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February 12, 2020

TO: Each Supervisor

FROM: Arlene Barrera, Auditor-Controller *arlene barrera*

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES – HOMELESS INITIATIVE – STRATEGY B1 - PERFORMANCE DATA VALIDATION AND INTERNAL CONTROLS REVIEW**

In collaboration with the Chief Executive Office, and with the support and active participation of the Department of Public Social Services (DPSS or Department) management, we have completed a review of DPSS's Homeless Initiative – Strategy B1 (Strategy B1) performance data and internal controls. Strategy B1 services, which are primarily funded through Measure H, provide subsidized housing for homeless, disabled individuals pursuing Supplemental Security Income (SSI). Research demonstrates that placing these individuals in housing greatly increases the likelihood that they will qualify for SSI, which may lead to sustained housing without a subsidy.

Generally, DPSS had adequate procedures in place over their Strategy B1 services, and their performance data was supported with documentation. However, we identified opportunities where DPSS can improve and strengthen controls over Strategy B1 services. For example, we reviewed DPSS's Strategy B1 housing subsidy payments and identified a duplicate payment in November 2018. Although the amount was immaterial, this resulted in an overpayment to the landlord who received the housing subsidy. The Department must enhance their internal controls to ensure that any duplicate payments are prevented.

These enhancements will provide greater assurance that DPSS has the appropriate internal controls over Strategy B1 services to ensure that funds are used for their intended purpose.

For details of our review, please see Attachment I. The Department's response indicates agreement with our findings and recommendations and is included in Attachment II.

We thank DPSS management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Terri Kasman at (213) 253-0301.

AB:PH:TK:JH

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Antonia Jiménez, Director, Department of Public Social Services

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NUMBER OF
RECOMMENDATIONS

PRIORITY 1

0

PRIORITY 2

1

PRIORITY 3

1

FAST FACTS

Strategy B1 services provide subsidized housing for homeless, disabled individuals pursuing SSI, and is primarily funded through Measure H, a voter-approved quarter-cent sales tax measure enacted to combat homelessness.

DPSS received approximately \$2 million in Measure H funds from July through December 2018.

DPSS's July through December 2018 performance data indicated 668 clients were receiving subsidized housing, and 60 clients had secured SSI benefits.

REPORT #X19708

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Terri Kasman
DIVISION CHIEF

COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X19708

DEPARTMENT OF PUBLIC SOCIAL SERVICES – HOMELESS INITIATIVE – STRATEGY B1 - PERFORMANCE DATA VALIDATION AND INTERNAL CONTROLS REVIEW

BACKGROUND AND AUDIT SCOPE

In collaboration with the Chief Executive Office (CEO), the Department of Public Social Services (DPSS or Department) provides Homeless Initiative – Strategy B1 (Strategy B1) services. Strategy B1 services provide subsidized housing for homeless, disabled individuals pursuing Supplemental Security Income (SSI), and is primarily funded through Measure H, a voter-approved quarter-cent sales tax measure enacted to combat homelessness. The CEO oversees the implementation of the Homeless Initiative strategies and is responsible for administering the use of Measure H funds. DPSS received approximately \$2 million in Measure H funds from July through December 2018.

