

Homeless Contracts Management Audit

April 16, 2020

Robin Howe

David G. Jones, City Auditor



Seattle Office of City Auditor

Homeless Contracts Management Audit

Report Highlights

Background

In 2018, the City of Seattle (City) spent \$41.3 million on homeless services contracts and managed \$22 million in federal grants for a total of 161 homeless services contracts. Most of these contracts fell into four areas: 1) Prevention, 2) Emergency Services, 3) Housing, and 4) Outreach and Case Management. The Human Services Department (HSD) is responsible for contracting for the services and providing oversight of the contracts and service provider performance.

What We Found

Overall: HSD is sufficiently managing the homeless services programs, contracts, and the City's investments in homeless services. The service providers are generally meeting their contract terms.

Contract Planning: HSD is generally adhering to its contract planning requirements, and contracts are being awarded properly. However, HSD is not executing contracts in a timely manner, resulting in service providers using their own funds to cover costs during those delays.

Contract Management: HSD is doing an adequate job managing and monitoring contracts. However, contract monitoring and subcontractor oversight could be improved. Addressing these areas will help ensure that the appropriate level of oversight is given to service contracts and that compliance issues are resolved.

Homeless Strategies and Investment Division (HSI) Support:

Technology tools used to manage homeless services contracts could be more efficient, and there is only one staff member who fully understands one of the tools. Also, staff training in the HSI Division should be improved.

Policy and Program Design: HSD can improve the efficiency and effectiveness of homeless services by refining its performance metrics and more accurately assessing the vulnerability of clients, especially people of color, immigrants, and refugees.



WHY WE DID THIS AUDIT

This audit, requested by Seattle City Councilmember Lorena González, reviewed HSD's contracting practices related to homeless services. We evaluated:

- HSD's contract procurement, award and approval processes;
- HSD's contract administration and monitoring processes;
- HSD's homeless services planning process;
- HSD's policies and program design for each type of homeless service; and
- Service provider compliance with contract terms and program requirements.

HOW WE DID THIS AUDIT

To accomplish the audit's objectives, we:

- Interviewed 39 HSD staff.
- Reviewed a judgmental sample of 29 homeless services contracts, conducted 30 site visits, and interviewed over 100 service providers.
- Observed HSD's annual contract monitoring work for two contracts.
- Analyzed contract performance data.

Seattle Office of City Auditor

David G. Jones, City Auditor
www.seattle.gov/cityauditor

Service Provider Performance: Service providers are generally meeting the terms of their contracts. However, steps should be taken to ensure consistent documentation in client files. We also found one contractor compliance issue that we brought to the attention of HSD.

Our report includes 18 recommendations to strengthen controls over HSD's homeless services contracts and improve the effectiveness of these services.

Department Response

In their response to our report, HSD stated that they concur with its overall findings and have already been using continuous improvement principles for the past several years to address many of the issues identified in the report. HSD's full response can be found in Appendix A.

TABLE OF CONTENTS

INTRODUCTION	1
CONTRACT PLANNING	4
CONTRACT MANAGEMENT	6
HSI DIVISION SUPPORT	11
PROGRAM AND POLICY DESIGN	14
SERVICE PROVIDER PERFORMANCE	22
OBJECTIVES, SCOPE, AND METHODOLOGY	24
APPENDIX A	28
Department Response.....	28
APPENDIX B	30
List of Recommendations.....	30
APPENDIX C	32
29 Contracts from 2018 Selected for Our Audit Sample	32
APPENDIX D	34
Program Descriptions.....	34
APPENDIX E:	36
Service Provider Challenges.....	36
APPENDIX F	42
Seattle Office of City Auditor Mission, Background, and Quality Assurance	42

INTRODUCTION

Audit Overview

Seattle City Councilmember Lorena González requested that we examine the City of Seattle's (City) Human Services Department's (HSD) contracting practices in the area of homelessness. Our objectives were to answer the following questions:

- Contract Planning: Is HSD following their processes for awarding homeless services contracts?
- Contract Management: Is HSD ensuring service provider compliance with contract and program requirements?
- Homeless Strategy and Investment Division Support: Do staff in HSD's Homeless Strategy and Investment Division (HSI) have what they need to effectively and efficiently manage homeless contracts?
- Program and Policy Design: What program design and policy considerations should the City of Seattle and King County consider that could improve the impact of their homeless services?
- Service Provider Performance: How are service providers performing against contract terms and program requirements?

In HSD's formal written response, they stated that they concur with its overall findings and have already been using continuous improvement principles for the past several years to address many of the issues identified in the report. HSD's response is included in Appendix A of this report.

Proposed Change in Regional Homelessness Governance

The City of Seattle and King County recently approved the establishment of a [Regional Homelessness Authority](#). The mission of the King County Regional Homelessness Authority is to significantly reduce the incidence of homelessness throughout King County, using equity and social justice principles. The transition to the new Authority and governance system is expected to begin in 2020. Many of the recommendations contained in this audit can inform policy decisions and program implementation for homelessness strategy in the future.

City-Funded Homelessness Services

The City of Seattle provides funds to non-government entities to provide homeless services. In 2018, the City spent \$41.3 million on homeless service contracts. In addition, the City received and spent another \$22.2 million in federal grants for homeless services

contracts. The 161 homeless services contracts are managed by HSD's Homeless Strategy and Investment (HSI) Division.

There are four primary types of homeless services that HSD contracts for:

1. Prevention,
2. Emergency Services,
3. Housing, and
4. Outreach and Case Management.

Of the City-funded \$41.3 million spent on these services in 2018, over half went to Emergency Services, about a quarter to Housing, and the remaining quarter was divided between the remaining two program types.

A summary of the services and level of investment by the City in 2018 is shown below in Exhibit 1. More detail on services is provided in Appendix D.

Exhibit 1: Seattle spent \$41.3 million on four types of homeless services in 2018

Service Type	 Emergency Services Services that provide safe spaces for people to stay, and a connection to housing	 Housing Services focused on permanent housing solutions	 Outreach and Case Management Services brought directly to people experiencing homelessness	 Prevention Services to help people remain in their homes	TOTAL
	City Funding	\$23.7 million	\$9.7 million	\$4.6 million	
Other Funding*	\$6.2 million	\$12.8 million	\$0	\$3.2 million	\$22.2 million
Total Funding	\$29.9 million	\$22.5 million	\$4.6 million	\$6.5 million	\$63.5 million
No. of Contracts	74	64	11	16	161 contracts**
Examples of Services	Day Centers: daytime respite Enhanced and Basic Shelters: overnight accommodation Hygiene Centers: showers, restrooms, laundry	Diversion: flexible funding for emergency housing Permanent Supportive Housing: affordable housing Rapid Re-Housing: temporary move-in and rental assistance Transitional Housing: temporary housing			

*Other funding includes federal grants and housing levy dollars.

**Total is less than the sum of the row because some contracts cover multiple service types.

Source: Office of City Auditor analysis of Human Services Department data.

Acknowledgments

The Office of City Auditor would like to thank HSD's Homeless Strategy and Investments (HSI) Division for their cooperation on this audit. HSI staff and management were very supportive of our efforts and responsive to requests for information, documents, and data. Additionally, we extend our appreciation to the many homeless service providers that hosted our on-site visits and shared their insights about homelessness in Seattle. We were very impressed with the professionalism, expertise, and commitment of the HSD staff we worked with and the service provider staff we met during this audit.

CONTRACT PLANNING

Section Summary

While contracts are being awarded properly, HSD is not executing contracts in a timely manner. We reviewed HSD's contract planning processes for homeless services. These processes included determining which services to contract, creating and advertising requests for proposals (RFPs), reviewing and rating applications from service providers, selecting service providers, and negotiating and executing contracts. We concluded that HSD is generally adhering to its contract planning requirements. However, HSD is not executing contracts in a timely manner. Consequently, many service providers are using their own funds to cover costs during contract execution delays. We recommend HSD revise their contract execution timeline to address this issue.

HSD's Contracting Timeline Delays Payment to Service Providers

Service providers are not being paid on time because HSD does not execute homeless services contracts in a timely manner. According to City of Seattle contracting guidelines, a contract is not considered valid until it has been signed by both parties regardless of the work begin date listed in the contract.¹ We reviewed a sample of 29 contracts and found that all of them were signed late. Ten contracts were executed over 50 calendar days late and three were six months late. This resulted in some service providers not being able to invoice the City for program expenses and needing to use other funding sources to keep programs in operation. Based on what six service providers told us, we concluded they were significantly affected by this situation. Two agencies told us they delayed hiring case managers and were not able to deliver program services. It is important to note that service providers were reimbursed for all their expenses after the contracts were executed and they could invoice the City.

