

Los Angeles Housing Opportunities for Persons With AIDS Program:

Prompt Spending of Federal Funds and Program Monitoring Would Improve Services to Recipients



May 2000
99127

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99127

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Housing Opportunities for Persons With AIDS (HOPWA) program administered locally by the Los Angeles Housing Department (department). At the federal level, U.S. Department of Housing and Urban Development (HUD) administers the HOPWA program. Specifically, we were asked to determine whether the HOPWA program is achieving its goals and being run effectively, whether the funds are appropriately used and whether they are in jeopardy of being revoked by the federal government, and finally whether conflicts of interest exist in the actions of its advisory committee.

This report concludes that while the department has used HOPWA funds for appropriate purposes, it has been slow to allocate and spend grant funds. However, as a result of several waivers granted by HUD, the program has not lost any federal funds because of delays in spending. Also, the HOPWA program does not know whether it has met its program goals and, as a result, cannot adequately plan for the future. Finally, certain actions of the HOPWA advisory committee raise questions about the appearance of conflict of interest.

Respectfully submitted,

MARY P. NOBLE

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SUMMARY

Audit Highlights . . .

Our review of the Housing Opportunities for Persons With AIDS (HOPWA) program revealed the following:

- ☑ *While HOPWA funds have been used for appropriate purposes, the Los Angeles Housing Department (department) has been slow to allocate and spend grant funds. However, as a result of several waivers from the federal government, the program has not lost any federal funds because of delays in spending.*
- ☑ *The HOPWA program cannot adequately plan for the future because it does not have a method of comparing its stated goals to its accomplishments.*
- ☑ *Certain actions of the advisory committee raise questions about the appearance of conflict of interest and could undermine public confidence in the program.*

Further, the department hired a consultant to take a comprehensive look at the HOPWA program and the department's administration of the program. We believe his conclusions are sound and his recommendations reasonable.

RESULTS IN BRIEF

Responding to evidence that people with AIDS constituted a growing proportion of the homeless population, Congress created the Housing Opportunities for Persons With AIDS (HOPWA) program, which provides state and local governments with the resources to devise long-term comprehensive strategies for meeting the housing needs of persons and their families living with AIDS or related diseases. The federal Department of Housing and Urban Development (HUD) administers the program at the federal level, and the Los Angeles Housing Department (department) administers the program in Los Angeles County (county), using 48 service providers. Following months of allegations that the program has not done all that it could to serve the homeless and low-income populations with HIV/AIDS, the city of Los Angeles (city) hired a consultant to take a comprehensive look at the program's effectiveness and administration.

The consultant's extensive review covered some of the concerns that brought about our audit, and his report includes numerous recommendations to improve the department's administration of the program. The consultant's conclusions about the HOPWA program included the following:

- It cannot by itself furnish the resources to meet the substantial need for affordable housing for persons with HIV/AIDS in the county.
- It uses funds for appropriate purposes.
- It lacks planning that systematically addresses the needs and problems of eligible recipients, and has not developed a strategic plan as required in the consolidated plan.
- It has multi-year contracts that lead to public misunderstanding of its program spending.
- It was understaffed, but now has adequate staff to perform its current workload.

We reviewed the consultant's report, concurred with his basic conclusions, and drew further conclusions based on additional work we performed. We found that, although the HOPWA program has good reasons not to have fully spent funds for long-term commitments such as the capital development component of the program, it has been slow to allocate and spend other grant funds. For example, as of June 30, 1999, the end of the city's fiscal year, the HOPWA program had not encumbered in contracts \$12.7 million (22 percent) of the \$53.2 million in program funds that the city allocated since fiscal year 1993-94. Contracts represent resources that service providers need to supply housing and other services to homeless and low-income persons with HIV/AIDS. A lengthy planning and contracting process that could be shortened has contributed substantially to the HOPWA program's difficulty in issuing contracts. Fortunately, HUD has allowed extensions on spending, and the program is not currently in jeopardy of losing funding.

In addition, HOPWA staff do not know whether the program as a whole or service providers individually always meet overall goals that the program identified in its five-year consolidated plan and the annual updates to that plan. HOPWA can neither readily compare the effectiveness of service providers or separately funded program components nor effectively plan for the future because it has no procedures to track how well it has met its goals. Further, it does not link the broad goals in the consolidated plan with more specific reporting of accomplishments required in contracts. It also does not take full advantage of the federally required audit reports it receives on the performance of service providers. Moreover, due to a lack of staff, the HOPWA program has not been able to perform site visits to determine the effectiveness of service providers.

Finally, the appearance of conflict of interest exists in certain actions of the HOPWA advisory committee and its subcommittees. As a result, public confidence in the fairness and propriety of committee decisions may be undermined, and the HOPWA program's effectiveness may be impaired. The advisory committee and its subcommittees include members who are officers or employees of the program's service providers, entities which could benefit from the committee's and subcommittees' decisions. HOPWA does not take appropriate steps to eliminate the appearance of conflict of interest. Although the general public does provide valuable input in subcommittee discussions, the public is also allowed to participate in subcommittee votes, which provides an opportunity for those who may benefit from

recommendations to influence those decisions. HOPWA staff also do not always ensure that members file all of the required conflict-of-interest statements, nor do they record the individual votes of committee members in the minutes or meeting transcripts, which would indicate whether committee members were voting on matters in which they had a conflict of interest.

RECOMMENDATIONS

The department should consider and implement the consultant's recommendations as soon as possible. We have the following additional recommendations.

To expedite the planning and contracting process, the city and the HOPWA program should consider working with HUD and completing the consolidated plan as early as federal law allows, and submit the package for the request for proposals (RFP) to the mayor and city council for approval at the same time it submits the consolidated plan.

To ensure that it is able to meet its stated goals and plan efficiently, the HOPWA program should:

- Track and compare its goals with its overall accomplishments and the accomplishments of service providers for each of its program components. It should also create a link between the broad goals stated in the consolidated plan to the reporting of more specific accomplishments required in contracts so that it can evaluate service providers' performance.
- Assess what additional monitoring of service providers is needed, including site visits, and determine how many additional staff it needs to perform this monitoring.

To eliminate the appearance of conflict of interest, the city should exclude the general public from voting on recommendations before the subcommittees of the HOPWA program's advisory committee. In addition, the HOPWA program should do the following:

- Ensure that all members of the advisory committee complete a conflict-of-interest statement annually and use the information in the statements to prevent members from voting when a potential conflict of interest exists.

- Consistently record votes and abstentions from voting in all meeting minutes and transcripts.

DEPARTMENT COMMENTS

The department generally agrees with the information in our report and plans to consider our recommendations as well as those of the consultant. However, the department feels that our recommendation to submit the RFP package at the same time it submits the consolidated plan for consideration to the mayor and city council would be burdensome. ■

INTRODUCTION

BACKGROUND

After research suggested that people with AIDS constituted a growing percentage of the homeless population, Congress passed the National Affordable Housing Act of 1990, which established the Housing Opportunities for Persons With AIDS (HOPWA) program. The program was reauthorized under the Housing and Community Development Act of 1992. In that same year, the National Commission on AIDS found that an estimated 15 percent of the homeless population was infected with HIV and that one-third to one-half of all people with AIDS were either homeless or in imminent danger of becoming so because of their illness, lack of income, and weak support networks.

The HOPWA program's objective is to provide state and local governments with the resources and incentives to devise long-term

Community Development Block Grant	\$89,459,000
HOME Investment Partnership Program	33,357,000
Housing Opportunities for Persons With AIDS	10,144,000
Emergency Shelter Grant	3,522,000

comprehensive strategies for meeting the housing needs of persons and their families with AIDS or related diseases. The federal Department of Housing and Urban Development (HUD) administers the HOPWA program nationally. HUD provides HOPWA funding to the most populous city in an eligible metropolitan

area. In the case of Los Angeles County (county), the city of Los Angeles (city) receives the grant directly from HUD. To receive the money, the city must prepare an annual update to the Housing and Community Development Consolidated Plan (consolidated plan), which covers four HUD grants, including the HOPWA program, administered by several city departments. The Los Angeles Housing Department (department) administers the HOPWA program countywide, using 48 service providers.

