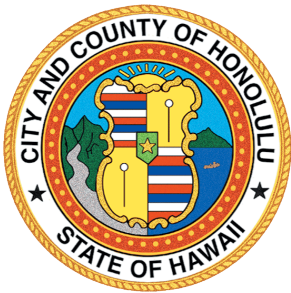




**Office of the City Auditor**



**City and County of  
Honolulu  
State of Hawai`i**

**Report to the Mayor  
and the  
City Council of Honolulu**

**Follow-Up on  
Recommendations  
from Report No. 17-05,  
*Audit of Housing First,  
Community Assistance  
Program, and Hale  
Mauliola Homeless  
Programs***

**Report No. 21-02  
May 2021**



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**Follow-Up on Recommendations  
from Report No. 17-05, *Audit  
of Housing First, Community  
Assistance Program, and Hale  
Mauiola Homeless Programs***

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A Report to the  
Mayor  
and the  
City Council  
of Honolulu

Submitted by

**THE CITY AUDITOR**  
CITY AND COUNTY  
OF HONOLULU  
STATE OF HAWAII

Report No. 21-02  
May 2021





TROY SHIMASAKI  
ACTING CITY AUDITOR

**OFFICE OF THE CITY AUDITOR**  
**CITY AND COUNTY OF HONOLULU**

1001 KAMOKILA BOULEVARD, SUITE 216, KAPOLEI, HAWAII 96707 / PHONE: (808) 768-3134 / FAX: (808) 768-3135

May 17, 2021

The Honorable Tommy Waters, Chair  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawai'i 96813

Dear Chair Waters and Councilmembers:

A copy of our audit report, *Follow-up on Recommendations from Report No. 17-05, Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs*, is attached. This audit was conducted pursuant to Section 3-502.1(d), Revised Charter of Honolulu, which authorizes the Office of the City Auditor to perform follow-up audits and monitor compliance with auditor recommendations. This audit was also included in our office's Annual Work Plan for FY 2021.

The original report, *Audit of Housing First, Community Assistance, and Hale Mauliola Homeless Programs*, Report No. 17-05, issued in July 2017, was self-initiated by the Office of the City Auditor. The audit was based on concerns expressed by the Honolulu City Council and the general public regarding homelessness in the community. Report No. 17-05 made eight recommendations to improve homeless-related programs administered by the Department of Community Services (DCS).

In this follow-up audit, we found that one recommendation was *resolved* and seven were *in process*.

In response to a draft of this follow-up audit, the Director of Community Services and Managing Director expressed general agreement with our audit findings and recommendations. They also provided clarifying information, comments, and copies of relevant documents. Management's response and accompanying documents are included in Appendix C of the audit report. In two instances, we amended the draft audit report in response to the DCS director's comments.

- The DCS director noted that the Planner V position was filled in August 2020 and would not be appropriate for evaluation during our audit review period. In response, we amended the report by deleting assessment of this position's evaluation.
- The DCS director commented that the city is not required to conduct performance evaluations for non-permanent staff. While we acknowledge that the department is not required to formally evaluate personal services contract staff, it is not prohibited either. We amended the report by deleting reference to the Department of Human Resources employee evaluation policy applicable to permanent city employees and replaced it with broader language that urges the department to evaluate employee performance as it deems appropriate

The Honorable Tommy Waters, Chair  
and Members  
May 17, 2021  
Page 2 of 2

In all other instances, we stand by our audit findings. We also made technical, non-substantive amendments for the purpose of clarity, accuracy, and style.

We would like to express our sincere appreciation for the cooperation and assistance provided us by the managers and staff of the Department of Community Services. The audit team is available to meet with you and your staff to discuss this report and to provide more information. If you have any questions, please call me at 768-3134.

Sincerely,

A handwritten signature in black ink that reads "Troy Shimasaki". The signature is written in a cursive, flowing style.

Troy Shimasaki  
Acting City Auditor

c: Rick Blangiardi, Mayor  
Michael D. Formby, Managing Director  
Sarah Allen, Director, Department of Community Services  
Andrew Kawano, Director, Department of Budget and Fiscal Services

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# Follow-Up on Recommendations from Report No. 17-05, *Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs*

May 2021

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## Background

The *Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs*, Report No. 17-05, issued September 2017, was a self-initiated audit based on concerns expressed by the Honolulu City Council and the general public regarding homelessness in the community. The audit sought to evaluate the effectiveness and sustainability of the city's homeless related programs, as well as the Department of Community Service's (DCS) administration of related contracts. The report made eight recommendations.

This *Follow-up on Recommendations from Report No. 17-05, Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs*, examines the status of the eight recommendations issued in the 2017 report. In addition, Section 3-502(d), Revised Charter of Honolulu, requires the city auditor to conduct follow-up audits and monitor compliance with audit recommendations by audited entities. This follow-up audit fulfills this requirement.

Report No. 17-05 found that while Hale Mauliola fell short of meeting its first year goals, the Housing First and Community Assistance Programs were successful in exceeding their contracted service goals. These programs were touted as housing first oriented initiatives which purport that cost savings from decreased incidents of arrest and emergency medical service use outweigh the costs to provide housing subsidies and other government services. The audit found quantitative data to show actual cost savings was lacking. Because cost savings were unverifiable, we concluded that the continued use of general funds for these programs questionable.

The audit also found that the Department of Community Services lacked formal policies and procedures for the management of contracts which led to the risk of fraud, waste, and abuse of \$140,152 in security deposits. We also found insufficient internal controls permitted late invoice submissions from contractors and insufficient departmental invoice reviews led to delays in contractor reimbursements. The department's Homeless Initiatives Group was responsible for over \$14 million in homeless related programs, but was found to have inadequate resources, training, and support to consistently complete all of its job requirements putting funds under its care at risk.

The report also found that the city and state lack a coordinated strategic plan to leverage opportunities and potentially combine resources and efforts to more effectively combat homelessness. Neither the state or city governments have a comprehensive plan with measurable objectives, timelines, allocation of resources, or performance benchmarks that could increase measures of success and maximize resources to help more homeless individuals.






The audit made eight recommendations that the Department of Community Services should:

1. *Upon contract completion, formally evaluate Housing First, Community Assistance Program, and Hale Mauliola (in particular) against program goals, objectives, performance metrics, and other pertinent criteria to determine future support, sustainability and viability;*
2. *Utilize the cost-benefits analysis data for hospital and emergency room use, as well as arrests and incarcerations, issued by the University of Hawai`i to evaluate the effectiveness of the city's homeless programs and quantify cost savings as appropriate;*
3. *Establish formal policies and procedures for managing, administering, and monitoring homeless related program contracts;*
4. *If Housing First or Community Assistance Program continue, establish a requirement for contractors to account for the disposition of security and utility deposits separately in monthly reports;*
5. *Provide training to ensure that staff have the knowledge, skills, and resources to properly evaluate and timely process contractor invoices so that the Department of Budget and Fiscal (BFS) staff do not have to spend additional time performing DCS contract administration and evaluation functions;*
6. *Review staff position descriptions and take steps to ensure compliance with their job requirements;*
7. *Reallocate vacant positions to form a formal, functioning back office, or contract administration group, to administer and monitor homeless-related contracts, support other DCS grants and contracts; and expand use of information systems; and*
8. *Continue to work with the State of Hawai`i and other stakeholders to establish a comprehensive homeless strategic plan that establishes specific timelines, performance benchmarks, allocation of resources, responsibilities among stakeholders, quantitative objectives that are measureable, and identifies opportunities to reduce duplication and leverage funding.*

## **FOLLOW-UP AUDIT RESULTS**

Based on our review, we found that of the eight recommendations made in Report No. 17-05, one was resolved and seven were in process.



 <b>Completed</b> --	 <b>Resolved</b> 1	 <b>In Process</b> 7	 <b>Not Started</b> --	 <b>Dropped</b> --
Agency has sufficiently implemented the audit recommendation.	Although agency did not implement the audit recommendation, it implemented an alternative solution that sufficiently addressed the applicable audit finding or risk.	Agency started or has partially implemented the audit recommendation.	Agency has not begun implementation of the recommendation.	Agency has no plan to implement the recommendation; the risk associated with the recommendation no longer exists, or is no longer applicable.

The following details the audit recommendations made and the status of each recommendation based on our review.

### Recommendation 1



**Determine whether DCS upon contract completion, formally evaluates Housing First, Community Assistance Program<sup>1</sup>, and Hale Mauiola (in particular) against program goals, objectives, performance metrics, and other pertinent criteria to determine future support, sustainability and viability.**

#### STATUS UPDATE

Housing First and Hale Mauiola contracts are executed on one year terms with the option to extend upon satisfactory performance. The extension clauses allow DCS to assess contract performance prior to extending the program. In this review we found that contracts are generally not evaluated following contract completion or before contract extension. We reviewed contracts for Housing First Increments 1, 2, and 3 and Hale Mauiola contract files and found that contracts were inconsistently evaluated following completion of its term. We also found no formal evaluations of contract performance before the contracts were extended.

Hale Mauiola’s first contract was formally evaluated and closed. However it was not formally evaluated before the four extensions granted during its contract term. Housing First Increments 1 (HFI) and 3 (HFIII) both completed their initial contracts in 2018 and 2020 but were not formally evaluated following contract completion. They were both still awarded subsequent contracts to continue Housing First program operations. Questions were raised by the Department of Budget and Fiscal’s (BFS) staff concerning HFIII’s ability to meet its service goals, but the vendor was still given a contract extension and an additional contract without a formal evaluation of its performance.

<sup>1</sup> The Community Assistance Program was terminated in 2017. As a result, this follow-up audit did not evaluate this program.

