



April 28, 2021

Contract Audit

Heading Home Contract Audit

Department of Family and Community Services

Report No. 21-104



HEADING HOME

City of Albuquerque - Office of Internal Audit

Heading Home Contract Audit

Contract Audit

April 28, 2021

Audit #21-104

The Office of Internal Audit (OIA) performed contract compliance audits of Heading Home's compliance with its *Westside Emergency Housing Center (WEHC) Fiscal Year 2020 (including three supplements), WEHC Fiscal Year 2021 and the WEHC Wellness Hotel Initiative/CARES Fiscal Year 2021* contracts with the Department of Family and Community Services (DFCS).

The audit period addressed fiscal years 2020 through the second quarter of 2021. The audit objective was to determine whether Heading Home adhered to contract terms and conditions. Specifically, OIA assessed whether:

- Heading Home complied with contract key provisions.
- Heading Home accurately charged the DFCS for goods and services and whether department properly paid the amounts due.
- The department's monitoring procedures and internal controls over the administration of the Heading Home contracts are adequate.

Executive Summary

The audit found that Heading Home generally complied with key contract provisions; however, contracts were not properly executed by DFCS resulting in net underfunding of \$4,485 across all three contracts and an overextension of funding on one contract totaling \$14,440. Specifically, contracts were certified without verification of the vendor's self-reported operational costs; contracts were certified without verification of the mathematical accuracy of the fee for service calculation; and contracts were certified without accounting for the entire service period required to be contracted.

Further, billing errors resulted in overpayments made by the City. In a sample of 43 payments tested from a total of 43 total payments remitted across three contracts during the audit period, OIA identified two instances where duplicate invoices were billed to DFCS, resulting in overpayments totaling \$65,418. Additionally, while the contracts provide for ten full-time Security Personnel at an annual cost of \$230,464, the audit found that the Albuquerque Police Department and Albuquerque Fire Department responded to 710 calls at the WEHC over the course of 10-month period, suggesting a possible overreliance on first responders for issues that could possibly be handled by on-site security personnel.

DFCS agrees with the findings and recommendations made. The response of the department is attached as an appendix. OIA will work with the department to follow up on the status of the open recommendations made in this report.

Recommendations

• • •

DFCS should:

- Implement and document procedures requiring vendor's self-reported operational costs, fee for service calculations and contract service period to be reviewed prior to contract approval.
- Seek reimbursement from Heading Home for the overpayment totaling \$65,418.
- Adhere to existing policies and procedures to validate future billings against the requested service dates and that mathematical errors and proper allocation of project funding are addressed prior to payment.
- Work with both Heading Home, APD and AFD to examine whether potential improvements can be made surrounding policy improvements and the utilization of first responders for non-violent situations.
- Work with Heading Home to examine whether potential improvements can be made surrounding client access to on-site supportive services.



City of Albuquerque

Office of Internal Audit

April 28, 2021

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Heading Home Contract Audit
 Department of Family and Community Services
 Audit No. 21-104

INTRODUCTION

The Office of Internal Audit (OIA) conducted contract compliance audits of the City of Albuquerque's (City) contracts with Heading Home. Heading Home is a local non-profit organization that provides emergency housing, permanent supportive housing services and prioritized street outreach to persons without housing. OIA examined the Department of Family and Community Service's (DFCS) *Westside Emergency Housing Center (WEHC) General Fund (GF) and three additional supplements for fiscal year 2020; the Westside Emergency Housing Center/WEHC GF for fiscal year 2021 and the Wellness Hotel Initiative/ Coronavirus Aid, Relief, and Economic Security (Coronavirus Aid, Relief, and Economic Security Act) for fiscal year 2021* contracts. The scope of the audit included payments made under the three contracts during fiscal years 2020 through the second quarter of 2021. The audit is included in OIA's work plan for fiscal year 2021.

The audit objective was to determine whether Heading Home adhered to contracts' terms and conditions. Specifically, the audit assessed whether:

- Heading Home complied with contract key provisions.
- Heading Home accurately charged the DFCS for goods and services and whether the department properly paid the amounts to Heading Home.
- The department's monitoring procedures and internal controls over the administration of the Heading Home contracts are adequate.

Information pertaining to the audit objectives, scope and methodology can be found in Appendix A.

BACKGROUND

The mission of the City's Department of Family and Community Services (DFCS), is to provide quality health and social services, housing, recreation and education to better improve the quality of life for all residents. As part of this initiative, DFCS works with partners in the community on homelessness initiatives that include both outreach and prevention as well as shelter and housing support services.

One such program that further supports emergency housing and long-term stability for the unhoused population is the Westside Emergency Housing Center (WEHC), operated by Heading Home. Heading Home is a local non-profit organization that provides resources, education and advocacy for persons experiencing homelessness. Heading Home partnered with the City in February 2011 in an effort to help identify and reduce the number of unhoused individuals and medically vulnerable residents within the City limits.

In fiscal years 2020 and 2021, DFCS and Heading Home entered into three concurrent contracts, each with the goal of increasing housing stability by providing overnight emergency shelter services. The *Westside Emergency Housing Center-GF* contracts provide for the general operating costs incurred by Heading Home's administration of the shelter. The *Wellness Hotel Initiative/CARES* contract specifically provides Heading Home with additional funding to operate the WEHC as a daytime shelter, while also working with the

City to transition local hotels into Wellness Hotels to allow individuals deemed as high risk for COVID-19¹ complications to safely self-isolate and also provide families normally housed at the WEHC a safe place to shelter together during the pandemic. According to DFCS, prior to March 2019 the WEHC operated solely as a winter shelter. Beginning March 2019, services were expanded to be provided year-round, 24-hours a day on weekends, and overnight on weekdays. However, in response to the COVID-19 pandemic, the shelter has begun providing 24-hour service, seven days a week with staff on-site at all times.

