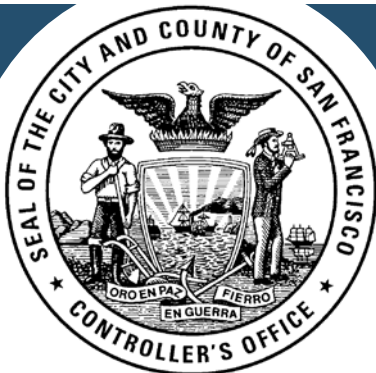


Presentation to Board of Supervisors

Government Audit & Oversight Committee

Audit of grant agreements between
the Department of Homelessness and Supportive Housing
and Bayview Hunters Point Foundation as fiscal sponsor to
United Council of Human Services



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller - City Services Auditor

Mark de la Rosa, Director of Audits

Amanda Sobrepeña, Lead Audit Manager

May 4, 2023

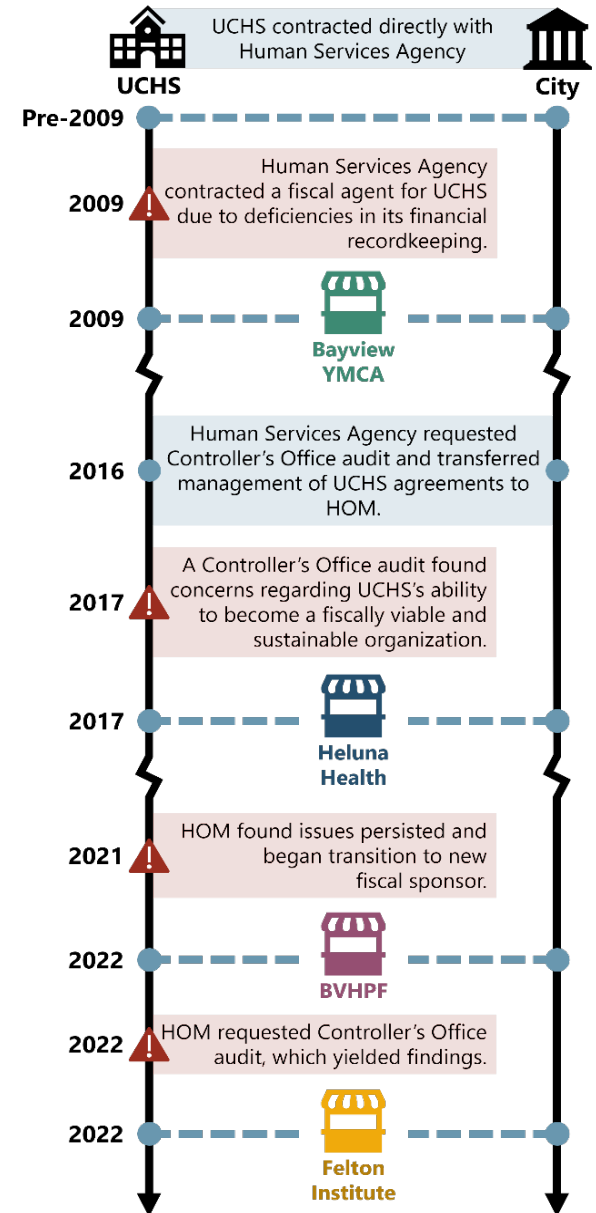
- City Services Auditor (CSA) issued audit:
 - United Council of Human Services Audit (*November 17, 2022*)
 - 4 primary findings and 14 recommendations
 - Initiated per the department's request
- Audits conducted in accordance with government audit standards
 - Objective and Independent
 - Risk-Based Approach
 - Appropriate and Sufficient Evidence
 - Quality Assurance Process
- CSA follows up on recommendations every 6 months to ensure corrective actions and report on status of implementation
- CSA's current and future audits and assessments related to nonprofits

Background

From February through September 2022, Bayview Hunters Point Foundation (BVHPF) was the fiscal sponsor of United Council of Human Services (UCHS), a community-based organization, for six grants with the Department of Homelessness and Supportive Housing (HOM). Under the grants, UCHS is the organization that directly delivers housing and support services to formerly homeless tenants in San Francisco.

In 2009 the City stopped contracting directly with UCHS and created a fiscal agent relationship between UCHS and its first fiscal agent, Bayview YMCA, due to UCHS's deficiencies in financial recordkeeping.

It is the City's goal for UCHS to stabilize its financial management, become a stand-alone organization (with no need for a fiscal sponsor), and once again receive grants directly from the City.



Grant Agreements

HOM administered six grant agreements with BVHPF, as fiscal sponsor of UCHS, totaling \$36.4 million. Under the agreements, BVHPF received a portion of the budget for administrative costs, and UCHS received the majority of the budget, as listed below.