Although DCS provided us with a formal contract extension evaluation for Housing First Increment IV, which is in its inaugural year, we found no evidence of formal evaluations or performance assessment before extensions were executed for Housing First Increments 1 through 3 and for the Hale Mauiola contracts. In total, these contracts were extended 16 times between FY 2015 and FY 2021 totaling \$24,616,856 as shown in Exhibit 1.

**Exhibit 1**  
**Contract Extension Evaluation Status for Homeless Program Contracts, FY 2015 – FY 2021**

<b>Contract #</b>	<b>Effective Dates</b>	<b>Extension Justification?</b>	<b>Value</b>
<b>Housing First I CT-DCS-1500120</b>	11/2014 - 10/2015		
Extension 1	11/2015 - 10/2016	No	\$2,353,000
Extension 2	11/2016 - 10/2017	No	\$2,280,522
Extension 3	11/2017 - 10/2018	No	\$2,280,522
<b>Housing First I - 2nd Contract CT-DCS-1900101</b>	10/2018 - 10/2019		
Extension 1	11/2019 - 10/2020	No	\$2,400,000
Extension 2	11/2020 - 10/2021	No	\$2,400,000
<b>Housing First II CT-DCS-1600281</b>	11/2016 – 12/2017		
Extension 1	12/2017 - 12/2018	No	\$2,069,327
Extension 2	12/2018 - 12/2019	No	\$2,320,000
Extension 3	12/2019 - 12/2020	No	\$2,320,000
Extension 4	12/2020 - 3/2021	No	--
<b>Housing First III CT-DCS-1700395</b>	6/2018 - 5/2019		
Extension 1	6/2019 – 5/2020	No	Federal Funds: \$1,200,000 City Funds: \$1,000,000
Extension 2	6/2020 - 11/2020	No	--
<b>Housing First III - 2nd Contract CT-DCS-2100147</b>	11/2020 - 11/2021		
<b>Hale Mauiola CT-DCS-1500498</b>	10/2015 - 7/2016		
Extension 1	8/2016 - 8/2017	No	\$980,000
Extension 2	8/2017 - 2/2018	No	\$550,000
Extension 3	2/2018 - 2/2019	No	\$1,100,000
Extension 4	2/2019 - 5/2019	No	--
<b>Hale Mauiola - 2nd Contract CT-DCS-1900147</b>	5/2019 - 5/2020		
Extension 1	6/2020 - 5/2021	No	\$1,363,485
<b>Total Extension Value</b>			<b>\$24,616,856</b>

Source: Department of Community Services and Office of the City Auditor

## NEXT STEPS

We urge the department to establish formal policies for contract evaluation in accordance with the Department of Budget and Fiscal’s contracting practices and to consistently conduct such evaluations.

### Recommendation 2



**Determine whether DCS utilizes cost-benefits analysis data for hospital and emergency room use, as well as arrests and incarcerations, issued by the University of Hawai`i to evaluate the effectiveness of the city’s homeless programs and quantify cost savings as appropriate.**

### STATUS UPDATE

DCS reported that the University of Hawai`i conducts annual cost-benefit analyses of citywide homeless programs, which show that cost-savings are achieved with the Housing First approach. We reviewed the University of Hawai`i evaluations of the Housing First Increment 1 (HFI) program and found that researchers reported reductions in client hospitalizations, emergency room visits, days spent in jail, and incarcerations for most years of the program which resulted in cost savings. See Exhibit 2. However, cost evaluations for Housing First Increments 2 and 3 have not been completed as required by contract.

### Exhibit 2

#### **Housing First Yearly Evaluation 2015 – 2019, Annual Reduction in Emergency Services Use for Housing First Program Participants**

	<i>Hospitalization</i>	<i>ER Visit</i>	<i>Arrests</i>	<i>Days Incarcerated</i>
Year 1	*Unreported	*Unreported	-80%	*Unreported
Year 2	-74%	-64%	-55%	-74%
Year 3	-40%	-65%	-61%	-52%
Year 4	-10%	-11%	** -34%	** -14%
Year 5	6% at last assessment	-26%	< 3% at last assessment	Unreported

\*First Year reported on # of *Physically/Mentally Unhealthy Days*

\*\*Stat changed to *Convictions & Spent Time in Jail*

Source: Department of Community Services, Institute for Human Services, and University of Hawai`i at Manoa

## NEXT STEPS

We urge DCS to ensure that Housing First Increments 2 (HFII) and 3 (HFIII) complete their contractual required evaluations to demonstrate reductions in emergency service use and resulting cost-savings. See recommendation 7 for our discussion regarding contract deliverable administration.

### Recommendation 3



## Determine whether DCS established formal policies and procedures for managing, administering, and monitoring homeless related program contracts.

### STATUS UPDATE

Our original audit in 2017 found that the DCS’ Homeless Initiatives Group (HIG) did not have formal policies and procedures for administering and monitoring its homeless related contracts, negatively impacting its ability to properly fulfill its responsibilities.

In October of 2017, DCS formally established policies and procedures to cover contract procurement, payment, monitoring, and file management. However DCS staff indicated that current policies and procedures are general in nature and irrelevant to conducting actual contract administration tasks. After review, we found that existing policies and procedures lack instructions, explanations, examples, or timing benchmarks on how to properly perform listed tasks which include: review of payment requests, verification of substantiating documentation, and conducting inspections and monitoring of contractors.

Current policies and procedures state that if payment requests are correctly completed (sent by the 15<sup>th</sup> of the following month and no discrepancy in amount) with all substantiating documentation, then DCS has five days to review and route the request to the Department of Budget and Fiscal Services (BFS) for further review and reimbursement authorization. We reviewed a sample of 29 invoices across the Housing First and Hale Mauiola contracts to assess this policy and found that only 4 out of the 29 payment requests met the criteria to trigger the five-day review policy. DCS’ review time ranged from a high of 50 days to a low of 12 days. The average number of days in review from our sample was 26 days. The results, shown in Exhibit 3, fall short of the five-day benchmark.

**Exhibit 3**  
**Invoice Review Performance for Five-Day Benchmark Policy**

<i><b>Total Invoices Sampled</b></i>	<i><b># of Invoices That Met Criteria Triggering 5 Day Policy</b></i>	<i><b>Policy Benchmark Review Days</b></i>	<i><b>DCS Average Days of Review</b></i>	<i><b>Max Days of Review</b></i>	<i><b>Minimum Days of Review</b></i>
29	4	5	26	50	12

Source: Department of Community Services and Office of the City Auditor

While we found that the department established formal policies and procedures for managing, administering, and monitoring homeless related programs, improvements are warranted.

### NEXT STEPS

We urge the department to review and update its policies and procedures to include detailed methods to fully support its duties. The department should also adjust policies and procedures

to achieve the five-day review benchmark or re-evaluate the performance measure to determine a more feasible benchmark.

## Recommendation 4



**Determine whether DCS established a requirement for contractors to account for the disposition of security and utility deposits separately in monthly reports (Housing First).**

### STATUS UPDATE

DCS reported that security and utility deposits are accounted for separately in monthly payment requests. We reviewed a sample of 21 invoices across the four Housing First Increments and found that security and utility deposits were accounted for separately in monthly invoice reports. In addition, Housing First Increment 4 (HFIV) contracts include a new requirement for a separate security deposit account. The account serves as the repository for security deposits which will allow for easier accounting and increased transparency regarding any use or return of security deposit funds. The required security deposit account was verified through invoice payment requests and vendor bank statements.

In HFIV contracts, utility costs are now part of a working capital advance account. This account serves as the repository for an initial capital advance for program tenant-based rental assistance funds including rent, damages, utility and other applicable expenses. According to the department, utility deposits are used as a subsidy and are credited into the tenant's utility payments and therefore not meant to be returned as in the case of unused security deposits.

Although we generally found that security and utility deposits are reported separately in monthly reports, there is no formal policy or procedure requiring separate accounting for those deposits. Absent formal policies and procedures, the department cannot ensure that the practice will continue going forward.

### NEXT STEPS

The department should formally establish a requirement to account for security deposits separately in Housing First Increments 1, 2, and 3 to ensure that funds remain accountable in monthly reports.

## Recommendation 5



**Determine whether DCS provided training to ensure that staff have the knowledge, skills, and resources to properly evaluate and timely process contractor invoices so that BFS staff do not have to spend additional time performing DCS contract administration and evaluation functions.**

### STATUS UPDATE

Our original audit found that DCS' Homeless Initiatives Group (HIG) lacked sufficient training to properly and timely evaluate invoices. In 2017, we found that Housing First invoice review times averaged 57 days and Hale Mauliola invoices averaged 34 days for invoice review.

In this follow-up review we found that the department has no formal training regimen for its HIG. Instead, the department utilizes informal training methods that rely on one-on-one mentoring and on-the-job experience. When staff are hired they are given time to familiarize themselves with the contracts that they will be assigned. Then, under supervision of the branch chief, staff will practice reviewing simple invoice payment requests until they are ready to move on to more complex reimbursement requests. According to the department, this process can take anywhere from two weeks to two months depending on the experience and capability of new staff. This is a large variance in time for staff training that the branch chief must commit to and for staff to be ready to fully perform their duties.

The department noted that when the current branch chief was hired, there were no formal processes in place and, since 2019 the HIG had three of its four positions experience turnover. As a result, the department prioritized performing homeless contract administration duties before formal staff training. Accordingly, the department is currently in the planning phase for developing formal training, procedures and documents.

Our original audit also found that Budget and Fiscal Services staff had to conduct routine inquiries for supporting documentation that DCS should have completed before sending requests to BFS for final review. We reviewed invoice discrepancy and question correspondence and found no incidents of BFS performing basic contract administration or documentation inquiry as had been reported in our original audit. Interviews with BFS staff indicated that invoice documentation had improved to a sufficient level and staff no longer have to request simple invoice supporting documents. According to the DCS, the improvement is due to improved working relationships between DCS and BFS, and staff experience that led to similar expectations for invoice processing.