Our review focused primarily on evaluating DPSS’s internal controls over Strategy B1 services, and validating their Strategy B1 performance data from July through December 2018. In addition, we reviewed DPSS’s Strategy B1 housing subsidy payments issued from October through December 2018. We examined the Department’s policies and procedures, interviewed management and staff, and conducted detailed walkthroughs to evaluate the effectiveness of existing controls.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Internal Controls - While DPSS generally had adequate procedures in place for administering their Strategy B1 housing subsidy payments, we noted an opportunity where the Department can enhance their internal controls. Specifically, we reviewed DPSS’s Strategy B1 housing subsidy payments and identified a duplicate payment in November 2018. DPSS indicated that while they monitor and reconcile their subsidy expenditures monthly, the existing manual controls did not detect the overpayment.</p> <p>Although the amount was immaterial, this resulted in an overpayment to the landlord who received the housing subsidy. After our review, DPSS indicated they initiated the repayment process and will make the appropriate adjustments upon collection. However, the Department must enhance their internal controls and develop automated processes to ensure that any duplicate payments are prevented.</p> <p>Impact: Increased risk of overpayments, potentially reducing the availability of funds to assist other clients.</p>	<p>Priority 2 - DPSS management enhance internal controls by developing automated processes to ensure that subsidies are appropriately issued, and duplicate payments are prevented.</p> <p>Department Response: Agree Implementation Date: December 2019</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>2 Enhancing Program Integrity - As clients receive their Strategy B1 housing subsidies pending their SSI application results, DPSS maintains contact with the clients either by phone, or in-person meetings at a DPSS facility. Regular contact with clients helps ensure they are utilizing all available resources and any potential issues are addressed, with the goal of ultimately obtaining SSI approval and sustained housing without a subsidy.</p> <p>However, current procedures do not include on-site visits to a client's subsidized housing location. To enhance program integrity, DPSS should consider conducting on-site visits to ensure that clients are residing at their respective locations and rental units appropriately meet suitable living standards.</p> <p>Impact: Increased risk of inappropriate use of subsidies, such as clients not residing at their respective housing locations.</p>	<p>Priority 3 - DPSS management consider developing and implementing procedures for on-site visits to clients' subsidized housing locations, and include a cost-benefit analysis as part of the consideration.</p> <p>Department Response: Agree Implementation Date: October 2019</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit <https://auditor.lacounty.gov/contract-monitoring-audit-process-information/>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Department's operations if corrective action is not taken.



ANTONIA JIMÉNEZ
Director

PARJACK GHADERI
Acting Chief Deputy

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES


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December 19, 2019

TO: Arlene Barrera
Auditor-Controller


FROM: Antonia Jimenez, Director

SUBJECT: DEPARTMENT OF PUBLIC SOCIAL SERVICES – HOMELESS INITIATIVE – STRATEGY B1 – PERFORMANCE DATA VALIDATION AND INTERNAL CONTROLS REVIEW

Enclosed is the Los Angeles County Department of Public Social Services' (DPSS) response for the Auditor-Controller's Homeless Initiative Strategy B1 Review. The review resulted in two recommendations. As described in the enclosure, Recommendation 1 is targeted for completion by December 31, 2019, and Recommendation 2 is completed.

Please let me know if you have any questions, or your staff may contact Sheila Early, HSA III In-Charge, Research, Evaluation and Quality Assurance Division, at (626) 313-5520.

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Enclosure

HOMELESS INITIATIVE STRATEGY B1 PERFORMANCE VALIDATION AND INTERNAL CONTROLS REVIEW DPSS RESPONSE 10-31-2019

Recommendations and Original Departmental Responses to Audit Report					
No.	Recommendation	Priority	Agree/ Disagree	Target or Actual Implementation Date	Corrective Action
1	DPSS management enhance internal controls by developing automated processes to ensure that subsidies are appropriately issued, and duplicate payments are prevented.	2	Agree	12/1/2019	<p>The Department will submit a Leader Replacement System (LRS) design change request to notify staff of a duplicate housing subsidy payment.</p> <p>The design change will include a “soft validation” message on LRS that will alert the user when a housing subsidy monthly issuance has occurred when the user is attempting to issue/authorize an additional housing subsidy monthly issuance payment for the same month.</p> <p>In addition, the General Relief Program (GR) will release internal control procedures for reconciling housing subsidy payments to better identify duplicate issuances. These procedures will be included in a GR Housing Subsidy Administrative Release, due to be released in December 2019.</p>

HOMELESS INITIATIVE STRATEGY B1 PERFORMANCE VALIDATION AND INTERNAL CONTROLS REVIEW DPSS RESPONSE 10-31-2019

No.	Recommendation	Priority	Agree/ Disagree	Target or Actual Implementation Date	Corrective Action
2	DPSS management consider developing and implementing procedures for on-site visits to client subsidized housing locations, and include a cost-benefit analysis as part of the consideration.	3	Agree	Completed October 2019	The Department considered the feasibility of General Relief (GR) Program Housing Subsidy Case Managers (GRHCMs) conducting home visits to clients who are in receipt of a housing subsidy. After discussion with internal stakeholders, including the Human Resources Division, it was determined that on-site visits present a safety concern along with a change in working conditions, and does not fall within the classification standards for the GAIN Services Worker (GSW), which is the classification held by the GRHCMs.