In an attempt to involve members of the community who are the most knowledgeable about the needs of persons with AIDS, the city created a countywide advisory committee that included representatives from the city, county, and nonprofit service organizations. The advisory committee's functions include advising the city on the overall HOPWA plan, program proposals, and budgets, as well as developing and promoting participation of individuals with HIV/AIDS in the planning and development of programs affecting their interests.

During fiscal year 1999-2000, the HOPWA program has funded nine program components, including emergency housing assistance, long-term housing, short-term housing, information and referral services, and various supportive services necessary for many homeless persons with HIV/AIDS. The annual grant amounts for the HOPWA program have ranged between \$7 million and \$10 million since fiscal year 1993-94. The fiscal year 1999-2000 funding level was almost \$8.8 million.

A consultant for the department conducted a study of the needs of persons with HIV/AIDS in the county in the second half of 1997. The department received the final report in June 1999. This study included surveys of over 700 individuals with HIV/AIDS, as well as 61 housing programs and 34 social service or health care programs. It concluded that low-income persons with HIV/AIDS experience high rates of homelessness and that more public funds were needed to develop long-term housing for independent living.

THE CITY HIRED A CONSULTANT TO STUDY THE EFFECTIVENESS OF THE HOPWA PROGRAM

In August 1999, following months of allegations charging that the program had not been doing all that it could to serve the homeless and low-income populations with HIV/AIDS, the city hired a second consultant to take a comprehensive look at the program's effectiveness and administration. The consultant's study included a comparison of the need for services with the availability of services, an evaluation of the effectiveness of the program components that the HOPWA staff uses to provide services, and an assessment of how well the department administers the HOPWA program. The department plans to submit the consultant's report to the Los Angeles City Council in May 2000.

One of the consultant's main conclusions was that the unmet need for housing for persons with HIV/AIDS in the county is so substantial that the HOPWA program alone cannot furnish the resources to provide affordable housing to all those in need. For example, the consultant states that program components that offer affordable housing to this population, including HOPWA, serve only 19 percent of the people who need emergency shelter beds and 8 percent who need transitional housing beds. The consultant concluded that the city and county should jointly plan the use of HOPWA money, county grant funds, and other public and private funds to address the unmet housing needs of persons and their families living with HIV/AIDS.

The consultant also found that the HOPWA program's planning does not systematically address the needs and problems of eligible recipients as called for in HUD guidelines. Further, the program has not used the information provided by the earlier consultant study to develop a strategic plan called for in its consolidated plan. Every five years, and annually as an update, HUD requires the city to provide a consolidated plan of all the HUD programs it administers. For convenience, in the remainder of the report we will refer to both the five-year consolidated plan and its annual updates as the consolidated plan. The consolidated plan represents the city's strategic vision for housing and community development, which includes the needs, priorities, and proposed expenditures for its four HUD grants over a five-year period. However, the HOPWA program's current planning does not systematically assess the needs for and the availability of housing and supportive services for persons with HIV/AIDS, nor does it systematically assess the problems of substandard housing, overcrowding, and the financial burdens these individuals face in obtaining appropriate housing.

Other key conclusions address public perceptions about funding and the role of the program's advisory committee. For example, although the consultant found that the HOPWA program uses funds for appropriate purposes, the public generally misunderstands the status of program funding and expenditures because of the multi-year nature of some of the HOPWA programs. Further, the consultant concluded that although the advisory committee is essential to the HOPWA program, it should be rechartered to limit its roles and responsibilities to nonfiscal issues. This change in role could help eliminate the appearance of conflicts of interest on the part of those participating in committee decisions.

The consultant also believes that staffing for the program has not been adequate in past years, and the lack of staff resulted in various problems. However, his calculations indicate that the current level of staffing, recently augmented to five, is adequate for the present workload. He does not assess staffing levels needed for the additional workload he proposes.

The consultant made numerous recommendations in his report, including the following:

- Establish a task force to outline and develop strategic financial plans addressing the use of HOPWA, county, and other funds for housing needs of persons with AIDS.
- Modify the department's reporting of HOPWA funding status to include specific program components and use this new structure to report to the mayor's office and city council's housing and community redevelopment committee on a quarterly basis.
- Adopt a charter for the advisory committee that clearly prohibits it from making recommendations on funding allocations for specific program components.
- Require potential service providers to detail their proposed outreach processes and outcomes to the underserved and indigent populations who are homeless or do not have adequate access to health care.

In Appendix A, we list the general recommendations the consultant includes in the executive summary to his report.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (JLAC) asked the Bureau of State Audits to review the HOPWA program administered by the department. We were asked to determine whether the HOPWA program is achieving its goals and being run effectively, whether the funds are appropriately used and whether they are in jeopardy of being revoked by the federal government, and whether conflicts of interest exist in the actions of its advisory committee.

Since the department had already engaged a consultant to study the HOPWA program in some of the areas we were asked to review, we determined that he addressed some of the questions we were asked to answer and that his work was reliable and his conclusions generally reasonable. However, we identified several areas where his work did not fully address the concerns of the JLAC. In those areas, we used the consultant's work as a starting point and performed additional work as necessary.

Specifically, we reviewed relevant laws, bylaws, and policies, and interviewed HOPWA staff, other department staff, members of the advisory committee, and several service providers, as well as other city government personnel. We also reviewed relevant documents related to funding from HUD, accounting and contracting records, and policy decisions, in addition to the work created by the consultant engaged to review the HOPWA program. Finally, we examined minutes and transcripts from selected monthly meetings of the advisory committee. ■

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AUDIT RESULTS

THE ALLOCATION AND SPENDING OF HOPWA GRANT FUNDS HAVE BEEN SLOW

As of June 30, 1999, the Los Angeles Housing Department (department) had not spent \$21.8 million of prior-year Housing Opportunities for Persons With AIDS (HOPWA) program grant funds. Certain HOPWA program components, such as building projects, are long-term, which means that not all funds can be spent immediately. This creates a public perception of slow spending of federal Department of Housing and Urban Development (HUD) funds. However, for other components that are not long-term, the HOPWA program has not promptly put much of the available money into contracts with service providers. The HOPWA program could be using this money to address the large unmet housing needs of homeless and low-income persons with HIV/AIDS who currently need help.

A combination of federal and city policies created a lengthy planning and contracting process for HOPWA funds that is not completed until after the program year is well under way. However, the city of Los Angeles (city) could start this process earlier and perform certain parts of the process concurrently to minimize delays. The department has recently modified its process of contracting with service providers to expedite the spending of program money. It could also furnish the HOPWA advisory committee, which is charged with providing community input to the program, with regular, detailed financial

HOPWA Funding Categories

Programmed: allocated to spend over one or more years in the consolidated plan

Expended: amounts paid for program costs

Encumbered: unspent funds set aside under contracts approved by the city

Committed: unspent funds earmarked for specific components under request for proposals issued by the department and approved by the city

Uncommitted: all unspent funds not encumbered or committed

reports on the status of grant funds to keep the committee aware of any delays in using the grant money.

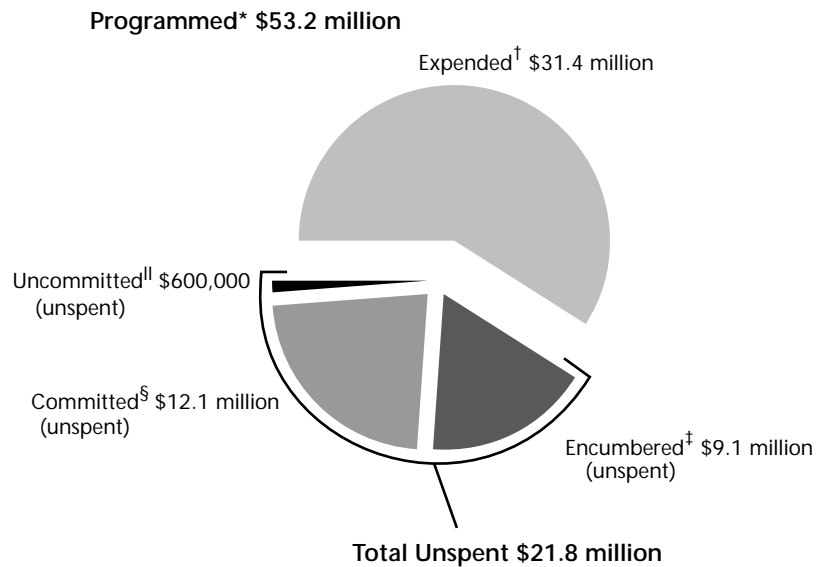
A Large Percentage of Grant Funds Remains Unspent

Over the past several years, the HOPWA program has not spent as promptly as

possible a large portion of the grant funds that the city could have drawn upon to meet the housing needs of persons with HIV/AIDS. Although some of the unspent funds were already under contract with service providers, most were not and thus were not available to help eligible recipients. Specifically, as shown in Figure 1, \$21.8 million of the \$53.2 million in HOPWA grant funds allocated through the city's fiscal year 1998-99 had not been spent as of June 30, 1999. The \$53.2 million does not include \$500,000 available from HUD, but not allocated as of June 30, 1999. The HOPWA program had not yet entered into contracts with service providers for \$12.7 million of these amounts. Appendix B provides a more detailed status of HOPWA grant funding by program components.

