INTERNAL AUDIT DIVISION
CLERK OF THE CIRCUIT COURT

AUDIT OF
HUMAN SERVICES PROGRAMS
HOMELESS STREET OUTREACH

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Ex Officio County Auditor

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APRIL 14, 2009
REPORT NO. 2009-08

*Regulated by the State of Florida
April 14, 2009

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted an audit of Human Services Programs-Homeless Street Outreach. Our audit objectives were to determine that expenses submitted for reimbursement comply with contract terms, internal controls over payment and the budget are adequate, evaluate the oversight to ensure that reimbursed expenditures are utilized solely for the intended homeless, and determine that the vendors are complying with the collaborative requirements of their contracts.

We conclude that the expenditures submitted by the contractors are used for program related services; however, some of the individual expenses are not in agreement with contract and budget line items stated by the contractor. The internal controls over invoice approval and budget amendments need improvement to support service oversight. The collaborative procedure with related parties in the service process is adequate. Except as noted in our report, expenses submitted for reimbursement complied with contract terms, and internal controls over payment and the budget are adequate. Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of Health and Human Services during the course of this review. We commend management for their responses to our recommendations.

Respectfully Submitted,

Robert W. Melton
Chief Deputy Director
Internal Audit Division

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor
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**Synopsis**

The new program is meeting the objectives set by Human Service Management for services being offered to the homeless. The internal controls related to reimbursing contractors' operational expenditures for the Homeless Street Outreach program need to be strengthened. The controls over the labor and fringe benefit costs, representing about 52% of total program costs, are adequate.

**Scope and Methodology**

We conducted an audit of the Street Outreach Program. The audit scope included the review and testing of expenditures and internal controls of the Homeless Shelter Beds for Adults program contracted with two vendors. The scope also included the program conducted by two other vendors for providing homeless street outreach workers that work with law enforcement officers to engage and link hard-to-reach homeless citizens with needed shelter and supportive programs.

The objectives of our audit were to:

- Determine that expenses submitted for reimbursement comply with contract terms.
- Determine that internal controls over payment and the budget are adequate.
- Evaluate the oversight to ensure that reimbursed expenditures are utilized solely for the intended homeless.
- Determine that the vendors are complying with the collaborative requirements of their contracts.

Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was February 1, 2007 to February 29, 2008. However, transactions and processes reviewed were not limited by the audit period.
In order to meet our objectives, we reviewed compliance with policies and procedures, contracts, and approved detailed budgets. We tested, on a sample basis, the requests for reimbursement and budget changes received from the contractors. In addition, we performed such other procedures as we considered necessary in the circumstances.

**Overall Conclusion**

The expenditures submitted by the contractors are used for program related services. However, some of the individual expenses are not in agreement with contract and budget line items stated by the contractor. The internal controls over invoice approval and budget amendments need improvement to support service oversight. The collaborative procedure with related parties in the service process is adequate. Except as noted in our report, expenses submitted for reimbursement complied with contract terms, and internal controls over payment and the budget are adequate.

**Background**

The Homeless Leadership Network has identified outreach to the street homeless population as a key strategy in their strategic plan to end homelessness in Pinellas County. This plan, “Opening Doors of Opportunity: A 10 year Plan to End Homelessness in Pinellas County,” was submitted to the Interagency Council on Homelessness in March 2006, and is Pinellas County’s comprehensive plan for addressing homelessness in our community. It has been formally endorsed by the Board of County Commissioners and the municipal governing bodies from the cities of St. Petersburg, Clearwater, Largo, Pinellas Park and Tarpon Springs.