Program	Term	Not-to-Exceed Amount	UCHS's Budgeted Amount	Program Description/Services	Eligibility Criteria or Served Population
<i>Programs Funded by U.S. Department of Housing and Urban Development (HUD)</i>					
Hope House Consolidated	2/1/2022-5/31/2025	\$8,526,774	\$6,794,498	Funding for UCHS-leased permanent <i>supportive housing</i> and property management to the served population	<ul style="list-style-type: none"> Homeless Individuals with a disability status
Hope House for Veterans	2/1/2022-10/31/2025	\$4,864,611	\$3,576,368	Funding for UCHS-leased permanent <i>supportive housing</i> and property management to the served population	<ul style="list-style-type: none"> Homeless Individuals with a disability status Veterans
<i>Programs Funded by City</i>					
Hope House Support Services	2/1/2022-6/30/2024	\$2,978,450	\$2,158,297	Provide <i>support services</i> , such as case management, wellness checks, and job training, to formerly homeless adults residing at various permanent supportive housing sites	Individuals residing in Hope House Consolidated and Hope House for Veterans programs
Bayview Drop-In Resource Center	2/1/2022-6/30/2024	\$6,672,732	\$4,835,313	Provide access to <i>meals, storage space, restrooms, showers, and laundry facilities</i> to support personal hygiene and maximize individuals' abilities to live and work in the community	Individuals and families who are experiencing homelessness in the Bayview Hunters Point neighborhood
Jennings Safe Sleeping Village	2/1/2022-6/30/2024	\$3,375,151	\$2,257,626	Serve as a <i>Safe Sleeping Village</i> in response to the COVID-19 emergency on a time-limited and as-needed basis to reduce the spread of the COVID-19 virus and address the needs of vulnerable populations	Individuals experiencing homelessness in San Francisco who are COVID-negative, post-COVID positive, and/or have an unknown COVID status
Pier 94 SIP Site F	2/1/2022-6/30/2023	\$9,988,252	\$8,344,143	Serve as a <i>shelter-in-place</i> (SIP) site in response to the COVID-19 emergency on a time-limited and as-needed basis to reduce the spread of the COVID-19 virus and address the needs of vulnerable populations	Individuals experiencing homelessness placed in SIP site(s) to reduce the risk that they will be infected with COVID-19
Total		\$36,405,970	\$27,966,245		

Audit Objectives

- Determine whether UCHS through its fiscal sponsor, BVHPF:
 - Verified the eligibility of participants adequately
 - Spent grant funds in accordance with applicable laws, regulations, guidelines, and the terms and conditions of grant agreements.
- Assess HOM's management and oversight of the grant agreements.

Scope

The audit focused on participants as of July 2022 in the following six programs:

- Hope House Consolidated
- Hope House for Veterans
- Hope House Support Services
- Bayview Drop-In Resource Center
- Jennings Safe Sleeping Village
- Pier 94 Shelter-in-Place Site F

UCHS has not complied with eligibility, expenditure, and recordkeeping requirements of its fiscal sponsorship agreements. Specifically, we found that UCHS:

- Did not appropriately prioritize the majority of sample tenants through Coordinated Entry, did not have the required eligibility documentation, and improperly calculated tenant income.

Exceptions Highlights	
Coordinated Entry Referral	24 (83 percent) of 29 sample tenants were not appropriately prioritized through Coordinated Entry System or did not have the required eligibility documentation.
Tenant Income	19 (66 percent) of 29 same tenants had their incomes calculated incorrectly when they entered one of the Hope House programs.
Hope House Consolidated Program	3 UCHS employees were enrolled into the program without going through the Coordinated Entry process and provided incomplete supporting documentation. At least 16 other active employees are on the tenant roster for this program, which increases the risk that UCHS is prioritizing its employees over other potential program participants who may be in greater need of housing assistance.

- Collected at least \$108,861 in tenant rent, contrary to HOM’s grant agreement requirements, and has not turned over at least \$30,661 in rent collected to BVHPF (as of September 2022).
- Did not consistently provide adequate support for its expenditures and did not follow BVHPF’s hiring process.

HOM must consider restructuring the fiscal sponsorship model with UCHS and improve its program monitoring.

- Despite the City's efforts, UCHS continues not to comply with its fiscal sponsorship agreements.
- HOM has not conducted program monitoring for three UCHS programs since it assumed responsibilities from the Human Services Agency in 2016.
- Since the start of BVHPF's fiscal sponsorship in February 2022, HOM has not met any of the following requirements:
 - Know the total number (or have an inventory) of occupied housing units.
 - Determine the tenant rent amount.
 - Conduct Housing Quality Standards inspections for one of the programs.
 - Complete a Housing Assistance Payments contract for each tenant move-in.
- HOM's program monitoring procedures did not accurately capture whether UCHS met all service and outcome objectives.

The report includes 14 recommendations for HOM to improve its oversight of UCHS's program administration and compliance with grant agreement requirements. Key recommendations include that HOM should:

1. Consider terminating grant agreements:

- a. Particularly those funded through federal funds.
- b. Possible transfer of these services to another provider.

2. Review fiscal sponsorship model:

- a. Determine whether fiscal sponsorship structure is the best model for UCHS to address its internal control deficiencies.
- b. If UCHS's internal control deficiencies cannot be resolved, develop alternative methods for providing the services UCHS now provides.

3. Require the memorandum of understanding between the fiscal sponsor and UCHS to include clear roles and responsibilities for each party and explicit requirements regarding eligibility and recordkeeping.

4. Develop and communicate guidance on whether and how UCHS is to enroll its employees as tenants.

5. Require UCHS to cease rent collection:

- a. Require UCHS to stop collecting tenant rents immediately unless the grant agreements are amended to allow this.
- b. Require UCHS to turn over all rental revenue in its possession to the fiscal sponsor.

Thank you.

Any questions?

SPEAK UP

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EMAIL: whistleblower@sfgov.org

CALL: 311

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- Bribery
- Theft of Cash
- Conflicts of Interest
- Misuse of City Property
- Theft of City Property
- Kickbacks
- Bid Rigging
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