HSD has not allocated enough time in its contract process to ensure contracts are executed before services begin. Most contracts have start dates of January 1, but City department budgets are not adopted until November of the prior year. This leaves about six weeks to execute all the contracts, which does not allow HSD and service providers enough time to negotiate terms and finalize contracts.

¹ Under rare circumstances, such as during an emergency, a contract can have an effective date that starts earlier than the final signatures.

All HSD Contracts We Sampled were Signed Late

HSD has taken steps to improve contract execution timeliness, but further improvement is needed. In 2018 HSD began staggering the homeless services contract work timelines so that staff could spread this work over several months. While HSD told us that this approach resulted in improvements to contract execution timeliness compared to prior years, the results of our audit sample of contracts from 2018 indicates many contracts were still not being executed by their start date. For example, all the 29 contracts we sampled were signed late by HSD and 28 of them were signed more than three weeks after services were expected to begin. This presents an unnecessary burden for service providers.

Recommendation 1

The Human Services Department should revise the timetable for homelessness services contract development and execution to help ensure contracts are executed by the specified start date.

Department Response

The Human Services Department (HSD) stated that it concurred with the recommendation. HSD said it will continue to monitor and evaluate its contracting process to ensure contracts are executed by the specified start date. HSD has concerns regarding its ability to execute contracts by January 1st due to departmental budget deadlines extending into the month of November, placing a burden on HSD staff during the month of December.

CONTRACT MANAGEMENT

Section Summary

In general, HSD has proper internal controls in place for managing its homeless services contracts and is complying with those controls but there are improvements needed. We reviewed HSD's contract management processes for homeless services. This included service provider billing and payments, tracking contract expenditures, monitoring contracts, and conducting fiscal audits of service providers. There are some improvements needed with contract monitoring.

Grants and Contracts Specialists are Generally Doing a Good Job Managing and Monitoring the City's Homeless Services Contracts

Based upon our audit work, we concluded that HSD's Grants and Contracts Specialists (G&C's) are generally doing a good job managing and monitoring the City's homeless services contracts. We selected a sample of 29 homeless services contracts that included all program types and reviewed documentation associated with the contract monitoring and oversight efforts for these contracts. We interviewed over 100 service provider staff and managers during site visits to these programs to obtain feedback on their interactions with the G&C assigned to their programs. We asked for feedback on the G&C's level of program knowledge, competence, helpfulness, and communication with the service providers. The responses we received were mostly positive in that service providers found the HSI G&C's to be knowledgeable, helpful, committed to assisting service providers improve their programs, and communicating often. We also interviewed each G&C about each program they were responsible for and, overall, we were impressed with the G&C's professionalism and knowledge.

Contract Monitoring Risk Assessment Issues

HSD's contract monitoring risk assessments do not adequately account for differences between small dollar and high dollar contracts. HSD's contract monitoring risk assessments are important because they determine the level of annual contract monitoring and oversight.² During our review of contract monitoring risk assessments for the 29 contracts in our audit sample, we identified an issue with the scoring process. The contract monitoring risk assessment question on contract dollar amount assigns one risk point to contracts over \$25,000 and no more points for contracts of higher values. This means that a \$1 million contract has the same chance of getting a lower level of review as a \$26,000 contract, even though a \$1 million contract is higher risk. Almost all homeless services contracts are over \$25,000; only four of the 161 homeless

² The three types of oversight, from low-level of scrutiny to a more thorough review are: 1) desk review, 2) focused review, and 3) comprehensive program review. The focused reviews and the comprehensive program reviews involve on-site visits and a review of client files.

services contracts in 2018 were for an amount less than \$25,000. Other questions on the risk assessment can be scored up to three points. As a result, high-dollar contracts may be getting less scrutiny than they should. The magnitude of the risk should inform the level of contract oversight.

Recommendation 2

The Human Services Department should revise the point score for the question on contract dollar amount on the contract monitoring risk assessment to assign more points to higher dollar value contracts.

Department Response

HSD stated that it conducted the review of the contract monitoring risk assessment early in 2019 and the efforts are still ongoing. HSD will review the point score for the risk assessment question on contract dollar as recommended by Q3 2020.

Some high value contracts are monitored only through desk reviews, which do not involve on-site visits or review of client files. We noted that there were contracts of significant dollar amounts that received only a desk review versus on-site monitoring. This included one contract for just under \$2 million and three contracts for nearly \$1 million each. Desk reviews only provide a limited picture of what is going on with the program. One important reason to do on-site monitoring is to be able to meet with program staff and review client files. Reviewing client files along with case management notes and other documentation, such as homeless status or lease agreements, tells HSD who the program is serving and what the program is achieving. It is also an important way for HSD to check for compliance with the contract terms and conditions.

Recommendation 3

The Human Services Department should review the levels of annual monitoring for homeless services contracts and set a dollar level threshold for contracts that receive only desk reviews.

Department Response

HSD stated that the levels of annual monitoring are currently determined by the Monitoring Evaluation Tool. The revision of the tool to include all risk factors and a better scoring system will resolve this issue by Q3 2020. The dollar threshold will also be considered.

Inconsistent Contract Monitoring Efforts and Documentation

We reviewed HSD's documentation of annual contract monitoring and found that documentation of the monitoring work was not consistent. Some of the on-site monitoring work was documented so that an outside reader could ascertain the work that was completed and whether the agency was meeting expectations, but the level of detail varied across contracts. In addition, there was

no documentation maintained for desk reviews and inadequate guidance on how G&C's should document their contract monitoring work. Documentation of monitoring work provides assurance of what monitoring work was conducted.

Recommendation 4 **The Human Services Department should develop and implement standards for documentation of contract monitoring work, including desk reviews.**

Department Response HSD stated that it will develop and implement documentation standards for contract monitoring work and update the Contract Monitoring Manual by Q4 2020. HSD is conducting training in many areas and will include training on the contract monitoring documentation by Q4 2020.

Subcontractors Not Adequately Monitored **HSD does not conduct formal contract monitoring of subcontractors.** Based on the contracts we reviewed in our audit sample, it appears that most homeless services providers do not use subcontractors, but some do. HSD requires the primary service provider to disclose significant³ subcontractors involved in their programs. HSD staff are required to monitor every homeless services contract annually according to the Contract Monitoring Manual, but they are not required to monitor subcontractors. In addition, HSD does not collect performance information about subcontractor activities. Consequently, HSD's ability to provide oversight for these contracts and ensure funds are being spent as intended is limited. We reviewed a contract in our audit sample that involved a subcontract for almost \$1.6 million. HSD did not monitor or visit the subcontractor during its annual monitoring in 2018 so they may have had limited knowledge of the subcontractor's day-to-day activities.

Recommendation 5 **The Human Services Department should monitor homelessness service provider subcontractors annually if they receive a certain dollar amount or provide essential program services. These thresholds should be documented in the Contract Monitoring Manual.**

Department Response HSD stated that although it does not clearly specify the requirements of monitoring the service providers' subcontractors while monitoring the service providers annually, each site visit does include reviews

³ For example, a service provider may subcontract with a vendor to provide meal services and this would not be considered significant. Whereas, we considered providing direct client services to homeless people, including case management services, outreach, counseling, providing shelter, nurse services, or any other similar service to be significant.

and evaluations of subcontractors' performance, information and activities. HSD agrees that the subcontractor monitoring should have been documented in the monitoring files and risk assessments should have been conducted on subcontractors in order to determine if site visits are needed. HSD will update the Contract Monitoring Manual to reflect the requirements and procedures by Q4 2020. The dollar amount or essential program services threshold will also be considered.

Few Agency-Wide Fiscal Audits Performed

HSD's methodology for conducting fiscal audits of service providers is thorough, but HSD is not meeting its internal goal of reviewing all providers every three or four years. We reviewed all the agency-wide fiscal audits conducted by HSD between January 1, 2017 and June 30, 2019 and we concluded that their audit methodology was sound. These audits⁴ cover all the contracts a service provider has with HSD even though they may fall under the responsibility of multiple HSD divisions.

During the 2.5-year period we reviewed, HSD conducted 13 audits, an average of 5.2 audits per year. At this rate, it would take HSD about 33 years to audit all of HSD's current service providers. An HSD official told us they are not meeting this goal because of limited staff and other projects.

Recommendation 6

The Human Services Department should review and evaluate its goal for agency-wide fiscal audits.