FIGURE 1

Unspent HOPWA Funds as of Fiscal Year 1998-99



Sources: Housing Opportunities for Persons With AIDS (HOPWA) Program, *Program Evaluation and Management Assessment*, Capitol Partnerships Inc.

Note: The figure is based on the consultant's compilation of accounting data, which compares the federal award with the department's funding allocations and data in accounting records from city fiscal years 1993-94 through 1998-99.

* Allocated for expenditure over one or more years in the consolidated plans. This amount excludes the \$500,000 that was available as of June 30, 1998, but was not yet programmed as of June 30, 1999.

† Cumulative amounts expended from each fiscal year as of June 30, 1999.

‡ Unexpended funds set aside under contracts approved by the city.

§ Unexpended funds earmarked for specific programs under a request for proposals issued by the department and approved by the city.

|| All unexpended funds not encumbered or committed.

The federal regulations governing the HOPWA grant require spending funds within three years of the signing of the grant agreement. However, HUD has waived this requirement four years in a row, from fiscal years 1993-94 through 1996-97. Therefore, to date, the program has not lost any of these funds. Nevertheless, the consultant estimates the number of low-income persons with HIV/AIDS in the Los Angeles County (county) ranges from 21,000 to 28,000. Thus, there is no lack of people who need prompt help. The fact that HUD has allowed expenditures to be made after three years does not relieve the department of the responsibility to use HOPWA grant funds to help eligible persons on a timely basis. At a minimum, most of the \$12.1 million still in the committed stage should have been encumbered in contracts by the beginning of the program years, when the money became available to allow service providers timely access to grant funds.

The Long-Term Nature of Certain Program Components Causes Expenditures to Span Several Years

HOPWA staff were restricted in using some money quickly. Several essential HOPWA program components are long-term in nature, requiring years to spend allotted funds. This fact contributes to the perception that the department is slow to spend funds even after it has contracted with service providers. The tenant-based rental assistance and capital development program components enter into commitments or contracts that call for funds to be spent over several years.

Several essential HOPWA program components are long-term in nature, requiring years to spend allotted funds.

For the tenant-based rental assistance program component, the city contracts with four housing authorities from local governments: the city of Los Angeles, Los Angeles County, the city of Long Beach, and the city of Pasadena. Tenant-based rental assistance represented 16.8 percent (\$9 million) of the \$53.6 million in grant funds available. The \$53.7 million includes the \$500,000 available but not allocated as of June 30, 1999. A housing authority works with community-based AIDS service providers to locate eligible homeless or low-income persons with HIV/AIDS and ensures that the housing an eligible person finds meets HUD standards. This process can be lengthy. In a growing local economy with low vacancy rates, fewer landlords may be willing to accept HUD-established limits on rent. The housing authority then allocates funds for 12 to 24 months to cover the difference between 30 percent of the household adjusted gross income and the fair market rent for the housing unit. The HOPWA program spends funds as it reimburses the housing authority each month. Thus, in May 2000, the housing authority may commit to spend

\$300 each month for 24 months, or a total of \$7,200, for an eligible recipient, but the money would not be completely spent until April 2002. Recently, according to the department, the program has tried to expedite the process by allowing applicants who do not need the assistance of a community-based service provider to go directly to the housing authority under a fast-track process. Nevertheless, the actual spending of these funds will still occur over a period of up to 24 months.

Capital development, another long-term HOPWA program component, is designed to construct or rehabilitate housing for eligible persons and comprises 12.3 percent (\$6.6 million) of the \$53.7 million in grant funds available through June 30, 1999. Under this program, the department contracts with nonprofit housing developers who in turn subcontract with construction and management specialists. According to the department, city regulatory requirements that must be met during the preconstruction phase could add years to a project's time line. For example, a full environmental impact report can add up to three years. Similar requirements include site plan reviews, zoning and permitting processes, growth controls, and building codes and regulations. Other delays may arise from active opposition to affordable housing by residents and public officials. Again, the construction program legitimately requires several years to elapse before funds committed for a project are fully spent.

A Lengthy Planning and Contracting Process Causes Delays

The HOPWA program can spend other funds to help low-income persons with HIV/AIDS much more quickly but does not always do so because of a lengthy planning and contracting process. Although the process allows for essential public comment, reviews, and approval of critical stages in contracting, it delays contract signing and the actual providing of services until well into the program year. Service providers cannot use program funds before their contracts are signed and service delivery begins. The program year runs from April 1 through March 31.

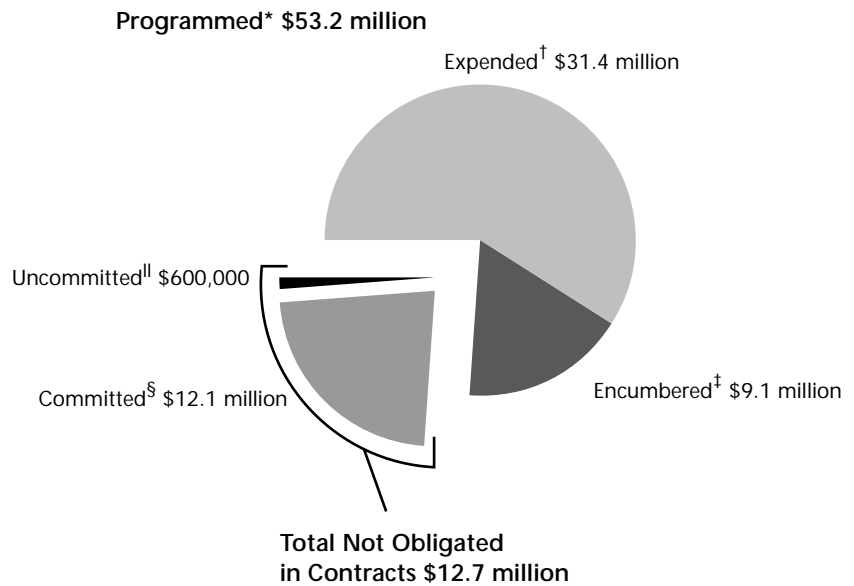
In the past, the planning for certain programs has been as much as two years behind. For example, in October 1997, the city issued a notice to potential service providers stating the availability of HOPWA supportive services funds. Almost half the funds used for the resulting contracts were funds from the program years 1995-96 and 1996-97 grants, and service providers did not get the opportunity to use these funds until they could begin furnishing services in April 1998. This is not an isolated

In the past, the planning for certain program components has occurred as much as two years after the time funds became available.

instance, as Figure 2 shows; \$12.7 million in grant funds allocated through program year 1998-99 (committed and uncommitted), had not been placed into contracts as of June 30, 1999. Of that amount, \$6.7 million relates to prior years.

FIGURE 2

Amount of Funds Not in Contracts as of Fiscal Year 1998-99



Sources: Housing Opportunities for Persons With AIDS (HOPWA) Program, *Program Evaluation and Management Assessment*, Capitol Partnerships Inc.

Note: The figure is based on the consultant’s compilation of accounting data, which compares the federal award with the department’s funding allocations and data in accounting records from city fiscal years 1993-94 through 1998-99.

* Allocated for expenditure over one or more years in the consolidated plans. This amount excludes the \$500,000 that was available as of June 30, 1998, but was not yet programmed as of June 30, 1999.

† Cumulative amounts expended from each fiscal year as of June 30, 1999.

‡ Unexpended funds set aside under contracts approved by the city.

