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**Report of Investigation and Review**

**FILE NO:** 19-0005-I

**DATE:** October 23, 2019

**SUBJECT:** HopeWorks: Better Way Program

**STATUS:** Final

**INVESTIGATOR:** Peter Pacheco

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## Executive Summary

The Office of Inspector General (OIG) for the City of Albuquerque (City), NM received a complaint regarding “There’s a Better Way” (Better Way) program, which is run by HopeWorks and funded by the City. HopeWorks is a nonprofit organization that provides services to people experiencing (or at risk of) homelessness in Albuquerque.

The Better Way program is funded through the City’s Department of Family and Community Services (FCS) and the City’s Department of Solid Waste (SWD). The Better Way program offers panhandlers and homeless individuals a job for the day.

Two vans, provided by HopeWorks pick up and transport individuals to either the job site with the City for street clean-up or to the City’s landfill. The capacity is 10 workers per van. On Tuesdays and Thursdays, the Better Way program has two fixed locations where only new workers to the program are supposed to be picked up. On Mondays, Wednesdays, and Fridays the drivers pick up clients at locations of their choosing.

The job sites are under the supervision of the SWD and the workers picked up do the work and earn a day’s pay. At the end of the workday, the workers receive \$50 cash from HopeWorks that comes from the budget of SWD.

The complainant had the following concerns:

- Mismanagement, the home office does not know what drivers are doing. What happens when a driver calls in sick?
- Pick-ups do not seem structured. Seems like the drivers can choose where and who they will pick up.
- Is the van driver picking up the 10 people that the van can hold? During his first time, the driver only picked up nine people. Did someone get the tenth person’s \$50?
- At the end of the day you go back to the home office, sign your name on a piece of paper and collect \$50 cash. Could be easy to fake people working.

The OIG opened the investigation and review to determine if City funds were being used properly and to review how the Better Way program worked in relation to picking up workers.

The OIG’s position is that the HopeWorks, “There’s a Better Way” program funded by the City was not following their own rules and the Scope of Services in the City’s contract with HopeWorks (Exhibit A: B, 1) which states that 70 percent of individuals contacted could not be duplicated. The OIG’s position is that the program was not getting utilized to its full potential.

According to HopeWorks management, Tuesdays and Thursdays were days when HopeWorks van drivers were supposed to pick up only new clients at two fixed locations for the Better Way program. After doing a sample analysis of approximately three months, the OIG determined that both drivers were not following the rules of only picking up new clients.

- D1 picked up recurring clients (37 individuals) 190 out of the 242 reported clients listed on the work logs for Tuesdays and Thursdays.

- D2 picked up recurring clients (35 individuals) 134 out of the 256 reported clients listed on the work logs for Tuesdays and Thursdays.

The OIG also did a sample analysis of approximately three months on how many clients were picked up Monday through Friday and how many were recurring clients.

- D1 picked up 137 clients, 19 of them accounted for 305 out of the 551 listed on the work logs. 19 of the employees accounted for 55 percent of the clients listed on the work logs.
- D2 picked up 213 clients, 12 of them accounted for 197 out of the 571 listed the work logs. 12 of the employees accounted for 35 percent of the clients listed on the work logs.

Besides the two fixed locations on Tuesdays and Thursdays, the van drivers were able to go to locations of their choosing to pick up clients for work. When the drivers called in sick or didn't report to work, there would be no service for that day.

The OIG did review a sample of the work logs from HopeWorks and SWD and could not find any irregularities. The daily client numbers matched. The OIG did not find any evidence of ghost clients.

As of the end of September 2019, "There's a Better Way" program has ended due to HopeWorks no longer wanting to be the provider for the contract.

It is the recommendation of the OIG that if the City decides to continue with the program, that the new provider of the contract implement policies on segregation of duties, check and balances, to lower the risk of potential fraud that could occur and to ensure the goals and objectives of the program are met.

## **Introduction:**

The mission of the Office of Inspector General (OIG) is to promote a culture of integrity, accountability, and transparency throughout the City of Albuquerque (City) in order to safeguard and preserve the public trust. The OIG received a complaint regarding “There’s a Better Way” (Better Way) program, which is run by HopeWorks and funded by the City. HopeWorks is a nonprofit organization that provides services to people experiencing (or at risk of) homelessness in Albuquerque.