Department Response

HSD stated that its Quality Assurance Team/Fiscal Compliance Team is a team in the newly established Continuous Quality Improvement Unit/Risk Management Unit. The Unit was set up in 2017, currently including 3 FTEs of Principal Accountants (PAs) and 1 FTE of Risk Management Analyst (RMA). Besides contributing to internal policy reviews and advice, the PAs conduct HSD Internal Monitoring and Continuous Quality Improvement assessments, Comprehensive Fiscal Reviews, Audit/Review report reviews, investigations of Whistleblower Complaints; assist in internal, external audits and requests for proposals (RFPs); fulfill Leadership Directives and Management requests; provide technical supports to all HSD's Divisions and supervise the RMAs. During 2017 - 2019, the PAs have had to revise the workplans due to conducting some large projects required by Leadership Directives and Management. Therefore, HSD

⁴ In advance of the audit, service providers complete a 30-page monitoring checklist that consists of an extensive list of governance, fiscal management, and internal control questions. The audit team then spends one to five days conducting an on-site visit to review and evaluate the service provider's performance of the areas listed in the checklist. The audit team issues a fiscal review memo to the service provider with the audit's results and highlights any findings that require corrective action.

has not met its internal goal of reviewing all providers every three or four years. By Q4 2020, HSD will re-evaluate its goals for fiscal audits and update its risk assessments in cooperation with the Grants and Contracts Specialists in order to ensure sound programmatic and financial performance of HSD's service providers. HSD will also continue to advocate for budget to increase permanent positions to improve our audit rate.

Expenses Not Tracked by Type of Expense at the Program-Level

HSD does not track service provider expenditures by type of expense at the program-level because they do not have systems that support this. Homeless services expenditures are not tracked by type of expenditure for programs. For example, a type of expenditure could be payroll expenses or building maintenance expenses. Service provider invoice data is manually entered into the Contract Management System (CMS) ⁵ and CMS does not facilitate summing or comparing expenditure categories at the program-level. Currently, HSD staff would have to manually sum the expenditures by category for each contract if they wanted this information. Tracking homeless expenses by type of expenditure could inform management decisions and highlight potential spending outliers within a program type. In the absence of line item tracking, CMS does not allow HSD to identify significant variation in spending by service providers.

Recommendation 7

The Human Services Department should consider implementing tracking of expenses by category for program types.

Department Response

HSD stated that it tracks expenses by contract number. When a provider is paid, the information is recorded by contract number and provider name. HSD considered the possibility of tracking expenses by category for program types. It was determined that the work to implement the recommended procedure would take additional capacity and financial resources. For some providers, this would be a new requirement and create an additional reporting burden for them.

⁵ CMS is HSD's primary system for managing its contracts.

HSI DIVISION SUPPORT

Section Summary

The tools HSD used to manage homeless services contracts could be more efficient. In addition, there is only one staff member who fully understands one of the systems tools. There is no formal training program for the HSI division Grants and Contract Specialists (G&C's).

HSD Lacks Technology Tools for Efficient Oversight

HSD's primary contract management system (CMS) does not include some functionality that would be useful for management. The CMS application is used for tracking contract information, such as budgets and invoices, and has basic contract monitoring functions. The system was designed for financial functions and not to support contract development or performance monitoring. While CMS allows for basic contract monitoring it does not show the timing of contract stages or include a copy of the executed contracts. This results in the need to manually look up more things and reduces efficiency. HSD managers told us that an integrated system to support programmatic tracking as well as contract financial and administrative functions would improve their ability to manage and oversee these contracts.

Recommendation 8

The Human Services Department should explore the possibility of implementing a more robust contract management system.

Department Response

HSD stated that it is a major stakeholder in the City-wide Contract Management System work, with an anticipated implementation roll-out by the end of 2020.

The Homeless Systems Investment Data Model could be more automated and cross-training on its use is needed. HSD relies on an internally developed systems tool called the HSI Data Model to merge data from CMS and the Homeless Management Information System (HMIS), which tracks homeless services and outcomes. The HSI Data Model serves as a crosswalk between CMS and HMIS data that links the performance outcomes to the contracts data for the City. HSD relies on this system for reporting to elected officials and the public on homeless investments performance. The HSI Data Model is comprised of a collection of three Excel spreadsheets so it is not as efficient or automated as it could be if it existed in a database format. In addition, there is only one person who is fully knowledgeable of how the HSI Data Model works. This introduces a risk of losing critical knowledge should that employee leave the division. HSD told us they would like to convert the HSI Data Model to a database format to improve efficiency and reduce the amount of manual input.

Recommendation 9 **The Human Services Department should cross-train other staff members on the Homeless Systems Investment Data Model.**

Department Response According to HSD, by the end of 2020, HSD's Homeless Strategy and Investment Division will sunset as the City transitions efforts into the new regional authority. HSD has not pursued and will likely not pursue a new database that require training staff on new policies, procedures and workflows when the model might only have one more year of use.

Recommendation 10 **The Human Services Department should explore the possibility of moving the Homeless Strategy and Investment Division Data Model to a database format.**

Department Response HSD stated that HSI will most likely sunset as the City transitions into the new Regional Authority. HSD will inform the new entity of this recommendation rather than expending resources on this for only one year of use.

Training Program for Grants and Contract Specialists Needed

There is no formal training program for the Grants and Contracts (G&C's) Specialists although these staff provide the direct oversight of the City's homeless services contracts. The G&C's serve as the principal City contact for the homeless service providers and play an important accountability role. They are responsible for ensuring that service providers are complying with program expectations, requirements, and contract terms. At the time of our audit, G&C's were trained on-the-job by co-workers and their supervisors, because there was no formalized training program for this position. This is not ideal given the high turnover for these positions⁶ because critical knowledge could be lost. A formalized training program for this critical function could help ensure contracts are managed accurately and consistently. Such training could cover approving invoices, reviewing financial and performance reports, communicating with service providers, and monitoring program operations, both formally via the annual contract monitoring effort and informally throughout the year.

Recommendation 11 **The Human Services Department should develop and implement a formalized training program for the Grants and Contract Specialists within the Homeless Strategy and Investment Division.**

⁶ G&C turnover was 20 percent in 2018 and 30 percent for the first half of 2019.

Department Response

HSD stated that this is a gap that it recognizes and has been working to correct with detailed onboarding. Currently, it is peer to peer training. Recognizing the challenges in hiring, training, and supervising a team of 11 G&Cs – the unit added a second OOC Supervisor position and has been operating with 2 Supervisors since June 2019 to better support the team. HSD stated that it is conducting a series of training in many areas that will assist Senior Grants & Contracts Specialist in carrying out their direct oversight of the City's homeless services contracts.

PROGRAM AND POLICY DESIGN

Section Summary

Several policy and program design issues appear to be negatively affecting the efficiency and effectiveness of the City’s homeless services programs. We interviewed 39 HSD staff and about 100 service provider staff and managers about the City’s homeless services programs and reviewed many documents related to 29 HSD homeless services contracts. We heard that there are issues with the performance commitments service providers are held accountable to for some program types, specifically that some are set too high. The vulnerability assessment tool the City and King County use to prioritize people for housing does not result in an accurate measure of true vulnerability for some people, especially for people of color and immigrants and refugees.

Performance Metrics

The City has performance commitment metrics for all types of homeless services programs. These include metrics for exits to permanent housing, length of stay, returns to homelessness, and utilization of program capacity. Service providers and HSD staff shared concerns with us about some of these performance commitments.

Exits to Permanent Housing Commitment

The primary metric used by the City to determine if homeless service programs are successful is exits to permanent housing⁷. The City sets a minimum of exits to permanent housing the service provider is expected to meet that is called a **performance commitment** for all program types except for Outreach and Hygiene Centers. The exits are calculated based on the number of households who exit the program and the number of households who transitioned into permanent housing when they exited the program.⁸

Performance Pay Contracts

Performance pay contracts are new for HSD’s homeless services and are designed to reward service providers for exiting more people to permanent housing. HSD began using performance pay contracts for certain homeless service contracts in 2018.⁹ For these contracts, three percent of the amount of service providers’ total

⁷ For Permanent Supportive Housing programs, maintaining housing is also counted as a successful outcome.

⁸ It should be noted that if a household has multiple exits from a program, they are counted multiple times in this metric. For example, a household that goes to a shelter may stay for a few days, then exit to an unknown location. A couple months later, that household could re-enroll in the same shelter, starting a separate enrollment. When that household exits again in a month to a permanent destination, that would count as a new household exit. In total, that household would have one exit to permanent housing, and two total exits. If that were the total number of exits from that shelter in that time period, the shelter would have an exit rate of 50 percent (i.e., one Permanent Housing Household Exit divided by two total household exits).

⁹ The service program types that can have performance pay are Enhanced Shelters, Transitional Housing, Permanent Supportive Housing, and Rapid Re-Housing.

contract amount is withheld for every quarter the program does not achieve its minimum performance commitment for exits to permanent housing. In 2018, 52 out of 147 programs had performance pay contracts with a total maximum performance pay amount of about \$1.97 million. Out of that group of contracts, 32 (or 62 percent) met their performance commitments and received their performance pay.

