TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke, CPA
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of Human Services Program Homeless Street Outreach

DATE: October 27, 2011

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated October 27, 2011 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Jim Bennett, County Attorney
Carl Harness, Assistant County Administrator
Gwendolyn Warren, Bureau Director, Health and Human Services
Clifford E. Smith, Assistant Director, Health and Human Services
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young
FOLLOW – UP AUDIT OF HUMAN SERVICES PROGRAM HOMELESS STREET OUTREACH

Audit Services
Division of Inspector General

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Clerk of the Circuit Court
Ex Officio County Auditor

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OCTOBER 27, 2011
REPORT NO. 2011-19

*Regulated by the State of Florida
**Accredited Office of Inspector General
By the Commission of Florida Law Enforcement Accreditation
October 27, 2011

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted a Follow-Up Audit of the Human Services Program Homeless Street Outreach. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the two recommendations contained in the audit report, we determined that both have been implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of Human Services Programs during the course of this review and commend management for the implementation of our recommendations.

Respectfully Submitted,

[Signature]
Hector Collazo, Jr., Director
Division of Inspector General

Approved:

[Signature]
Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
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INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Human Services Programs Homeless Street Outreach. The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was 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.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Standards for Offices of Inspector General, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of October, 2011. The original audit period was, February 1, 2007 to February 29, 2008. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the two recommendations in the report, we determined that both were implemented. We commend management for the implementation of our recommendations.
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<td>Reimbursements Are Made Without Formal Documented Approval For Expenditures That Are Not Described In The Contracts' Terms And/Or Budget.</td>
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<td>Internal Controls For The Reimbursement Process Of Street Outreach Contractor Expenditures Needs Improvement.</td>
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<td>Management complete their development of policies and procedures to correct the internal control weaknesses.</td>
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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.

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.
STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the Human Services Programs Homeless Street Outreach. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

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 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 Recommended 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.

Status:

Implemented.

There is a formal written process in place in which the vendors must request any changes or modifications in writing. The vendor submits the requested change to the Contract Manager for review. The Contract Manager determines if the change request is in the scope of the contract and submits the requested change to either the County Attorney or the Board of County Commissioners for approval.
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 Street 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 Services’ 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 Recommended management complete their development of policies and procedures to correct the internal control weaknesses noted above.

Status:

Implemented.

Management has addressed this issue and implemented control measures that will be further enhanced by their electronic computer system upgrade, CHEDAS. Although the new electronic system was anticipated to be active by this time, it is still in development and will be a more efficient oversight of the contract invoice process. Management anticipates implementing CHEDAS by December 2011. The Requests for Proposals were issued in the fall of 2009. The requirements listed in the audit were included in those contracts.
DIVISION OF INSPECTOR GENERAL

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