The complainant began by saying that he is a person “working his way up”. He is homeless, but now has a job and a place to stay. The complainant said it was his day off and he wanted to work for the Better Way program. He stated that he had used the Better Way program once before and was very appreciative of receiving the \$50. He stated that the first timers to the program are picked up at Lowe’s and after that the pick-up locations vary, which is a problem, you don’t know where to go. The complainant stated that earlier in the day, he was told to walk between 3<sup>rd</sup> and 5<sup>th</sup> streets and he would get picked up. He stated that the driver never came and so he went to HopeWorks to ask. The person at the front desk told him that the driver had called in sick today and that he could talk to a HopeWorks coordinator, but he was in a meeting. The complainant stated he did not wait to talk to the person. The complainant stated that he has talked with other people who have given up trying to work for the program. People are trying to find the drivers to do work and cannot find them.

The OIG opened the investigation and review to determine if City funds were being used properly and to review how the Better Way program worked in relation to picking up workers.

During the investigation, the OIG learned that HopeWorks would no longer be running the Better Way program, effective the end of September, 2019.

## **Scope:**

According to the City’s website, the Better Way program is funded through the City’s Department of Family and Community Services (FCS) and the City’s Department of Solid Waste (SWD). The Better Way program offers panhandlers and homeless individuals a job for the day. Two vans, provided by HopeWorks, pick up and transport individuals to either job site with the City for street clean-up or to the City’s landfill. The capacity is 10 workers per van. The job sites are under the supervision of the SWD and the workers picked up, do the work and earn a day’s pay. At the end of the workday, the workers receive \$50 cash from HopeWorks that comes from the budget of SWD.

According to FSC, since the conception of the Better Way program (Fiscal Year 2016) FCS has paid \$433,789 and according to SWD, approximately \$765,687 has been paid.

The complainant had the following concerns:

- Mismanagement, the home office does not know what drivers are doing. What happens when a driver calls in sick?
- Pick-ups do not seem structured. Seems like the drivers can choose where and who they will pick up.

- Is the van driver picking up the 10 people that the van can hold? During his first time, the driver only picked up nine people. Did someone get the tenth person's \$50?
- At the end of the day you go back to the home office, sign your name on a piece of paper and collect \$50 cash. Could be easy to fake people working.

In later communications, the complainant stated that a woman had mentioned her and her friend would do "favors" to get picked. The complainant did not give names or dates in fear of possible retaliation. Due to lack of information the OIG could not corroborate the allegation. This information was also given to HopeWorks.

The scope of this investigation focused on the allegations asserted by the complainant. The methodology consisted of reviewing relevant documents and interviewing City and HopeWorks personnel who could provide information regarding the allegations.

The following activities were conducted as part of the investigative process:

- Interviews of City personnel
- Interviews of pertinent HopeWorks employees
- Review of pertinent documents
- Review of the City's contact with HopeWorks pertaining to "There's a Better Way" program
- Review HopeWorks and City websites
- Communication with pertinent City departments

The OIG did not review the entire scope of the contract.

### **Investigation and Interviews:**

#### Interview with Family and Community Services:

The Office of Inspector General met with FCS Director, Carol Pierce and FCS Homeless Programs & Initiatives Manager, Heidi Shultz to discuss the Better Way program which is run by HopeWorks (Formerly St. Martins).

Peirce and Shultz stated the following:

The Better Way Program is a voluntary program that began in 2015. The program was introduced by City Councilor, Isaac Benton and then Mayor, Richard Berry. The City wanted to address the panhandling issue around the City and looked at picking up panhandlers at busy intersections and putting them to work.

St. Martins (HopeWorks) was awarded the contract. There is also a partnership between the City's SWD and FCS.

SWD through the Clean Cities Division pays the following with enterprise funds:

- Wages
- Tools and equipment needed ex: porta toilets, gloves, etc.

FCS pays the following with the general fund:

- Van driver (Supervisor)
- Van maintenance
- Sack lunches, sun screen

HopeWorks covers the liability insurance.

Workers are paid \$10 an hour and work between five to five and a half hours per day. The workers are paid cash at the end of the work shift from the HopeWorks petty cash fund. Workers must fill out a federal 1099 Form in order to participate in the program and have a form of ID.