On February 27, 2006, the City of St. Petersburg began operation of a pilot street homeless outreach program to address the needs of the growing homeless population in downtown St. Petersburg. A crucial component of this program has been the availability of overnight shelter for the clients encountered by the street outreach team. A designated number of beds are reserved each night specifically for the clients referred for shelter by the street outreach team. It is reported that this program has made a great deal of progress in reducing both the numbers of homeless citizens living in the streets as well as the length of time they remain homeless. Because of the success demonstrated by this program, the Homeless Leadership Network recommended continuation of the St. Petersburg team and the expansion of the program to the other areas of the County that have a significant homeless population.
The Homeless Leadership Network submitted a request to Pinellas County to fund both continuation of the St. Petersburg Outreach Program and to add two additional teams to serve the other areas in the County that have a need for this service. The County’s Fiscal Year 2007 budget included funding to implement a Countywide homeless street outreach program. About $191,000 of these budgeted funds were designated for the contracted provision of outreach workers, and $455,000 for the shelter beds’ contractors. Total annual program costs amounted to approximately $646,000.

Outreach is viewed as the initial and most critical step in connecting or reconnecting a homeless individual living on the streets to needed health, mental health, recovery, social welfare and shelter/housing services. The outreach workers partner with law enforcement officers provided by the Cities of St. Petersburg and Pinellas Park, and the Pinellas County Sheriff’s Department. The model of outreach includes making basic contact with homeless individuals, conducting assessments, addressing basic needs, making linkages, follow-up, and when needed, advocacy. Approximately 70-80% of the outreach worker’s time is spent in the community assisting with street homeless issues. The County has two contractors providing street outreach workers.

The County also entered into service delivery agreements for the provision of two types of shelter for homeless adults:

1. Overnight shelter beds (one contractor).
2. Shelter beds with Intervention Services (one contractor).

Clients referred for overnight shelter are permitted to either remain in the shelter, or return on subsequent evenings, if making adequate progress towards self-sufficiency. A specific time limit is not specified; however, it is the intent of this program to move people through the continuum of care from homelessness to self-sufficiency. These beds are intended for the homeless adults referred by the homeless street outreach teams. The overnight shelter beds may be regular beds/bunk beds or overnight sleeping mats, such as those used by the cold night shelters. Food may be provided, and the shelter provides for the basic hygiene practices of clients, such as the availability of restrooms and showers. Shelter beds with Intervention Services operate under the same parameters as the overnight shelter beds, with the addition of intervention services for clients in need of, and willing to participate in, these services which are related to mental illness, substance abuse, physical disability, criminal involvement, etc.

The target population for services under this program includes any homeless person living on the street or in other places not meant for human habitation that are ready to access shelter and/or intervention services. Of particular concern are newly homeless individuals who may not be aware of available services or lack the ability to access
and move between the various resources located throughout the area. Budgets from other Counties, where available, were obtained from their websites for homeless outreach. The chart notes the expenditures by the different Counties, but the services under the programs and the program’s themselves may be different. As shown in the table below the homeless issue is being addressed by other government functions.

<table>
<thead>
<tr>
<th>COUNTY/CITY</th>
<th>DESCRIPTION</th>
<th>ANNUAL $ AMOUNT</th>
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<tr>
<td>Pinellas</td>
<td>Street outreach teams and homeless shelter beds</td>
<td>$646,444</td>
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<td>St. Petersburg</td>
<td>Supportive housing services - special and homeless needs</td>
<td>$315,700</td>
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<td><strong>Total Pinellas County and St. Petersburg</strong></td>
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<td><strong>$962,144</strong></td>
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<td>Hillsborough</td>
<td>Emergency shelter grants</td>
<td>$258,735</td>
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<tr>
<td>Tampa</td>
<td>Emergency shelter grants</td>
<td>$165,556</td>
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<td><strong>Total Hillsborough County and Tampa</strong></td>
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<td><strong>$424,291</strong></td>
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<td>Miami/Dade</td>
<td>Homeless outreach and placement assistance</td>
<td>$7,201,000</td>
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<tr>
<td>Broward</td>
<td>Homeless assistance centers and housing assistance services</td>
<td>$12,271,670</td>
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Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Reimbursements Are Made Without Formal Documented Approval For Expenditures That Are Not Described In The Contracts' Terms And/Or Budget.

