless crisis response system that goes beyond a set of services for homelessness. The USICH says an effective homeless crisis response system involves all sectors of a community, including government, and meets the following criteria:

- Identifies all people experiencing or at risk of experiencing homelessness across the community
- Prevents homelessness whenever possible
- Provides immediate access through coordinated entry to shelter and crisis services without barriers
- Quickly connects people who experience homelessness to housing assistance and / or services

City Homeless Services

The Department of Housing and Community Services (HOU) was responsible for homeless services during Fiscal Year (FY) 2015 through March of FY 2017. Subsequently, the City Manager reorganized multiple divisions related to housing and homeless services and announced the creation of a new Office of Homeless Services which was officially formed as the Office of Homeless Solutions on October 1, 2017. Federal and City funding for homeless services increased in FY 2017 from FY 2016 (see Table IV).

Table IV

City and Federal Funding for Homeless Services for FYs 2015 to 2017

Description	FY 2015	FY 2016	FY 2017
City Funds	\$ 7,165,676	\$ 7,293,230	\$ 8,241,767
Federal, State, etc.	5,801,825	5,030,901	8,430,848
Totals	\$ 12,967,501	\$ 12,324,131	\$ 16,672,615

Source: City FY 2016 and FY 2017 Annual Adopted Budget documents

Non-Profit Organizations

The Metro Dallas Homeless Alliance (MDHA) was created by the merger of two area homeless organizations in 2002 and was recognized by the City Council in 2006 as the lead organization for regional homeless issues. The MDHA serves as the Continuum of Care (CoC) organization for the area which includes the City, Dallas County, Collin County and the City of Irving. As the CoC, MDHA distributes millions of dollars annually in Federal United States Department of Housing and Urban Development (HUD) CoC competitive grant funds to multiple organizations. The City contracts annually with MDHA to administer the Homeless Management Information System (HMIS) and coordinate homeless services. In FY 2017, the contract was for \$209,055, including \$163,385 in City general funds.

The Bridge serves more than 7,000 people experiencing homelessness annually as a one-stop services center. The Bridge was built by the City with \$26.8 million in 2003 and 2005 bond funds. In December 2007, the City initially contracted with MDHA to operate the facility on an almost eight-year management services contract with two potential five-year extensions through 2025. The Bridge split from MDHA as a separate non-profit organization in 2011 and assumed the requirements of the contract. In October 2015, the first five-year renewal was approved, extending through 2020. Each year, the City Council approves a new amendment to the contract. In FY 2017, the contract's amendment was for approximately \$6 million, including \$3.8 million in City general funds. In FY 2017, The Bridge also separately contracted with the City for approximately \$1.8 million in State of Texas (State) funding.

Objective, Scope and Methodology

This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with the FY 2017 Audit Plan approved by the City Council. This performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was to assess the efficiency and effectiveness of the City's homeless response system which included an evaluation of the contracting procedures for homeless services, including how contracted services meet assessed needs and are monitored for quality performance. The audit scope covered City management operations from FY 2015 through FY 2016; however, certain other matters, procedures, and transactions outside the scope were reviewed to understand and verify information during the audit period.

To achieve the audit objective, we performed the following procedures:

- Conducted interviews with staff and / or management of HOU, Dallas Police Department, the City Attorney's Office, the Department of Code Compliance, The Bridge, MDHA, HUD, the National Homeless Information Project, and the National Alliance to End Homelessness (NAEH)
- Researched applicable Federal, State, and local statutes and administrative directives that impact the homeless response system
- Performed various analyses

Evaluation of Data Completeness and Participation

- Conducted an interview survey of six major Dallas area homeless providers about their barriers to HMIS participation
- Surveyed 13 peer cities to identify practices for evaluating the effectiveness of homeless services and improving HMIS participation
- Surveyed ten shelters in other cities about their strategies for HMIS implementation
- Compared Dallas' HMIS participation to the Federal requirements for usability, the national average, and other Texas communities
- Reviewed MDHA's HMIS procurement procedures and compared them to HUD's rules and regulations
- Analyzed MDHA's HMIS implementation

Business Partner Oversight Evaluation of The Bridge Contract

- Reviewed The Bridge management service contract to identify financial and performance requirements
- Reviewed audited financial statements and general ledger trial balances for the last three fiscal year ends and Federal tax returns for the last three years when available
- Performed ratio analyses for the last three fiscal year ends