Performance Measured Primarily on Exits to Permanent Housing

According to HSD and service provider officials, measuring a program's positive outcomes primarily on exits to permanent housing does not provide a fair evaluation. We conducted interviews with HSD staff and service providers and heard that there are several issues with the performance metric for Exits to Permanent Housing. First, staff from three homeless services programs said that exits to permanent housing is a narrowly focused metric that does not provide a fair evaluation of program outcomes. Second, there are additional positive outcomes that could be evaluated for service provider performance. Potential positive outcomes suggested by two service providers we interviewed that are in addition to exits to permanent housing included:

- Wellness,
- Financial sustainability,
- Supportive connections,
- Getting a job, and
- Achieving an educational goal.

Some Commitments for Exits to Permanent Housing Set Too High

Service providers and HSD staff told us that performance commitments for exits to permanent housing are set too high for some program types. Staff from nine of the homeless services programs we visited told us that the exits to permanent housing commitments are not realistic for some program types. Specifically, they cited targets for:

- Shelters for single adults,
- Youth Shelters and Youth Day Centers,
- Family Shelters, and
- Youth Transitional Housing programs.

According to the people who expressed this opinion, it is more difficult to exit people to permanent housing from shelters and programs with rapid client turnover, and from programs that serve special populations who have more limited housing options and tend to stay longer in shelters, such as youth and families.

Some Positive or Neutral Program Exits are Counted as Negative Exits

Service providers reported that they are penalized for some positive and neutral exits. Service providers and HSD staff told us that some programs are penalized on their performance outcomes for some positive and neutral exits. These exits occur when clients exit to places staff believe are appropriate even though the locations are not defined by HSD as permanent housing. These include exits to foster care, nursing homes, hospitals, domestic violence shelters, and transitional housing and transitional living programs for youth. Currently, these exits count as negative exits within HMIS performance reporting. We were told that this most frequently affects homeless programs that serve families and youth and young adults.

Recommendation 12

The Human Services Department should re-evaluate the performance commitments for Exits to Permanent Housing for all homeless services program types, especially those for Shelters and Youth Transitional Housing.

Department Response

HSD stated that in 2015 the City of Seattle along with King County and All Home developed and committed to using a set of performance metrics for shelters and housing programs. Metrics were developed for five measurements of successful homelessness service programs: Exits to Permanent Housing, Length of Stay, Returns to Homelessness, Utilization Rate and Entries from Literal Homelessness. For each metric a minimum standard and target were established in consultation with two national experts on homelessness. Minimum standards and targets were adjusted based on population and project types. While all five metrics work together to measure program success, the primary metric is exits to permanent housing. This metric was chosen because the goal of the homeless response system is to end an individual's experience of homelessness and HSD is committed to ensuring investments work towards this goal. The measures were stretch goals for many programs, overall since implementation they have resulted in significant increases in exits to permanent housing. All project types that have performance metrics attached to their contracts have increased the number of persons served and the number of persons moving to permanent housing. HSD stated that it continues to see improvements every quarter in the performance of programs and the impact of the decisions to implement performance monitoring. HSD will re-evaluate performance commitments as part of the planning cycle for the next competitive funding process.

Returns to Homelessness Data Tracking

According to some service providers, more information should be collected to understand why people return to homelessness. HSD sets a performance commitment for the homeless services programs called returns. This refers to the percentage of people who return to

homelessness within six months after they have successfully exited a program to permanent housing. For Shelters, the performance commitment is that no more than 10 percent of the people who exit to permanent housing will return to homelessness within six months. The reasons for returns to homelessness are not tracked in HMIS. Understanding why people return to homelessness could help policy makers make more informed policy decisions.

Recommendation 13

The Human Services Department should collect and analyze information about the reasons for returns to homelessness.

Department Response

HSD stated that King County is the Continuum of Care (CoC) lead and owner of HMIS, and that HSD does not have the power to add custom fields as desired. In order to add collection fields, HSD would have to coordinate with King County, All Home, and go through the All Home System Performance Committee. While this has been done before for fields that are not HUD-mandated, the adoption of these optional fields tends to take time and yield low response rates for some time. Additionally, a "return" is evaluated using multiple data fields within an individual's profile in HMIS that span multiple enrollments. Given that, it would likely not be operationally possible to ask this question on program intake. It may be possible to collect this data outside of HMIS, but HSD would need to do an analysis to determine whether the benefit warrants the collection effort.

Vulnerability Assessment has Inherent Bias

Experts say that the risk assessment tool used to prioritize people for certain homeless services is not accurately measuring vulnerability for some people, particularly for people of color, refugees and immigrants. The City and King County use a vulnerability assessment called the Vulnerability Index and Service Prioritization Decision Assistance Tool (VI-SPDAT) to help determine who gets certain homeless services, such as Permanent Supportive Housing, Rapid Re-Housing, and Transitional Housing. People seeking these services are prioritized based on their VI-SPDAT score, the length of time they have been homeless, and the number of times they have been homeless within the last three years.¹⁰

Service providers and HSD staff are concerned about the inherent bias in the vulnerability tool, and local entities are aware of these issues and are working on a new assessment tool. Some HSD staff and service providers stated that the VI-SPDAT does not always accurately capture people's true vulnerability and achieve

¹⁰ There is one additional condition for determining vulnerability for youth and young adults: history of foster care. There are four additional criteria for determining vulnerability for families: older child helping with childcare, unsupervised children aged 12 or under, history of foster care, and pregnant household member.

the desired outcome of prioritizing the most vulnerable people for housing. We were told that this is especially true for people of color and immigrants and refugees, who may answer questions in such a way that it downplays their actual vulnerability. Based on interviews with service providers and HSD staff, we concluded that the use of the VI-SPDAT increases racial disparities.

Based on what some service providers told us, some people may be getting low VI-SPDAT scores even though they would benefit from services. Service providers explained that this could be because these people may be less willing to share personal issues. One service provider said that some people know how to manipulate the system to get prioritized for services. Service providers told us that people of color and immigrants and refugees may be less willing to share personal information about themselves due to a history of institutional racism and a greater fear of the authorities than white people. An October 2019 research study confirms what these service providers told us, showing that race is a predictor of high scores on the VI-SPDAT and that white individuals are prioritized over others for permanent supportive housing.¹¹

The City, King County, and others are aware of these issues and have been actively working to develop a revised vulnerability assessment tool that eliminates racial and other disparities. However, until a new tool is created and deployed the continued use of the VI-SPDAT could increase disparities in homeless services for people of color, immigrants, and refugees.

Recommendation 14

The Human Services Department should continue working with King County and others to develop a vulnerability assessment tool that will not result in scoring disparities for people of color and immigrants and refugees.

Department Response

HSD stated that the VI-SPDAT is currently used by the King County Continuum of Care to prioritize households for housing through the Coordinated Entry System. The U.S. Department of Housing and Urban Development (HUD) requires the use of a standardized assessment tool and the VI-SPDAT was selected and approved by the All Home Coordinating Board for use in our community. HSD stated that it does not have the authority to change the tool, as CEA is a system of the Continuum of Care. However, HSI staff have been instrumental in first identifying the racial disparities resulting from the use of the tool and subsequently working in partnership with King County to develop an alternative process and tool for prioritization. The weight of the VI-SPDAT score in prioritization has been significantly diminished since December of 2019. Combining

¹¹ <https://www.documentcloud.org/documents/6469681-CES-Racial-Equity-Analysis-Oct112019.html>

the VI-SPDAT score with other factors to determine which households are prioritized for housing has improved the racial make-up of those referred to housing for families and youth and young adults. This has not yet been achieved for single adults, but additional alternatives are being explored. The Coordinated Entry Policy Advisory Committee is still looking for funding options to support the development of an alternative tool. Once funding is identified, the anticipation is that the process would take about 9 months for the development and validation of a tool.

Lack of a Tracking System for Shelter Beds is Leading to Inefficiencies

The lack of real-time tracking for available shelter beds creates inefficiencies for overworked shelter staff. We conducted visits to seven shelters and visited three other homeless services programs that had a shelter co-located at the program facility. Our site visits included both Basic Shelters and Enhanced Shelters. We found that there is no real-time tracking of available shelter beds in Seattle. Currently, if the number of people who show up seeking space at a shelter exceed the number of available beds, the staff at that shelter must contact other shelters to see if there are available beds.

We visited one Basic Shelter on a winter night that had to turn people away because they were full. The shelter staff had to phone other shelters to try to find space for the extra people. They did find shelter space for the overflow people, but it used up valuable shelter staff time.

Staff from a large service provider for youth suggested that a real-time electronic bulletin board that shows available beds in Seattle for youth and young adults would be helpful. They said that their shelters are often filled, and they frequently must turn people away. In such situations they contact other shelters to seek beds for the extra people. The agency told us there is an electronic tool that tracks available shelter beds for the domestic violence homeless population that works well.