Our review of the Fiscal Year 2007 expenditure transactions found that approximately $53,000 of the County's reimbursements for non-labor related expenditures directly related to the Street Outreach program objectives did not totally agree with the contract terms and approved budgets of the program vendors. Our review of the eligibility of expenses was performed by determining compliance within the formal contracts, the related Requests for Proposals information and the vendors' detailed budget narratives. Oversight management stated that the expenditures, if not listed in the proposed budget, were approved as a necessary expense for the program. However, the approval of the expenditures is not documented on the invoice or in the Contract File; therefore, we could not confirm that each expense was appropriately reviewed and approved by oversight management. The $53,000 represented 13.5% of the County's $393,000 total reimbursements for this Fiscal Year's Street Outreach program, or 28% of the total non-payroll expenditures.

The $53,000 of reimbursements made to the shelter bed vendors that did not agree with contract terms included:

A. Reimbursements for capital improvement type expenditures for the vendors' facilities not specified in contracts or budget narratives ($15,253). These included the $1,874 purchase of two desktop PCs, $1,950 to replace the main sewer line, and $11,429 for three new air conditioners.
B. Food expenditure reimbursements per client which were substantially higher than budgeted ($24,492). The actual food expenditures for one vendor averaged $9.30 per person per day for breakfast and some snacks, compared to the $2.50 average that had been budgeted.

C. Reimbursements ($1,750) were made for transactions that occurred prior to the contract dates.

D. The percentage of one vendor’s allocation of utility costs for reimbursement was higher than budgeted ($5,092). The budget had specified 20%, but the actual allocated was 50%.

E. The purchase of gift cards and PSTA bus passes not specified in contracts or budget narratives totaling $6,450. In addition to bus passes, gift cards were issued for selected purchases at Wal-Mart and Kash n Karry stores.

Reimbursement of Street Outreach program costs should only be made when the expenditure category has been noted as eligible in the documentation from the program's contract requirements. Any deviations should be approved prior to the expenses being incurred.

The invoice review/approval process related to the Street Outreach program does not fully take into account the criteria of reimbursement eligibility outlined in the documentation from the program's formal contracts, the related Requests for Proposals (RFPs), the vendors' detailed budget narratives that the County required together with the vendors' RFPs, and/or the final negotiated agreements. Rather, the stated philosophy is, "Are the requests for reimbursement somehow related to the program, and is there still room available in the program's remaining balance of the budget?" This practice does not consider the movement between the budget cost categories and weakens the internal controls for expenditures.

Vendors are reimbursed for expenditures that have not been formally approved during the contract and budget process. Using the $53,037 for other cost categories that had been approved for the program bypasses the internal control that ensures funding is being utilized for program objectives. Secondly, the $15,253 spent on vendor facility capital improvements or PCs may or may not be in the program’s best interest. In addition, approving these invoices might send a message to the vendors that the County is not adequately monitoring their requests for reimbursements, or that the detailed budget narratives do not have much credibility as far as payment criteria.
We recommend management limit reimbursements that deviate from the
program's formal contracts’ information and be approved by Health and
Human Services Department management prior to the Contractor incurring
the expense. The approval process should be documented and, if
needed, an amended budget and/or contract should be submitted by the
Contractor and approved by management.

Management Response:

Management agrees that issues exist that neither the Request for
Proposal nor the Contract approved budget specifically addresses. In
accordance with appropriate legal review, these issues will be
specifically and adequately addressed in future contract agreements.

We concur that in some instances reimbursements were made that did not
document the prior approval process for the expenditures. These
expenditures were only approved after verification that the charges
were within the general scope of the program services and determined
to be eligible program related costs within the program objectives.
Subsequent to the initial months of operation, management has
instituted a written prior approval process to make changes or
revisions to budgets.

The issues identified in the report are primarily administrative in
nature. Management will use the recommendations contained in the
Report as a guide for implementing additional internal controls
determined appropriate to maintain the County’s ability to provide
reliable oversight and improve internal controls.

Services to clients will continue uninterrupted as Management and
contractor work to resolve each issue. Management will continue to
work with information technology staff to automate and improve
transaction processing. Management will use the creation or
enhancement of the additional databases, computer and manual
processes, computer and manual reports, and other suggestions
recommended in the Report as a guide for future implementation or
enhancement of internal controls.