§ Unexpended funds earmarked for specific programs under a request for proposals issued by the department and approved by the city.

|| All unexpended funds not encumbered or committed.

The city’s process for planning and contracting with HOPWA service providers requires a cooperative effort involving the mayor’s office, the city council, and several city departments. Further, the HOPWA program must meet other federal require-

ments before HUD releases grant funds. Figure 3 illustrates the current contracting process, along with a recently planned but not yet initiated step. However, as we have seen, delays can occur and the HOPWA program does not meet these time lines for every contract. For example, the time required for public comment and city council review can vary, depending on the issue or the extent of public interest.

As Figure 3 indicates, the department's proposed contracting process shows that grant funds currently pass through several consecutive phases, each involving review and approval of the mayor and city council, before service providers have access to the funds. Opportunities for public comment also occur throughout the process to ensure that expenditures reflect the concerns of the community.

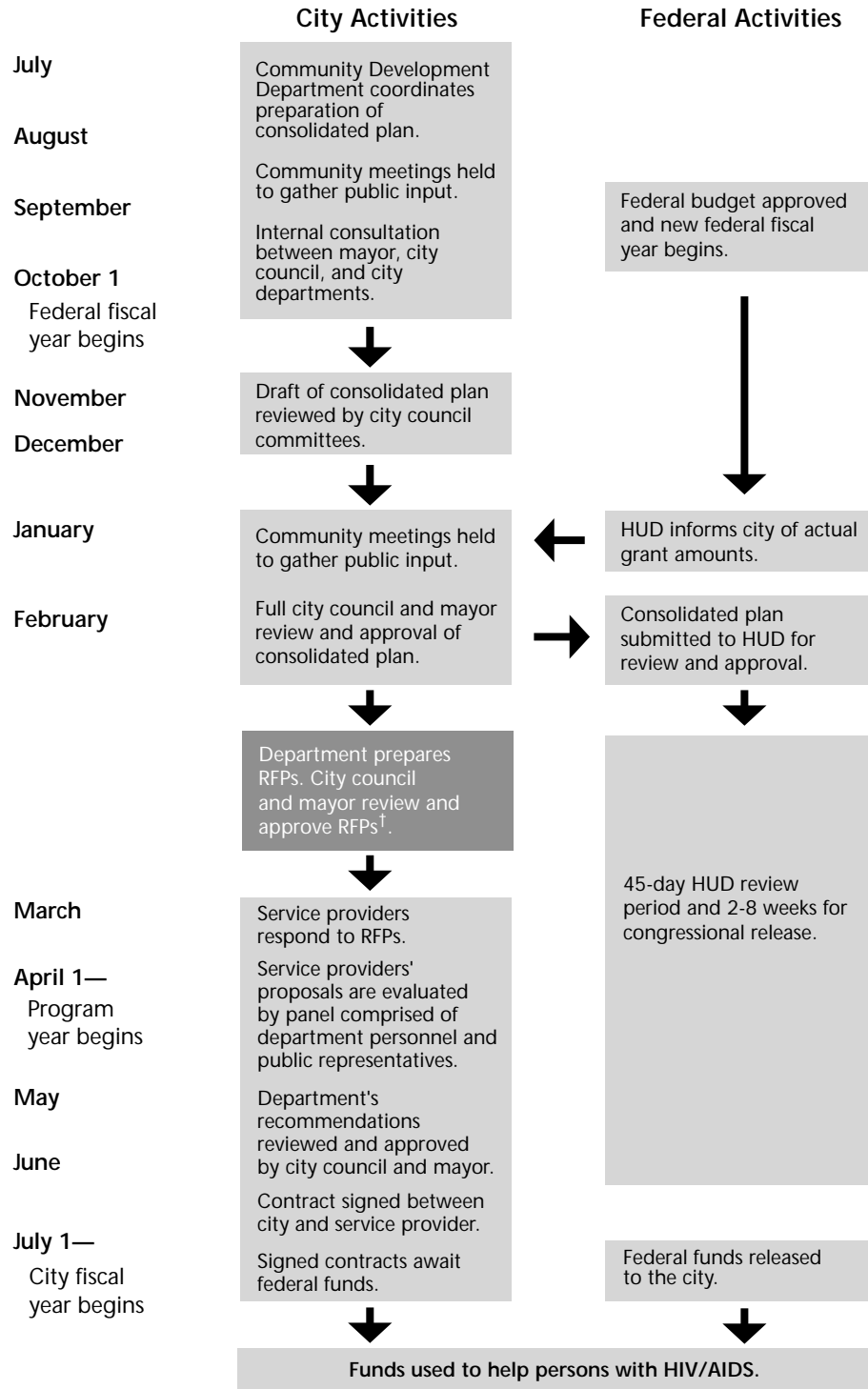
The city's Community Development Department first coordinates preparation of the annual Housing and Community Development Consolidated Plan (consolidated plan), which HUD requires before it makes grant funds available to the city. The consolidated plan covers four HUD grants, including HOPWA, that fund programs administered by several city departments. HUD announces its final allocation of grant money to the Los Angeles HOPWA program by February each year, after which the city submits the consolidated plan for approval first to the mayor and city council and then to HUD. When it has city approval, the HOPWA program prepares a package of material, known as a request for proposals (RFP), that announces the availability of grant funds and intended uses of those funds as outlined in the consolidated plan and invites service providers to submit proposals to compete for the funds. In the past, the city waited for HUD's approval before releasing the RFP. In the future, the HOPWA program proposes to release the RFP before it receives HUD approval, and the RFP language would indicate that final decisions on proposals are contingent upon receipt of federal funds. The mayor's office and the city council must approve the RFP package and, ultimately, the contracts with successful service providers. Because of the lengthy time line, service providers have fewer than 12 months to use funds nominally programmed for a full year. However, unspent funds can be carried over into the following program year.

By performing some of these steps concurrently and starting this process earlier, the city could allow time to deal with delays that may arise and still expedite contracting for service providers. For example, the city could submit the RFP package to the mayor

To expedite the contracting process, the city could perform some steps concurrently and start the process earlier.

FIGURE 3

**Proposed HOPWA Planning and Contracting Process
With Estimated Dates and No Delays***



* Based on information from HUD, the Los Angeles Housing Department (department), and the Los Angeles Community Development Department.

† In a change from current practice, the city plans to issue RFPs without waiting for HUD approval of the consolidated plan.

The city could submit an amended consolidated plan when HUD announces final allocations of grant funds.

and the city council for approval at the same time as it submits the consolidated plan. It could also submit the consolidated plan earlier. HUD allows its grant recipients to submit consolidated plans, using estimates of HUD funding, as early as November 15, before it announces final grant allocations for the program year beginning in the following April. Earlier submission could allow enough time for city and HUD approval and contracting processes to be completed by the beginning of the program year, thus freeing up funds earlier. When HUD announces final allocations, grant recipients can submit amended consolidated plans for approval. Although federal regulations require additional public comment on substantial amendments to the consolidated plan, some changes might not require comment; if changes are substantial, the extra effort to incorporate public comment might be worthwhile in order to gain earlier access to HOPWA funds.

When we discussed this idea with them, the department staff expressed concerns about submitting the consolidated plan earlier and including the RFP package with it. To submit the consolidated plan earlier, the city would have to begin work on it at a time when the city budget is being finalized. Although the department is concerned about adding to the already heavy workload required by the budget process, we believe that the department would have to address issues similar to HOPWA's, such as community needs and appropriate funding levels, for both the budget and the consolidated plan. Once the city's budget is finalized, work on the consolidated plan could be accelerated.

The department also expressed concerns about increasing the heavy workload during the review and public comment period of the consolidated plan. It believes that reviewing the proposed RFP package at the same time would be too burdensome, but we see the consolidated plan and the RFP package as complementary. The consolidated plan establishes broad categories of funding, and the RFP package identifies the specific program goals within the broad categories. When the mayor and the city council approve the consolidated plan, they would be able to review, modify, and approve the proposed RFP package.

Finally, the department is reluctant to submit the consolidated plan and RFP package simultaneously because, in doing so, it would appear to be anticipating or "prejudging" the decisions of the mayor and city council. However, the department could submit the RFP package contingent upon the mayor's and city

council's modification and approval just as it currently plans to submit the RFP package contingent on HUD's approval of the consolidated plan.