Implementation of a real-time electronic bulletin board or other method of tracking available shelter beds by population served, such as, families, youth and young adults, single adults, women or men-only could improve efficiencies for the service providers and help them to refer extra people to the closest available shelters.

Recommendation 15

The Human Services Department should implement an electronic bulletin board or other real-time method of tracking available shelter beds for homeless populations that includes single adults, families, and youth.

Department Response

HSD stated that HSI has explored multiple technology options to utilize for shelter availability and continues to do so as new technology becomes available. HSD believes it is essential that tracking shelter availability does not become an additional burden to shelter programs. Currently they provide open availability once a day in the morning. If they were required to track real time availability, each time the status of a shelter stayer changed, they would have to update their bed availability throughout the day. With the highly transient nature of shelter stayers, this becomes a significant data entry burden for shelter staff. Until such time that HSI identifies a technology solution that does not require significant additional data entry it will not be a value add to do real time tracking.

No Individual Limits Set for Financial Assistance in Outreach Programs

There are no individual limits set for financial assistance expenditures for outreach contracts. Financial assistance is a flexible source of funding to help clients with specific needs, such as housing or transportation. For the Rapid Re-Housing, Prevention, and Diversion programs in our sample, the amount budgeted for financial assistance expenditures represented a sizable percentage of the total contract amount. We reviewed 15 contracts that had budgeted amounts for financial assistance that totaled to \$3.4 million. Diversion program contracts limit financial assistance to a maximum of \$2,500 and Rapid Re-Housing and Prevention program contracts have a maximum number of months allowed for rent assistance and specify maximum rent amounts.

However, as shown in Exhibit 3 below there are no dollar limit maximums specified for client financial assistance in Outreach and Engagement (O&E) programs. There should be a maximum amount for financial assistance for any one client that is consistent with the other program types. If approval was required to exceed this maximum, it would help to ensure that an excessive amount is not spent on one client at the expense of assisting other O&E clients.

Exhibit 3: Three Program Types Have Expenditure Limits on Financial Assistance, One Does Not

Program Type	Number of Contracts Sampled	Total Financial Assistance in Sample	Limits on Financial Assistance Expenditures?
Rapid Re-Housing	4	\$1.3 million	Yes 
Diversion	3	\$1.1 million	Yes 
Prevention	3	\$0.5 million	Yes 
Outreach and Engagement	5	\$0.5 million	No 
TOTAL	15	\$3.4 million	

Source: Office of City Auditor analysis of Human Services Department data

Recommendation 16

The Human Service Department should set maximum limits for financial assistance expenditures in its Outreach and Engagement contracts.

Department Response

HSD stated that it uses system-wide best practices on financial expenditure limits for these program models. Fair Market Rents (FMR) provide rent amount limits. HSD does not set limits on outreach client assistance since they are working with people in the field. Client assistance includes items like socks, granola bars, and possibly transportation fares. It can also cover move-in assistance, which would then be subject to on time costs such as first and last deposit only. HSD believes that there is not a need to limit this due to the type of client assistance they are utilizing.

SERVICE PROVIDER PERFORMANCE

Section Summary

Overall, service providers we reviewed are complying with City contracts and expectations. However, there are areas of service provider performance that need improvement, such as ensuring that client file documentation is consistent, including documentation of client eligibility and case management services. We also found one Permanent Supportive Housing service provider that was issuing improper 3-Day Pay or Vacate Notices.

Service Providers Generally Complying with City Contracts

Based on our review of provider performance against contract terms, program requirements, and the City's expectations, we concluded that contracted service providers are generally meeting their contract terms. We selected a sample of 29 homeless services contracts representing 20 different service providers and all the HSD homeless service program types. We interviewed over 100 service provider staff and managers during three-hour site visits and reviewed many documents for these selected contracts. Overall, we concluded that these service providers were delivering the services specified in their contracts and generally abiding by the contract terms. We were impressed with the professionalism, expertise, and commitment of the service provider staff and management.

Inconsistent Client File Documentation

We found that the level of client file documentation maintained by service providers was inconsistent. Client files are important for both the service providers and for HSD's contract monitoring team. Among other things, client file documentation can show the client's eligibility for a program, the client's service needs and goals, and the service providers efforts to help the client achieve permanent housing and other goals. The HSD contracts we reviewed did not specify which documents service providers were expected to maintain in their client files.

HSI G&Cs commented on missing client documentation in their annual Contract Monitoring Letters to the service providers for several programs we reviewed. This missing documentation included detailed case management notes, housing stability plans, proof of client eligibility, HMIS Consent forms and other documents. This could hinder HSD's ability to review and assess the services provided or contract compliance. In addition, our review of over 100 files indicated the level of documentation varies. Many service providers we visited maintained organized and detailed client files, including case management notes describing case manager meetings and efforts on behalf of their clients. However, some of the programs we visited did not maintain files with complete documentation. We saw some files that were missing documentation of homelessness, case management plans and notes,

housing stability plans, and a housing outcome for a Diversion client who received over \$7,000 in client assistance.

Recommendation 17

The Human Services Department (HSD) should clearly specify its requirements for service providers to maintain client file documentation and provide guidance to providers on commonly missing documents that are identified during HSD reviews. This documentation will vary based on program type. The necessary documentation could include file checklists, intake forms, HMIS Consent forms, documentation of homelessness, documentation of income, copies of leases and rental unit inspections, rent calculations and rent reasonableness verification, case management notes, housing stability plans, and service plans.

Department Response

HSD stated that all materials required in the client files are already stated in the contract based on program type and funding source.

Improper Issuance of Pay or Vacate Notices

One Permanent Supportive Housing program we visited issued improper 3-Day Pay or Vacate Notices so residents could take advantage of a non-profit's annual free rent benefit. While reviewing client files during our site visit to a Permanent Supportive Housing program, we noticed that all four of the files we reviewed contained 3-Day Pay or Vacate Notices. These notices are pre-eviction notices. Some of these clients had multiple notices in their files. All four of these clients were current residents of the program – none of them had been evicted. When we asked for an explanation, the Property Manager told us "sometimes clients need a 3-Day Notice, so they come to me to get one." He told us that a local food bank will provide rent money once a year to people with such a notice, and that there are other benefits one can get from other agencies with a notice. These additional services were intended for people who are being evicted, not for people who have Permanent Supportive Housing. We notified HSD about this issue.

Recommendation 18

The Human Services Department (HSD) should reinforce to service providers the importance of complying with program requirements and contract terms and reinforce to HSD staff the importance of reporting all significant instances of contract non-compliance.

Department Response

HSD stated that it reinforces program requirements at yearly monitoring, monthly invoice processing, yearly contracting and program meetings monthly or quarterly. HSD approached the service provider on this specific finding and asked them to stop issuing improper 3-day-pay and vacate notices. They have agreed to comply, and HSD said that it will continue to work closely with all service providers to address the issue.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

This audit was requested by Seattle City Councilmember Lorena González who asked our office to review HSD's contracting practices related to homeless services. Specifically, we evaluated:

- HSD's contract procurement, award and approval processes;
- HSD's contract administration and monitoring processes;
- HSD's homeless services planning process
- HSD's policies and program design for each type of homeless service; and
- Service provider compliance with contract terms and program requirements.

Scope

We reviewed HSD's current and recent (i.e., 2018 and 2019) policies, procedures, and practices for managing the homeless services contracts. We reviewed HSD's homeless services contracts financial and performance data for 2018 through 2019. We also selected a sample of homeless services programs and conducted a limited review of the service providers' performance of their contract requirements. We focused our audit work primarily on City-funded contracts, but we did some work on grant-funded contracts, as well.

We did not evaluate:

- The City's strategy and decisions for homeless services investments,
- The effectiveness of each homeless services program type for reducing homelessness,
- The performance of individual service providers.