**An Audit Report on –
Homeless Response System Effectiveness**

- Surveyed The Bridge regarding transactions, relationships, activities, and current or former situations that could indicate possible inability to fulfill the agreement requirements or could place the City in a compromising situation
- Reviewed and tested, as appropriate, documents that evidence HOU's oversight / monitoring of The Bridge management service contract
- Reviewed the annual management services contract approval process in FY 2015 through FY 2017

Evaluation of Effectiveness of City Services

- Reviewed HOU's strategic review and planning process, including how it aligns with City-wide goals and objectives
- Identified and observed homeless services and contract administration activities provided by HOU
- Identified and observed homeless services provided by staff at The Bridge
- Reviewed policies and procedures, cross-departmental communication and coordination, and processes for receiving client feedback

Dallas Shelter Survey Results

Interviews with six major Dallas non-profit homeless emergency shelters were conducted which included discussions with five overnight shelters and one day shelter. A standard set of 17 questions were asked in a survey format. The purpose of the survey was to identify how shelters in Dallas track and monitor the services they provide, the barriers and obstacles that exist to fulfill Homeless Management Information System (HMIS) participation, and the overall strengths and challenges to the success of the homeless response system in Dallas. A copy of the survey is available upon request.

The survey results show that:

- There is a lack of coordination and collaboration between the largest Dallas area shelters, Metro Dallas Homeless Alliance (MDHA), and the HMIS vendor, as well as a lack of HMIS capabilities. While the shelters generally agree that Dallas has a robust and diverse safety net of homeless response service providers, there is a lack of housing availability, high rental costs for their clients, and a lack of resources for HMIS database participation.
- At least three or more shelters agreed that there is a lack of coordination and collaboration between homeless providers; a waste of resources and lack of transparency and accountability; and, a lack of supportive services and resources for the homeless
- All five overnight shelters use multiple systems in addition to HMIS to track services provided to homeless clients which in many cases requires double-entry of data and additional resources. Shelters cited the perceived lack of system capability and customization available to the shelters for the multiple services they provide.

Other barriers, strengths, challenges, and recommendations provided by at least one of the shelters included the following:

- The sheer numbers of homeless clients in the system are difficult to track, making all the necessary components in one system a challenge to achieve
- The City of Dallas (City) should take a leadership role on inclusive zoning and reducing housing discrimination, in addition to affordable housing initiatives

An Audit Report on – Homeless Response System Effectiveness

- Mixed income housing (half market rate and half homeless housing) to increase housing opportunities, particularly when the community opposes having homeless housing in their neighborhood, has proven to be successful in one shelter's program
- The tone at City Council meetings can present additional challenges to the homeless response system. The changes in City leadership will involve getting new management familiar with the specific challenges related to the homeless situation in Dallas.
- All parties in the system need to respect each other's perspectives and work together even though some homeless services providers are never going to completely agree with the interpretation of the Housing First model⁷
- All parties should take responsibility to do their part, be evaluated on their outcomes, and allow for a strength-based provider system

⁷ The United States Interagency Council on Homelessness' Opening Doors Strategic Plan as updated in 2015 describes six principles of a Housing First approach: (1) homelessness is a housing crisis and can be addressed through the provision of safe and affordable housing; (2) all people experiencing homelessness, regardless of their housing history and duration of homelessness, can achieve housing stability in permanent housing; (3) everyone is "housing ready," meaning that sobriety, compliance in treatment, or even a clean criminal history is not necessary to succeed in housing; (4) many people experience improvements in quality of life, in the areas of health, mental health, substance use, and employment, as a result of achieving housing; (5) people experiencing homelessness have the right to self-determination and should be treated with dignity and respect; and, (6) the exact configuration of housing and services depends upon the needs and preferences of the population.

Appendix III

Peer City Survey Results

As part of the audit, a survey consisting of 19 questions was sent to 18 peer cities across the country to identify common and recommended practices for evaluating the effectiveness of the homeless response system and improving Homeless Management Information System (HMIS) participation (see Table V on page 46). Five criteria were used to identify the cities for survey:

- (1) Cities that exhibited a consistent downward trend in their homeless population through their Point-In-Time⁸ Count from 2012 to 2015
- (2) The ten cities with the highest local HMIS participation with at least 2,000 emergency shelter beds
- (3) Cities recommended for survey by the National Alliance to End Homelessness (NAEH)
- (4) Peer cities identified by the City's Center for Performance Excellence
- (5) Cities in Texas

All cities identified that met at least two of the criteria listed, as well as all cities recommended by NAEH and all cities with a downward trend in their homeless population, were ultimately selected for the survey. Out of the total 18 cities selected for the survey, 13 responded, resulting in a response rate of 72 percent.