## **NEXT STEPS**

DCS should establish formalized training to ensure a requisite level of knowledge and skill is obtained for each new hire within an acceptable time period. Currently the process relies solely on the branch chief to train new employees. In the event of position turnover, all working and training knowledge would be lost.

## **Recommendation 6**



In Process

**Determine whether DCS reviewed staff position descriptions and took steps to ensure compliance with their job requirements.**

## **STATUS UPDATE**

Our original audit found that staff were not fully meeting their job requirements for contract administration and oversight responsibilities. The HIG originally included two Planner IVs, one Budget Analyst and one Clerk Typist. After staff turnover in 2020, the branch was reorganized to elevate the Budget Analyst position to a Planner V position to account for the need of a more universal skill set to perform contract administration and payment review duties. Position descriptions were reviewed and updated to reflect the change and needed skillset of new staff for the unit.

We compared the job requirements in the updated HIG position descriptions and staff are still not performing all of the position duties. See Exhibit 4.

**Exhibit 4**  
**Compliance Review of HIG Position Requirements<sup>2</sup>**

**Planner IV** – Participates and supports the development of programs related to serving at-risk populations with social services.

<i>Position Description</i>	<i>Comment</i>
Prepares reports and analysis of program evaluation	<ul style="list-style-type: none"> <li>We did not find any report or program evaluation conducted by DCS for 9 out of the 11 Housing First and Hale Mauliola contracts</li> </ul>
Conducts literature search and studies for best practice methodology in service delivery and formulates recommendations for programming of funding	<ul style="list-style-type: none"> <li>We did not find any evidence of research, reports, or analysis on best practices or recommendations for programming funds</li> </ul>
Conducts project economic and implementation feasibility analysis. Conducts and coordinates environmental reviews	<ul style="list-style-type: none"> <li>We did not find any reports or analysis regarding program economic and implementation viability or environmental review</li> </ul>
Monitors contractor's performance and performs on-site assessments to ascertain effectiveness, efficiency, and quality assurance of service delivery methods and compliance with grant agreement procedures and reporting requirements. Conducts follow-up actions to verify corrective measures are implemented	<ul style="list-style-type: none"> <li>COVID-19 impeded the ability to conduct on-site assessments</li> <li>We found that 5 of 11 required annual program evaluations were not completed by grantees (Hale Mauliola and the four Housing First Increment contracts require annual evaluations of program outcomes)</li> <li>We found that 16 of 29 invoices were not submitted to DCS in a timely manner (contract requires grantee to submit monthly invoices by the 15th of the following month)</li> </ul>

Source: Department of Community Services and Office of the City Auditor

<sup>2</sup> The Planner V position was hired shortly before the start of this follow-up and was not included in our evaluation.



Position description compliance is not monitored regularly. The department stated that priorities are focused on properly administering and monitoring homeless programs, not on position description compliance. DCS will perform checks against position descriptions only if necessary.

The department stated that due to workload and relatively recent hiring dates of staff, they have not been able to formally conduct all research and reporting duties. Instead staff meet regularly to discuss and resolve issues and periodically share best practices or recommend changes to programs. However, documentation of these meetings are not formally recorded and we could not verify the agendas of these meetings.

## NEXT STEPS

DCS has formally reviewed and updated the positions of its HIG staff. However, the department has not evaluated staff performance to ensure that they are meeting position requirements. We urge the department to adopt policies for evaluating staff as appropriate.

In addition, our original audit noted that all of the HIG staff are employed on personal services contracts. The temporary nature of these employment contracts do not instill confidence for the long-term stability of the positions and their functions—two out of three HIG positions experienced turnover in 2020. DCS' informal training methods and insufficient policies and procedures intensify the risk of reduced performance in the event of contractual staff turnover. The department should consider allocating more permanent resources to the HIG to ensure contract management functions remain at a satisfactory level.

## Recommendation 7



**Determine whether DCS reallocated vacant positions to form a formal, functioning back office, or contract administration group, to administer and monitor homeless-related contracts, support other DCS grants and contracts; and expand use of information systems.**

## STATUS UPDATE

The department attempted to create back office support for its current HIG but was unsuccessful in obtaining approval from the Department of Budget and Fiscal Services and the Department of Human Resources. In 2020, DCS tried to modify a Budget Analyst position to an Accountant II position to supplement project budgeting and invoice review duties. However, the request was denied by the Department of Budget and Fiscal Services because the intended homeless contract support function was determined to be insufficient to justify the reallocation of the position.

To assess the HIG's contract management function we reviewed contract requirements and required deliverable reports from the nine different Housing First and Hale Mauiola contracts. Contract monitoring and administration results were mixed. We found that required monthly deliverable costs and activities reports were not consistently retrieved from grantees which made assessing program performance difficult. Of the reports we did review, we concluded that five out of the nine contracts either did not meet or were not performing well enough to meet their yearly performance goals.

We also found that 5 out of 11 required annual program evaluations for the Housing First program were not completed. Housing First Increment contracts are budgeted funds each year to provide for annual evaluations to assess the effectiveness of the Housing First approach and demonstrate the cost effectiveness of Housing First compared to other interventions. We found no evidence that 5 out of the 11 required annual evaluations were completed. See Exhibit 5.

**Exhibit 5  
Homeless Program Deliverable Report Review**

<b>Year</b>	<b>Program</b>	<b>Monthly Reports</b>	<b>Required Annual Evaluations Completed</b>
2018	Housing First I	11 / 12 Reports	3/3
2018	Housing First II	12 / 12 Reports	0/3
2018	Hale Mauliola	12 / 12 Reports	N/A
2019	Housing First I - 2nd Contract	5 / 12 Reports	2/2
2019	Housing First III	11 / 12 Reports	0/2
2020	Housing First IV (Hale Maluhia)	6 / 7 Reports	N/A (Inaugural Year)
2020	Housing First IV (H3RC)	8 / 9 Reports	N/A (Inaugural Year)
2020	Housing First IV (Kumuwai)	10 / 10 Reports	N/A (Inaugural Year)
2020	Hale Mauliola - 2nd Contract	9 / 12 Reports	1/1

Source: Department of Community Services

Monthly deliverable costs and activity reports are required to include a budgetary costs section depicting budget expenditures and balances for each month. We found that Housing First Increment 2 (HFII) and Housing First Increment 3 (HFIII) spent a total of at least \$92,322 for annual program evaluations, however none were completed or submitted. This may be a conservative amount as not all of the monthly reports included a budgetary cost section as required, so full yearly amounts could not be verified. Only amounts listed on the latest monthly report with expenditures listed were utilized. See Exhibit 6.

**Exhibit 6**  
**Funds Expended for Incomplete Program Evaluations**

<i>Program</i>	<i>Annual Evaluation Required</i>	<i>Completed?</i>	<i>Budget Expended</i>
Housing First II 1st Year	Yes	No	?
Year 2	Yes	No	\$8,280
Year 3	Yes	No	?
Housing First III 1st Year	Yes	No	\$58,086
Year 2	Yes	No	\$25,956
<b>Total Amount Expended</b>			<b>\$92,322</b>

Source: Department of Community Services

HIG's contract responsibilities have grown from 13 contracts and \$14 Million in 2017 to 19 contracts worth \$36,889,461 in FY 2020, which is a 163 percent increase in contract funding responsibility. The department added one more planner to primarily help with Housing First Increment 4 which brought the total number of staff to four. Exhibit 7 lists HIG's projects and funding as of March 15, 2021.

**Exhibit 7**  
**Homeless Initiatives Group Projects as of March 15, 2021**

<b>Program</b>	<b>Contractor</b>	<b>Start Date</b>	<b>End Date</b>	<b>Total Funding</b>
Hale Mauliola	Institute for Human Services	6/1/2019	5/31/2021	\$2,463,485 (General Fund)
Hale Mauliola Vendor Service	VIP Sanitation	10/1/2020	12/30/2020	\$120,649 (CARES Fund)
Housing First I	Institute for Human Services	11/1/2018	10/31/2021	\$7,200,000 (General Fund)
Housing First II	U.S. Vets	12/15/2017	6/30/2022	\$8,909,327 (General Fund)
Housing First III	Catholic Charities Hawai'i	12/1/2020	11/30/2021	\$2,200,000 (General & HOME Funds)
Housing First III	Catholic Charities Hawai'i	6/8/2018	11/30/2020	\$4,400,000 (General & HOME Funds)
Housing First IV	Housing Solutions Inc.	1/1/2020	12/31/2021	\$306,800 (State Fund)
Housing First IV	Housing Solutions Inc.	3/9/2020	3/8/2022	\$306,800 (State Fund)
Housing First IV	Hale Kipa	5/15/2020	5/14/2021	\$250,000 (General & State Fund)
Housing First IV	H3RC	5/15/2020	5/14/2021	\$250,000 (General & State Fund)
Housing First IV	DVAC	3/13/2020	3/13/2021	\$193,200 (State Fund)
Housing First IV	WorkHawaii	4/28/2020	4/27/2021	\$193,200 (State Fund)
Housing First IV	State of Hawai'i	6/15/2019	6/14/2022	\$4,500,000 (State Fund)
Landlord Engagement	Aloha United Way & Partners In Care	11/1/2019	4/30/2021	\$600,000 (General Fund)
Mobile Hygiene Center	R+R	12/11/2017	12/10/2022	\$400,000 (General Fund)
Outreach Nav	Institute for Human Services	8/1/2019	7/31/2021	\$1,000,000 (General Fund)
Pauahi Hale	Mental Health Kokua-COVID Cleaning	8/13/2020	12/30/2020	\$21,000 (CARES Fund)
Punawai Rest Stop	Mental Health Kokua	11/5/2018	11/4/2021	\$3,000,000 (General Fund)
Transportation Services	NS Management LLC	11/1/2019	10/31/2021	\$575,000 (General Fund)
<b>Total Funding</b>				<b>\$36,889,461</b>

Source: Department of Community Services

### **Information Systems**

A new grant management system is currently being developed by the Department of Information Technology and is nearing its testing phase. The goal of the information system is to facilitate the submission, processing, and approvals for payment requests and to aid in monitoring deliverable progress, program status, and contract balances.