The table below details key contract terms, including the negotiated fee reimbursement schedule that was in effect at the time of the audit review.

Project Title:		
Westside Emergency Housing Center-GF Fiscal Year 2020	Westside Emergency Housing Center-GF Fiscal Year 2021	Wellness Hotel Initiative/ CARES- Fiscal Year 2021
Contract Number		
201901316	202100011	202100129
Contract Terms:		
07/01/2019 to 06/30/2020	07/01/2020 to 06/30/2021	07/01/2020 to 12/31/2020
<i>Not to Exceed:</i>		
\$3,859,762.78 ²	\$2,727,449.16	\$1,341,990.98

¹ The Centers for Disease Control sites diabetes, chronic lung diseases and heart conditions among the factors that increase risk of severe illness.

² The original negotiated contract amount was \$2,627,826. Three supplemental agreements were later added, two of which increased the contract funding.

Amounts Expended as of December 31, 2020:		
\$3,132,328.60	\$921,638.19	\$327,085.73
Negotiated Fee Reimbursement Schedule ³ :		
\$50,535.12 per week for 52 weeks for 7 dorms	\$52,450.95 per week for 52 weeks for 9 dorms	Wellness Hotels- Billed Monthly as Cost Reimbursement WEHC Daily Cost- \$1,818.73 for 132 days and Blue Dorm (COVID-19 Dorm) Daily Cost -\$1,812.45
Terms of Service:		
Provide overnight shelter Monday through Friday and 24-hour shelter services on Saturdays, Sundays and 36 additional days as requested by the City ⁴	Provide overnight shelter Monday through Friday and 24-hour shelter services on Saturdays, Sundays and 36 additional days as requested by the City while also providing additional cleaning and at the WEHC as required in response to COVID-19	Provide continuous shelter services, allowing residents to remain at the shelter during the day, while also providing additional cleaning and operational responses at the WEHC as required in response to COVID-19

The WEHC houses an average of 340 individuals per night, with an average 100 residents choosing to remain at the shelter during the daytime hours. The WEHC is located twenty

³ The negotiated fee schedule is calculated based on the total staff costs and the Westside Emergency Housing Center's total operating costs as provided in supporting documents. The fee negotiation for the CARES Initiative contract includes the additional Hazard Pay provided to Heading Home staff working in high COVID-19 risk areas.

⁴ Due to the COVID-19 pandemic, the terms of service were amended effective March 15, 2020 to operate the shelter on a year-round 24-hour service, schedule.

miles from City's center, in what was once the Westside Jail. Given the shelter's remote location in the City's western limits, transportation services are necessary to accommodate shelter residents. DFCS has partnered with both Heading Home and Herrera School Buses and Coaches Inc (Herrera) to assist in this endeavor. Herrera provides bus transportation services for WEHC residents twice daily, with pick-up and drop-off locations throughout the City. Heading Home also provides additional van transportation services on an as needed basis; including in cases of client referral pick-up and emergency transportation services.

In addition to transportation services, Heading Home provides access to additional support services such as housing placement, case management⁵, medical services⁶, meal services, mental health services and substance abuse services. These services are provided on site through ongoing partnerships with the University of New Mexico, Healthcare for the Homeless and First Nations.

FINDINGS

1. CONTRACT EXECUTION ERRORS RESULTED IN NET UNDERFUNDING OF \$4,485 ACROSS ALL THREE CONTRACTS AND AN OVEREXTENSION OF FUNDS ON ONE CONTRACT TOTALING \$14,440.

The audit found that Heading Home generally complied with key contract provisions; however, contracts were not properly executed by DFCS. Specifically, contracts were certified without verification of the vendor's self-reported operational costs; contracts were certified without verification of the mathematical accuracy of the fee for service calculation; and contracts were certified without accounting for the entire service period required to be contracted.

⁵ The [National Association of State Mental Health Program Directors \(NASMHPD\)](#) defines case management as "a range of services provided to assist and support individuals in developing their skills to gain access to needed medical, behavioral health, housing, employment, social, educational, and other services essential to meeting basic human services." This also includes providing "linkages and training for the patient served in the use of basic community resources, and monitoring of overall service delivery."

⁶ Medical services include access to prescription drug programs, follow-up for acute medical conditions and access to physicians.

All three contracts are structured on a fee for service reimbursement schedule, while the *Wellness Hotel Initiative/CARES* also includes a separate cost reimbursement structure. These fees are calculated based on WEHC’s personnel and operating costs, which are self-reported by Heading Home and then the agreed upon fee for service amount is billed to DFCS on a biweekly basis. However, according to the DFCS management, the department does not have a policy or procedure that requires verification of the costs reported by Heading Home for reasonableness at the time of contract negotiations.

Additionally, DFCS did not verify the mathematical accuracy of the fee for service calculations. This led to mathematical errors in the vendor’s self-reported Project Budget Detail and Expense Summary Forms that were not identified by the department prior to approval of all three contracts and resulted in a net underfunding across all three contracts totaling \$4,485. Specifically, the *WEHC GF FY20* contract not-to-exceed amount was \$2,627,826, while OIA calculated an amount of \$2,602,936, resulting in overfunding of the contract in the amount of \$24,890. The *WEHC GF FY21* contract not-to-exceed amount was \$2,727,449, while OIA calculated an amount of \$2,759,889, resulting in shortage of \$32,439. In the last contract, the *WEHC/CARES FY21*, the contract not-to-exceed amount was \$1,341,991, while OIA calculated an amount of \$1,338,927, resulting in an overage of \$3,064.⁷ The tables below further breakdown the contractual calculations.