The Department's Recent Changes Can Streamline the Process and Speed Up Use of Available Funds

The department indicated it has made recent changes to streamline the contracting process and accelerate the spending of prior-year grant funds. First, it has expanded the use of multiyear contracts with providers to reduce the frequency of the RFP process. In some instances, the HOPWA program has been able to extend the contracts of some service providers until new contracts could be awarded through the RFP process to avoid a gap in services. Second, the department has made budgeting changes to shift grant funds, including unspent funds from prior years, from their original allocation to other program components where the funds could be used more quickly. We believe these changes should hasten the expenditure of program funds and delivery of assistance to persons with HIV/AIDS. In particular, using multiyear contracts relieves the department of going through the lengthy RFP process annually.

The Department Did Not Issue Regular Financial Reports to the Advisory Committee

The advisory committee can help identify certain problems, such as delays in contracting, if it receives the appropriate information.

Another cause for delays in spending HOPWA funds is the lack of consistent financial information provided to the HOPWA advisory committee. In its advisory role to the HOPWA program, the committee can help identify problems such as delays in contracting. However, the committee has not received regular, detailed financial reports that show the complete status of the HOPWA grant that would disclose such delays. Although the department furnished some information at the committee's request, the lack of regular financial reports leaves the committee with insufficient information to fully perform its advisory role. A regular, detailed report showing the level of programmed, committed, encumbered, and expended funds for each of the HOPWA program components is essential for planning and

giving meaningful advice to the department. For instance, such a report would have allowed the committee to see which program components used funds too slowly and which used funds rapidly. Committee members could then question whether HOPWA priorities or processes needed to be changed.

THE HOPWA PROGRAM DOES NOT MEASURE ITS SUCCESS AND THEREFORE CANNOT ADEQUATELY PLAN FOR THE FUTURE

The HOPWA program does not know whether service providers, and the program as a whole, always meet overall goals. As a result, HOPWA staff cannot readily assess the effectiveness of separately funded program components or individual service providers and the appropriate level of spending for each. Without this assessment, the program cannot plan effectively for the future to ensure that its funds are promptly used to provide the greatest benefit to persons with HIV/AIDS. In addition to an overall lack of staffing that the consultant identified, as noted in the Introduction, other factors contribute to the program's inability to know whether it has met its goals.

First, the HOPWA program does not have a method of tracking its overall goals, which it states in its consolidated plan, and comparing them to its accomplishments, which it lists in annual progress reports to HUD. When we attempted to compare the program's stated goals to its reported accomplishments, we found that not all the information in the consolidated plans and the annual progress reports could be compared because they contain different types of data. For example, the consolidated plans for program years 1996-97 and 1997-98 establish goals for broad categories of services, such as rental assistance, and define these goals in terms of the numbers of households served. The progress reports to HUD, on the other hand, measure accomplishments for more specific tasks, such as "persons in family units who received housing assistance" and describe accomplishments by the number of persons, not households, who were provided assistance. Using two distinct units of measurement and different categories of program goals makes comparing accomplishments to goals difficult.

HOPWA staff stated that they use broad categories in the consolidated plan so that if they need to make a change in the middle of the year within those categories, they do not have to resubmit the plan for HUD's approval, thus potentially saving

Without the ability to readily assess the effectiveness of each program component, HOPWA cannot effectively plan for the future.

time. Although we recognize the value of having the consolidated plan general enough to allow flexibility, the HOPWA program needs internal goals that are sufficiently specific to allow it to evaluate program effectiveness. Further, staff stated they have simply answered the specific questions HUD poses in the standard annual progress report. For program years 1997-98 and 1998-99, in response to HUD requirements, HOPWA staff replaced the annual progress report with a new format called the Consolidated Annual Performance and Evaluation Report. Unfortunately, while this new report matches the broad categories listed in the consolidated plan, it provides less specific task-oriented information than the previous report format did and therefore does not help solve the program's problem of not knowing whether it is meeting specific goals.

Similarly, the HOPWA program does not link the broad goals stated in the consolidated plan with more specific reporting of accomplishments required in contracts. For example, the consolidated plan for the 1998-99 program year has the goal of serving 1,630 persons in its supportive services program component without specifying how many should be served with various types of supportive services. A related contract for supportive services for that program year, however, set a specific goal of furnishing housing case management to 200 persons for only permanent housing.

Further, even though the city committed in the original consolidated plan to monitor project performance by reviewing monthly reports from service providers, the consultant reports that the HOPWA program does not receive regular, consistent performance reports from them. Although the consultant found that most HOPWA program components require monthly, quarterly, and annual reporting from service providers, he generally did not find any monthly or quarterly reports for any HOPWA program components with the exception of occasional information included with monthly cash requests. He found that reporting for one program component had a significant amount of incomplete data on the number of clients being provided with HOPWA services. Without consistent reporting from the service providers, HOPWA staff cannot complete meaningful reviews of their performance.

Without consistent reporting of accomplishments from the service providers, HOPWA staff cannot complete meaningful reviews of their performance.

The HOPWA program also does not take full advantage of federally required audit reports that it receives on the performance of service providers. In these reports, required of all service providers receiving federal funds over a certain dollar threshold,

independent auditors identify problems in the entity's administration of the funds. HOPWA staff are responsible for reviewing these reports, but they indicate that they only perform a cursory review, record when they receive a report, send out annual reminders in November, and send follow-up letters three months later. They have no system for tracking the reported problems and ensuring that service providers take corrective action. As a condition of receiving HOPWA funds, the city must track the submittal of the reports and determine whether the service providers are performing adequate corrective action on any reported problems.

Finally, the HOPWA program has not met its commitment stated in the program year 1997-98 consolidated plan to visit service provider sites to monitor their effectiveness. Site visits are essential to understand how well service providers are performing, but historically the HOPWA program has not had adequate staff to conduct such visits. HOPWA does monitor some service providers by having them report on their activities to the advisory committee; however, these reports cannot replace the value added by observing the effectiveness of a service provider's operation in person. When the city took over in program year 1993-94, it provided only one staff member to perform all except clerical tasks associated with HOPWA administration. Given the workload, which included helping develop RFPs and evaluating responses to the RFPs, monitoring contracts, drafting the grant application, and providing staff support for the advisory committee, this was clearly inadequate staffing. In program year 1994-95, and again in 1997-98, the HOPWA program received one additional staff member, bringing the total staff to three. In program year 1999-2000, the program received another two positions, boosting its staff to five. Although the consultant's work shows that the HOPWA program has adequate staff for its current workload, the list of work that HOPWA staff are expected to perform does not include site visits. Thus, current staff levels may not be adequate to allow an increase in the monitoring of service providers.

Current staff levels may not be adequate to allow an increase in the monitoring of service providers.

CERTAIN ACTIONS OF THE ADVISORY COMMITTEE RAISE QUESTIONS ABOUT THE APPEARANCE OF CONFLICTS OF INTEREST

The appearance of conflict of interest exists when members of the HOPWA advisory committee and its subcommittees may vote on matters in which they or their employers have a financial

interest. This perception has the potential to undermine public confidence in the fairness and propriety of committee decisions and may impair the HOPWA program's effectiveness. The appearance of conflict of interest arises in part from the makeup of the advisory committee and the nature of its recommendations, and the HOPWA program has not taken appropriate steps to eliminate the appearance of conflict of interest. Specifically, subcommittee voting practices, inadequate records of committee and subcommittee votes, and the program's failure to have original or updated conflict-of-interest statements on file for all committee members contribute to the appearance of conflict of interest. Internal correspondence indicates that the department has a concern over the appearance of conflict of interest.

The Makeup of the Advisory Committee and the Nature of Its Recommendations Contribute to the Appearance of Conflict of Interest

The HOPWA program's service providers occupy many of the 22 positions on its advisory committee. The possibility that these advisory committee members may vote on budgeting and funding recommendations while employed by service providers that may be competing for funds creates the appearance of a conflict of interest. Similarly, the city and county governmental entities may request or obtain HOPWA funds and have representatives on the committee. Thus, many members may have a conflict on funding or budget recommendations that the committee makes.

The advisory committee is an important part of the decision-making process.