The 13 responding cities were: (1) Austin, Texas; (2) Charlotte, North Carolina; (3) Detroit, Michigan; (4) El Paso, Texas; (5) Fort Worth, Texas; (6) Houston, Texas; (7) Jacksonville, Florida; (8) Memphis, Tennessee; (9) Minneapolis, Minnesota; (10) New Orleans, Louisiana; (11) San Antonio, Texas; (12) Seattle, Washington; and, (13) St. Petersburg, Florida. The cities of Chicago, Illinois; Phoenix, Arizona; San Diego, California; San Jose, California; and Washington, D.C., did not respond. A copy of the survey is available upon request.

⁸ The homeless population is very difficult to count. The way U.S. Department of Housing and Urban Development (HUD) requires communities to count the homeless populations is to conduct an annual census one day in January of the total sheltered and unsheltered homeless population in the area, called a Point-in-Time Count.

Table V

Common Peer City Survey Themes and Responses

Theme	Response	Number of Cities Reporting Response
Common Practice	City and / or Continuum of Care (CoC) lead agency uses specific performance metrics or target outcomes, in addition to programmatic reports, to monitor and / or assess effectiveness	12
Common Practice	Homeless services mostly contracted out	12
Common Practice	City does not employ caseworkers	11
Common Practice	City very involved in increasing HMIS participation	11
Greatest Challenges	Affordable housing / resources / funding	9
Incentives to HMIS Participation	Funding / contract requirement	8
Recommended Practice / Strength	Collaboration with CoC lead agency and community partners	8
Recommended Practice / Strength	Data-driven solutions (i.e., HMIS, prioritization tools, and performance metric tracking)	7
Incentives to HMIS Participation	Leveraged or provided resources and training	6
Incentives to HMIS Participation	Encouraged participation	5
Barriers to HMIS Participation	Agency HMIS participation not tied to funding	5
Barriers to HMIS Participation	Lack of resources, staff, or capacity to enter data into HMIS	4
Recommended Practice / Strength	Housing First approach, coordinated entry / centralized intake	4
Greatest Challenges	Lack of coordination / participation in HMIS / complete data	4

Source: Auditor analysis of survey responses

Seattle, Washington Uses HMIS to Assess and Improve Homeless Response System Effectiveness

Seattle, Washington recommended using system-wide performance targets and minimum standards for all service providers receiving funding for homeless projects in the Seattle / King County CoC to better align investment of homeless resources:

- The standards were implemented through a Memo of Understanding (MOU) signed by four major funders from the City of Seattle, King County, and non-profit community contributing resources into the homeless response system
- The new system-wide performance targets were developed for four project types: homeless emergency shelters, transitional housing, rapid rehousing, and permanent supportive housing. Core outcomes are targets for the exit rate to permanent housing (or retention), length of stay, and return rate to homelessness. Additional standards for utilization rates and entries from homelessness were also adopted. For each project type and system-wide target, minimum standards were adopted under which programs not meeting the standards are not eligible to receive funding.
- In the MOU, the homelessness services funders agreed to phase in the new system-wide performance targets and minimum standards for all new and renewed service contracts to reward high-performing projects and provide targeted assistance to low-performing projects. The funders also agreed to support decisions made by each other and not provide more money to a program whose funding was reduced or eliminated by another source because of failure to meet minimum standards.
- Seattle, King County, and its partners hired a consultant, Focus Strategies, to use HMIS data to assess the strengths and weaknesses of the system and provide recommendations for short- and long-term improvement in a report published in September 2016

Significant Diversity in Homeless Services Funding

- Surveyed cities rely on a diverse assortment of funding sources to help fund homeless services, including city funds, Federal funds, and state funds. The average responding city provides 39 percent of the funding for the homeless services it provides, and 61 percent of the funding comes from other government entities.

- The amount of city funding for homeless services ranges from \$0 in El Paso, Texas to nearly \$31.6 million in Seattle, Washington. These cities also have the lowest and highest total funding for homeless services, including other government sources, as El Paso, Texas reported total spending of \$1.2 million and Seattle, Washington reported total spending of \$49.4 million.
- There are dramatic differences in reliance on local funds or Federal funds by communities. Three cities (Austin, Texas; Minneapolis, Minnesota; and, San Antonio, Texas) rely on city funding for at least 75 percent of homeless services in 2016. Conversely, six cities (Detroit, Michigan; El Paso, Texas; Fort Worth, Texas; Houston, Texas; Memphis, Tennessee; and, New Orleans, Louisiana) rely on other government funding for at least 75 percent of homeless services funds. Variations in how communities reported funding may have influenced the results.