Contract	Line Item	Contract Not to Exceed Amount	OIA Calculated Total	Calculated Difference
Westside Emergency Housing Center- GF FY20 ⁸	Total Direct Costs	\$2,402,642	\$2,396,368	\$6,274
	Total Indirect Costs	\$225,183	\$206,566	\$18,617
	Total Costs Before Supplements	\$2,627,826	\$2,602,936	\$24,890
	Total Supplement One	\$99,623	\$99,623	\$ -
	Total Supplement Two ⁹	\$ -	\$ -	\$ -
	Total Supplement Three	\$1,132,313	\$1,132,313	\$ -

⁷ This specific overpayment did not flow into the negotiated fee for service and instead impacted the additional services billed as cost reimbursement.

⁸ Source- Westside Emergency Housing Center-GF FY20 Project Budget Detail and Expense Summary Form and OIA created testing.

⁹ Additional funds were not added with the second supplement to the contract.

Contract	Line Item	Contract Not to Exceed Amount	OIA Calculated Total	Calculated Difference
	Total Project Costs	\$3,859,762	\$3,834,872	\$24,890
Westside Emergency Housing Center GF FY21 ¹⁰	Total Direct Costs	\$2,511,000	\$2,540,865	\$(29,865)
	Total Indirect Costs	\$216,448	\$219,022	\$(2,574)
	Total Project Costs	\$2,727,449	\$2,759,888	\$(32,439)
Wellness Hotel Initiative/CARES FY21 ¹¹	Total Direct Costs	\$1,235,491	\$1,232,671	\$2,820
	Total Indirect Costs	\$106,499	\$106,256	\$243
	Total Project Costs	\$1,341,990	\$1,338,927	\$3,064
Net Difference				(\$4,485)

The audit further found that the contract reimbursement schedule was structured to cover 52 weeks, while the negotiated contract length was one fiscal year. This contract structuring led to underfunding based on the contract’s reimbursement schedule. According to the *WEHC FY20* contract, funding was to extend over the course of 52 weeks, beginning July 1, 2020. However, the 52 weeks did not take into consideration the additional two days in the fiscal year. This resulted in an overextension of contract funds in the amount of \$14,440, which was ultimately paid to the vendor.

Adequate oversight includes verifying the mathematical accuracy and reasonableness of balances reported in the vendor’s Project Budget Detail and Expense Summary Forms and reconciling those balances to the amounts subsequently remitted to the vendor. While it may be too cumbersome for DFCS to verify all line items on the Project Budget Detail and Expense Summary Forms, a periodic review of operational costs analyzing historical averages and reasonableness of fees could be performed on a sample basis. This type of spot-check could assist with the oversight of ensuring the City is remitting the correct amount in contract funding to Heading Home.

DFCS is unique in that per the City of Albuquerque’s Code § 5-5-39 Purchases of Social Services, the department retains autonomy in the procurement of social services and

¹⁰ Source - *Westside Emergency Housing Center-GF FY21 Project Budget Detail and Expense Summary Form and OIA created testing.*

¹¹ Source - *Westside Emergency Housing Center-CARES FY21 Project Budget Detail and Expense Summary Form and OIA created testing.*

such contracts are not required to be reviewed by the City's Central Purchasing Office. While DFCS contracts are required to be executed in accordance with the department's written regulations and include performance standards, contracts are not required to be procured through the provisions outlined by the City's Chief Procurement Officer.

Contracts play an important role in the way the City meets its statutory obligations and provides services to the public. Due to the sheer size of procurement in the City, contract spending poses significant risk if effective processes, controls, and oversight surrounding contracting are not present. Part of having effective processes and controls includes ensuring that the operational costs reported by vendors are reasonable and that the rate computation for the fee for service is mathematically accurate. Further, initially determining an accurate contract amount and service period are important to ensure that all costs are accounted for and agreed to in the contract, in order to avoid incurring additional costs by having to later request a contract supplement or modification to increase the contract amount.

RECOMMENDATION:

1. The Department of Family and Community Services should implement and document procedures to verify vendor self-reported operational costs, the fee for service calculations, and the contract service period prior to contract execution and approval.
2. INVOICE REVIEWS BY THE DEPARTMENT OF FAMILY AND COMMUNITY SERVICES DID NOT DETECT OVERLAPPING SERVICE PERIODS BILLED TO THE CITY, RESULTING IN OVERPAYMENTS TOTALING \$65,418.

In a sample of 43 payments tested, totaling \$4,381,045 remitted to Heading Home under the three contracts, OIA identified two instances where seven service dates were invoiced and paid to the vendor twice over the course of one contract. This resulted in duplicate payments totaling \$65,418 being paid by DFCS. In one instance, the seven day overlap in January 2020 resulted in an overpayment by the City to the vendor in the amount of \$50,535 and in the second instance, the seven day overlap in April 2020 resulted in an

overpayment by the City in the amount of \$14,883. These duplicate billing errors further resulted in an overextension of the *WEHC FY20* contract funds totaling \$65,418. As a result, funds were inappropriately utilized from the third supplement to the *WEHC FY20* contract to cover these costs, rather than the intended purpose of the supplement which was to cover additional costs such as staff hazard pay for WEHC staff during the COVID-19 pandemic.

The City's Administrative Instruction NO: 3-4 Vendor City and Relations and Responsibilities Relating to Vendor Performance, states that it is the responsibility of Department of Family and Community Services to monitor the vendor's progress and performance to ensure services conform to the contractual requirements. Additionally, the Administrative Instruction states that the receiving end-user department shall validate that the services being performed on behalf of the City by the vendor have been performed and have been completed in accordance with contractual requirements.