### **NEXT STEPS**

The HIG's contract administration has continued its struggles since our original report in 2017 while its responsibilities have grown to include six more contracts and 163 percent, or \$22,889,461, more in funding. While it has added one extra planner, DCS should continue to explore options to reallocate positions, add resources, and/or assign contracts to other divisions to ensure assigned units have an appropriate amount of staff that can properly administer all of its responsibilities. We consider this recommendation in process.

### **Recommendation 8**



Resolved

**Determine whether DCS continued to work with the State of Hawai`i and other stakeholders to establish a comprehensive homeless strategic plan that establishes specific timelines, performance benchmarks, allocation of resources, responsibilities among stakeholders, quantitative objectives that are measureable, and identifies opportunities to reduce duplication and leverage funding.**

### **STATUS UPDATE**

At the time of our original audit, DCS, the state, and other stakeholders were working toward adopting a comprehensive plan to address homelessness. However, upon further review, stakeholders questioned the accountability and coordination in a comprehensive plan. Stakeholders felt that a comprehensive plan would be difficult to execute given separated leadership and funding sources; that it may be advantageous to allow agencies some autonomy within the arc of achieving overarching goals for homelessness. We reviewed feedback to the state framework by government and private entities and found concerns of a lack of accountability in a comprehensive plan among stakeholders and skepticism of complete collaboration.

Currently, DCS has not made new efforts to establish a comprehensive homeless strategic plan including the state and other stakeholders. However, it has continued its efforts to communicate and work with the state government and other stakeholders to provide a collaborative response to homelessness in Hawai`i. Through the Hawai`i Interagency Council on Homelessness (HICH) and O`ahu's Continuum of Care Partners in Care (PIC) collaborative planning bodies, DCS has aligned its strategies and goals with other stakeholders to address homelessness.

The HICH is a formal advisory entity whose mission is to prevent and end homelessness in Hawai`i, it coordinates governmental and private entities statewide including federal, state, and local government; private foundations; the business community; the faith based community; homeless service providers; and persons experiencing homelessness. We reviewed quarterly meeting minutes from 2019-2020 and confirmed that discussion and planning regarding homeless strategies, policies, funding, and data and information sharing occurred between private agencies, service providers, and federal, state, and local governments in every meeting.

PIC is a coalition composed of representatives of organizations from nonprofit homeless providers, government stakeholders, private businesses, community advocates, public housing agencies, hospitals, universities, affordable housing developers, law enforcement, and persons experiencing homelessness and formerly homeless persons. It is responsible for coordinating funding, policy, and strategies toward ending homelessness in a geographic region, in this case O`ahu. We reviewed monthly meeting minutes from 2020 and found that city, state, and private representatives participated in discussions and planning regarding information sharing and funding and policy strategies for homelessness activities in O`ahu.

We reviewed the State of Hawai`i's Framework to Address Homelessness (state framework), City Homeless Plan, and HICH Strategic Plan and found that they all affirm similar strategies to address homelessness utilizing the Housing First approach to:

- Increase Affordable Housing and Housing Support
- Provide Health and Human Services (which include medical, social, vocational, and legal services)

Interviews with state and city administrators indicated that overall strategies and goals of utilizing the Housing First approach are aligned through the HICH and PIC collaborative bodies. DCS administrators stated that aligning overall goals instead of creating a comprehensive plan can be advantageous to allow stakeholders the flexibility to pursue different opportunities as data or homeless demographic needs change. In 2020, we found that city and state agencies collaborated together on a Housing First Increment 4 (HFIV) program to utilize city and state funds for permanent supportive housing services. HFIV is an example of the need for flexibility in services to address gaps in existing programs and help homeless subpopulations in need. Homeless populations for youth (ages 18-24), adults (age 55 and up), and domestic violence victims are specifically targeted in HFIV as they do not readily meet the criteria for services from the other existing housing first or homeless programs.

While efforts have been made to address current gaps in homeless populations, we found that ongoing assessment of homelessness data is important to stay abreast of changing needs and increased public concern. We reviewed O`ahu's homelessness point in time counts and found that the unsheltered homeless demographic has been increasing while similarly public sentiment on the need to address homelessness has intensified. See Appendix A for more data on current homelessness trends.

DCS, the state, and other stakeholders have focused on participating in collaborative discussions to share information and formulate overarching strategies to address homelessness. Due to the focus of pursuing allied goals in lieu of pursuing a comprehensive plan, we consider this recommendation resolved.

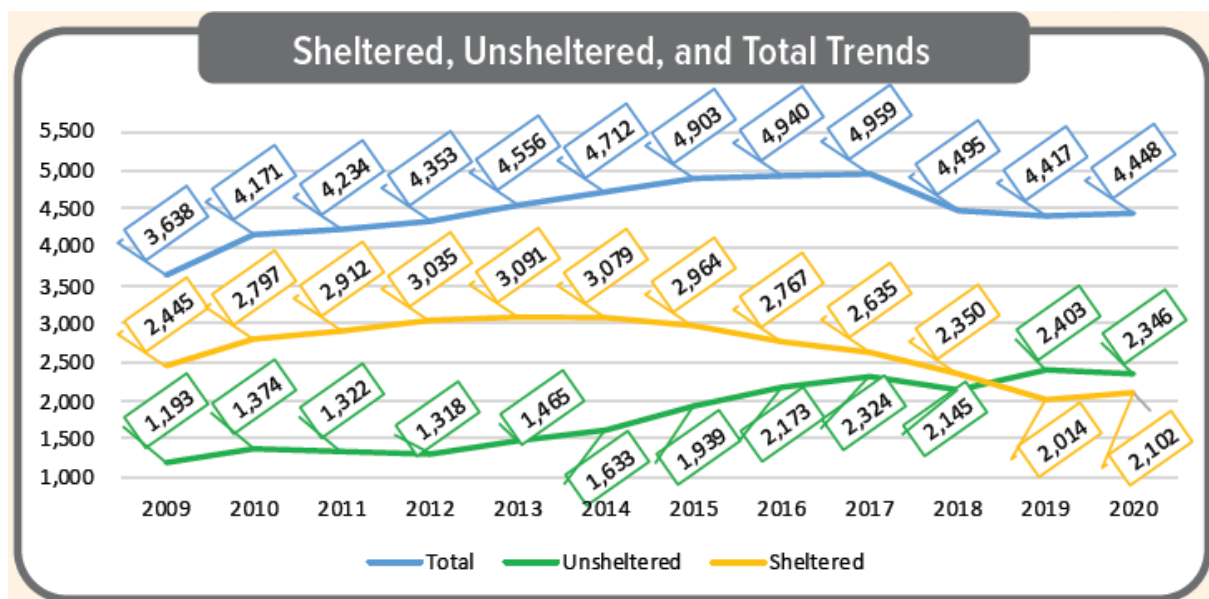
# Appendix A

## Current Homelessness Data and Trend

Current homelessness data and trends indicate changing needs in the homeless population, an increase in public perception regarding the severity of homelessness, and a low level of confidence in city efforts to address homelessness.

We reviewed homeless point-in-time (PIT) counts and resident surveys in the National Community Survey (NCS) to assess the efficacy of homelessness efforts and public perception, results were mixed. The PIT count is an annual street and shelter count that determines the number of people experiencing homelessness on a given night and is the primary source of data for the unsheltered homeless population. As shown in Exhibit A1.1, O`ahu's PIT counts have shown a decreasing trend overall from 2017-2020, however unsheltered homeless particularly in O`ahu have shown an increasing trend over the same time period.

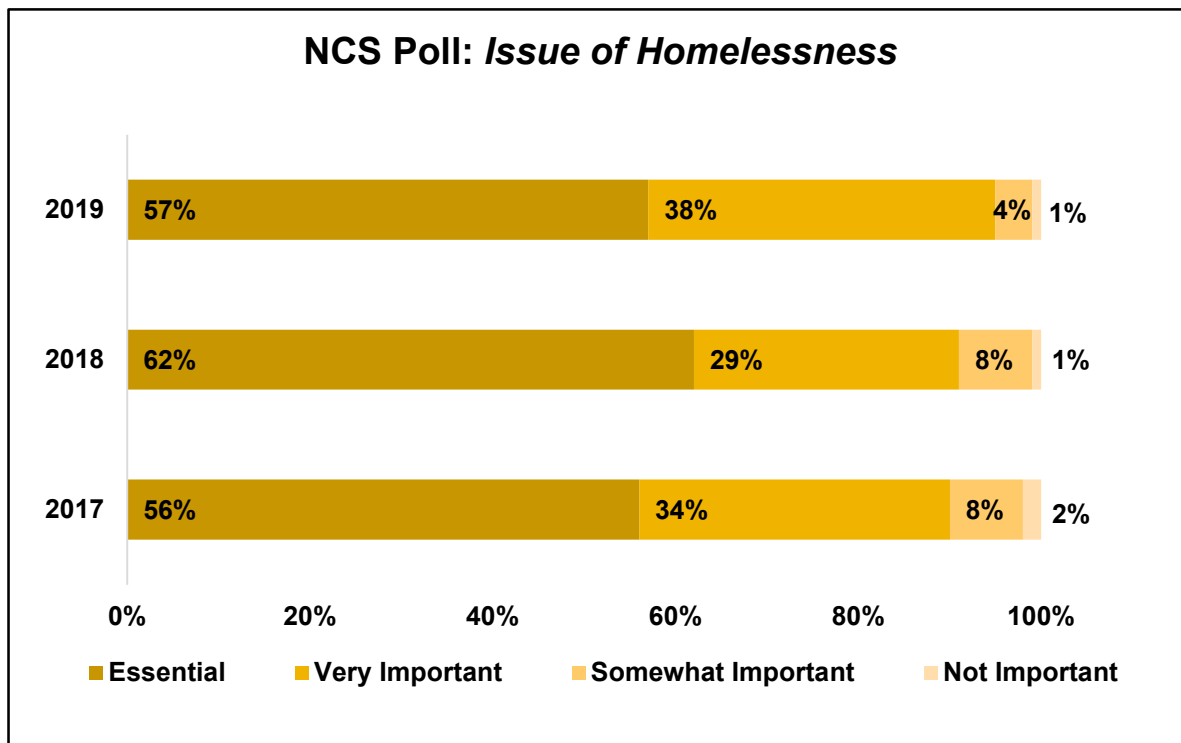
**Exhibit A1.1**  
Point-in-Time Trends, 2009 to 2020