Other Notable Strengths and Recommendations

Fort Worth, Texas annually tracks the “Cost of Homelessness” or all city resources dedicated to homeless services. Each department is asked annually to report spending dedicated to homelessness.

Austin, Texas’ Mayor Innovations Office is charged with reducing downtown homelessness. The city received a grant from Bloomberg and the Ending Community Homelessness Coalition (ECHO) is moving forward with a consultant for a redesign of downtown services.

Houston, Texas’ regional collaborative model, The Way Home, is steered by its CoC to prevent and end homelessness. The model has an “overwhelming focus” on the permanent solution of supportive housing.

Memphis, Tennessee uses a Homeless Hotline for Families, operated by a nonprofit the city contracts with called the Metropolitan Inter Faith Association (MIFA). The Homeless Hotline operates 24 hours a day, excluding holidays, and has improved responsiveness.

The Hennepin County Office to End Homelessness is partially funded by Minneapolis, Minnesota and oversees the CoC. The Office to End Homelessness conducts a quarterly shelter Point-in-Time count and weekly shelter census. Over time, this has helped the city and county anticipate seasonal shelter demand. The Office to End Homelessness tests pilot programs by conducting control group testing so new service results can be compared against relevant results without using the program. Hennepin County is also trying to address the increase of the seniors / medically vulnerable population through its Housing Stability Coordinator focused on preventing homelessness.

Peer City Shelter Survey Results

In addition to the Peer City survey, auditors conducted outreach to 21 homeless emergency shelters in the peer cities to identify how they participate in HMIS, the barriers they face, and incentives or assistance provided by Cities and CoCs that helped them to participate (see Table VI). Of the 21 shelters contacted, auditors completed interviews with ten shelters in which a standard set of 13 questions were asked in a survey format. A copy of the survey is available upon request.

Table VI

Common Peer City Shelter Survey Themes and Responses

Theme	Response	Number of Shelters Reporting Response
Common Practice	Have emergency shelter beds (ranging from 45 to 800)	10
Common Practice	Participate in the local HMIS	8
Best Practices for HMIS Participation	System development and customization for shelters	8
Best Practices for HMIS Participation	Placing emphasis on advantages of increasing shelter participation in HMIS	7
Best Practices for HMIS Participation	For the city or CoC to lower or subsidize the cost of HMIS and provide funding or resources	5
Barriers to HMIS Participation	Cost and resources required to participate	4
Barriers to HMIS Participation	Not being funded by government grants	4
Barriers to HMIS Participation	Data migration challenges and system development issues	4

Source: Auditor analysis of survey responses

The more that shelters were involved in the HMIS development, the more likely the shelters were to use HMIS as their main tracking system. Most shelters that were not very involved in the HMIS initial development either use multiple systems or do not use HMIS (see Table VII on page 50).

Table VII

Shelter Involvement in HMIS Development Increased Use of HMIS

Involvement in HMIS Development	Use of HMIS	Number of Shelters Reporting Response
Very involved	Use HMIS as only tracking system	4
Somewhat involved	Use HMIS as only tracking system	2
Involved in latest version only	Use HMIS and other tracking system	1
Not involved	Use HMIS and other tracking system	1
Not involved	Do not use HMIS	2

Source: Auditor analysis of survey responses

Shelters’ other notable recommendations and barriers included:

- Testing HMIS on a sample grid to better understand the software capability
- Contacting different software vendors and organizations who have been using the selected software to get a feel for how it will work
- Understanding Health Insurance Portability and Accountability Act privacy concerns for clients are a barrier and some clients may not want to participate

**Evaluation of the City’s Homeless Services
Strategic Review and Planning Process ⁹**

Criteria	Office of the City Auditor’s Assessment	Assessment Results
<p>Establish a process for conducting strategic reviews</p> <p>Include assessment for senior leaders on each objective and involve collaborative departments</p>	<i>Partially Satisfies</i>	<ul style="list-style-type: none"> Review of both the Department of Housing and Community Services’ (HOU) Business Plan and Neighborhood Plus Plan suggest that a strategic review process is established for HOU objectives, but does not clearly identify how the plans work together to meet the objectives. The number of City of Dallas (City) wide plans that address strategic objectives related to homelessness would make the strategic planning process for HOU complex and confusing. There is no single plan that directly communicates all components of the strategic planning process to stakeholders. As such, the criteria to establish a process is somewhat addressed, but lacks important components to connect the relationship between all City strategic plans. Neither plan identifies other key elements of establishing a process for strategic review, such as assessment of senior leaders on progress of key objectives, or an independent review by leaders in collaborative divisions / departments.