The program has two drivers and two vans that run Monday through Friday. Each van can hold the driver plus 11 workers, but usually stops at 10 workers per van, per day. The workers are picked up at different intersections throughout the City and on Tuesdays and Thursdays are picked up at Batton Park and the Lowe's store on 12th Street. After pick-up, the drivers take the workers to a solid waste location and supervises their work. At the end of the work day, usually about 1pm, the drivers take the workers back to HopeWorks administration office where they will be paid.

Besides the Tuesday and Thursday pick up locations, the driver will usually go to intersections where most of the panhandlers are. There is not a set route. The drivers also have the knowledge about who to pick up. Example given: they will not pick up someone who is intoxicated.

When asked about the petty cash fund, Shultz believed that only one employee signs off on the petty cash. When asked about dual verification or segregation of duties regarding the funds, Shultz was not sure, but would check on that. Shultz was also going to check on whether or not a camera was installed where the workers were paid. Pierce and Shultz were going to work on the questions the OIG had and get back to the OIG.

The following information was provided by Director, Carol Pierce regarding the questions asked in the interview.

#### Better Way Summary

- Better Way laborers are paid through petty cash.
- HopeWorks drivers obtain a Form W-9 from the laborers when they are picked up. This is to ensure the agency issues IRS Form 1099 for applicable laborers who earn more than \$600 for the calendar year.
- The laborers are required to sign for their payment at the HopeWorks Hope Center (Administration Office) located on 2<sup>nd</sup> street and Mountain.
- Cash disbursements are issued one client at a time in the presence of the Office Manager and Better Way van driver.
- Petty cash is kept in a lockbox and inside a safe in a separate secured area when not needed.
- The Administration office is secured by a passcode locked door and plexiglass window.
- Requests to replenish petty cash require supporting documentation (signed laborer form).

- Requests are reviewed in the agency's electronic invoicing system by the Assistant Executive Director, Executive Director if more than \$1000, CFO and Senior Accountant.
- The number of laborers for the day is noted on the signed form.
- The signed laborer forms are reviewed for unique laborers' signatures.
- The payments are reconciled to the general ledger.
- At the end of each month, HopeWorks invoices the City's SWD and provides the signed forms as support, which notes the amount and number of laborers paid.
- Checks are issued to Petty Cash in the name of the Office Manager who administers the program. (The OIG wanted to note that there was no segregation of duties and there was a potential for fraud)
- At the end of the calendar year, the payments are reviewed and reconciled for applicable laborers who earn more than \$600 for the calendar year and Forms 1099 are issued to those laborers.

Interview with HopeWorks Associate Executive Director:

OIG investigators went to the HopeWorks Administration Office and interviewed Associate Executive Director, Vicky Palmer. Ms. Palmer provided the following information:

Palmer was asked to describe the Better Way Program and stated that at the beginning of the day the HopeWorks van would load up with food for 10 clients, a snack and lunch. Originally the program was intended to have some impact on panhandlers. They would start and drive around and look for anyone who was actively panhandling and would ask if they would like to work for the day. The person who originally started this was a security guard, so he had a good ability to judge if someone was inebriated, hungover, or not physically able to do a hard day's work. He would pick up 10 people and then go to a sight identified by SWD. They would pull weeds, haul trash, it was hard labor. The Better Way program started out at six hours and then changed to five hours. As clients were loaded on the van, the driver would get demographics, ethnicity, whether the person was homeless, name, social security number (sometimes the people were not totally honest, they would take what they gave them). The person would get on the van and go to work. At the end of the day they would be brought to the HopeWorks Administration Office and would be paid in cash. They would fill out a Form W-9 so that if they ever made \$600, then they would be given the Form 1099 and they would let the clients know that they had to report it, but it was up to them.

HopeWorks goal, besides giving them work, was to connect them to other services, because that was HopeWorks mission. They wanted to connect people in need to housing, behavioral health services, shelter, a shower, or mail service. Their mission was to connect them to anything they may need. When the program first started, the program managers would bombard the workers at the end of their work day with the services they offered. The program was changed so that program managers would go to the workers location during their lunch break. The different program managers would take weekly turns going out to discuss the particular program they managed and the services offered.