Courtesy of Office of Housing, Final Report 2020

National Community Survey responses from 2017-2020 have shown that residents have placed an increasing trend of importance for the city to address homelessness in the community. Residents were asked to rate the issue of homelessness in terms of *little importance, somewhat important, very important, or essential*. In 2017, 90 percent of residents rated homelessness to be at least *very important* to an *essential* issue to be addressed. In 2018, that percentage went up to 91 percent of residents, and then it increased again in 2019 to a high of 95 percent of residents deeming homelessness as a *very important* to *essential* issue for the city to address. In 2020, 65 percent of residents polled stated that they at least *somewhat disagreed* or *strongly disagreed* that city efforts have made a positive impact on the homelessness problem. See Exhibit A1.2.

**Exhibit A1.2**  
**Honolulu Residents’ Opinions on Issue of Homelessness, 2017 to 2019**



Source: 2020 National Community Survey



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# Appendix B

## Audit Objectives, Scope, and Methodology

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The objective of the follow-up audit is to determine whether the Department of Community Services (DCS) adequately addressed the eight recommendations in Report No. 17-05, *Audit of Housing First, Community Assistance Program, and Hale Mauliola Homeless Programs*. This follow-up audit is limited to reviewing and reporting on the implementation of the outstanding audit recommendations.

We reviewed the original audit and available supporting documentation; requested updates on the status of recommendations; interviewed city, state, and non-profit management and staff; requested supporting documentation; reviewed program contracts; and reviewed a sample of contract invoices and deliverables to assess sufficient review. We assessed DCS's internal controls to the extent that they related to the recommendations and as demonstrated in the procedures and processes described in response to the recommendations. We also reviewed O`ahu Homeless Point in Time Counts and National Community Surveys to assess homelessness data and trends.

During the audit our office initiated another follow-up audit with DCS pertaining to Report No. 17-03, *Audit of the City's Section 8 Tenant-Based Rental Assistance Program*, but determined that it would not interfere with our audit program. We were not aware of any other investigations, audits or other work by other agencies that may have impacted our work.

The follow-up audit was conducted from December 2020 to March 2021 in accordance with generally accepted government auditing standards. These standards require that we plan and perform tasks to obtain sufficient and appropriate 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.

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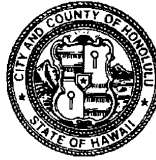
# Appendix C

## Management Response

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DEPARTMENT OF COMMUNITY SERVICES  
CITY AND COUNTY OF HONOLULU

925 DILLINGHAM BOULEVARD, SUITE 200 • HONOLULU, HAWAII 96817  
PHONE: (808) 768-7762 • FAX: (808) 768-7792  
[www.honolulu.gov/dcs](http://www.honolulu.gov/dcs)



RICK BLANGIARDI  
MAYOR

SARAH ALLEN  
DIRECTOR  
  
JOY BARUA  
DEPUTY DIRECTOR

May 12, 2021

Mr. Troy Shimasaki, Acting City Auditor  
Office of the City Auditor  
City and County of Honolulu  
1001 Kamokila Boulevard, Suite 216  
Kapolei, Hawai'i 96707

Dear Mr. Shimasaki:

SUBJECT: Follow Up on Recommendations from Report No. 17-05, Audit of the City's Housing First, Community Assistance Program, and Hale Mauiola Homeless Programs

Thank you for providing an opportunity to review the Auditor's drafts submitted via email on April 6, 2021 and April 27, 2021. Please find below the Department of Community Services' (DCS) comments regarding the Auditor's in process recommendations.

**Recommendation 1: IN PROCESS. Determine whether DCS upon contract completion, formally evaluates Housing First, Community Assistance Program, and Hale Mauiola (in particular) against program goals, objectives, performance metrics, and other pertinent criteria to determine future support, sustainability and viability.**

**DCS Response as of May 12, 2021.**

DCS has been conducting informal evaluations for contract extensions and is introducing a federal form, called the Determination and Findings Justification, to all DCS divisions as a mandatory requirement prior to any decision to exercise a contract option beginning from May 2021 onwards.

Throughout the contract period and before contract extensions, DCS informally assesses the programs to ensure goals are being met and the individual projects are in compliance. If issues arise with a project and/or contract, DCS works with the contractor on solutions to ensure the project moves in the right direction. When contracts are considered for a full year extension, DCS staff assess whether the contractor is meeting project goals. In addition, Purchasing requires DCS to fill out a Contract Administration Verification Report at contract closeout. (Attachment No. 1).

Mr. Troy Shimasaki, Acting City Auditor  
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Page 2

DCS agrees a more formalized evaluation of programs at the time of contract extension is a valuable tool, and as a result, a formal Determination and Finding (D&F) justification memorandum shall be required across all DCS divisions prior to any option being exercised. The D&F memo is titled and structured in direct alignment with the Federal Acquisition Regulations (FAR); the State Procurement Office also uses this form before they exercise option years. The memo outlines whether the contract fulfilled its program goals and objectives and requires price analysis to determine whether the cost is fair and reasonable per I Revised Statute requirements. (Attachment 2: Department of Community Services memo entitled Determination and Findings).

#### *Contract Close-Outs*

In response to the City Auditor's comment that DCS should close-out and evaluate contracts before new contracts are issued to the same contractor, DCS notes that this is impractical and often not possible, given the nature of the services being provided.

All of the contracts being evaluated by this follow-up audit—the Housing First projects and Hale Mauliola non-congregate shelter/housing navigation center—provide continued rental assistance, shelter, and support services to Honolulu's most vulnerable chronically homeless households. In order to avoid jeopardizing housing and shelter stability for hundreds of already housed and sheltered households, DCS cannot allow for a break in service for these programs. Accordingly, DCS must simultaneously ramp down and prepare for close-out processes for contracts that are ending while also starting solicitations and executing new contracts to ensure no break in service. Additionally and relatedly, DCS must encumber funds by fiscal deadlines in order to avoid lapses in program funds, which limits DCS' options. This makes it impractical to completely close-out a contract before a new contract is executed. If a contract is fully closed, which takes time, before a new contract is executed, there would be no contractor in place to pay rent, provide support services, and operate Hale Mauliola.

For reasons explained above, while not conducted prior to the execution of a new contract, a formal third-party evaluation is accomplished for Housing First programs upon contract completion during the final contract year. At the time of this follow up audit, some contracts could not be closed due to delays from contractors in providing invoices and required close-out documentation in a timely matter. For Housing First I, a third-party provider already conducted and issued the fifth year evaluation, so DCS will complete the required close-out evaluation and process formal close-out documents to close-out the contract. For Housing First III, DCS is in the process of reviewing the final payment requests and will complete the required close-out evaluation and process formal closeout requirements. Note: an evaluation of whether a contractor fulfilled its objectives is already required at the close-out of all contracts.

#### *Procurement Process for New Contracts*

Although the City Auditor notes that close-out evaluations are not used in the determination of awarding a subsequent contract to the same contractor, DCS would like to clarify that DCS' ability to use past performance in selecting contractors for new contracts is very limited. New contracts must be awarded through a Request for Proposal (RFP) process and contractors are selected by a committee based upon the information provided in the applicant's proposal. The Purchasing Division (Purchasing) of the Department of Budget and

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Finance (BFS), which oversees the RFP and procurement processes, only allows very limited use of past performance. If an applicant voluntarily reports its past performance, Purchasing will allow the committee to consider it. However, the committee is not provided close-out evaluations and applicants are not asked to self-report on it. Without City-wide systems in place, whether and how close-out evaluations can influence a procurement process is unclear.

*Building Capacity for Potential Housing First Providers*

Finally, DCS notes that the number of providers that have the capacity, experience, and willingness to execute and sustain programs of this size is limited. In order to maintain, continue, and grow these programs to meet community needs, DCS must continue to help build capacity in the homeless service provider network. When the RFPs for these projects were posted, the City only received one proposal for the Housing First I solicitation, two proposals for the Housing First II solicitation, and one proposal for the Housing First III solicitation. All applicants were existing Housing First providers. The committees for all solicitations scored each of the proposals high enough to be recommended, and the recommendations were approved by the Director of Budget and Fiscal Services. For all of these projects, the previous contractors were awarded the subsequent contracts. Despite the small number of potential bidders, DCS is confident that the providers are experienced to manage these projects. DCS is committed to working with these contractors to fulfill project goals and to build organizational capacity. In addition, to build the capacity of smaller providers, DCS awarded Housing First IV to five contractors, who manage a smaller number of vouchers. While managing five contractors is more resource-intensive, it will hopefully increase the number of providers with the experience and capacity necessary to execute Housing First programs.