We conducted an audit of HSD's internal controls for homeless services contract management. We evaluated where there were adequate controls in place and whether there was compliance with controls. The basic categories of controls we included within our audit were:

Contracting Processes

- Development and Issuance of a Request for Proposal (RFP)
- Evaluation/Scoring of RFP applications
- Awarding contracts

- Negotiation of contract terms
- Execution of contracts
- Contracts awarded outside of RFP process

Contract Management

- Performance tracking for service providers, programs, and program types
- Service provider invoicing and HSD invoice review
- Performance payments to service providers
- Service provider reporting
- Risk assessments of service providers
- Annual contract monitoring
- Contract monitoring follow up
- Technical assistance for service providers
- Monitoring of subcontractors
- Agency-wide fiscal reviews
- Budget tracking and financial reporting
- Grant invoicing, payment, and accounting processes

Homeless Strategy and Investment (HSI) Division Support

- HSI Division staffing
- HSI Division staff training
- HIS Division system tools, including –
 - Contract Management System (CMS)
 - HSI Data Model
 - HMIS system

Homeless Services Program and Policy Design

- Vulnerability assessment for housing services prioritization
- Housing program referral process
- Homeless services programs design
- Program policies
- Program performance metrics
- Racial equity issues of services provided
- Homeless services system gaps

Service Provider Compliance and Performance

Service provider performance against contract terms and program requirements

- Service provider compliance with contract terms
- Service provider expenditures, including client assistance expenditures

Methodology

We based our conclusions on several types of audit work, including reviews of documents, observations, audit test work, data analysis, and site visits to homeless services providers. Specifically, we:

- Interviewed 39 HSD staff and management.¹²
- Interviewed King County officials from the Coordinated Entry for All (CEA) unit.
- Reviewed HSD’s homeless services policies, procedures, and reports.
- Reviewed 29 homeless services programs by:
 - Reviewing many documents
 - Conducting 31 three-hour site visits
 - Interviewing over 100 service providers
- Observed HSD’s annual contract monitoring work for two contracts, including site visits and interviews with ten service providers.
- Observed a CEA Case Conferencing meeting chaired by King County.
- Reviewed contract performance data.
- Reviewed reports written by outside consultants on the City’s homeless services programs.
- Watched City Council meetings on homelessness topics.
- Reviewed newsletters from the United States Interagency Council on Homelessness (USICH), weekly newsletters from All Home (i.e., the City and County’s Continuum of Care), and many other industry-related documents

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

¹² We interviewed HSD staff and managers from the following units: Budget and Accounting, External Affairs, Finance, Contracts Compliance, Grants and Contracts Specialists, Planning, Data, Federal Grants, and Risk and Compliance,

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We used the judgmental method to determine our samples selected for our audit test work. The results of our audit test work cannot be projected to the population of all homeless services programs since we did not select a random sample. Rather, our sample was designed to select some programs of every type, high dollar value programs, and programs spread out across the City geographically.

APPENDIX A

Department Response



Seattle
Human Services

February 25, 2020

To: David G. Jones, City Auditor
From: Jason Johnson, Director, Seattle Human Services Department

Re: Departmental Response – Homeless Contracts Management Audit

Dear Mr. Jones,

The Human Services Department (HSD) thanks the Seattle Office of the City Auditor for your thorough report, recommendations, and the opportunity to further improve our work. The Department concurs with the overall findings of the report and has already been working for the past several years to address many of the identified issues using continuous improvement principles. These departmental actions have begun to show improvements in many areas that the Auditor's report highlights, which includes achieving as much as a 300% increase in contracts being executed on time since beginning improvement efforts in 2016.

The Department wishes to continue to strengthen controls and improve our effectiveness in alignment with your recommendations. These recommendations will also serve as a foundation for the work that the newly created King County Regional Homelessness Authority has ahead of them.

HSD has implemented several improvements to execute more contracts on time. The Department now staggers contracts and uses a visual management tools and daily huddles to track and solve problems in real time. We also updated our software, allowing us to execute contracts a full month earlier than previously feasible.

In addition, HSD stretched its resources to the limit to hire temporary staff to relieve staff who are working beyond their capacity. The Department has seen improvements in both the efficiency and effectiveness of the contracting process due to these investments in personnel. HSD hopes to make some of these positions permanent as budget allows.

To further increase efficiency in the contracting process, HSD decentralized its contract compliance review this year, alleviating a bottleneck that has occurred each year in a centralized system where 400+ contracts must be reviewed and executed within short timelines.

HSD instituted key controls in the last few years by creating foundational desk manuals that detail the funding, contract development, and contract monitoring processes that staff follow. We will refine these manuals per the auditor's recommendations. We also expanded our audit team services to include real-time fiscal monitoring. This allowed us to make corrections immediately instead of waiting for audit findings to then take corrective actions.

While HSD has received positive feedback regarding these endeavors, the Department is, and will continue to be, limited by systemic factors. For example, City Council passes a budget at the end of November each year, allowing an average of twenty-three business days for the Department to process more than 200 contracts. Since Council usually makes significant changes to the HSD budget, HSD must either wait until Council passes the budget to develop most of their contracts or develop contracts early and then go back to amend all the contracts based on Council's budget.

The Department is also hampered by a lack of operational resources. The Departmental budget has increased by more than 50% in the last few years; however, this budget did not come with appropriate operational dollars. The additional budget with no operational dollars meant pushing staff beyond their capacity, which resulted in lower staff morale, an increase in errors, and higher staff turnover. HSD recognizes the need to continue to improve and is currently building a team whose primary responsibility is continuous quality improvement.

The Department appreciates the extensive work by the Seattle Office of the City Auditor to learn about our work and produce recommendations to improve it. Your recommendations will serve as a blueprint for HSD's new Continuous Quality Improvement team and the newly created King County Regional Homelessness Authority's work plans.

Please see the following pages for a more detailed response by recommendation.

Sincerely,

Jason Johnson

APPENDIX B

List of Recommendations

Include a numerical list of all recommendations.

- Recommendation 1: The Human Services Department should revise the timetable for homelessness services contract development and execution to help ensure contracts are executed by the specified start date.
- Recommendation 2: The Human Services Department should revise the point score for the question on contract dollar amount on the contract monitoring risk assessment to assign more points to higher dollar value contracts.
- Recommendation 3: The Human Services Department should review the levels of annual monitoring for homeless services contracts and set a dollar level threshold for contracts that receive only desk reviews.
- Recommendation 4: The Human Services Department should develop and implement standards for documentation of contract monitoring work, including desk reviews.
- Recommendation 5: The Human Services Department should monitor homelessness service provider subcontractors annually if they receive a certain dollar amount or provide essential program services. These thresholds should be documented in the Contract Monitoring Manual.
- Recommendation 6: The Human Services Department should review and evaluate its goal for agency-wide fiscal audits.
- Recommendation 7: The Human Services Department should consider implementing tracking of expenses by category for program types.
- Recommendation 8: The Human Services Department should explore the possibility of implementing a more robust contract management system.
- Recommendation 9: The Human Services Department should cross-train other staff members on the Homeless Systems Investment Data Model.
- Recommendation 10: The Human Services Department should explore the possibility of moving the Homeless Strategy and Investment Division Data Model to a database format.
- Recommendation 11: The Human Services Department should develop and implement a formalized training program for the Grants and Contract Specialists within the Homeless Strategy and Investment Division.
- Recommendation 12: The Human Services Department should re-evaluate the performance commitments for Exits to Permanent Housing for all homeless services program types, especially those for Shelters and Youth Transitional Housing.
- Recommendation 13: The Human Services Department should collect and analyze information about the reasons for returns to homelessness.
- Recommendation 14: The Human Services Department should continue working with King County and others to develop a vulnerability assessment tool that will not result in scoring disparities for people of color and immigrants and refugees.

- Recommendation 15: The Human Services Department should implement an electronic bulletin board or other real-time method of tracking available shelter beds for homeless populations that includes single adults, families, and youth.
- Recommendation 16: The Human Service Department should set maximum limits for financial assistance expenditures in its Outreach and Engagement contracts.
- Recommendation 17: The Human Services Department (HSD) should clearly specify its requirements for service providers to maintain client file documentation and provide guidance to providers on commonly missing documents that are identified during HSD reviews. This documentation will vary based on program type. The necessary documentation could include file checklists, intake forms, HMIS Consent forms, documentation of homelessness, documentation of income, copies of leases and rental unit inspections, rent calculations and rent reasonableness verification, case management notes, housing stability plans, and service plans.
- Recommendation 18: The Human Services Department (HSD) should reinforce to service providers the importance of complying with program requirements and contract terms and reinforce to HSD staff the importance of reporting all significant instances of contract non-compliance.

APPENDIX C

29 Contracts from 2018 Selected for Our Audit Sample

We selected these contracts using the judgmental sample selection method. We reviewed these contracts and many documents associated with these programs, conducted three-hour site visits to each program, interviewed service provider program staff and management during site visits, and reviewed a sample of client files.