According to DFCS management, all vendor invoices undergo a dual independent review by both the DFCS Fiscal and DFCS's Homeless Programs Division Staff. According to management, the DFCS policy and procedures for invoice review require DFCS staff to ensure the requested amounts match the contract's agreed upon fee for service and to ensure project funding is available to fulfil the request. Further, invoices above a \$25,000 threshold are also required to be reviewed and approved by the DFCS Deputy Director and those above a \$55,000 require review and approval by the DFCS Director. However, the duplicate billings were not identified by the six DFCS staff and management who reviewed the invoice summary sheets and signed the invoices, indicating their review and approval.

RECOMMENDATIONS:

The Department of Family and Community Services should:

2. Seek reimbursement from Heading Home for the duplicate payments totaling \$65,418.

3. Adhere to existing policies and procedures to validate future billings against the requested service dates and that mathematical errors and proper allocation of project funding is addressed prior to payment.

3. THE ALBUQUERQUE POLICE DEPARTMENT AND THE ALBUQUERQUE FIRE DEPARTMENT RESPONDED TO A COMBINED 710 CALLS AT THE SHELTER OVER THE COURSE OF A TEN-MONTH PERIOD SUGGESTING A POSSIBLE OVERRELIANCE ON FIRST RESPONDERS FOR ISSUES THAT COULD BE HANDLED BY ON-SITE SECURITY PERSONNEL.

In an effort to assess safety at the WEHC, the audit team analyzed Computer Aided Dispatch Reports for calls to the WEHC over a ten-month period. These reports included calls received from both the Albuquerque Police Department (APD) and Albuquerque Fire Department (AFD). The audit found that APD responded to a total of 322 calls to the WEHC between January 1 and October 29, 2020, of which 121 (38 percent) resulted in a police report being filed. AFD responded to 388 calls for service within the same period. In 53 instances, there was joint incident response by APD and AFD.

Heading Home currently has a policy in place that outlines the request for law enforcement assistance, noting "both the police and good practice indicate that law enforcement should not be contacted related to ordinary shelter management problems, general behavior problems, or other types of guest behavior, which do not constitute a crime.¹² Acts of coercion, threat, intimidation, or similar conduct that does not constitute imminent danger should be de-escalated by WEHC staff members." Further, the contracts do allow for the budgeted position of ten full-time Security Personnel at an annual cost of \$230,464. However, according to Heading Home, Security Personnel are not trained security professionals and are not allowed to physically touch residents. Further, according to Heading Home, when a resident becomes destructive or refuses to leave the premises, APD will be called to assist.

¹² Of the 322 calls to the WEHC, 201 (62 percent) did not constitute a crime that resulted in the filing of a police report.

The audit found that of the 322 calls made to APD, non-violent calls, such as missing or wanted persons, contact calls, and suspicious person calls totaled 112 (35 percent) of all calls; of which, 45 (40 percent) resulted in a police report being filed. Further, 115 (36 percent) of all calls to APD were related to disturbance or a fight in progress, however, only 29 (25 percent) of these calls resulted in a police report being filed. Violent crimes categorized by APD as assault, stabbing and theft or robbery accounted for 53 (16 percent) of all calls placed. Of these calls, 35 (66 percent) resulted in the filing of a police report. Finally, behavior, welfare¹³ and rescue calls totaled 42 of the calls responded to, with 11 (26 percent) of the calls resulting in a police report.¹⁴

The frequency of calls to APD and AFD (on average 32 calls per month for APD and 38 calls per month for AFD) suggests a possible over-reliance on law enforcements and first responders for concerns that could possibly be handled by onsite trained security personnel. Further, the daily police presence may speak to (or be a component of) the sense of safety reported by many shelter residents (this is discussed further in Finding 4). However, a better use of funds and resources could be explored as this level of security presence (ten full-time onsite Security Personnel, plus daily police presence) comes at both a financial cost and the risk of taking police away from other public safety issues.

RECOMMENDATION:

4. The Department of Family and Community Services should continue to work with Heading Home, the Albuquerque Police Department and the Albuquerque Fire Department to examine whether potential improvements can be made surrounding the utilization of law enforcement and first responders for non-violent situations.

¹³ Should a resident choose to leave the WEHC when transportation services are not available, Heading Home will contact the Albuquerque Police Department (APD) and ask them to perform a welfare check due in part to the remote location of the WEHC. Further, all welfare check incidents reported, occurred during the winter months or after dark.

¹⁴ The CAD information provided for AFD does not contain the type of call or any subsequent report information. As such, a detailed analysis of the AFD CADs was not completed.

4. HEADING HOME GENERALLY COMPLIED WITH KEY CONTRACT PROVISIONS AND HAS TAKEN THE NECESSARY MEASURES TO HELP ENSURE RESIDENT SATISFACTION AND SAFETY, ESPECIALLY IN REGARDS TO THE COVID-19 PANDEMIC.

The audit found that Heading Home complied with the contracts' key provisions and has taken extra precautions to ensure the safety of its residents and staff, implementing additional safety measures to those already outlined in accordance with each contract's Scope of Service. Heading Home has undergone significant operational changes since the onset of the COVID-19 pandemic to further ensure both resident and staff safety. These measures include, but are not limited to, implementing medical screenings for all staff and residents at the time of arrival, randomly administered COVID-19 tests to reduce the risk of outbreak among the residents, and dorms that have been specifically designated for use by those who show signs of illness or are suspected of having come into contact with a COVID-19 positive person.