⁹ Source: July 2015 Government Accountability Office Report “Practices for Effective Agency Strategic Reviews”

**An Audit Report on –
Homeless Response System Effectiveness**

Criteria	Office of the City Auditor's Assessment	Assessment Results
<p>Clearly define measurable outcomes for each strategic objective</p> <p>Define what constitutes success in a certain timeframe and use performance goals and indicators to understand progress toward objectives</p>	<i>Does Not Satisfy</i>	<ul style="list-style-type: none"> • The HOU's key objectives of reducing homelessness and increasing housing placement opportunities are not measurable and do not clearly define what constitutes success • Other strategic goals, objectives, and desired outcomes indicated in the plans generally do not: (1) contain measurable outcomes or definitions of success; (2) indicate how they contribute to the key objectives; and, (3) do not specify performance goals or indicators that would help understand progress towards desired outcomes
<p>Review strategies and other factors that influence the outcomes and determine which are most important</p> <p>Show how outputs of each program contribute to relevant objectives / outcomes and identify factors that influence / impact progress towards objectives</p>	<i>Partially Satisfies</i>	<ul style="list-style-type: none"> • The plans identify some relevant factors that would impact progress towards objectives and provide a general understanding of the poverty and housing situation in Dallas • Most outputs identified in the plans do not clearly indicate how they contribute to HOU's key objectives, strategic goals, and desired outcomes
<p>Identify and include key stakeholders in the review</p> <p>Contributors from various departments, levels of government, and sectors may be involved in achieving an outcome</p>	<i>Partially Satisfies</i>	<ul style="list-style-type: none"> • The HOU's Business Plan identifies different methods for capturing customer and stakeholder feedback, but does not provide detail for the specific input that these key stakeholders provided in developing the plan • The Neighborhood Plus Plan identifies contributors and participants in the plan and external organizations that will help to achieve actions (outputs), but it lacks input from key external organizations that would generally be involved in reducing homelessness, such as Dallas area homeless emergency shelters and service providers

**An Audit Report on –
Homeless Response System Effectiveness**

Criteria	Office of the City Auditor's Assessment	Assessment Results
<p>Identify and assess evidence related to strategic objective achievement</p> <p>Develop a framework of performance information that can be assessed and categorized for each objective / desired outcome</p>	<p><i>Partially Satisfies</i></p>	<ul style="list-style-type: none"> • The HOU's Business Plan provides relevant performance information that is tracked, but does not link or categorize the performance information for HOU's key objectives or desired outcomes. Performance information that is tracked is not accompanied by any established output goals and does not provide any detail regarding the homeless services provided by the City. This performance information would be helpful in assessing the City's direct impact on achieving strategic objectives. • The Neighborhood Plus Plan includes metrics that can be used to assess achievement of the desired outcomes and strategic objectives; however, the general misalignment of desired outcomes and strategic goals to HOU's objectives reduces the effectiveness of these metrics as useful performance information
<p>Assess effectiveness in achieving strategic objectives and identify actions needed to improve implementation and impact</p> <p>Determine if sufficient progress is being made; identify gaps in monitoring efforts</p>	<p><i>Does Not Satisfy</i></p>	<ul style="list-style-type: none"> • The HOU's Business Plan provides a framework to assess effectiveness in achieving strategic objectives and identifying gaps through self-assessment tools and a Strengths, Weaknesses, Opportunities and Threats analysis, but they did not properly utilize the framework to address progress on HOU's objectives or identify gaps in monitoring efforts for homeless services and strategic objectives • The Neighborhood Plus Plan does not give specific details of how progress on strategic goals will be monitored or assessed for gaps

**An Audit Report on –
Homeless Response System Effectiveness**

Criteria	Office of the City Auditor's Assessment	Assessment Results
Develop a process to monitor progress on needed actions Develop a process to track progress on goals and pending action items and develop a schedule to discuss status of each goal or action item regularly	<i>Partially Satisfies</i>	<ul style="list-style-type: none">• The HOU's Business Plan establishes a schedule for review of key measures, authority for management to steer adjustments to services provided, and a general process to track progress for projects and goals using PerformanceSoft and spreadsheets, but does not provide specific detail about how the key objectives are tracked• Other than target years, the Neighborhood Plus Plan does not outline a process to track progress on strategic goals and does not provides a schedule for discussion of goal status or action items

Major Contributors to This Report

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Management's Response

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NOV 30 2017

City Auditor's
Office



CITY OF DALLAS

Memorandum

DATE: November 30, 2017
TO: Craig D. Kinton, City Auditor
SUBJECT: Response to Audit Report:
Audit of Homeless Response System Effectiveness

Our responses to the audit report recommendations are as follows:

Recommendation I

We recommend the City Manager prioritizes increasing the participation in the HMIS by the methods identified through the survey, including using data-driven solutions to end homelessness and incentivizing HMIS participation by providing resources, such as grant allocations, software licenses, or other assistance.