The committee bylaws indicate that approximately one-third of the 22 members should be representatives of service providers. We noted that service providers can also employ at-large members. The committee bylaws also state that it is responsible for advising the city on the overall HOPWA program plan, program proposals, and budgets. Although the committee is advisory in nature, we believe its input is an important part of the decision-making process. According to committee bylaws, members are subject to state conflict-of-interest laws. Both the bylaws and state laws prohibit advisory committee members from voting on or participating in any deliberation on a matter for which they have a conflict of interest. Moreover, state laws require that a member refrain from voting on an issue in which he or she has a conflict of interest.

The HOPWA Program Does Not Take Appropriate Steps to Eliminate the Appearance of Conflict of Interest

The HOPWA program does not take necessary steps to ensure that those voting on committee or subcommittee matters abstain from voting when they have a conflict of interest. Subcommittee practices in particular raise concerns. To receive additional input from the general public, the subcommittees can be made up of both advisory committee members and nonmembers. These nonmembers may not only discuss funding issues but also vote on recommendations to the advisory committee. This means that a potential service provider could influence the subcommittee's recommendations by having its representatives present and voting for its interest at the meetings.

To determine whether the HOPWA program had all conflict-of-interest statements from all committee members, as required by committee bylaws, we examined program files and found that many statements were missing or outdated. Specifically, for members as of August 28, 1996, the department has statements for only 16 of 22 committee members and 8 of 21 alternate committee members. For members as of November 17, 1999, the department had statements for only 6 of 21 committee members and 1 of 15 alternate committee members. Further, the latest statement the department has is from August 8, 1996, indicating that statements have not been filed yearly. Only by requiring new committee members to submit statements when they first join the committee and requiring regular updates can the department ensure that it has documented knowledge of matters in which members may have a conflict of interest.

All four subcommittee votes we reviewed involved an appearance of conflict of interest.

To determine whether the advisory committee or subcommittee members voted on issues that could directly affect the entities employing them, we examined 10 advisory committee and 4 planning/funds reprogramming subcommittee meeting votes. Of the 10 committee votes, 7 involved appearance of conflicts of interest, and 3 votes did not. Of the 4 subcommittee votes, all involved the appearance of conflicts of interest. We could not identify actual instances of conflict of interest because HOPWA does not consistently record advisory committee and subcommittee votes or abstentions from voting. Therefore, we could not determine whether someone with a conflict of interest on a particular decision actually voted on the matter. We concluded that a vote had the appearance of a conflict of interest if the records indicate that the individual was present at a meeting,

but do not indicate whether an individual abstained from voting on a recommendation that could potentially benefit his or her employer.

For example, in a September 1998 meeting, the committee voted to accept a subcommittee recommendation to reallocate funds from a program component of an earlier year to the program year 1999-2000 development program component. The records indicate that an advisory committee member, employed by a service provider that later applied for the development component funds, was present at the meeting, but they do not indicate that this individual abstained from voting on the recommendation that could potentially benefit his or her employer. Thus, we found this vote to have the appearance of conflict of interest.

Internal city correspondence dated November 1998 and after indicates the department's concern over the appearance of conflict of interest in the advisory committee. In this correspondence an assistant city attorney addressed the department's concern that advisory committee members employed by agencies that are part of the HOPWA-funded delivery system participate in voting on recommendations in which they might have a conflict of interest. The attorney concluded that both advisory committee members and those who vote on subcommittee recommendations must abstain from voting on matters in which they have a conflict of interest. Despite the attorney's conclusion, the advisory committee continued to vote on funding and planning issues for several months after November 1998 without always documenting whether those with a conflict of interest abstained from voting. HOPWA staff have noted that the advisory committee has not voted on fiscal issues since March 1999. After August 1999, the advisory committee did not meet until March 2000 and did not vote on recommendations at this meeting. Therefore, the advisory committee has not been recently involved in decision making.

RECOMMENDATIONS

The department should consider and implement the consultant's recommendations as soon as possible. We have the following additional recommendations.

To expedite the planning and contracting process, the city and the HOPWA program should do the following:

- Consider working with HUD and completing the consolidated plan as early as federal law allows, using estimates of HUD allocations, to allow it to be presented to the mayor and city council for approval earlier, and to allow for an earlier start to the process of contracting with service providers. As final HUD allocations are known, the city could submit an amended consolidated plan.
- Package the RFPs from service providers to the mayor and city council for approval at the same time that it submits the consolidated plan.
- Furnish a regular, detailed financial report showing the level of programmed, committed, encumbered, and expended funds for each of the HOPWA program components to the advisory committee.

To ensure that it is able to meet its stated goals and plan efficiently, the HOPWA program should do the following:

- Track and compare its goals with its overall accomplishments and the accomplishments of service providers for each of the program components listed in its consolidated plan.
- Link the broad goals stated in the consolidated plan with the reporting of more specific accomplishments required in contracts so that it can evaluate service providers' performance.
- Regularly monitor the results and activities of its contracted service providers. Further, it should assign to specific staff members the responsibility of reviewing and following up on reported problems noted in federally required audit reports.
- Assess what additional monitoring procedures of service providers' activities are needed. These procedures should include site visits. The program should then perform a workload analysis to determine how many staff members it needs to complete these additional monitoring activities and request the additional staff from the city.

To eliminate the appearance of conflict of interest in the actions of the HOPWA program's advisory committee and its subcommittees, the city should limit voting on recommendations during subcommittee meetings to committee members. In addition, the HOPWA program should do the following:

- Ensure that all members of the advisory committee complete a conflict-of-interest statement when they first join the committee and annually thereafter. It should also use the information in the statements to prevent members from voting when a conflict of interest exists.
- Consistently record votes and abstentions from voting in the minutes and transcripts of the advisory committee and subcommittee meetings.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



MARY P. NOBLE
Acting State Auditor

Date: May 3, 2000

Staff: Lois Benson, CPA, Audit Principal
Phillip Burkholder, CPA
Kenneth Louie
Tommy Wong

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APPENDIX A

City of Los Angeles Housing Department, Housing Opportunities for Persons With AIDS (HOPWA) Program: Consultant's Recommendations

In the Executive Summary of his report, to be submitted to the Los Angeles city council in May 2000, the consultant provides 33 primary recommendations for the gap evaluation, effectiveness evaluation, and management assessment of the Housing Opportunities for Persons With AIDS (HOPWA) program. These recommendations are supported by additional and more specific recommendations in the consultant's report.

HOPWA PROGRAM GAP EVALUATION

The consultant believes that the HOPWA advisory committee is the proper forum for developing an HIV/AIDS housing and supportive services strategic plan. However, he recommends changes to its role:

1. Reconstitute and recharter the advisory committee before proceeding with strategic planning.
2. Provide the advisory committee four months to report to the mayor and city council with a strategic plan to address the unmet needs of people with HIV/AIDS. The advisory committee should focus on policy and financial issues related to the following:
 - a. HIV/AIDS continuum of care strategy
 - b. HIV/AIDS outreach strategy
 - c. HIV/AIDS case management strategy
 - d. HOPWA financial priorities and strategy

3. Have consultants facilitate the advisory committee meetings to ensure timely completion of the recommended strategic plan.
4. Have the Los Angeles Housing Department (department) and the advisory committee update the strategic plan every two or three years as more information becomes available.

HOPWA PROGRAM EFFECTIVENESS EVALUATION

Community Housing Information and Referral Program (CHIRP)

Purpose: Provides housing information and referral and roommate referral to (a) persons with HIV/AIDS and their families and (b) AIDS service organizations assisting their clients in accessing housing.

5. Devise a process and provide additional resources for electronic sharing of the CHIRP housing databases or lists with the four housing authorities, and vice versa.
6. Review the case management process recently implemented by Los Angeles County to ensure an effective linkage between CHIRP and case managers working with persons with HIV/AIDS.

Emergency Hotel/Motel/Meal Voucher Program

Purpose: Provides and distributes hotel/motel and meal vouchers for up to 30 days per year to persons with HIV/AIDS and their families who are faced with temporary or chronic homelessness due to an emergency crisis and who are deemed appropriate for the emergency shelter system.

7. Implement a pilot project to demonstrate the cost-effectiveness of using HOPWA resources to provide operating assistance to emergency shelters in addition to continuing to provide vouchers for emergency stays at hotels or motels.

Short-Term Rental Assistance Program

Purpose: Provides financial assistance on behalf of eligible persons with HIV/AIDS and their families for rent, mortgage payments, and/or utility bills in order to prevent homelessness.