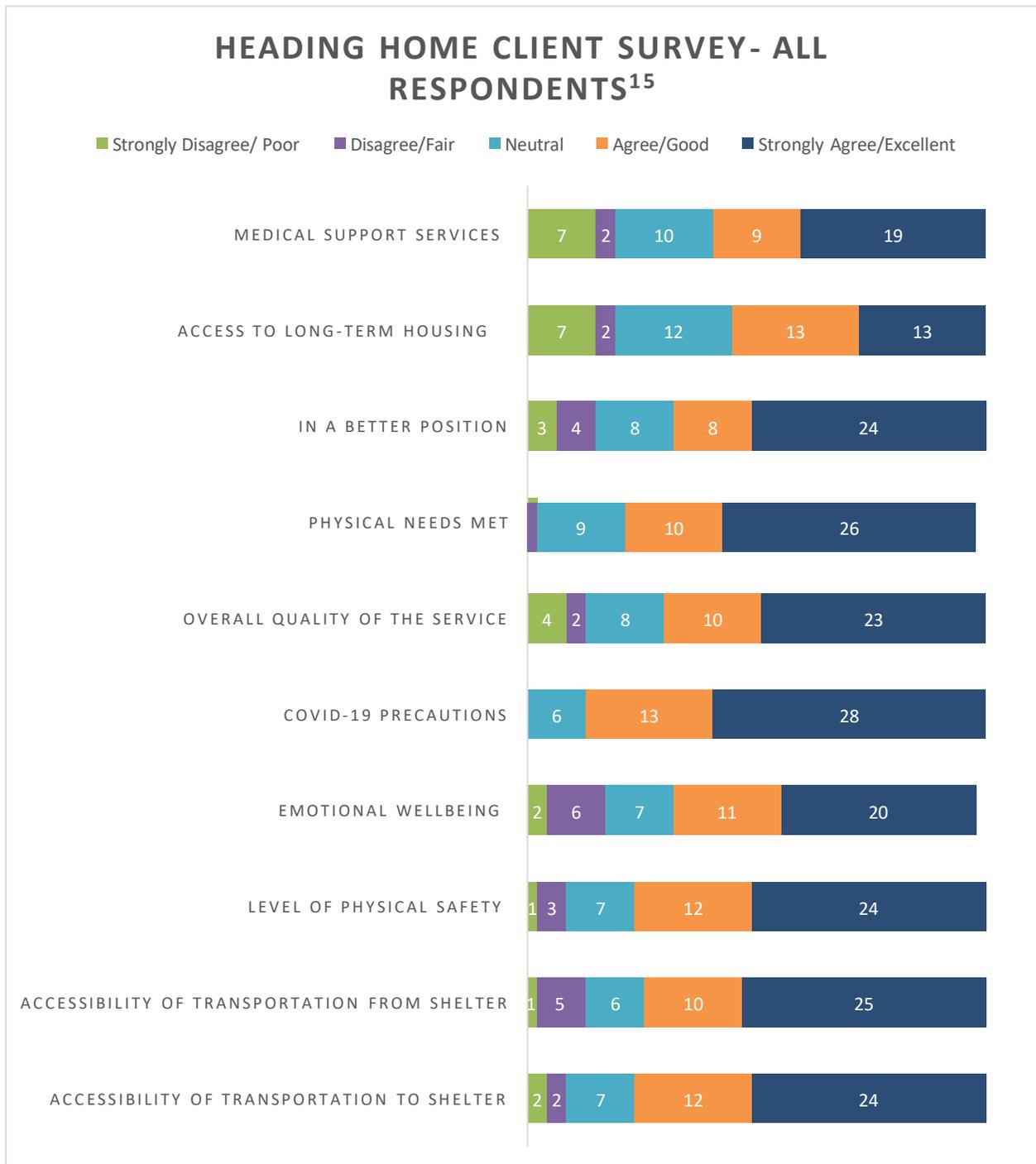
Additionally, prior to the COVID-19 pandemic each of the WEHC's eleven dorms were capable of housing 80 people. However, in order to implement social distancing precautions, that number has now been reduced to 40 people. Further, three of the dorms have been converted to quarantine and treat residents who have tested positive for COVID-19 and the family dorm has been converted into a male overflow dorm. Families are now sheltered together in the wellness hotels operated by Heading Home.

In accordance with COVID-19 safety precautions, OIA conducted a virtual walkthrough of the WEHC facility and noted that each resident undergoes a daily COVID-19 screening that involves a questionnaire, blood oxygen level screening and temperature check. If the resident passes the screening they are given a colored wristband and allowed to proceed into the shelter. If they fail the screening, they are escorted to a separate entrance that leads directly to the medical dormitory wing of the shelter. Additionally, the WEHC's medical wing was clearly marked as a high-risk area and staff in the wing were all outfitted in full personal protective equipment.