Management Response / Corrective Action Plan

Agree Disagree

As of FY2017, all City-funded contracts administered by the Office of Homeless Solutions, formerly the Comprehensive Homeless Services of the Housing/Community Services Department, are required to input funded homeless services in the Homeless Management Information System (HMIS) designated by the local Continuum of Care.

Additionally, the City Council approved an allocation of \$24,000 in Emergency Solutions Grant for FY2018, which will be awarded through a competitively bid process, to increase HMIS participation by new users. To ensure consistent HMIS participation, contract monitors will conduct monthly HMIS desk reviews, assess and verify data input, and require annual HMIS training and refresher courses as available. Staff will develop a master tracking system to manage training and participation compliance.

The City will be able to assess and evaluate the impact of its increased HMIS participation efforts at the end of the fiscal year after the completion of the Continuum of Care's Annual Homeless Assessment Report (AHAR).

Implementation Date

HMIS Participation Contractual Requirement – October 1, 2016 (in progress)
Monthly HMIS Desk Reviews – January 1, 2018
ESG Bid – February 1, 2018
Master Tracking System – 2nd Quarter of FY18

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Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation II

We recommend the City Manager works with the MDHA to improve the planning, coordination, and implementation of the HMIS by: (1) prioritizing HMIS customization to meet homeless emergency shelters' needs; (2) understanding current homeless emergency shelter system capabilities; and, (3) ensuring effective stakeholder engagement as HMIS customization continues.

Management Response / Corrective Action Plan

Agree Disagree

The Office of Homeless Solutions staff is working with the City Attorney's Office and MDHA leadership on the draft contractual terms for the 2017-2018 contract with MDHA. The agreement will include a detailed scope of services that specify deliverables related to 1) prioritizing HMIS customization to meet homeless emergency shelters; needs; 2) understanding current homeless emergency shelter system capabilities; and 3) ensuring effective stakeholder engagement as HMIS customization. The agreement will address MDHA's coordination with the Citizen Homelessness Commission and the Dallas Area Partnership to End and Prevent Homelessness Local Government Corporation in order to improve the effectiveness of the homeless response system and implement the appropriate infrastructure for long-term impact.

Implementation Date

January 24, 2018 (pending City Council approval)

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation III

We recommend the Chief of Community Services provides additional oversight to ensure MDHA is administering the local HMIS to meet all Federal procurement requirements and has processes in place for the retention of documents. If additional oversight language is needed in the contract with MDHA, we recommend the Chief of Community Services works with the City Attorney's Office to revise the contract.

Management Response / Corrective Action Plan

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Page 2 of 10

**An Audit Report on –
Homeless Response System Effectiveness**

Agree Disagree

As mentioned in management response to Recommendation II, staff is providing a detailed scope of service with specific deliverables to include proper administration of HMIS, compliance with all federal procurement requirements, record retention, and will meet quarterly with MDHA leadership to review and report out on progress.

Implementation Date

January 24, 2018 (pending City Council approval)

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation IV

We recommend the City Manager ensures appropriate and effective oversight of the MDHA, which may include working with MDHA and the City Attorney's Office, to: (1) increase the City's representation on the MDHA Board of Directors; (2) improve its contract oversight; and, (3) request increased reporting on MDHA performance and initiatives.

Management Response / Corrective Action Plan

Agree Disagree

City staff will assess MDHA Board composition and will make recommendations as appropriate regarding City representation, contract monitoring, oversight and reporting.

Implementation Date

2ND Quarter FY2018

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation V

We recommend the Chief of Community Services ensures The Bridge remains able to provide services to the City's homeless residents by:

- Working with The Bridge and the City Attorney's Office to ensure the contract execution process is timely and in accordance with AD 4-05 requiring agreement to the contract terms prior to City Council approval

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Page 3 of 10

An Audit Report on – Homeless Response System Effectiveness

- Continuing efforts to require The Bridge to comply with HMIS participation requirements with potential allowances for technical difficulties associated with HMIS
- Working with The Bridge and MDHA to ensure HMIS can meet the City's HMIS requirements

Management Response / Corrective Action Plan

Agree Disagree

The Office of Homeless Solutions has implemented new practices that will ensure a timely contract execution process with the Bridge and other subcontractors. Staff is working closely with the City Attorney's Office to ensure that the restated and amended Management Services Contract with The Bridge clearly describes the expectation for all funded-services to be entered in HMIS, as designated by the local Continuum of Care. If and when technical difficulties arise, the Bridge will have the opportunity to document its due diligence of complying with the HMIS requirements, and City staff will coordinate with MDHA, as applicable.

