U.S. Department of Housing and Urban Development
San Francisco Regional Office – Region IX
One Sansome Street, Suite 1200
San Francisco, CA 94104-4430
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Ms. Jacky Morales-Ferrand
Interim Director, Housing Department
City of San Jose
200 E. Santa Clara Street, T-12
San Jose, CA 95113

NOV 3 - 2015

Dear Ms. Morales-Ferrand:

SUBJECT: Monitoring Results
Grant Number: CAH13-0005
HOPWA Competitive Grant

From September 1st to 3rd, 2015, this Office conducted an onsite monitoring of the competitive HOPWA Program in order to assess your organization's performance and compliance with applicable Federal program regulations and requirements. Program performance was assessed through a review of operations, file documentation and interviews.

This letter transmits the results of the monitoring review, and note that we have identified one Finding. A Finding is identified as a deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized. Below we have identified the required corrective action that must be taken to address the Finding. Please respond to this matter within 30 days of this letter.

OVERVIEW

Monitoring is the principal means by which HUD ensures that programs and technical areas are carried out efficiently, effectively, and that the programs comply with applicable laws and regulations. It assists grantees in improving their performance, developing or increasing capacity and augmenting their management and technical skills. Also, it provides a method for staying abreast of the efficacy of CPD-administered programs and technical areas within the communities HUD programs serve. Monitoring is not limited to a one-time review but is meant to be an ongoing process that assesses the quality of a grantee's performance over a period of time involving continuous communication and evaluation. In determining which grantees will be monitored, the Department uses a risk-based approach to rate grantees, programs and functions, including assessing the Department's exposure to fraud, waste and mismanagement. This process not only assists the Department in determining which grantees to monitor, but also identifies which programs and functions will be reviewed. Areas reviewed may result in the identification of findings, concerns or exemplary practices.

Specifics relating to this review are as follows:

HUD Reviewer(s):	Winston Moy, Senior CPD Representative
Grantee Staff and Other Participants:	James Stagi, Grants and Neighborhood Programs Administrator Kathryn Kaminski, Development Officer – Grants Mark Resta, Analyst Candy Alcosiba, Development Specialist Paul Hepfer, Vice President of Programs Leslie Perez-Ortiz, Program Director, AIDS Services Trang Van, Program Director, Housing Vivian Laitila, Program Manager, Business Operations
Entrance Conference:	
Date	September 1, 2015
Representatives:	Winston Moy, Sr. CPD Representative James Stagi, Grants and Neighborhood Programs Administrator Kathryn Kaminski, Development Officer – Grants Mark Resta, Analyst Candy Alcosiba, Development Specialist List Grantee Staff and Participants (Name, Title, and Organizational Unit, as appropriate)
Exit Conference:	
Date	September 3, 2015
Representatives:	Winston Moy, Sr. CPD Representative James Stagi, Grants and Neighborhood Programs Administrator Kathryn Kaminski, Development Officer – Grants Mark Resta, Analyst Candy Alcosiba, Development Specialist Paul Hepfer, Vice President of Programs Leslie Perez-Ortiz, Program Director, AIDS Services Trang Van, Program Director, Housing Vivian Laitila, Program Manager, Business Operations

SUMMARY OF RESULTS AND CONCLUSIONS

In 2013, the City submitted a HOPWA competitive grant renewal for its HOPWA Permanent Hosing grant. This grant is a collaboration with the Santa Clara County Collaborative on Affordable Housing and Homeless Issues. The Health Trust is the primary project sponsor for this grant. Grant funds provide permanent housing assistance to approximately 20 persons living with HIV/AIDS. Additionally, the program provides case management and other supportive services to about 100 persons annually.

Currently, the project serves approximately 19 persons with HIV/AIDS. The staff develops housing placement plans and provides other appropriate supportive services including health management, case management, and substance abuse counseling. As the progression of the disease has changed, so too has the nature of the program. Because individuals with HIV/AIDS are living longer, as a result of new medical treatments, the project sponsor has learned that obtaining housing is only one aspect of the assistance that is needed. Various other challenges in order to keep individuals housed due to the populations that are being served. Oftentimes, clients have other mental and physical issues that make maintaining housing difficult. The following areas were reviewed:

- Policies and Procedures
- Project Participant Eligibility and Housing
- Supportive Services Delivery
- Project Sponsor Oversight
- Financial Management & Cost Allowability
- Limited Fair Housing and Equal Opportunity and Limited Lead-Based Paint

HOPWA Exhibits 10-1, 10-3, 10-4, 10-5 22-5, and 24-2 from the Community Planning and Development Monitoring Handbook 6509.2, were used to guide the review, and are available at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/cpd/6509.2.

Policies and Procedures

The Program utilized a comprehensive policies and procedures manual pertaining to the participant eligibility intake/screening application, needs evaluation and services delivery, and related grievance process. The manual also covers financial management, security and confidentiality, and contract management. The manual contains well-developed forms and technical instructions.

Project Participant Eligibility and Housing

We reviewed the individual files of 8 of 17 project participants randomly selected from the roster of clients served under this grant. This included currently and formerly housed eligible clients receiving assistance through this project. We determined that the files were substantially complete and contained the required HIV/AIDS disability documentation for all nine participant households. Each file included housing plans and case notes. Files also included income

information, rent calculations, lease agreements, reviews for rent reasonableness, and housing quality standards. However, we identified one Finding, noted below.

