

FISCAL AUDIT

DEPARTMENT OF CITY PLANNING

EMERGENCY SOLUTIONS GRANT (ESG) PROGRAM TRUST FUND

Report by the
Office of City Controller

MICHAEL E. LAMB
CITY CONTROLLER

Douglas W. Anderson, Deputy Controller

Hadiza Buhari, CPA, MBA, Interim Audit Manager

Michelle Gibbs, Auditor

Tom Kenitz, Auditor

August, 2016

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MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

August 8, 2016

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this Fiscal Review of the **Emergency Solutions Grant Program Trust Fund**, conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Emergency Solutions Grant (ESG) Program Trust Fund was established in 1989 via resolution #58 for the deposit of grants received by the U.S. Department of Housing and Urban Development (HUD) under the *Emergency Shelter Grants Program* pursuant to the *Stewart B. McKinney-Vento Homeless Assistance Act of 1987 (Title IV)*. The program awards annual grants to States, metropolitan cities and urban counties for funding eligible programs to address the problem of homelessness in their respective communities. The ESG grant is awarded to the City under specific terms and conditions outlined in a grant agreement with HUD. Funds deposited into the trust fund are utilized by the Department of City Planning, Community Development Division for the implementation of the City's *Annual Action Plan*.

We performed certain procedures to assess whether the fund is properly accounted for and administered in accordance with Resolution #58 by evaluating the effectiveness and efficiency of its operating procedures and related internal controls. Our procedures did not disclose any instance of non-compliance or any deficiency relating to the fund's operations or related internal controls.

We appreciate the assistance of the staff involved with the administration of the fund.

Sincerely,

A handwritten signature in black ink that reads "Michael E. Lamb". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Michael E. Lamb

City Controller

INTRODUCTION

This review of the **Emergency Solutions Grant Program Trust Fund** was conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

Our procedures were conducted pursuant to Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter and covered the period January 1, 2014, through December 31, 2014.

The objectives of our review were to determine whether procedures and internal controls relating to the administration of the fund are adequate and, disbursements made from the fund are properly supported. Our procedures consisted primarily of inquiries and examination of relevant records. Specifically we:

- Conducted interviews to gain an understanding of the fund's operations, processes, and related internal controls.
- Reviewed HUD Emergency Shelter grant requirements, and application process.
- Summarized grants received and disbursed by program components.
- Summarized grants disbursed by the City to sub-recipient agencies.
- Reviewed sub-recipient contracting process.
- Applied procedures to a sample of invoices submitted by sub-recipients for reimbursement.

Our procedures were limited to the above objective and did not entail a full audit of the City's Department of City Planning or its compliance with terms of the contract with HUD and applicable laws and regulations.

BACKGROUND

The Emergency Solutions Grant (ESG) Program Trust Fund was established in 1989 via resolution #58 for the deposit of grants received from the U.S. Department of Housing and Urban Development (HUD) under the *Emergency Shelter Grants¹ Program* pursuant to the *Stewart B. McKinney-Vento Homeless Assistance Act of 1987 (Title IV)*. This act was amended four times in 1988, 1990, 1992, and 1994, to expand its scope and strengthen its provisions. The program awards annual grants (based on a formula²) to States, metropolitan cities, and urban counties for funding eligible programs to address the problem of homelessness in their respective communities. Furthermore, the program provides assistance to homeless persons to help them regain their independence and acquire permanent housing at a reasonable cost. The ESG grant is awarded to the City under specific terms and conditions outlined in a grant agreement with HUD. Funds deposited into the trust fund are utilized by the Department of City Planning, Community Development Division (City Planning) for the implementation of the City's *Annual Action Plan*.