In conclusion, while close-outs and formal evaluations at the end of the contract may not be feasible or determinative of future contractor selection, DCS believes that implementation of formal evaluations before contract extensions is a valuable tool that can assist with improved project outcomes.

**Recommendation 2: IN PROCESS. Determine whether DCS utilizes cost-benefits analysis data for hospital and emergency room use, as well as arrests and incarcerations, issued by the University of Hawai'i to evaluate the effectiveness of the City's homeless programs and quantify cost savings as appropriate.**

**DCS Response as of May 12, 2021.**

At this time, every Housing First contract is required to conduct a cost-effectiveness analysis of the Housing First approach compared to other interventions. DCS does not explicitly require evaluations to include cost-benefit analysis data using hospital and emergency room use, and arrest and incarceration data, however, the Housing First I evaluations include cost-benefit analysis and look at client's involvement in the medical and criminal justice systems. DCS will ensure that the remaining evaluations for Housing First II and Housing First III include the cost-effectiveness analysis required by the contracts. DCS notes that delays related to COVID-19, and the inability of evaluators to conduct research in person, prevented the Housing First II and Housing First III evaluations from being completed in 2020. Such COVID-19 related issues also caused delays in the release of data, such as hospital and emergency room use, normally used to conduct a cost savings analysis.

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Although a cost-benefit analysis of hospital and emergency room use or arrests and incarcerations may paint a compelling picture, existing external research already makes it clear that providing housing for households experiencing chronic homelessness is cost saving to tax payers, families, and society in general. Additionally, DCS stresses the importance of looking at the impact of Housing First holistically and in context with the many other complementary programs targeting the homeless population. Housing First is but one tool used to reach this population – other complementary tools include hygiene services, rapid rehousing, the outreach navigation program, etc. Nevertheless, DCS will continue to require evaluations to include a cost-effectiveness component.

**Recommendation 3: IN PROCESS. Determine whether DCS established formal policies and procedures for managing administering, and monitoring homeless related program contracts.**

**DCS Response as of May 12, 2021.**

*Efforts to Establish Internal Policies and Procedures Ongoing*

During the time period in which the subject payment requests were originally reviewed, both DCS and the contractors were experiencing significant staff turnover, resulting in significant backlogs. DCS agrees that a five-day turnaround is aspirational and may not be realistic, and that current policies and procedures should be updated to reflect a more realistic benchmark. DCS also agrees that its formal policies and procedures should provide better instruction, explanation, examples, and benchmarks to improve DCS' ability to manage, administer, and monitor homeless related programs. DCS' process to establish formal policies and procedures (P&P) is ongoing. (Attachment 3: Homeless Initiatives Group Policies and Procedures).

DCS notes that there have been efforts to standardize the management of the homeless related program contracts. For all new Housing First contracts, the contractor is required to create programmatic P&Ps, to be approved by DCS. Both the City and the contractor are expected to follow these P&Ps whenever a conflict arises. In nearly all conflicts encountered thus far, the P&P has been used to resolve conflicts with the contractor.

*Development of SOPs and Templates for Internal HIU Use*

In addition, within the Homeless Initiatives Unit (HIU) (also referred to as HIG in audit), contract-specific standard operating procedures (SOPs) have been developed. Specifically, there are SOPs to determine tenant rent calculations, payment requests processes, security deposit requirements, contract extension processes, and rental subsidy calculations. DCS also created standard templates for payment request budget summaries and HOME reporting on area median income, national origin and race. DCS continues to build its SOP library and has shared these SOPs both internally with new hires and with contractors during training sessions, which DCS holds at the beginning of every contract or whenever a need arises, such as when a contractor hires new staff. DCS has found that use of SOPs has significantly improved the quality of payment requests received from contractors, including reductions in payment request errors.

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DCS appreciates the recommendation to formalize its processes and intends to supplement written standard operating procedures with applicable grant and contract management training offered by the State Procurement Office or Federal partners.

**Recommendation 4: IN PROCESS. Determine whether DCS established a requirement for contractors to account for the disposition of security and utility deposits separately in monthly reports (Housing First).**

**DCS Response as of May 12, 2021.**

DCS already requires contractors to account for the disposition of security and utility deposits separately in monthly reports. In Housing First I, II, and III, this is achieved through a monthly spreadsheet. Invoices do not get processed unless a security deposit has been confirmed to have been returned. In Housing First IV, the newest Housing First increment, DCS requires a separate account for security deposits, as these increments are project-based rental assistance programs in which security deposits can be tracked and accounted for more efficiently and effectively. Although the method is different for tracking security deposits for the increments, DCS considers the original recommendation—to account for security and utility deposits separately—complete. However, DCS will explicitly include the requirement to account for security and utility deposits separately in all future Housing First contracts.

**Recommendation 5: IN PROCESS. Determine whether DCS provided training to ensure that staff have the knowledge, skills, and resources to properly evaluate and timely process contractor invoices so that BFS staff do not have to spend additional time performing DCS contract administration and evaluation functions.**

**DCS Response as of May 12, 2021.**

*Phased Training for New Hires*

DCS provides new hires with extensive, one-on-one, hands-on, phased training that is adapted to reflect a pace that reflects the new hires' capacity and progress. The training timetable reflects the schedules and priorities of the team and the trainer, the team's constantly changing activities to meet its priorities and deadlines, the team's current composition, and the specific projects to which the planner will be assigned. One-on-one, hands-on, and adaptive training is necessary due to variations in 1) projects/contracts (no two projects are identical and the level of difficulty depends on its funding source and related requirements), 2) the background and experience of the new hire, 3) the non-profit/contractor involved, 4) the history of the project, 5) the timing of contract (first year versus third year), and 6) the contract's goals and objectives. After the branch chief provides the new hire with an overview of programs and specific projects, the new hire is assigned simple tasks and shadows more experienced planners. The new hire then progresses to more advanced tasks and independent work. DCS' training is also designed to give the branch chief and staff flexibility in prioritizing HIU's most important tasks, which change daily.

*Flexible Training Responds to Most Urgent Needs*

This flexible training has been particularly necessary to balance management of HIU projects with evolving priorities. DCS was recently charged with spending millions of dollars

Mr. Troy Shimasaki, Acting City Auditor  
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from the CARES Act, which included a new emergency procurement process that the entire team, including the branch chief, needed to learn very quickly. In this situation, DCS' new hires did not have any template to work from but instead worked closely with DCS, fiscal and procurement teams to administer new contracts to address COVID-19 concerns for the homeless population. The rapidly changing demands of the environment surrounding homeless services and the processes to execute and oversee existing contracts requires DCS to keep its training flexible.

*Training Specific to Paying Invoices*

We appreciate the Auditor's acknowledgement that invoice documentation has improved, however DCS notes that payment on contractor invoices (or payment requests) are delayed for several reasons, including BFS imposed requirements for contractors to justify every line expense and challenges a contractor may face in submitting accurate and timely payment requests. Every month, contractors are required to turn in a standard payment request form, a detailed summary of expenses, and extensive supporting documentation, including but not limited to copies of signed leases, rental calculation worksheets, client intake sheets, monthly payroll sheets, receipts, invoices, verification of payment, etc. Compiling such documentation – along with maintaining it – is resource intense and can be cumbersome both for the contractor and DCS. Contractors also experience delays due to staff turnover and a general misunderstanding of contract requirements. It can take anywhere from two weeks to six months for DCS and the contractor to resolve discrepancies in invoice calculations, depending on the number of errors in the original submitted invoice. DCS notes that its current training process has contributed to the overall improvement in DCS' processing of payment requests, including its ability to work with contractors to reduce discrepancies and lack of supporting documentation before payment requests are sent to BFS. Finally, DCS notes that DCS employees are not accountants (HR denied a request by DCS to hire an accountant) and DCS employees do not receive formal training from BFS regarding payment of invoices.

**Recommendation 6: IN PROCESS. Determine whether DCS reviewed staff position descriptions and took steps to ensure compliance with their job requirements.**

**DCS Response as of May 12, 2021.**

Position descriptions and/or statement of duties represent an attempt to capture all of the duties and tasks that a planner may need to do to help DCS fulfill its responsibilities, if the need arises; it is not expected that the staff will be able to accomplish all of the tasks in the beginning of the staff's employment, and it is not expected that the staff will always need to fulfill all of the duties in a given time period. Training of DCS staff is iterative, and as the staff gains competency in certain tasks and responsibilities, expectations of duties evolves. DCS will perform checks against position descriptions only if an employee's performance is in question. This practice is in alignment with the City's human resources policy to require that only permanent employees receive annual evaluations. Since all HIU staff are on annual contracts, annual evaluations are not required.

It has not been common practice to conduct performance evaluations for non-permanent staff, and while DCS appreciates that conducting performance evaluations would be beneficial, DCS notes that the recommended performance evaluation process does not include verifying that every duty listed in a position description has been performed.



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DCS notes that the Planner V position was created and filled in August 2020, four months prior to the start of this follow-up audit, and therefore it may be unfair to assess what duties the newly hired Planner V staff was able to do in this short period. Minimally, DCS requests that this be noted in the follow-up audit.

DCS appreciates the recommendation that DCS "should consider allocating more permanent resources to the HIG to ensure contract management functions remain at a satisfactory level."