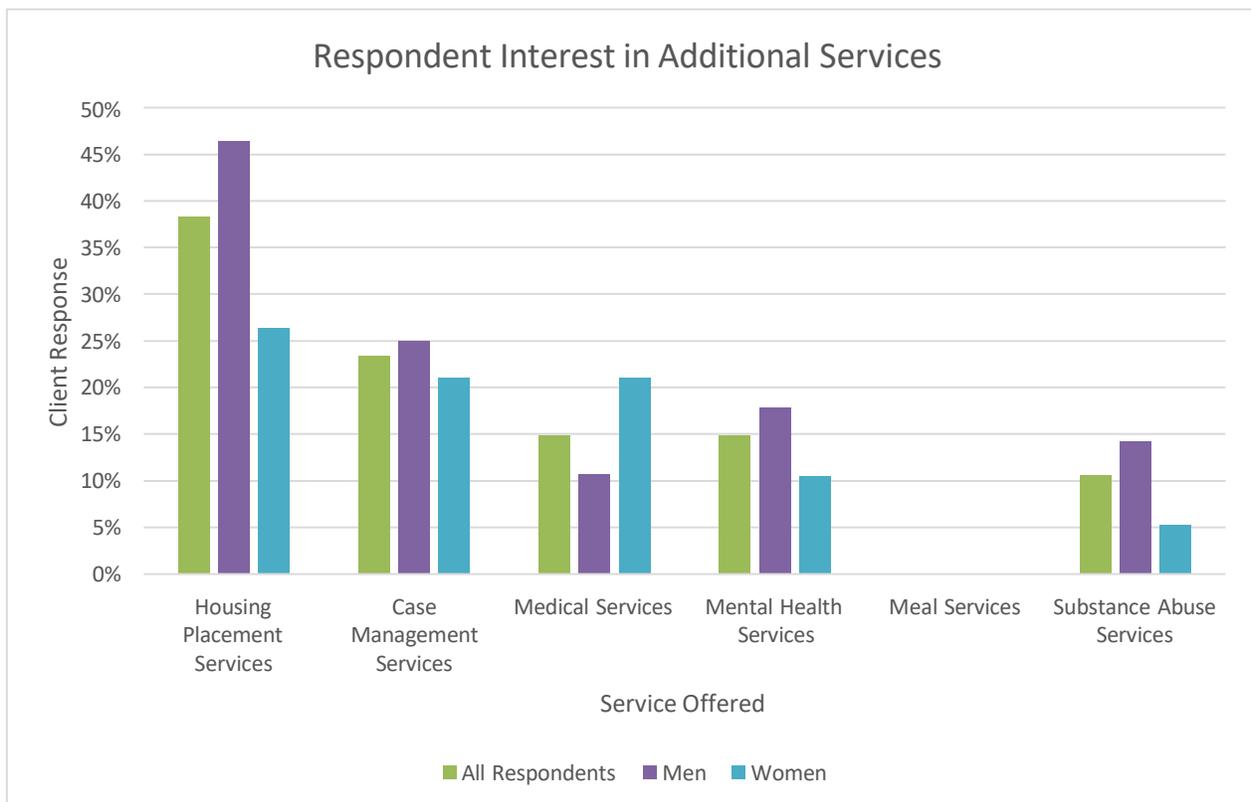
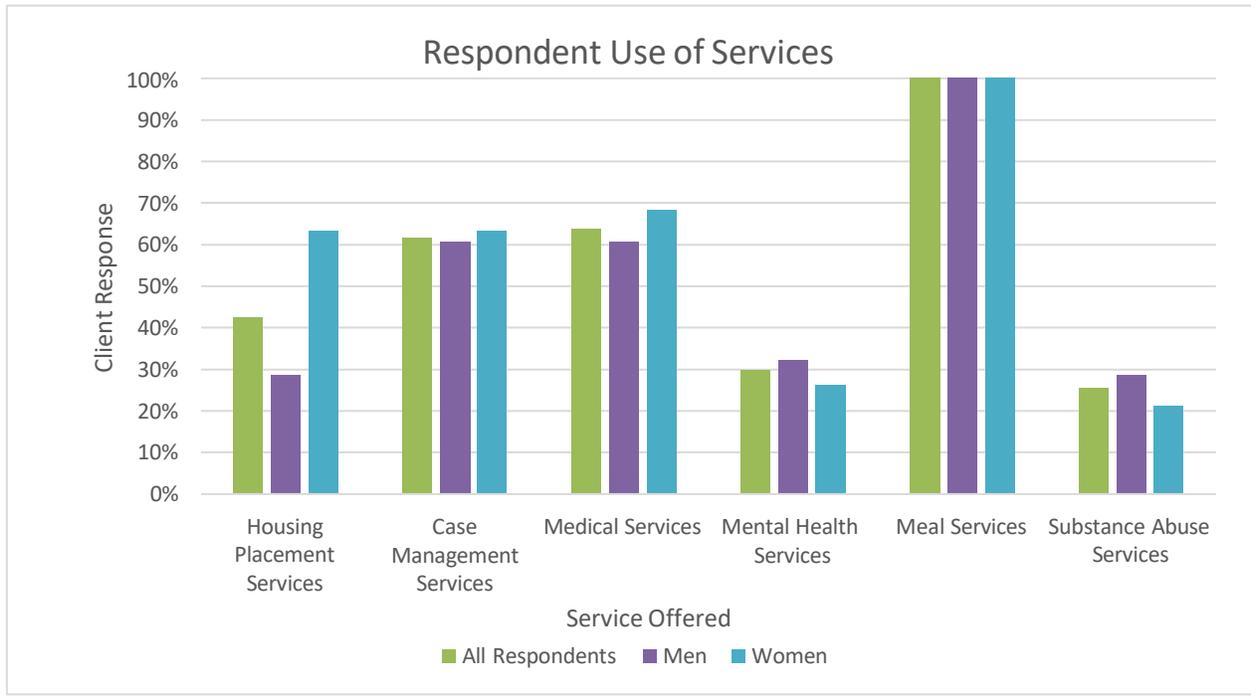
OIA observed, that while the men and women's dormitories are separated, the doors that separate them are kept unlocked for fire safety reasons. Heading Home does keep

a Security Monitor present at all times during peak occupancy hours and the doors are on an alarm system that is monitored by WEHC Staff 24-hours a day. Further, the WEHC is also staffed with three Security Personnel, 24 hours a day, seven days a week.