2. Internal Controls For The Reimbursement Process
Of Street Outreach Contractor Expenditures Needs
Improvement.

Weaknesses in internal controls were noted during our review of the
Street Outreach program expenditures process. Management stated at
the entrance conference that this was a new program, and written
procedures for invoice review had not yet been put in writing for the
Outreach program. However, they stated that the process being used
was similar to other Human Services Programs. The areas we noted
that have internal control weaknesses are:
• No provision for written approval/contract amendment is present for deviation to the contract requirements and budget for expenditures prior to the Contractor incurring the expense.

• No procedure is in place for reviewing, on a sample basis, the Contractors’ support for non-payroll expenses being submitted for reimbursement.

• No requirement exists for budget amendments to be formally approved by Human Services.

• The current process does not have a procedure to spot check the contractors’ requests for the reimbursement of consumables to ensure that they are only used by the intended homeless. Reimbursement of approximately $37,700 for food and $3,300 for gift cards were made during the first six months of the program and warrant testing for the consumption.

• No documented policies and procedures exist for processing Street Outreach reimbursement invoices.

Strong internal controls are necessary for the Street Outreach program to ensure:

• The County only reimburses the contractors for reasonable expenditures for things that have been specified in the initial approval process.

• Human Services departmental management approves any changes to the previously approved expenditure criteria and/or budgets.

• All purchased consumable goods and services are only utilized by the intended homeless citizens.

The lack of written procedures has limited the ability of Human Service oversight to ensure that adequate internal controls are in place for the Street Outreach Program.

In Opportunity for Improvement No. 1, we noted that our review of the Fiscal Year 2007 transactions determined that approximately $53,000 of the County's reimbursements did not comply with the Street Outreach vendors' contract terms and other documentation. Adequate internal controls would have limited this exposure, or at least required/provided formal management approval for any contract deviations.

We recommend management complete their development of policies and procedures to correct the internal control weaknesses noted above.
Management Response:

The audit lists the following “opportunities for improvement” suggestions:

- “No provision for written approval/contract amendment is present.”  “No procedure in place to review non-payroll expenses…”
- “No requirement for budget amendment to be formally approved.”
- “Current process contains no procedure to spot check that consumables are used only by intended recipients.”
- “No documented policies and procedures exist for processing invoices.”

It is Management’s opinion that:

- Written prior approval procedures have been implemented and Management agrees to continue its current process of oversight in this area.
- See above response.
- Documentation for services delivered can be found in Contractor files. The Report addresses only the documentation contained on the monthly invoice and Management considers all documentation available as assurance that contracted services are provided not just the monthly invoice. Management will use the Report’s recommendations as a guide to further improve the Department’s invoice processing procedures.
- Management has been working to develop a more formal contract oversight and invoice processing system. Management agrees to continue this review process and restructure, as necessary, the invoice processing method currently in place. Management will use the recommendations contained within the Report as a guide for development of more comprehensive processing controls.

The Department is currently undergoing a major restructuring and review of various program operational components in conjunction with a comprehensive overhaul of our data base and technology capability. Management continues its efforts to automate and improve transaction processing. A systematic review of the invoice processing and contract monitoring system is part of this effort to improve internal controls.

It is Management’s opinion that the Department is in compliance with the material aspects of the reviewed contracts and grant funding and that all reimbursements were eligible costs and program related expenses.

Management is confident that the contracted services paid for were, in fact, delivered to program recipients and that the services did indeed
meet the requirements of the contract. Management feels that adequate controls are exercised by the contractor to ensure that funds are expended appropriately. Implementation of additional controls may be overly cumbersome and not cost effective. Management will continue to research and implement applicable procedures that meet a reasonable cost benefit test.

Management’s General Response:

The findings of this audit and subsequent report provide a foundation for Management to review the internal controls and address what appear to be primarily administrative and reporting issues. The Department appreciates the time and expertise provided by the Internal Audit Division. Accountability of taxpayer dollars is of paramount importance to the Management and staff of Health and Human Services.