**Recommendation 7: IN PROCESS. Determine whether DCS reallocated vacant positions to form a formal, functioning back office, or contract administration group, to administer and monitor homeless-related contracts, support other DCS grants and contracts: and expand use of information systems.**

**DCS Response as of May 12, 2021.**

*Back Office*

Although DCS agrees with the Auditor that HIU would benefit from in-house accountants to improve its contract oversight, DCS planners already fulfill the role of contract administrator. The planners assigned to each project are the most knowledgeable about the details of a project's contract and therefore the most equipped to monitor and determine whether a contract is meeting its performance goals. Accordingly, DCS is unclear what function an additional contract administration group would perform and prefers to continue to look at options to improve the existing group's capacity and increase office resources to administer the homeless related contracts.

*Goals & Deliverables*

The nine contracts identified by the Auditor are designed to be longer-term contracts due to the complex nature of the project goals. Contracts in its first year are often still establishing processes to get their project up and running. For the Housing First programs, the goal to house the contracted amount of clients (or a 100 percent utilization rate) is difficult to achieve within the first year, as many obstacles and barriers delay the lease up of clients. The obstacles and barriers include: lack of housing inventory and landlords willing to rent to clients, client referrals often do not have the proper documentation to be housed immediately (e.g. identification, birth certificates, social security cards), clients are allowed to choose to accept/decline a unit and can choose preferred geographic areas, clients sometimes need time to prepare themselves for housing (e.g. life skills or willingness to accept change), etc. DCS has also found that its contractors also deal with staff turnover that results in delayed leasing up of clients and other program tasks. DCS has worked hard with contractors to address these hurdles, some of which are beyond the contractors' control. These efforts include establishing a landlord engagement program to incentivize participation of landlords in Housing First programs and including minimum salaries for staff and maximum caseloads to increase staff retention.

Mr. Troy Shimasaki, Acting City Auditor  
May 12, 2021  
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In conclusion, DCS will consider revising goals and expectations for future contracts to take into account the slow ramp-up to establish a project.

*Evaluations*

DCS would like to clarify that not all contracts being evaluated require annual formal third-party evaluations. DCS notes that the Housing First II evaluation, as well Programs Highlights for 2016-2019, is already complete, and its 2<sup>nd</sup> and 3<sup>rd</sup> year evaluation will be combined into a single report, at the recommendation of the lead researcher. In addition, COVID-19 related complications hindered the timely completion of evaluations in 2020. For example, Housing First evaluations heavily rely on interviewing clients to track their progress, but clients often do not have internet access and therefore cannot conduct interviews remotely.

Should you have any questions or require any additional information, please do not hesitate to contact me at (808) 768-7760.

Sincerely,

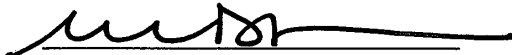


Sarah Allen  
Director

Attachments

- 1) Contract Administration Verification Report
- 2) Department of Community Services Memo: Determination and Findings
- 3) Homeless Initiatives Group Policies and Procedures

APPROVED:



Michael D. Formby  
Managing Director



**Department of Budget & Fiscal Services**  
**Contract Administration Verification Report**  
**Final Summary**

Attachment No.1

Contract No.:

Effective Date:

Contractor Name:

Completion Date:

Contract Amount:

**CONTRACT EVALUATION**

Contract Objectives: State the objectives of the contract. (Include estimated return on investment.)

Evaluate the contractor in terms of meeting or exceeding the contract objectives.

Provide recommendations for follow-up or future activities.

\_\_\_\_\_  
Evaluator

BFS – 25B (06/18/2010)

**Department of Community Services  
INTEROFFICE MEMORANDUM**

TO: Sarah Allen, Director  
THROUGH: , Branch Chief  
FROM: , Administrator  
SUBJECT: Determination and Findings to Extend a Contract  
Contract No. insert PL/VL #  
Title of PL/VL

Your approval is requested to extend the above named contract via Example: Supplemental Agreement No. 1 based on the following determination and findings:

**Term of Contract (incl. any option years):** Example: 01/01/2014 - 12/31/2014, plus 2 twelve (12) month options

**Total Value:** Base plus option years

**Extension Period:** Example: 01/01/2014 - 12/31/2014      **Value of Extension Period:**

**Authority to Extend:** reference the paragraph in the contract which authorizes the contract

**Program objectives:** List goals/objectives here

**Findings:** Facts or reasoning to support the determination. Add table with comparative prices if applicable.

**Determination:** A determination based on whether the contract fulfilled its goals and objectives.

Approved       Disapproved

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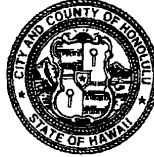
Sarah Allen, Director      Date

Attachment No. 3

DEPARTMENT OF COMMUNITY SERVICES  
CITY AND COUNTY OF HONOLULU

925 DILLINGHAM BOULEVARD, SUITE 200 • HONOLULU, HAWAII 96817  
PHONE: (808) 768-7762 • FAX: (808) 768-7792  
www.honolulu.gov/dcs

KIRK CALDWELL  
MAYOR




PAMELA A. WITTY-OAKLAND  
DIRECTOR DESIGNATE

SUSAN L. FERNANDEZ  
DEPUTY DIRECTOR

October 23, 2017

To: Pamela A. Witty-Oakland, Director Designate  
Department of Community Services

From: Keith I. Ishida, Administrator   
Community Based Development Division

Subject: Homeless Initiatives Group Policies and Procedures

The Community Based Development Division recommends the adoption of the Homeless Initiatives Group Policies and Procedures Manual. Please review the attached Manual and sign below if you approve.

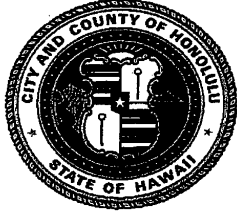
APPROVED:

A handwritten signature in black ink, appearing to read "Pamela A. Witty-Oakland", is written over a horizontal line.

Pamela A. Witty-Oakland, Director Designate  
Department of Community Services

The Honorable Ron Menor  
Chair and Presiding Officer  
Date  
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Attachment: Homeless Initiatives Group Policies and Procedures Manual



**City and County of Honolulu  
Department of Community Services  
Community Based Development Division  
Homeless Initiatives Group**

# **Policies and Procedures Manual**

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## **SECTION 1: INTRODUCTION**

### **1.1 PURPOSE OF THE MANUAL**

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This Policy and Procedures Manual is intended to serve as a guide for Department of Community Services (the “Department”), Community Based Development Division, Homeless Initiatives Group staff to further the Department’s mission to develop and administer projects, programs and plans of action for human resources, human services, and housing programs. This Manual will direct staff in the administration of all agreements with community agencies and individuals, including all agreements for the purchase of services pursuant to federal and state statutes.

Service providers may use this manual as a guide to understanding both the Department’s expectations of its staff as well as the compliance expectations of providers contained in agreements with the Department. This manual in no way relieves the provider from their responsibility to comply with the terms of the agreement or to adhere to all applicable statutes, rules, and regulations.

This Manual also provides a framework for the Homeless Initiatives Group’s interaction with other Department and City agencies, State and Federal partners, community organizations, the public, and media.

### **1.2 HOMELESS INITIATIVES GROUP OVERVIEW**

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The Homeless Initiatives Group (the “Group”) was established in December 2015 to administer homeless service programs funded by the City and County of Honolulu. The Group is administratively attached to the Community Based Development Division, which administers federally funded homeless service programs, and reports to the Division Administrator. The Group may also administer federally-funded programs.

The Group manages service contracts, including: Housing First Increments I-III, Hale Mauliola Housing Navigation Center, Community Assistance Program, Mobile Hygiene Center, and three affordable housing projects.

The Group is composed of three staff: one Planner V, one Planner II, and one Budget Analyst II. All staff are annual personal services contractors.

### **1.3 DEFINITIONS**

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The following definitions apply throughout this Manual:

“CBDD” means the Community Based Development Division of the City and County of Honolulu Department of Community Services.

“CES” means the Coordinated Entry System which is a fair, immediate, low barrier, person-centered process that helps communities prioritize housing assistance based on vulnerability and severity of service needs to ensure that people who need assistance the most can receive it in a

timely manner. Coordinated Entry processes provide information about service needs and gaps to help communities plan their assistance and identify needed resources. All coordinated entry locations and methods (phone, in-person, online, etc.) offer the same assessment approach and referrals using uniform decision making processes.

“City” means the City and County of Honolulu, a municipal corporation of the State of Hawai‘i.

“Chronically Homeless” means:

(1) A “homeless individual with a disability,” as defined in Section 401(9) of the McKinney-Vento Homeless Assistance Act;

(2) An individual who (i) is homeless and lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; (ii) has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least one year or on at least four separate occasions in the last three years, where the cumulative total of the four occasions is at least one year and each break in homelessness separating the occasions included at least seven consecutive nights of not living in a place no meant for human habitation, safe haven or emergency shelter (stays in institutions of 90 days or less will not constitute as a break in homelessness, but rather such stays are included in the cumulative total);

(2) An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than ninety days and met all of the criteria in paragraph (1) and (2) of this definition, before entering that facility; or

(3) A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in paragraph (1) or (2) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

“COR” means the Department of Corporation Council of the City and County of Honolulu.

“DCS” means the Department of Community Services of the City and County of Honolulu.

“FGU” means the Federal Grants Unit of the Department of Budget and Fiscal Services.

“Fiscal” means the Fiscal Services Division of the Department of Budget and Fiscal Services.

“HAR” means Hawai‘i Administrative Rules.

“HIG” or “Group” means the Homeless Initiatives Group of CBDD.

“HMIS” means the Homeless Management Information System, which is the computerized data collection tool designed to capture client-level information over time on the characteristics and service needs of people experiencing homelessness.

“HOME” means the HOME Investment Partnership Program, authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act.