OIA also conducted a voluntary client satisfaction survey of current and prior shelter residents to gauge the vendor's responsiveness to shelter resident needs. OIA staff conducted the surveys over a four-day period, both on-site at the WEHC and at the shelter pick-up location in Coronado Park. Respondents to the survey indicated that they believed that Heading Home had implemented strong measures regarding residents' physical safety and COVID-19 safety precautions. The survey found that respondents ranked both physical safety and COVID-19 precautions as two of the highest scored responses. All survey questions and responses are shown in the graphs below.



¹⁵ One individual declined to respond to the question regarding emotional wellbeing.



Opportunities for improvement may still exist. The two lowest ranked resident responses were to questions relating to access to additional support services such as access to housing placement and case management services. However, scoring of the responses received to these questions averaged out to a three, which was the equivalent of a satisfactory score. 64 percent of respondents reported utilizing the medical services offered and 62 percent reported utilizing the case management services. Additionally, 43 percent of respondents reported to currently utilizing the housing placement services.

According to the U.S. Department of Health & Human Services, "housing and shelter programs can help address the root causes of homelessness through a range of essential recovery support services, including mental and substance use disorder treatment, employment, and mainstream benefits." Helping to improve the access to services offered can increase stability in the unhoused population and also help to reduce the overall costs associated with supportive care.

RECOMMENDATION:

5. The Department of Family and Community Services should work with Heading Home to examine whether potential improvements can be made surrounding resident access to on-site supportive services offered at the Westside Emergency Housing Center, such as housing placement and case management.

CONCLUSION

By implementing the recommendations detailed in this report, the Department of Family and Community Services can improve its ability to more effectively administer, manage and monitor the administration of public service contracts. The Department's response to the recommendations made are included in APPENDIX B of the report. We greatly appreciate the assistance of the Department of Family and Community Services and Heading Home staff that participated throughout this audit and made both their staff and requested documents readily available, as well as the involvement and cooperation of both the Operations Manager and the Homeless Programs Division Manager within the Department of Family and Community Services.

Heading Home Contract Audit
Department of Family and Community Services
April 28, 2021

#21-104

PREPARED:

DocuSigned by:

15C18D8E99C84C1...
Sarah Faford-Johnson, Contract Auditor
Office of Internal Audit

REVIEWED:

DocuSigned by:

0F462D006A1E4C8...
Marisa Vargas, Contract Auditor
Office of Internal Audit

APPROVED:

DocuSigned by:

07E2FA5E2FAD4AC...
Nicole Kelley, Acting City Auditor
Office of Internal Audit

APPROVED FOR PUBLICATION:

DocuSigned by:

645A1FA5A6314C3...
Edmund E. Perea, Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

The audit objective was to determine whether Heading Home adhered to contract terms and conditions. Specifically, the Office of Internal Audit (OIA) assessed whether:

- Heading Home complied with the three contract's key provisions.
- Heading Home accurately charged the Department of Family and Community Services (DFCS) for goods and services and whether the department properly paid the amounts to Heading Home.
- The department's monitoring procedures and internal controls over the administration of the Heading Home contracts are adequate.

SCOPE AND LIMITATIONS

Our audit did not include an examination of all functions and activities outlined in the three Heading Home contracts. Our scope was limited to the objectives above and select transactions occurring in fiscal years 2020 through 2021.

Specifically, the scope of the audit did not include the re-calculation of all transactions that have occurred under the three contracts as a judgmental sample was deemed to be appropriate. This report and its conclusions are based on information taken from a sample of financial records, systems, and users and do not represent an examination of all related financial records, systems, and users. The audit report is based on our examination of functions and activities through the completion of fieldwork on March 19, 2021, and does not reflect events after that date.

City management is responsible for establishing and maintaining effective internal control and complying with laws and regulations.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with applicable laws, regulations, standards, guidelines, and/or best practices. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met. In the performance audit requirements, the term significant is comparable to the term material as used in the context of financial statement engagements. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Our consideration of internal control was for the limited purpose described in our audit objectives and was not designed to identify all deficiencies in internal control. Therefore, unidentified deficiencies may exist. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

As part of the performance audit, OIA tested Heading Home's compliance with certain key provisions of executed contracts and agreements. In addition, OIA tested DFCS's compliance with applicable laws, and regulations in overseeing the administration and execution of the contract compliance.

Noncompliance with these requirements could directly and significantly affect the objectives of our audit. However, opining on compliance with all provisions was not an objective of our performance audit and accordingly, we do not express an opinion.

We conducted this performance audit in accordance with generally accepted government auditing standards for performance audits, as prescribed in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following:

- Interviewed and observed key DFCS departmental personnel and Heading Home personnel to gain an understanding of the processes, systems, and data audited;
- Reviewed and analyzed applicable city policies and procedures;
- Reviewed and analyzed the three contracts, including supplements executed under the audit scope;
- Verified the accuracy and appropriateness of the negotiated fee for service calculation for each of the three contracts under audit;
- Verified the accuracy and appropriateness of the amounts paid for a sample of 43 payments and related invoices for DFCS;
- Conducted a virtual walkthrough of the Westside Emergency Housing Center to verify both COVID-19 and client safety protocols were in place;
- Conducted and analyzed a voluntary client survey, scoring respondent information, to gauge satisfaction with shelter services and response to client safety measures;
- Categorized and analyzed APD and AFD Computer Aided Dispatch reports spanning a ten-month period to gauge utilization rate in response to shelter situations;
- Evaluated the results of testing to determine and document if sufficient, appropriate evidence has been obtained to address audit objectives and reduce audit risk to an acceptable level and that evidence is sufficient and appropriate to support findings and conclusion and
- Summarized all findings and provided the auditee with recommendations that will help to strengthen internal control, cost savings, and operating efficiency and effectiveness.