Finding # 1: Resident rents were incorrectly calculated

Condition: A sample review of the project sponsor's tenant rent calculation worksheets revealed that five of the eight client files that were reviewed did not include the $400 disability adjustment to clients' incomes. The adjustment is required because the clients are considered disabled due to their HIV/AIDS diagnosis.

Cause: The project sponsor was only applying the disability adjustment for those who had a disabling HIV/AIDS diagnosis. The requirements at 24 CFR 574.310(d) and 24 CFR 574.320, 24 CFR 5.609 should be applied to all HOPWA eligible clients.

Criteria: 24 CFR 574.310(d) and 24 CFR 574.320, 24 CFR 5.609

Effect: Project participants may have been paying more than required, and thus, are owed a refund.

Required Corrective Action: For grant renewal reviewed, please recalculate tenant rents to ensure include the disability adjustment. Please provide refunds as applicable to tenants. Please provide a spreadsheet summary of the corrective actions taken.

Supportive Services Delivery

The Health Trust provides housing placement, case management, outreach, and other supportive services. Although housing placement is difficult given the tight rental market, obtaining housing is only one of the challenges administering and implementing this grant. The Health Trust must work with a population that has other mental and physical issues that complicate clients' ability to maintain housing. Often staff must engage in client advocacy, housing maintenance, and medical case management.

Project Sponsor Oversight

A review was performed to ensure that the City provided sufficient project oversight of Health Trust's administration and implementation of grant activities. Exhibit 10-4 was used to review the City's compliance with 24 CFR 574.500, §574.520, §91.520, and §Part 84.

The City utilizes a risk analysis process in determining which project sponsors/subrecipients will be reviewed. The goal is to review each of its subrecipients at least once every two years. The Health Trust was reviewed for both programmatic and financial compliance in 2014. The Health Trust also provides periodic performance reports to the City and consistently submits invoices for payment. We did not note a timeliness issue. No issues were identified by the City in its review of the Health Trust's program.

For the review period and the items reviewed, we did not note any material deficiencies in the City's overview process, other than not identifying the issue regarding proper calculation of HOPWA tenant rents.

Financial Management and Cost Allowabliliity

To review these areas, we used Exhibit 10-3, Guide for Review of HOPWA Financial Management, and Exhibit 10-5, Guide for Review of HOPWA Cost Allowability. Specifically, these exhibits reference 24 CFR 574.605, OMB Circulars A-110, A-122, and A-133, and 24 CFR Parts 84 and Part 85.

As part of our review, HUD examined several vouchers, invoices, time and activity reports, and performance reports. The City submits Federal Financial Reports (SF 425), as required. It appears that both the grantee and project sponsor exert sufficient internal controls over the expenditure of funds. Audits are obtained, reviewed, and if findings are identified, they are resolved. We noted program income reported in its Annual Performance Report of $2,200. These funds were payments made to the program after adjusting tenant incomes. Incomes were adjusted upward, which meant that grant funds initially drawn from the line of credit were greater than they should have been. But we concluded that this is not program income but rather funds drawn in advance of need. However, because of the small amount, offsetting these funds against future draws is the best way to handle the "return" of funds. If the amount had been substantially greater, then they should be returned to the grantee's line of credit. Based on our review of the financial management and cost allowability area we found no evidence of ineligible expenditures, and we found costs documented and supported.

Limited Fair Housing and Equal Opportunity and Limited Lead-Based Paint Review

Although it is not required for HOPWA, the clients participating in this program are also homeless. As such, the Health Trust enters information in the County's HMIS, as well as the State's ARES system for HIV/AIDS clients. These systems collect demographic data consistent with FHEO requirements. Additionally, because participants are homeless, there is outreach to ensure that low-income and other underserved populations receive housing and services from this program.

The housing assistance provided through this grant is tenant-based rental assistance. We did not always find information included in the file that showed that a review was conducted for lead-based paint or that adequate disclosure and that the pamphlet for lead-based paint hazards was provided to clients. However, this appears to be more a clerical issue than a material one, since the Health Trust administers other housing programs and these disclosures are required. It appears that this item was omitted on the documents used for the HOPWA program. At the exit conference, new procedures and documentation were provided that satisfy this requirement.

If you disagree with any of HUD's determinations or conclusions in this monitoring letter, please address these issues in writing to this Department within 30 days of this letter. Your written communication should explain your reasons why you disagree along with supporting evidence and documentation. All communication should be sent to the Department of Housing and Urban Development, San Francisco Regional Office, Community Planning and Development Division, One Sansome Street, Suite 1200, San Francisco, CA 94104-4430.

I would like to thank you and your staff for your cooperation during the review. The City of San Jose and The Health Trust are supporting valuable programs that are successfully supporting housing and community development activities.) If you have any questions regarding the results of

this monitoring letter, please contact Winston Moy, Senior CPD Representative, at (415) 489-6586, or winston.d.moy@hud.gov.

Sincerely,

Maria Cremer

Maria F. Cremer
Director
Community Planning
and Development Division

cc:
James Stagi
Grants and Neighborhood Programs Manger

Trang Van
Program Director - Housing