Exhibit 4: Contracts Included in the Audit Sample

Service Provider Name	Program Name	Program Type	City Funding	Other Funding
Catholic Community Services of Western Washington	Bridge Shelter	Emergency Shelter	\$600,000	
Catholic Community Services of Western Washington	Rapid Re-Housing for Single Adults	Rapid Re-Housing	\$1,164,957*	
Chief Seattle Club (via Seattle Indian Health Board)	Basic Day Center	Basic Day Center	\$554,023	
Compass Housing Alliance	Blaine Center Shelter	Enhanced Shelter	\$706,350*	
Compass Housing Alliance	Nyer Urness	Permanent Supportive Housing		\$509,648 ¹³
Downtown Emergency Service Center (DESC)	Diversion	Diversion	\$234,060	
Downtown Emergency Service Center (DESC)	Queen Anne Shelter	Emergency Shelter	\$296,453	\$928,743
Downtown Emergency Service Center (DESC)	Navigation Center	Emergency Shelter	\$900,000	\$1,000,000
Downtown Emergency Service Center (DESC)	Union Hotel	Permanent Supportive Housing	\$1,965,799*	
Evergreen Treatment Services	REACH Navigation Team	Outreach and Engagement	\$727,778	
Friends of Youth	Rapid Re-Housing for Youth and Young Adults	Rapid Re-Housing	\$289,035*	
Low Income Housing Institute (LIHI)	Urban Rest Stop	Hygiene Center	\$840,224	
Low Income Housing Institute (LIHI)	Whittier Heights Women's Village	Tiny House Village	\$408,058	
Mary's Place Seattle	Diversion	Diversion	\$600,000	
Mary's Place Seattle	Family Center	Enhanced Shelter	\$1,026,624*	\$688,476
Muslim Housing Service	Homelessness Prevention Program	Prevention		\$160,300 ¹⁴
Neighborhood House, Inc.	Homelessness Prevention Program	Prevention		\$491,173 ¹⁵
New Horizons Ministries	Housing Navigators	Outreach and Engagement	\$193,319	

¹³ The contract in our audit sample was funded with a federal grant from HUD but this agency also received City funding for this Permanent Supportive Housing program through a separate contract.

¹⁴ The contract in our audit sample was funded with Housing Levy dollars but this agency also received City funding for this Prevention program through a separate contract.

¹⁵ The contract in our audit sample was funded with Housing Levy dollars but this agency also received City funding for other contracts.

Homeless Contracts Management Audit

Public Defender Association	LEAD Program	Outreach and Engagement	\$1,763,532	
Salvation Army	City Hall Lighthouse Shelter	Basic Shelter	\$769,757	\$110,386
Seattle Indian Center	Transcending the Disparities Street Outreach	Outreach and Engagement	\$188,607	
Seattle Indian Health Board	Rapid Re-Housing	Rapid Re-Housing	\$697,217*	
Somali Youth and Family Club	Rapid Re-Housing	Rapid Re-Housing	\$489,111*	
United Indians of All Tribes Foundation	Homelessness Prevention Program	Prevention	\$265,560	
Urban League of Metropolitan Seattle	Outreach and Engagement	Outreach and Engagement	\$269,849	
YouthCare	Orion Engagement Center	Enhanced Day Center	\$341,151	
YouthCare	Pathways	Transitional Housing	\$250,000	
YWCA	Willows Enhanced Shelter	Emergency Shelter	\$295,122*	\$201,052
YWCA	Diversion	Diversion	\$283,580	
		<i>Total</i>	<i>\$16,120,166</i>	<i>\$4,089,778</i>
<i>Percent of funding for all City-funded HSI homeless contracts</i>			<i>39%</i>	

* includes 12 percent performance pay

APPENDIX D

Program Descriptions

Exhibit 5: Descriptions of Homeless Service Programs, Services, and Eligibility

Investment Area	Program	Services Provided	Eligibility	Eligible Use of Funds
Prevention Services to help people remain in their homes	Prevention	Provides financial assistance and case management to keep people from experiencing homelessness.	Households must be housed but at imminent risk of becoming homeless	Short-term or one-time rental assistance
Emergency Services Services that provide safe spaces for people to stay, and a connection to housing	Basic Shelters	Provides overnight-only, mats on the floor, limited on-site amenities, and limited case management.	Households must be literally homeless	Flexible funding to meet participant needs
	Enhanced Shelters	Provides 24-hour availability, bunks, full amenities, and low to medium case management.	Households must be literally homeless	Housing navigation, intensive support services, and financial support to assist residents moving directly into housing
	Basic Day Services and Hygiene Centers	Provides support that meet people's immediate needs for daytime respite, such as showers, laundry, storage, and meals.	Households must be literally homeless	Flexible funding to meet participant needs
	Enhanced Day Services and Hygiene Centers	Provides intensive services that focus on housing search and placement, and access to full amenities.	Households must be literally homeless	Housing navigation, intensive support services, and financial support to assist residents moving directly into housing
	Outreach and Engagement	Services are brought directly to the people experiencing homelessness. Includes Street-Based outreach and Housing Navigators.	Street-based: Adults living unsheltered in Seattle. Housing Navigators: Literally homeless individuals ages 17.5 to 24, in shelter, or within 14 days of eviction.	Flexible funding to meet participant needs, such as transportation, food, fees for securing documentation, and placement into housing
Housing	Rapid Re-Housing	Helps households quickly exit	Households must be literally homeless	Financial support to assist residents

Services focused on permanent housing solutions		homelessness by providing move-in and rental assistance, along with case management services.		moving directly into housing
	Diversion	Flexible, short-term intervention typically offered when households are first seeking emergency housing options, to keep households from entering the shelter system.	Homeless households that have not yet accessed homeless services, including individuals actively fleeing domestic violence, and individuals who are temporarily staying with friends or family.	Financial assistance to clients may include payment for background and credit checks, moving costs, utilities, rental or utility arrears, transportation, grocery cards, fees for securing documentation, work or education related assistance, etc.
	Transitional Housing	Time-limited intervention to assist households who need more intensive or deeper levels of services in order to attain permanent housing.	Homeless households with specific barriers to attaining permanent housing, such as pregnant youth, or individuals in early stages of recovery from substance abuse.	Cost and operations, and financial support to assist residents moving directly into housing
	Villages	Transitional encampments for homeless households.	Households must be literally homeless.	Financial assistance to clients may include transportation, food assistance, fees for securing documentation, move-in costs, etc.
	Permanent Supportive Housing	Non-time limited affordable housing (tenants pay no more than 30 percent of income towards rent) and wrap-around supportive services and case management.	Homeless households that have a condition or disability that create multiple and serious ongoing barriers to housing stability.	Cost of operations and case management and services.

APPENDIX E:

Service Provider Challenges

Overview

This appendix summarizes comments we heard from some homeless service providers about challenges they face with delivering services. These challenges include process issues, program issues, and gaps in the City's homeless services system. This summary is based on interviews with over 100 service provider staff and managers during our audit.

ISSUE 1: CHALLENGES WITH THE HOMELESS MANAGEMENT INFORMATION SYSTEM (HMIS)

Several service providers told us there were issues with the Homeless Management Information System (HMIS), including its 1) inability to track Hygiene Center and Outreach and Engagement (O&E) program performance, client needs, and tribal affiliation, and 2) performance tracking issues for Diversion efforts. In addition, service providers told us HMIS 1) requires inefficient duplicate entry of data, and 2) experiences delays in system maintenance work. Details of these issues are shown in Exhibit 6 below.

Exhibit 6: Issues with HMIS Identified by Service Providers

Issue area	Issue Detail
Hygiene Center Performance Tracking	A Hygiene Center service provider told us that the HMIS Seattle-King County Program Outcomes Report is not set up to record information about the Hygiene Center program. The Program Outcomes report tracks only Exits to Permanent Housing (PH) as a performance outcome and that is not relevant to a Hygiene Center program. The report does not track the number of people who did laundry or took a shower. So, HMIS data cannot be used to measure Hygiene Centers' performance.
Outreach and Engagement (O&E) Performance Tracking	An Outreach service provider told us they are unable to track encounter-based data in HMIS.
Diversion Performance Tracking	A Diversion service provider told us that HMIS does not track some of the Diversion program's successful performance outcomes, such as family reunification.
Client Needs Tracking	An Outreach service provider told us that HMIS does not adequately track the needs of clients. Service providers can use HMIS to see if clients have connected to other service providers and what services they have received but they cannot use HMIS to see what services needs clients may have.
Tribal Affiliation Tracking	HMIS does not have a field for tribal affiliations and we were told by a Native American service provider that tribal affiliations are very important for the populations they serve. Tribal affiliation is a key element of Native individuals' identity and some federal benefits are also tied to tribal affiliations.

Duplicate Entry of Service Provider Data	Service providers we visited reported that they maintain their own information system for tracking client information. Because HMIS does not communicate with their systems, service providers must enter client data in two systems. This duplication of effort causes inefficiencies.
Slow System Maintenance Work	A large service provider told us that HMIS updates and system maintenance work were often delayed.

ISSUE 2: SERVICE PROVIDER WORKFORCE ISSUES

A common theme in our interviews with service providers were their workforce challenges, including hiring and retention. Exhibit 7 summarizes what we heard in this area.