A second van was added which went to the landfill. Palmer stated that they strayed from the original purpose of picking up panhandlers. Now they were picking up people at six in the morning.

The City wanted to make sure that the Better Way program wasn't picking up recurring workers. There were two fixed pick-up sites, one for the landfill area and one for the streets program. Unfortunately, it got to the point where there would be 30 to 50 people waiting for 10 spots. The driver would have to choose who he thought would work hard that day. That became an issue and they would get complaints. They did that for four years.

The OIG stated that it was our understanding that Tuesdays and Thursdays were for new clients. Palmer stated that is when the drivers went to the fixed sites. Drivers had to make sure they had their list of clients and knew not to choose repeat workers. The OIG asked, "if clients were on the list, would the drivers pick the other people who were not on it?" Palmer stated that was correct.

The OIG asked if the Better Way program was ending. Palmer stated yes, they lost the driver for the landfill and five days later the original Better Way driver that started with the program gave his two weeks' notice. He decided to move out of state. They had been looking for a back-up driver for well over two months prior, but never received an appropriate resume.

Palmer stated they knew that the Better Way program had strayed far from its mission. It was not affecting panhandling anymore, the word had gotten out to be here on this day, it became more of revolving door, which was fine, 10 people per van got to work. The clients were not getting the services that were HopeWorks mission. The first year, they housed 20 people and to date they have housed 26. In the three and half years since the program started, only 6 more clients have gotten housed. There was a disconnect in people actually accessing their services, which was important.

The OIG asked if Palmer had ever received complaints that the drivers were picking the same clients over and over. Palmer stated yes, the first driver, Driver 2 (D2) who left, was let go due to those complaints, absences and internal policies. They investigated and got as much information as they could. Palmer stated that it was not right, you are not giving someone else who needs the work a chance. She stated, "That was completely against what our intentions were."

The question was asked if Driver 1 (D1) was picking up the same clients over and over. Palmer stated she did get complaints about D1, but never had any proof. When she was first in charge, she would get complaints and actually drive behind D1 to make sure he was picking up clients randomly, not D1 saying meet me around corner. As the Better Way program continued and people complained, they did their best to investigate by asking other people that were riding, by looking at lists of people and seeing how many names had been duplicated and how many times. They had gotten it down to saying, this person has worked twice this week, you can't pick him up for another month. Then they got it down to only once a week and couples couldn't ride together. There were certain things that happened that created those internal decisions.

The drivers would come in at the end of the day and submit their list of who worked. The employment director would be able to pull the list. Palmer gave an example of a person being picked up 7 times and stated we can't do that anymore; the client has to take a break so that someone else would have a chance. She stated she thought they did a pretty good job of observing what was happening.

The OIG stated that D1's work logs were reviewed and that on Tuesdays and Thursdays, D1 picked up one client 16 times during the period reviewed and that there were service clients who were duplicates. Palmer stated that was interesting, she stated that when they would get complaints they would investigate them. She stated that clients won't say anything about anyone else in fear of not getting picked up. With D2, they did follow him. Toward the end they found out that he had picked up a couple 3 days in a row.

The OIG asked about the other accusation regarding "favors" being given to a driver/s. Palmer stated they looked into that and couldn't find anyone who would say anything. Internal policies were changed to "don't ever have a woman in the vehicle with you." If you pick up a female, she is working out there with everyone else. The employment director would go out to the landfill to make sure there was no one sitting in the van. The driver of the van should also be out there working. Part of their job is to be a mentor.

The OIG asked if it would be possible to falsify a worker. Palmer stated, no because the drivers would list the people coming in and separately the office manager and finance director would pass out the money and verify the client count.

HopeWorks had a database where the van drivers would enter who worked for the day. It was easy to scroll through to see who worked multiple times.

Palmer stated that it was up to their drivers to have integrity. The Better Way program was not meant to be a client's day job. It was meant to be once in a couple of weeks you get work, HopeWorks could then connect the clients to services, get them housing and other services needed.

Palmer stated that they started to suspect that clients wanted to get on the van so bad because they got paid in cash and probably didn't want to report it, maybe for child support reasons or Supplemental Security Income (SSI). HopeWorks started scrutinizing in the last several months.

#### HopeWorks, Employment Director:

The following information is from the Employment Director at HopeWorks regarding Tuesday and Thursday Better Way van pick-up.