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled *Department Response* whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Responsible Department	Department Response	OIA Use Only Status Determination*
1. The Department of Family and Community Services should implement and document procedures to verify vendor self-reported operational costs, the fee for service calculations, and the contract service period prior to contract execution and approval.	The Department of Family and Community Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur DFCS is working on implementing a more effective procedure to verify Heading Home’s self-reported operational costs through its fee for service contract. In April 2020 (FY20), the Heading Home WEHC contract was amended to change the method of payment from cost reimbursement basis to fee for service, which was the first time that the WEHC Heading Home contract used a fee for service. DFCS had planned to evaluate the processes for this fee for service contract after its full fiscal year of operations in FY21, prior to the FY 22 renewal in order to determine what improvements need to be made. As recommended by Internal Audit,	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

Heading Home Contract Audit
 Department of Family and Community Services
 April 28, 2021

#21-104
 APPENDIX B

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
		for FY 22 DCFS will implement procedures to verify Heading Home’s self-reported operational costs and its fee for service calculations prior to contract approval and contract execution. For its implementation DFCS will note Internal Audit’s recommendation that is outlined on the report.	

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
2. The Department of Family and Community Services should seek reimbursement from Heading Home for the duplicate payments totaling \$65,418.	The Department of Family and Community Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur DFCS will plan to seek reimbursement from Heading Home for the duplicate payments of \$65,418. DFCS will explain to Heading Home why the funds have to be returned, detailing what had happened during the payment process that resulted in the duplicate payments. DFCS will ask Heading Home to fully reimburse DFCS by the end of the calendar year. DFCS will accept installment payments from Heading Home if it is requested. In order to avoid future duplicate payments, DFCS will implement a process and procedures that are similar to Internal Audit's recommendation that is outlined on the report.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
3. The Department of Family and Community Services should adhere to existing policies and procedures to validate future billings against the requested service dates and that mathematical errors and proper allocation of project funding is addressed prior to payment.	The Department of Family and Community Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur As mentioned above FY 21 is the first full year that the WEHC Heading Home contract is a fee for service. At the beginning of FY 21, when the contract was executed, DFCS had planned to evaluate the processes for this fee for service contract prior to the FY 22 renewal, in order to determine what improvements, need to be made. DCFS strives to always adhere to its existing contract processing policies and procedures. For FY 22 DCFS will evaluate how well it is adhering to these policies and procedures and implement improvements. DCFS will implement improvements that are aligned with Internal Audit's recommendation that is outlined on the report.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
4. The Department of Family and Community Services should continue to work with both Heading Home, the Albuquerque Police Department and the Albuquerque Fire Department to examine whether potential improvements can be made surrounding the utilization of first responders for non-violent situations.	The Department of Family and Community Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Since the end of 2020, meetings have occurred with FCS, APD, AFR and Heading Home to develop clear protocols regarding transportation from the WEHC when a client requests to leave outside of regular transportation schedules. These discussions included the appropriate engagement of APD related to safety issues. Through these discussions, a Heading Home Transportation policy was changed and no longer requires a call to APD for a "wellness check" if someone leaves the WEHC voluntarily without waiting for transport. Through these discussions, an understanding was developed that APD would only be called when there is a threat of harm to someone, either the individual or others. City Legal participated in these discussions and determined that the City needs a transportation option from the WEHC if a person insists on leaving the premises and the time doesn't align with scheduled transport. FCS and DMD have a meeting scheduled this month to discuss a potential option for evening/night transport with	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
		City Security. Additionally, options for on-site security are being explored.	

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
5. The Department of Family and Community Services should work with Heading Home to examine whether potential improvements can be made surrounding client access to on-site supportive services offered at the Westside Emergency Housing Center, such as housing placement and case management.	The Department of Family and Community Services	<p> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur </p> <p> DFCS has worked, and will continue to work with Heading Home to examine improved access to support services at the WEHC. Currently, the Life Link Training Institute provides peer support services through a team of state-certified peer support crisis counselors. This service was initiated during the COVID-19 pandemic and is currently funded through a State grant with FEMA through August, 2021. DFCS will explore options to extend services through other funding mechanisms. In addition, the Bernalillo County Behavioral Health Initiative has a contract with a local agency, Centro Savila, to provide peer support services. As needed, Centro Savila also offers WEHC guests the ability to set up appointments for clinical counseling. The City held a short-term contract in 2020 through the COVID-19 CARES funding with Centro Savila for the same services. </p> <p> In terms of support to connect WEHC guests to housing resources, LifeLink peer counselors have been very successful at linking WEHC residents with </p>	<p> <input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested </p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
		<p>income to affordable apartment units. The newly formed WEHC Outreach team operated by Heading Home through DFCS funding also provides guests with connection to existing housing resources through community-based agencies that support housing for people experiencing homelessness.</p> <p>DFCS was awarded a Department of Justice Grant in the amount of \$1,126,454 effective October 1, 2020 – September 30, 2023. Part of this funding will be used to aid in the recovery of unhoused individuals experiencing Substance Use Disorder while they are engaged in services at the WEHC. Specifically, the funds will be used to accelerate the development and startup of an onsite recovery peer support workforce and will provide up to one-year vouchers for recovery and transitional supportive housing to assist individuals in sustaining recovery.</p>	

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

This report was originally published online on April 28, 2021; it has been corrected to reflect the use of proper inclusive language replacing the term "Homeless Population" with "Person experiencing homelessness" and "Unhoused Population."