Because of the unique nature of the City's relationship with The Bridge, City staff and Bridge leadership have agreed to monthly monitoring and reporting work sessions to monitor progress with HMIS participation, operational performance, financial management and propose new initiatives to address homelessness.

Implementation Date

Monthly Work Sessions – June 2017 (in progress)

New Contract – December 13, 2017 (pending City Council approval)

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation VI

We recommend the Chief of Community Services implements procedures to more closely monitor the financial viability of The Bridge by:

- Requiring City approval of The Bridge's annual operating budget and significant adjustments
- Reviewing The Bridge's operating budget for variances to anticipated revenues and expenses throughout the year
- Working with The Bridge to increase emphasis on philanthropic fundraising efforts to support its mission as originally envisioned which may include phasing in a cap on the percentage of matching funds that can be met from other government entities

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Page 4 of 10

**An Audit Report on –
Homeless Response System Effectiveness**

- Working with The Bridge to develop a contingency plan in the event of a loss of one or more significant supportive services vital to fulfilling the mission of the homeless response system

Management Response / Corrective Action Plan

Agree Disagree

The Office of Homeless Solutions has included the aforementioned as well as other internal control requirements as part of the FY2018 Management Services Contract.

Implementation Date

December 13, 2017 (pending City Council approval)

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation VII

We recommend the Chief of Community Services:

- implements procedures to ensure both the City's and The Bridge's compliance with the management services contract or work with the City Attorney's Office and The Bridge to align the contract with agreed-upon operating and financial oversight procedures
- Develops measurable performance expectations and requirements that hold The Bridge accountable for the delivery of effective and quality services, including identification of how performance will be evaluated, particularly against meaningful established performance outcomes and expectations
- Strengthens payment processing procedures to include documented financial review in relation to The Bridge's operating budget and validation and evaluation of performance data and performance data adjustments for completeness and accuracy

Management Response / Corrective Action Plan

Agree Disagree

As referenced, the restated and amended FY2018 Management Services Contract with The Bridge is being negotiated and will include the City's expectations of The Bridge's financial outcomes, services, and outcome data. Monthly invoices submitted to the City will require financial and performance data to support the expenditures requested for reimbursement.

Implementation Date

December 13, 2017 (pending City Council approval)

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Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation VIII

We recommend the Chief of Community Services works with The Bridge to minimize the risk of loss of its bank funds above FDIC limits by taking the following steps if reasonable and cost effective to do so:

- Monitoring The Bridge's documentation of its bank's rating and credit worthiness on a regular basis
- Considering use of a service that can spread the deposit to multiple banks to increase insurance coverage. If applicable, work with the City Attorney's Office to change the contract language requiring reserve funds be maintained in a single account.

Management Response / Corrective Action Plan

Agree Disagree

The FY2018 Management Services Contract requires that The Bridge takes reasonable steps to mitigate risk of financial loss by monitoring the creditworthiness of banking institutions where funds are deposited, and where appropriate, utilizing a service to apportion funds to multiple banking institutions so that account balances remain below the Federal Deposit Insurance Corporation (FDIC) insurance ceiling.

Implementation Date

December 13, 2017 (pending City Council approval)

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation IX

We recommend the City Manager, in coordination with the Chief of Community Services, adopts a comprehensive and cohesive strategic review process that aligns with City-wide objectives and clearly defines what constitutes success / progress for each key objective of reducing homelessness and increasing housing placement opportunities. The City Manager should consider including the Government Accountability Office's seven criteria described in the textbox on page 28 when developing and implementing the strategic plan for key objectives.

An Audit Report on – Homeless Response System Effectiveness

Management Response / Corrective Action Plan

Agree Disagree

The Office of Homeless Solutions is currently developing a strategic review process that will be used to evaluate the effectiveness of all homeless services provided directly by the City and its subcontractors. The scope of services of contractual agreements will clearly define how the funded activities will address City-wide objectives to intervene and prevent homelessness. As advised, Staff will use the Government Accountability Office's seven criteria in the development and implementation of the strategic plan.