8. Revise the program to replace the shallow grant with the catch-up grant that previously existed to avoid the growing

sense of entitlement and dependency on shallow grants as a form of long-term housing assistance. The catch-up grant, used for rent and utilities, is an alternative to the move-in grant, which is used for the security deposit, first and last month's rent, and utility switch-on. The shallow grant, also used for rent and utilities, can be received in addition to the move-in grant.

Tenant-Based Rental Assistance Program

Purpose: Provides long-term rental assistance and supportive services to very low-income eligible persons with HIV/AIDS and their families in order to prevent homelessness.

9. Require the four housing authorities, which contract with developers to set aside a certain number of units as affordable housing and to provide supportive services, to monitor and report renewals and turndowns of Section 8 Rental Assistance Program housing certificates/vouchers by county service planning area, so the department can use that information as a "leading indicator" of the availability of rental units for the Tenant-Based Rental Assistance Program. Section 8 is another federal program which provides housing assistance payments to participating owners on behalf of eligible tenants to provide housing for low-income families in private market rental units.
10. Require the four housing authorities to update identified information on a quarterly basis to the extent that data are available, so the department can monitor the Section 8 roll-over and the degree to which funds allocated by the city under the Tenant-Based Rental Assistance Program leverage Section 8 Rental Assistance Program funds.

Project-Based Rental Assistance Program/Housing Development

Purpose: Project-Based Rental Assistance creates long-term rental assistance and supportive services to very low-income eligible households with HIV/AIDS, and Housing Development develops permanent, affordable housing with supportive services to serve persons with HIV/AIDS and their families.

11. Establish a HOPWA policy that balances a preference for subsidized, nonproject-based housing with the cost-effectiveness and the "permanence" of project-based rental assistance or housing development.

12. Consider support of a “master leasing” approach (in which nonprofit housing developers acquire rental units at various locations and convert them to affordable housing) as another way for the city to disburse financial assistance to persons with HIV/AIDS more geographically.
13. Consider focusing future project-based rental assistance on nonlicensed, transitional housing for low-income persons with HIV/AIDS and their families.
14. Conduct an annual review of project-based rental assistance subsidies to determine if the department and the city need to reallocate any of the remaining funds or to extend the contract period for subsidies to existing projects.

Supportive Services Program

Purpose: Provides on-site and off-site supportive services to persons with HIV/AIDS and their families.

15. Require contracted agencies to provide missing client data needed for the cost-effectiveness analysis of HOPWA supportive services.
16. Modify upcoming requests for proposals (RFPs) to require contracted agencies to use the recommended spreadsheet for reporting cumulative budget and expenditure data on their respective supportive service programs on a quarterly basis.
17. If necessary, conduct an operational workout or other type of process-improvement effort to accomplish the following:
 - a. Improve contracted agency budgeting and invoicing processes.
 - b. Improve quarterly reporting of both activities and outcomes for the programs.

HOPWA PROGRAM MANAGEMENT ASSESSMENT

HOPWA Program Revenues and Expenditures

18. Use the recommended financial reporting structure to report HOPWA program allocations, expenditures, encumbrances, and commitments to the mayor and the city council on a quarterly basis.

19. Work closely with the federal Department of Housing and Urban Development (HUD) area office and headquarters staff to change department reporting of HOPWA program expenditures and encumbrances from reporting against the program year in which funding was granted by HUD to a cumulative, first-in first-out basis.

HOPWA Program Delivery and Administrative Costs

20. Capture the total costs of all HOPWA program components: program planning and delivery, agency administration, department direct administration, and department indirect administration.
21. Require a biennial review of HOPWA program costs as part of the process of updating the consolidated plan and preparing RFPs for HIV/AIDS housing and supportive services.

HOPWA Program Workload and Staffing

22. Divide up the HOPWA program agencies among the three contracting staff, so program staff will have more time to do the following:
 - a. Monitor their respective agencies on a monthly or quarterly basis.
 - b. Provide their respective agencies with technical assistance on an as-needed basis.
23. Provide HOPWA program staff with adequate office space, storage space, and computer hardware and software to carry out contract administration in an efficient manner.

HOPWA Program Organization

24. Transfer the Office of the Citywide AIDS Coordinator (currently the planning function from the Community Development Department) to the department on the grounds that it is less disruptive than the following choices:
 - a. To transfer the function from the department to the Office of the Citywide AIDS Coordinator.
 - b. To transfer both the Office of the Citywide AIDS Coordinator and the operations functions from the department to a third department.

25. Modify the upcoming RFPs to provide supportive services to encourage more widespread use of collaboratives and consortia to provide shelter-based case management and supportive services to persons with HIV/AIDS and their families.

HOPWA Program Planning and Governance Process

26. Reconstitute and recharter the advisory committee to assist the department in the following:
 - a. Assessing the needs for and availability of housing and supportive services for persons with HIV/AIDS.
 - b. Assessing housing-related problems of persons with HIV/AIDS.
 - c. Establishing goals, objectives, and priorities for the consolidated plan in general and the HOPWA program in particular.
 - d. Identifying areas and ways in which the HOPWA program can be coordinated with the Ryan White CARE Act program administered by the Office of AIDS Programs and Policy in the Los Angeles County Department of Health Services.

HOPWA Program Outreach and Intake Processes

27. Implement one to two pilot projects to develop new venues and techniques for outreach to underserved persons with HIV/AIDS.
28. Modify all upcoming HOPWA RFPs to require responding agencies to detail their proposed outreach processes (and outcomes) to get to the underserved and indigent populations who are homeless or do not have adequate access to health care.
29. Modify upcoming RFPs to require responding agencies to indicate how they will dovetail the delivery of supportive services with the county's HIV/AIDS case management services.
30. Identify "capacity-building" requirements of HOPWA contracted agencies in the areas of outreach, case management, and contract administration.

HOPWA Program Monitoring and Oversight Processes

31. Develop electronic templates for performance and financial reporting under each of the HOPWA program components.
32. Require—to the extent practical and financially feasible—contracted agencies to report their performance and financial data by some type of electronic data interchange (E-mail or dial-up networking capability).
33. Review the contracting process improvements being implemented by the Los Angeles Community Development Department to identify improvements that could be implemented in the HOPWA program.

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APPENDIX B

Status of HOPWA Grant Funding by Program Component, Cumulative From Fiscal Years 1993-94 to 1998-99

	Percent of the Grant	Amount	Component Amounts	Component Percents
HOPWA Grant Funding	100.0%	\$53,653,000		
Rental Assistance				
Programmed*	49.8	26,706,550		
Expended†			\$14,969,364	56.0%
Encumbered‡			3,074,624	11.5
Committed§			8,595,761	32.2
Uncommitted			66,801	0.3
Supportive Services				
Programmed*	25.6	13,723,665		
Expended†			8,424,080	61.4
Encumbered‡			4,663,283	34.0
Committed§			635,526	4.6
Uncommitted			776	0.0
Technical Assistance				
Programmed*	1.1	595,000		
Expended†			455,865	76.6
Encumbered‡			104,135	17.5
Committed§			0	0.0
Uncommitted			35,000	5.9
Development (Capital)				
Programmed*	12.3	6,569,571		
Expended†			3,302,098	50.3
Encumbered‡			737,873	11.2
Committed§			2,243,643	34.2
Uncommitted			285,957	4.3
Other Studies				
Programmed*	1.2	654,570		
Expended†			116,538	17.8
Encumbered‡			315,967	48.3
Committed§			222,065	33.9
Uncommitted			0	0.0
Administration				
Programmed*	9.1	4,903,563		
Expended†			4,077,024	83.1
Encumbered‡			196,359	4.0
Committed§			384,512	7.9
Uncommitted			245,668	5.0
All Program Components				
Programmed*	99.1	53,152,919		
Expended†			31,344,969	59.0
Encumbered‡			9,092,241	17.1
Committed§			12,081,507	22.7
Uncommitted			634,202	1.2
Program Surplus (Deficit)	0.9%	\$500,081		

* Allocated for expenditure over one or more years in the consolidated plans.

† Cumulative amounts expended from each fiscal year as of June 30, 1999.

‡ Unexpended funds set aside under contracts approved by the city.