Exhibit 7: Workforce Issues Identified by Service Providers

Issue area	Issue Detail
Service Provider Hiring and Retention	Several service providers we visited reported that they struggle to hire and retain staff due to 1) the low wages they can offer for the jobs relative to the high costs of living in an expensive city like Seattle, 2) the competitive local job market, and 3) the difficult, stressful nature of the work. Fifteen programs we visited reported having issues with hiring, retention, or both.
Training and Support	Service providers from three agencies we visited told us there is a need for more training for their staff in certain specialized areas and they would like it if the City would provide this training. Specifically, the service providers said they need more training of their staff on dealing with clients with severe trauma and mental health issues. They told us that the City used to provide this type of training.

ISSUE 3: SERVICE NEEDS FOR FAMILIES

Another common theme that service providers for homeless families told us about was that more support is needed for homeless families in shelters and those seeking shelter. Specifically, we heard more support is needed for the shelter intake phone line, and for parenting training and childcare. Details of these issues are shown in Exhibit 8 below.

Exhibit 8: Issues Related to Homeless Families Identified by Service Providers

Issue area	Issue Detail
Support for Homeless Families in Shelters	The Family Intake Line is used by homeless families seeking shelter beds in the City and King County. The City contracts with a service provider to handle the calls to the Intake Line. We were told by two Outreach service providers that it is difficult to get through on this line due to high call volumes and there being only one phone screener to take calls. They said it can take a few days to get a call back after leaving a message.

	<p>A service provider for homeless families told us some of their shelter guests would benefit from parenting classes. This same provider said there is a need for childcare for kids with complex medical issues.</p>
--	--

ISSUE 4: SERVICE NEEDS FOR RACIAL SUB-POPULATIONS

We heard from service providers that more services tailored specifically for homeless people belonging to racial sub-populations are needed, specifically for Native Americans and African Americans. Details of these issues are shown in Exhibit 9 below.

Exhibit 9: Race-specific Issues Identified by Service Providers

Issue area	Issue Detail
<p>Specialized Programs for Native Americans and African Americans</p>	<p>We conducted site visits to four service providers that are focused on Native Americans. We heard from both HSI staff and service providers that these investments in culturally centered service providers have led to significant improvements in outcomes. HSD’s performance reporting supports what we heard, showing that the overall rate of exits to permanent housing from the City’s homeless services programs for Native American clients went from 21 percent in 2018 to 33 percent for the second quarter of 2019. One service provider told us they had experienced a large increase in exits to permanent housing from the previous year. This service provider said they would also like to have a shelter that is specifically oriented towards Native American clients.</p> <p>We heard from service providers that there are not enough homeless services for African Americans. We conducted site visits to two service providers who focused on African Americans and both agencies told us that it might be valuable to have more homeless services focused specifically for their clients.</p> <p>Service providers from the Native American and African American communities believe that homeless people experience improved outcomes when they receive services that are culturally appropriate for them and are delivered by people they can more easily relate to.</p>

ISSUE 5: LACK OF HOUSING

Several service providers stated that there is a lack of housing options for certain homeless populations. They also said there is a mismatch for some people between the type of housing that is available and the type of housing that is needed. Summaries of what we heard based on common themes are summarized in Exhibit 10 below.

Exhibit 10: Populations Most Affected by Housing Issues According to Service Providers

Population	Issue Detail
Not vulnerable enough for some services and ineligible for other services	Some people are not vulnerable enough for Permanent Supportive Housing based on their VI-SPIDAT score but are not high functioning enough for Rapid Re-Housing. As we discussed in a previous section of the report, some of these people are currently being placed in Rapid Re-Housing programs.
Too ill for shelters, but not ill enough for hospitalization	We were told some people cycle between the hospital or an adult family home and shelters. During our shelter site visits, we saw some people who appeared to be very ill, including some who had just gotten out of a hospital. One of these shelter guests who had just gotten out of the hospital was so ill that he was barely functional. The shelter monitor had great difficulty getting through the HMIS Intake questions with the guest and had to go slowly through each question multiple times. This guest was a veteran who had been homeless for 17 years.
People experiencing severe substance and/or mental health disorder	One Permanent Supportive Housing service provider told us there is a lack of suitable housing that is appropriate for people who are experiencing severe substance and/or mental health disorders.
Navigation Team Client Referrals	A service provider that runs a shelter serving only Navigation Team referrals told us it is difficult to find housing options for their clients because there is often a mismatch between available housing spots and the needs of their clients. For example, service providers told us that most Navigation Team clients do not score high enough on the VI-SPIDAT to qualify for Permanent Supportive Housing. Or, there might be housing spots that have age or gender restrictions that do not fit their clients. A service provider said there used to be inexpensive rooms to rent in Seattle that would work for the Navigation Team referral clients, but that housing option doesn't exist in the City any longer.
Other groups	<p>Permanent Supportive Housing. We were told the wait for Permanent Supportive Housing can be very long even for people who have a high enough vulnerability score to qualify for the program.</p> <p>Homeless young people, including shelters, youth Permanent Supportive Housing programs, and Transitional Housing programs, which work particularly well for young people. A service provider said there is a lack of Transitional Housing programs for young people with high mental health needs.</p>

	<p>Single women</p> <p>Single parents with older boys</p> <p>Permanent Supportive Housing for Couples. We were told there are only about 10-15 Permanent Supportive Housing units for couples in Seattle and they are often full.</p> <p>Low-Cost Housing. A shelter service provider told us that lots of people can afford to pay a low rent, like \$500 to \$800 per month, but currently there is nothing like this available in Seattle. We were told this type of low-cost housing used to exist.</p> <p>Domestic Violence Victim shelters in Seattle and the County. We were told the limited number of Domestic Violence shelters are always full.</p>
--	---

ISSUE 6: CHALLENGES WITH THE RAPID RE-HOUSING PROGRAM

Rapid Re-Housing (RRH) is a housing first type program that provides clients with subsidies for rent and other housing-related expenses (e.g., utility deposits) for up to 12 months. Clients can receive assistance for an additional 12 months if they get documented approval from the service provider. In 2018, HSD spent about \$4 million of City funds on RRH and an additional \$3.1 million from other funding sources. RRH is called a progressive engagement program because clients receive decreasing amounts of assistance over time. Clients receive rent assistance of 100 percent of the amount for the first month, then are required to pay 30 percent of their income towards rent the second month, and to pay 60 percent of their income the third month. When 60 percent of their income is equal to rent, clients are no longer eligible for rent assistance.

Exhibit 11: Issues with RRH program Identified by Service Providers

Issue area	Issue Detail
Referrals to RRH Programs Could Lead to People Returning to Homelessness	<p>According to the United States Interagency Council on Homelessness (USICH), RRH assistance should be offered to clients without preconditions, like employment status, income, absence of criminal record, or sobriety.¹⁶ However, some service providers we interviewed said that RRH programs work best for people who are expected to be able to achieve housing stability and pay rent on their own by the time their eligibility for RRH support ends. The service providers indicated that the referral process changes in 2018 may lead to a decrease in successful exits to permanent housing. They explained that the new Coordinated Entry for All (CEA) process allows people who are unlikely to exit to permanent housing to be placed in RRH. One service provider emphasized that when a person returns to homelessness after being</p>

¹⁶ United States Interagency Council on Homelessness, "Rapid Re-Housing", August 15, 2018. <https://www.usich.gov/solutions/housing/rapid-re-housing/>

	<p>placed in RRH, they will fall to the bottom of the CEA priority pool for housing. Another said that RRH programs are being used as a temporary holding place for some homeless individuals due to the lack of Permanent Supportive Housing.</p> <p>HSD's performance data for the Rapid Re-Housing programs shows that 79 percent exited to permanent housing in 2018 and 80 percent for the first half of 2019. Nevertheless, some service providers expressed concerns that the performance outcomes for the Rapid Re-Housing programs may decline in the future as more peoples' RRH rent subsidies expire.</p>
--	---

APPENDIX F

Seattle Office of City Auditor Mission, Background, and Quality Assurance

Our Mission:

To help the City of Seattle achieve honest, efficient management and full accountability throughout City government. We serve the public interest by providing the City Council, Mayor and City department heads with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of Seattle residents.

Background:

Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council and has a four-year term to ensure her/his independence in deciding what work the office should perform and reporting the results of this work. The Office of City Auditor conducts performance audits and non-audit projects covering City of Seattle programs, departments, grants, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively, efficiently, and equitably as possible in compliance with applicable laws and regulations.

How We Ensure Quality:

The office's work is performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards provide guidelines for audit planning, fieldwork, quality control systems, staff training, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

Seattle Office of City Auditor
700 Fifth Avenue, Suite 2410
Seattle WA 98124-4729
Ph: 206-233-3801
www.seattle.gov/cityauditor