Recipients of ESG grants are required by HUD to use the grants awarded to subcontract with nonprofit organizations that can provide or coordinate the provision of eligible essential services related to homelessness. Services are coordinated under a community-based homeless assistance program planning network termed "*Continuum of Care Concept*". This concept enables recipients to develop, organize, and plan long-term solutions to address the problems of homelessness in their community. While collaborating with Allegheny County Economic Development (ACED) on the Continuum of Care concept each year, City Planning accepts applications from sub-recipients for the provision of eligible services. A contract is established between the City and the sub-recipient agencies outlining terms of the agreement. Sub-recipients must also meet various conditions and reporting requirements. Once a contract is established, sub-recipients' agencies may submit invoices for services provided for reimbursement. All invoices received are reviewed and approved for payments in accordance with the City's payments policies and procedures. Payments are made via a request for a drawdown of funds through the *Integrated Disbursement & Information System (IDIS)* maintained by HUD. This system is also used to track sub-recipients program components. Sub-recipients are required to comply with all contract requirements and submit invoices for payment within the specified timeframe in order to receive reimbursement. Additionally, HUD mandates periodic monitoring of sub-recipients activities to ensure compliance with contract requirements.

A *Homeless Advisory Board* was created to assist Allegheny County, the City of Pittsburgh and other local agencies to address and improve the well-being of homeless people by identifying gaps and prioritizing services under the Continuum of Care concept. Board members are appointed by Allegheny County and consist of individuals representing various sectors and *stakeholder organization*.³ The board meets quarterly and plays a role in the reporting of various program accomplishments to HUD. Reimbursements are generally available under five program components

¹ Revised and renamed Emergency Solutions Grant Program under the Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH) of 2009.

² Grants distributed in accordance with the percentage of Community Development Block Grant (CDBG) funding each jurisdiction was allocated for the previous fiscal year.

³ Affordable Housing Developer/Landlord, Allegheny County Homeless Providers, Allegheny County (Office of County Executive, Department of Human Services, Department of Economic Development, Behavioral Health providers, City of Pittsburgh).

such as emergency shelter⁴, rapid re-housing assistance⁵, homelessness prevention⁶ and costs associated with data collections via the *Homeless Management Information Systems (HMIS)*. In addition, administrative funds are also available for reimbursement of administrative expenses capped at 7.5% of recipient's total allocation. Agencies may also be reimbursed for expenses related to outreach activities and programs. Approved grants are received directly via electronic transfers to the City's account. A total of \$1,657,302 was received by the City in Emergency Solutions Grants during January 1, 2014, through December 31, 2014, that was spent on the **eligible program components** as shown below:

<u>Components</u>	<u>Amount</u>
Emergency Shelter	\$856,606
Rapid Re-Housing	445,898
Homelessness Prevention	189,272
Homeless Management Information System (HMIS)	165,526
Grand Total	<u>\$1,657,302</u>

A total of 14 agencies received ESG grants from the City as sub-recipients during the period of our review as detailed below:

<u>Agency</u>	<u>Amount</u>	<u>Agency</u>	<u>Amount</u>
Community Human Services	\$385,858	Three Rivers Communities Inc.	\$75,856
Department of Allegheny County Human Services	212,712	Goodwill Industries of S.W. PA	60,982
Mercy Life Center Corp.	209,639	Womanspace East Inc.,	55,101
Bethlehem Haven of Pittsburgh	167,516	Women's Center and Shelter of Greater Pittsburgh Inc.,	42,172
Operation Safety Net	160,905	Salvation Army	40,000
East End Cooperative Ministry	120,250	Three Rivers Youth	39,486
Family Links Inc.	79,861	United Way of Allegheny County	6,964
Grand Total <u>\$1,657,302</u>			

⁴ Costs associated with operating emergency shelters, providing essential services in emergency shelters and renovation costs of buildings to be used as shelters.

⁵ Costs associated with providing housing relocation and stabilization services including short/medium term rental assistance to achieve housing stability.

⁶ Costs associated with housing relocation and stabilization services including short/medium rental assistance necessary to aid in preventing a move into emergency shelters for those at risk for homelessness.

RESULTS

Our procedures did not disclose any instances of non-compliance or deficiency related to internal control over the administration of the trust fund.