§ Unexpended funds earmarked for specific program components under RFPs issued by the department and approved by the city.

|| All unexpended funds not encumbered or committed.

Note: The table is based on the consultant's compilation of accounting data, which compares the federal award with the department's funding allocations and data in accounting records from city fiscal years 1993-94 through 1998-99.

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Agency's comments provided as text only.

Los Angeles Housing Department
City of Los Angeles
111 N. Hope Street
Los Angeles, CA 90012

April 20, 2000

Mary P. Noble
Acting State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814

Response to Bureau of State Audits Report: Los Angeles Housing Opportunities for Persons with AIDS Program: Prompt Spending of Federal Funds and Program Monitoring Would Improve Services to Recipients

The Office of the Mayor received your draft report on the Housing for Persons With AIDS Program (HOPWA) on April 14, 2000. The Los Angeles Housing Department (LAHD) has been designated by the City to administer the grant, consequently your request for a response to the report has been referred to our Department. The department's response is attached. As you will note in our response, LAHD identified many of your findings through the City's internal review process and through the work of a consultant retained by the City to assess the HOPWA Program and the City's management of the program. We will consider your observations as we prioritize our implementation response to the recommendations of our consultant.

Thank you for the opportunity to respond to the issues presented in the audit. We appreciate the time and effort spent by your staff to understand the complexity of administering the HOPWA grant in a manner that responds to changing needs.

(Signed by: Garry W. Pinney by KS)

GARRY W. PINNEY
General Manager
Los Angeles Housing Department

RESPONSE TO BUREAU OF STATE AUDITS *Los Angeles Housing Opportunities for Persons with AIDS Program: Prompt Spending of Federal Funds and Program Monitoring Would Improve Services to Recipients*

The Auditor's report acknowledges the work of the City's consultant on the HOPWA Program, draws three further conclusions about the HOPWA Program and makes a series of recommendations. The Los Angeles Housing Department (LAHD) appreciates the opportunity to comment on the State Auditor's Report. Our response includes some brief observations on the summary findings and commentary on the recommendations.

OBSERVATIONS

Slow to Allocate and Spend Grant Funds

We appreciate the Auditor's recognition that some programs that respond to the needs of persons living with AIDS (PWA), such as programs for long term rental subsidies and housing development, are expended over multiple years. We agree that LAHD should be committed to contracting HOPWA funds in the year that they are received. LAHD also believes that expenditure alone cannot measure performance. The programming of HOPWA funds must respond to PWA needs.

Recognizing the importance of persons living with AIDS (PWA) and the dynamic nature of the disease, the City of Los Angeles has focused considerable attention on the program. In the fall of 1997, the City authorized a study of the changing needs of PWAs living in the County of Los Angeles to assure alignment of HOPWA programming policies with future PWA needs. In the Spring of 1998, the City Council initiated a review of HOPWA programming and expenditures while the needs study was being finalized.

In response to the City Council review and based upon the preliminary results of the needs study that was issued in July 1998, LAHD submitted an expenditure plan in October 1998 for the use of prior year unexpended HOPWA dollars. In the Spring of 1999, the City Controller conducted a survey of the HOPWA Program and offered the standard that HOPWA funds should be contracted in the year in which funds are received. LAHD has acknowledged this standard and has actively moved toward its achievement. During program year 1999-2000, the majority of the funds received that year were authorized for contracting in December 1999. Contract modifications to add money to the delivery system have been occurring since that time. For fiscal year 2000-01, LAHD anticipates obtaining authorization to have the majority of 2000-01 funds in contracts when HOPWA funds are released by the Department of Housing and Urban Development (HUD) in July 2000.

Lengthy Planning and Contracting Process

Historically the process of determining who to serve, when, where and with what program modality has been a lengthy process involving community partners, service providers and clients. The process has been complicated by the need to successfully match the program mix with a population whose demographics are changing. In the Spring of 1999, the City authorized LAHD to use a consultant to identify opportunities to streamline planning and contracting processes.

RECOMMENDATIONS

The Los Angeles Housing Department should consider and implement the consultant's recommendations as soon as possible .

The consultant recommendations include issues of policy, administration and process improvement. The report and its recommendations will be forwarded for considered by the City Council.

To expedite the planning and contracting process, the City and the HOPWA program should consider working with HUD and completing the Consolidated Plan as early as federal law allows and submit the package for the request for proposal to the Mayor and the City Council for approval at the same time it submits the Consolidated Plan.

The City's 1998-99 Consolidated Plan involved the programming of \$136 million in entitlement funds. HOPWA made up \$10.1 million of that amount, approximately 10 %. The time frame for completing a Consolidated Plan must encompass the review needs of each grant and its stakeholder populations. The City does work with HUD to complete the process as early as possible while still allowing for the multitude of interests that wish to participate in the process.

There is a deliberative process that surrounds the allocation of funds within the Consolidated Plan and one that occurs in the approval of Request for Proposals (RFP). Attempting to mix the two processes could significantly lengthen the decision making and public hearing processes surrounding Consolidated Plan approval and its submission to HUD.

LAHD is committed to issuing the RFP as soon as the City approves the allocation of HOPWA funds in the Consolidated Plan while awaiting HUD's final approval. This will allow service providers to begin the program within one or two months after the start of the program year. LAHD also proposes to continue to issue multi-year contracts as a way of eliminating the need to issue frequent RFP's. In years in which no competitive award is needed, authority to extend the existing contracts can be submitted with the Consolidated Plan for City Council approval.

To ensure that it is able to meet its stated goals and plan efficiently, the HOPWA program should track and compare its goals with its overall accomplishments and accomplishments of the service providers for each of its program components. It should also create a link between the broad goals stated in the Consolidated Plan to the reporting of more specific accomplishments required in contacts so that it can evaluate service providers' performance. [It should] assess what additional staff it needs to perform this monitoring.

Track Goals and Overall Accomplishments

LAHD has and does track provider accomplishments using a variety of methods. Historically, the issues with contractor monthly reports have been the ease of accessing information, the uniformity and compatibility of information across program components and the availability of staff to assure timely contractor compliance with reporting requirements. LAHD believes the recommendations of its consultant on reporting process improvements will strengthen existing reporting. Also, as the Auditor's Report points out, the HOPWA Program has had an increase in staff. This increase in capacity has made it possible to assign the reporting function to a specific person who will in turn provide greater control.

*California State Auditor's comments appear on page 43 .

Assess what additional monitoring of service providers is needed

The HOPWA Program restricts the amount of the grant that can be used for City administration to 3% of the total grant amount. Limited funds discourages development of a staff intensive monitoring framework. LAHD anticipates the monitoring function will occur through a combination of LAHD staff oversight, periodic fiscal reviews by an auditor and contracted program evaluations as the three year contract cycle nears conclusion.

LAHD recognizes the importance of a systematic approach to the review of single audits. LAHD has requested approval to hire a Senior Auditor. One of the functions of the position will be to review annual audit reports of sub-recipients as required by the Single Audit Act. The HOPWA staff would continue to be used to assure that all contractors subject to the Single Audit Act submit annual independent audits.

To eliminate the appearance of conflict of interest, the City should exclude the general public from voting on recommendations before the subcommittee of the HOPWA program's advisory committee. In addition, the HOPWA program should do the following: Ensure that all members of the advisory committee complete a conflict-of-interest statement annually and use the information in that statement to prevent members from voting when a potential conflict of interest exist. Consistently record votes and abstentions from voting in all meeting minutes and transcripts.

The HOPWA advisory body has performed a critical role in providing a forum for community input into the operations of the HOPWA program. In contracting with the consultant, the City specifically requested that the HOPWA advisory body be reviewed. With the approval of the Mayor and City Council, LAHD intends to take the steps necessary to strengthen the perception of fairness in the advisory body's operations so it can more fully function in its planning and program oversight role.

COMMENTS

California State Auditor's Comments on the Response From the Los Angeles Housing Department

To provide clarity and perspective, we are commenting on the Los Angeles Housing Department's (department) response to our audit report. The number corresponds to the number we placed in the department's response.

- ① On page 22 we noted that the department does monitor some of its service providers through its monthly advisory committee meetings. However, as we noted on page 21, the department's consultant reported that he did not find many of the monthly or quarterly reports for the Los Angeles Housing Opportunities for Persons With AIDS program components during his review.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
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