"Tuesdays and Thursdays are the only days that both of my drivers have set pick up spots. I have a van that goes by Bataan Memorial Park both Tuesdays and Thursdays. This is the park that is right next to the Walgreens on Lomas and Carlisle. The other set spot on Tuesdays and Thursdays is by the Lowe's Home Center parking lot between 12<sup>th</sup> St. and Indian School. However, keep in mind that these 2 sites are for new workers only. If you have ever been on the van before, then these spots are not applicable."

#### Driver 1 (D1) Data Analysis Information:

The OIG reviewed Tuesday and Thursday (new workers only) daily work orders for D1 from April 2, 2019 through July 9, 2019 (25 worked days). The review found 52 people were not recurring workers and utilized the program correctly working 1 day. The OIG also found that 37

individuals were recurring workers. The days worked by the recurring workers ranged from 2 days to 16 days. The 37 individuals took a total of 190 spots on days meant for new workers.

The OIG also reviewed the daily work orders from April 1, 2019 through July 10, 2019 (59 work days) to determine the total number of workers during the time period. There were 137 participants during this time period. Of the 137 participants, 19 of them accounted for 305 of the 551 logged participants working during that time period. The days worked by each of the 19 individuals ranged from 10 to 24 days.

#### Driver 2 (D2) Data Analysis Information:

The OIG reviewed Tuesday and Thursday (new workers only) daily work orders for D2 from April 2, 2019 through June 27, 2019 (26 worked days). The review found 122 people were not recurring workers and utilized the program correctly working 1 day. The OIG also found that 35 individuals were recurring workers. The days worked by the recurring workers ranged from 2 days to 11 days. The 35 individuals took a total of 134 spots out of the 256 recorded days meant for new workers.

The OIG also reviewed the daily work orders from April 2, 2019 through June 28, 2019 (58 work days) to determine the total number of workers during the time period. There were 213 participants during this time period. Of the 213 participants, 12 of them accounted for 197 of the 571 logged work participants during the time period. The days worked by the 12 individuals ranged from 10 to 24 days.

#### **Conclusion:**

The OIG's position is that the HopeWorks, "There's a Better Way" program funded by the City was not following their own rules and the Scope of Services in the City's contract with HopeWorks (Exhibit A: B, 1). The OIG's position is that the program was not getting utilized to its full potential.

The Associate Executive Director and Employment Director for HopeWorks stated the following:

- For Tuesdays and Thursdays, van drivers had to make sure they had their list of clients and knew not to choose repeat workers.
- For Tuesdays and Thursdays, the two fixed sites were for new workers only. If a person had ever been on the van before, then these spots are not applicable.

The City's contract with HopeWorks, Scope of Services, states that 70 percent of individuals contacted could not be duplicated.

Tuesdays and Thursdays were days when HopeWorks van drivers were supposed to pick up new clients at two fixed locations for the Better Way program. After doing a sample analysis of approximately three months, the OIG determined that both drivers were not following the rules of only picking up new clients.

- D1 picked up recurring clients (37 individuals) 190 out of the 242 reported clients listed on the work logs for Tuesdays and Thursdays.

- D2 picked up recurring clients (35 individuals) 134 out of the 256 reported clients listed on the work logs for Tuesdays and Thursdays.

The OIG also did a sample analysis of approximately three months on how many clients were picked up Monday through Friday and how many were recurring clients.

- D1 picked up 137 clients, 19 of them accounted for 305 out of the 551 listed on the work logs. 19 of the employees accounted for 55 percent of the clients listed on the work logs.
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It appears that besides the two fixed locations on Tuesdays and Thursdays, the van drivers were able to go to locations of their choosing to pick up clients for work. When the drivers called in sick or didn't report to work, there would be no service for that day.

The OIG did review a sample of the work logs from HopeWorks and SWD and could not find any irregularities. The daily client numbers matched. The OIG did not find any evidence of ghost clients.

As of the end of September 2019, "There's a Better Way" program has ended due to HopeWorks no longer wanting to be the provider for the contract.

It is the recommendation of the OIG that if the City decides to continue with the program, that the new provider of the contract implement policies on segregation of duties, check and balances, to lower the risk of potential fraud that could occur and to ensure the goals and objectives of the program are met.