“Housing First” means an approach to addressing the needs of people experiencing homelessness that is based on the concept that a person experiencing homelessness’s first and primary need is to obtain stable housing, and that other issues or conditions that may affect the household can and should be addressed once housing is obtained. In general, the principles of Housing First are:

1. People are moved into housing directly from streets and shelters without preconditions of treatment acceptance or compliance.
2. The provider is obligated to bring robust support services to the housing. These services are predicated on assertive engagement, not coercion.
3. Continued tenancy is not dependent on participation in services.
4. Units are targeted to the most disabled and vulnerable homeless members of the community.
5. A harm reduction approach to addictions is employed rather than mandating abstinence. At the same time, the provider must be prepared to support resident commitments to recovery.
6. Residents must have leases and tenant protections under the law.
7. This approach can be implemented as either a project-based or scattered-site model.

“HRS” means the Hawai‘i Revised Statutes.

“Notice to Proceed” means the written form or statement issued by the City designating the commencement date for the services and activities related to an agreement.

“Officer in Charge” means the DCS Director or her or his designee.

“PIC” means Partners in Care, a planning, coordinating, and advocacy alliance that develops recommendations for programs and services to fill needs within O‘ahu’s Continuum of Care for people experiencing homelessness.

“PSH” means permanent supportive housing.

“PUR” means the Division of Purchasing, Department of Budget and Fiscal Services, City and County of Honolulu.

“RFP” means a packet of written material which includes the notice to proposers, request for proposals, instructions as to the proposal process, proposer’s minimum qualifications, project description and requirements, evaluation criteria, exhibits, and amendments.

“ROH” means the Revised Ordinances of Honolulu, 1990, as amended.

“Social Services” means those services required by persons with social challenges or physical or mental disabilities including, but not limited to: case management, child care, employment assistance and training, food, housing placement, life skills training, mental health services, outpatient medical care, substance abuse treatment, and transportation.

“VI-SPDAT” means the Vulnerability Index – Service Prioritization and Decision Assistance Tool which has been adopted as the common assessment tool by PIC.

## SECTION 2: PROCUREMENT

### 2.1 INTRODUCTION

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HIG is the lead agency for procuring HIG programs. Procurement requires close coordination with PUR and COR. A procurement should be initiated at least six months in advance of an anticipated NTP date. HIG procurements are typically Grant Agreements made in accordance with ROH Chapter 6, Article 29 and HAR § 3-122, and executed through the RFP process.

### 2.2 REQUESTS FOR PROPOSALS

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#### Initial Steps

HIG completes a BFS P-86 Form, Request for Grant Award Determination, to determine if services need to proceed under Hawai'i Revised Statutes (HRS) § 103D. To initiate a HRS § 103D procurement, HIG enters a RQS (procurement with funding) or RQN (procurement without funding, such as property management) for the proposed procurement into CHERPS. HIG then uses an RFP template provided by PUR to draft an RFP for the procurement. The draft RFP is then sent to PUR for review. After PUR reviews and approves a draft RFP, HIG then sends the RFP to COR for review. Once COR has reviewed and approved the RFP, HIG sends the RFP to PUR to be published to potential offerors on the PUR website.

HIG must prepare and provide to PUR a BFC-11-08 Appointment of Evaluation Committee and BFS-24 Affidavits for each Evaluation Committee Member. Forms are available at: <http://cityfyi/fin/pur/purchasingforms.html>. PUR will instruct HIG whether a BFC-11-02 Time and Materials or BFC-11-03 Multi-term Contract is required for a procurement.

HIG is to report to the CBDD Administrator any RFP publication that may receive a media inquiry, such as an RFP for Housing First or a Hygiene Center. If the CBDD Administrator determines that media may be interested, he or she will inform the DCS Director who will then inform the Mayor's Communications Office. HIG may be asked to draft a press release announcing high profile RFPs as well as provide information to the DCS Director or Mayor's Communications Office for potential media inquiries.

#### Steps After an RFP is Published, but Before Offers are Received

Requests for clarification from potential offerors regarding the RFP are sent to PUR, who forwards the questions to HIG. HIG sends responses to PUR and PUR publishes the responses to the PUR website as an addendum. There may be multiple rounds of requests for clarification and addenda. Requests for clarification may warrant postponing the proposal due date for an RFP. In that case, an addendum will be issued identifying the new due date.

RFPs may provide for in-person meetings with HIG, PUR, and potential offerors. Other than the potential meetings authorized in the RFP, HIG is to have no communication with potential offerors. If a potential offeror contacts HIG, HIG is to direct the potential offeror to PUR.

#### Evaluating and Selecting Proposals

Proposals must be delivered to PUR by 3:00 p.m. Hawai'i Standard Time on the RFP due date or as otherwise specified in the RFP. PUR then timestamps each proposal and HIG retrieves the proposals from PUR.

Evaluation Committee members are appointed by the CBDD Administrator. PUR must receive from HIG completed BFC-11-08 Appointment of Evaluation Committee and BFS-24 Affidavits for each Evaluation Committee Member prior to evaluation. Evaluation forms are prepared by the Evaluation Committee Chairperson and distributed to Evaluation Committee Members with or before proposals.

Evaluation Committee Members review and evaluate proposals in accordance with the RFP and all applicable laws and regulations and provides the evaluation forms to the Evaluation Committee Chairperson by a time designated by the Evaluation Chairperson. The Evaluation Committee Chairperson then accumulates the scores for each proposal and identifies a successful proposer or successful proposer, if allowed by the RFP.

The Evaluation Committee Chairperson then prepares a Selection Memorandum for the DCS Director recommending the successful proposer. After the DCS Director's review and approval, the Memorandum is then sent to the BFS Director for approval.

HIG then prepares for the DCS Director's signature a letter informing the successful proposer and unsuccessful proposers of the award.

PUR is the lead agency for negotiating terms/BAFO with the successful proposer. HIG will assist PUR with technical guidance for negotiating with the successful proposer and review the final contract language. Once the City and successful proposer agree on terms, COR and BFS Accounting will review the contract. The procedures for procuring federal funds are outlined in Section 2.5. After final review of the contract by COR and Accounting, the contract is executed.

#### Procurement of Goods and Services

An approved Request for Independent Services Contract, Form M-4, shall be completed when purchasing or leasing: professional services, other services, vehicles and motorized equipment, or information technology related purchases of \$25,000 or more.

### **2.3 AMENDMENTS**

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Amendments follow a similar procedure to procurements. An amendment may be requested by the City or contractor. HIG drafts proposed amendments, then submits to PUR and COR for

review. One approved by PUR and COR, the proposed amendment is transmitted to the contractor for review. HIG, then PUR, then COR review any changes to the proposed amendment by the contractor before execution.

## **2.4 ALTERNATIVE PROCUREMENTS**

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Sole Source, Emergency, Exemption, Alternative, and Small Purchase forms are available on the Purchasing Forms website, <http://cityfyi/fin/pur/purchasingforms.html>.

### Small Purchase

DCS may make purchases less than \$25,000 without procuring through Purchasing by completing a BFS-10 Small Purchase, available at <http://cityfyi/fin/pur/purchasingforms.html>. The BFS-10 process may not be used to purchase vehicles, master agreements, or design professional services.

## **2.5 FEDERAL FUNDS**

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Procurements involving federal funding must be coordinated through FGU. FGU ensures compliance with federal funding requirements. It is critical to discuss any potential procurement involving federal funds with FGU as early in the process as possible.

## **SECTION 3: CONTRACT MANAGEMENT**

### **3.1 GENERAL ADMINISTRATION AND OVERSIGHT**

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HIG is responsible for administering all contracts under its purview, including: processing payments, extending or closing out contracts at the end of the term, monitoring, and maintaining digital and physical copies of all contract and payment materials.

### **3.2 PAYMENTS**

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Payment request due dates vary by contract, but payment requests are generally due to the City by the 15<sup>th</sup> day of each month for contract activity from the prior month. Payment requests must include substantiating documentation for the contracted activity and a completed monthly deliverable costs and activities report.

HIG is to review each payment request, verify substantiating documentation, and forward the payment request and substantiating documentation to BFS Fiscal. Allowable costs shall be reasonable, allocable, and determined in accordance with GAAP. If the payment request is properly completed and accompanied by all requisite substantiating documentation, HIG is to forward the payment request to Fiscal within 5 working days. HIG maintains a spreadsheet of each payment request, the date it was received at DCS, the date it was forwarded to Fiscal, and the date the payment was made to the contractor.

If a Working Capital Advance was issued to the contractor, payments beyond the difference between the total contract amount and Working Capital Advance shall be withheld. In order to make a final payment, the contractor must deliver to HIG a final report with a full accounting of all funds awarded, current Certificate of Vendor Compliance showing compliance, and a signed and notarized Non-Gratuity Affidavit.

### **3.3 MONITORING**

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HIG shall conduct inspections and monitoring of contractors in a manner set forth in each contract. HIG may, at any reasonable time, make site visits to review program accomplishments and management and financial control systems or provide technical assistance. Books, records, and documents related to the contract shall be subject at all reasonable times to inspection, review, or audit by the City.



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## **SECTION 4: FILE MANAGEMENT**

### **4.1 GENERAL FILE MANAGEMENT**

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HIG is responsible for maintaining digital and physical copies of all contract and payment materials for all contracts under HIG's purview.

### **4.2 PHYSICAL FILE MANAGMENT**

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Labeled, organized, physical files are to be maintained in an accessible location for each contract, including: a copy of the RFP, original contract, NTP, contract amendments, monthly status reports, monitoring reports, requests for payment, supporting documentation for requests for payment, annual reports, and any other physical records associated with the contract.

### **4.3 DIGITAL FILE MANAGMENT**

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Each contract is to be digitally maintained on the CBDD "L" drive of the City computer system. Electronic records shall include a spreadsheet showing the: contract number, contractor, contract period, contract number, and the date each payment request is received by DCS, forwarded to BFS, and paid to the contractor.

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