Implementation Date

2nd Quarter FY2018

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation X

We recommend the Chief of Community Services:

- Assesses coordination and fragmentation between the City departments, divisions, and units providing homeless services to identify ways to improve the effectiveness and efficiency of services. The assessment should include the City's use of staff caseworkers for assisting clients' transitions to permanent housing.
- Develops and implements a process to improve coordination and communication between departments and divisions providing services related to homelessness
- Ensures that performance measures tracked in performance reports align with City priorities, such as for reducing homelessness and increasing housing placements
- Assesses the demand for homeless prevention resources, including ESG homeless prevention rental assistance funds, to ensure the funds are being used effectively to keep people housed
- Determines the cost of homeless services across City government

Management Response / Corrective Action Plan

Agree Disagree

FY2018 City Council approved the establishment of a new office to focus on homelessness and household stability. Effective October 1, 2017 the Office of Homeless Solutions came into full operation, consolidating the formerly fragmented services of Street Outreach, Supportive Housing Program, Community Mobilization and Contract Administration. Performance measures were established as part of the Dallas 365 performance tracking system to reflect the office's new direction toward housing-oriented intervention and prevention systems.

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Page 7 of 10

**An Audit Report on –
Homeless Response System Effectiveness**

Additionally the City established the Citizen Homeless Commission which is an advisory body to City staff and City Council on matters related to homelessness. All programs, policies, contracts and office initiatives are vetted at the commission level and approved by the Human and Social Needs Council Committee prior to implementation.

Lastly, City leadership will assess OHS staff performance and will establish individual staff performance expectations based on industry standards and best practices. As it relates to ESG Homeless Prevention rental assistance funds, OHS will partner with the Office of Community Care (Administrating Office) to ensure the funds are distributed effectively and efficiently.

In terms of homeless related expenses citywide, OHS will partner with other City departments to conduct an internal assessment to determine the cost of homeless services.

Implementation Date

Establishment of Office of Homeless Solutions – October 1, 2017 (in progress)
Performance and Expectation Alignment – 2nd Quarter FY2018
Citywide Homeless Expense Tracking - 4th Quarter FY2018

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation XI

We recommend the Chief of Community Services assesses the effectiveness of the Gateway to Permanent Housing and Rapid Rehousing / My Residence programs and develops and implements processes to ensure CoC grant funds are spent within the appropriate grant period.

Management Response / Corrective Action Plan

Agree Disagree

The Chief of Community Services is working to partner with a consultant to conduct third-party reviews for all COC programs. The purpose of the third-party review is to evaluate case management practices, effective housing standards as well as operational and financial administration.

Implementation Date

2nd Quarter FY2018

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Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Recommendation XII

We recommend the Chief of Community Services designs a feedback process that involves receiving timely input from clients as they are receiving services. This includes surveying clients about satisfaction of services received; areas that can be improved; and, making staff accountable for responding to feedback and implementing suggested improvements to services.

Management Response / Corrective Action Plan

Agree Disagree

Under the organizational structure of the new Office of Homeless Solutions, the Chief of Community Services included an Operations Research Analyst position which was filled on November 13, 2017. This position was funded to not only ensure that the Office's practices are directly aligned with the objectives and performance outcomes, but also to improve the City's customer service and responsiveness to client concerns. Revised policies and procedures will specify processes that will be utilized to obtain feedback from clients to improve the client experience and the required actions that will take place to modify any applicable practices that have a negative impact on the clients.

To kick off the client feedback process, OHS staff are working with the Library and other homeless service providers to conduct a series of homeless and household stability forums to capture the client's voice and begin the process of enhancing services to meet the client's needs.

Implementation Date

Homeless Forum - January 25, 2018

Responsible Manager

Chief of Community Services; Managing Director of the Office of Homeless Solutions

Recommendation XIII

We recommend the Chief of Community Services formally adopts and documents policies and procedures to mitigate risks of fraud related to segregation of duties and reviews policies and procedures to ensure proper documentation of controls related to risk of fraud.

Management Response / Corrective Action Plan

Agree Disagree

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**An Audit Report on –
Homeless Response System Effectiveness**

As referenced, all existing policies and procedures and internal controls of OHS are being reviewed, assessed and evaluated; updated written processes and practices will include internal controls to mitigate the risks of fraud and other non-compliance actions that create a liability for the City.


Implementation Date

2nd Quarter FY2018

Responsible Manager

Chief of Community Services; Managing Director of Office of Homeless Solutions

Sincerely,



T. C. Broadnax
City Manager



Nadia Chandler-Hardy
Chief of Community Services

C: