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OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE OFFICE OF INSPECTOR GENERAL:

***DEPARTMENT OF FAMILY AND SUPPORT SERVICES
HOMELESS SERVICES AUDIT***

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AUGUST 2015



Joseph M. Ferguson
Inspector General

OFFICE OF INSPECTOR GENERAL *City of Chicago*

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August 14, 2015

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the Department of Family and Support Services' (DFSS) homeless services. The audit reviewed how DFSS selected and monitored homeless service providers, called "delegate agencies," in 2013 and 2014. This audit, which follows a 2012 OIG examination of DFSS fiscal evaluation of agencies, looks specifically at DFSS's program monitoring practices.

In 2013-2014, DFSS spent approximately \$60.0 million in taxpayer funds to provide homeless services to approximately 158,000 clients through 57 delegate agencies. Federal grants constituted the majority of those funds, which supported services to homeless individuals and families as well as persons at risk of becoming homeless.

OIG evaluated the Department's delegate agency application scoring process, program monitoring audits of delegate agencies, and methods for holding agencies accountable for program performance. We concluded that, due to multiple errors in DFSS's evaluation of Request for Proposal (RFP) respondents, DFSS may not have selected the most qualified agencies. In addition, because of gaps in the audit process, DFSS failed to hold agencies fully accountable for program inadequacies and inaccurate reporting.

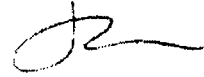
The January 22, 2014 homeless census counted 6,294 homeless individuals staying in shelters or on the streets of Chicago. However, there are many thousands more Chicagoans who experience periods of homelessness.¹ OIG recognizes that serving the homeless is a challenging, resource-intensive process that requires DFSS to monitor service delivery by many different delegate agencies. Yet, because the people most imperiled by ineffective program management are among Chicago's most vulnerable, proactive and diligent program monitoring by DFSS is critical.

DFSS agreed with the findings of this audit and proposed several corrective actions to help improve the efficiency of its operations.

¹ The Chicago Coalition for the Homeless estimated that "138,574 Chicagoans were homeless over the course of the 2013-2014 school year." Chicago Coalition for the Homeless, "The Facts Behind the Faces," March 1, 2015, 3, accessed May 8, 2015, http://chicagohomelessissuelab.org/resource/facts_behind_the_faces_a_fact_sheet_from_the_chicago_coalition_for_the_homeless_2015_the.

We thank DFSS management and staff for their cooperation and responsiveness. In addition, we thank the Chicago Alliance and the U.S. Department of Housing and Urban Development for their input.

Respectfully,

A handwritten signature in black ink, appearing to be 'J. Ferguson', written over a horizontal line.

Joseph M. Ferguson
Inspector General
City of Chicago

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I. EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an audit of the Department of Family and Support Services (DFSS) homeless services. The audit focused on how DFSS selected and monitored 57 homeless service providers, known as “delegate agencies,” in 2013 and 2014. During those two years DFSS spent approximately \$60.0 million on homeless services provided by delegate agencies.

The objectives of the audit were to determine if,

1. DFSS employed a process designed to ensure that it selected only qualified delegate agencies to provide homeless services;
2. DFSS’s audit process ensured delegate agency compliance with program requirements; and
3. DFSS held delegate agencies accountable for program performance.

OIG found that DFSS cannot assure delegate agencies that it scored all applications correctly. Although DFSS issued an appropriate Request for Proposal (RFP)² and generally awarded funding to delegate agencies with the highest scores,³ OIG found that DFSS scored delegate agency applications inaccurately and inconsistently. DFSS reviewers erroneously awarded points for some programs, incorrectly calculated some applicants’ total scores, and assigned points in excess of the maximum available for an individual question. In addition to these inaccuracies, one application received facility assessment points despite not submitting a facility assessment, and one applicant was incorrectly penalized for having a finding of non-compliance in the previous year. Our review also found that DFSS did not follow its own guidelines for resolving substantial differences between reviewers’ scores. Without accurate and consistent application scoring, DFSS may not select the most qualified applicants.

OIG also found that, in at least once instance, DFSS allowed adverse findings from a program monitoring audit to go unrecorded. The Department uses these audits to monitor delegate agency performance.⁴ The audits are principally comprised of record reviews that check service performance reports and evaluate contract compliance. During an OIG observation, a DFSS auditor discovered missing documents, but did not record this issue because DFSS’s audit tool instructed her to report only on the completeness of documents in a chosen sample. The missing documents should have resulted in an adverse “finding” rating, but the Department gave the delegate agency a final rating of “no finding” because the missing documents were not a part of the chosen sample.

² City of Chicago, Department of Family and Support Services, “Request For Proposals (RFP) For 2013 Homeless Services,” June 4, 2012, accessed February 3, 2015, http://www.cityofchicago.org/dam/city/depts/fss/supp_info/RFP/2013HomelessRFP/2013HomelessServices2013RFP.pdf.

³ DFSS stated that it sometimes awards an existing program funding even if it scored lower than a new applicant in order to maintain continuity of service for existing clients.

⁴ DFSS conducts program monitoring and fiscal audits. Program monitoring audits cover program administration, program services, and health and safety checks. Fiscal audits “assess agencies’ internal controls and accounting records to ensure compliance with applicable Federal, State of Illinois, City of Chicago regulations, and with the Generally Acceptable Accounting Principles.”

Finally, OIG found that while DFSS required delegate agencies to report on their performance, it did not hold them fully accountable for inaccurate reporting. DFSS required agencies to submit quarterly reports on their achievement of homeless service performance objectives and it reviewed the reports for accuracy. However, where DFSS found inaccurate reporting, the agencies were not required to take corrective action to prevent future misreporting. In addition, past misreporting was not recorded as an audit finding and thus was not factored into DFSS' evaluation of the agency when deciding whether to award future contracts to the agency.

OIG concluded that DFSS may not select the most qualified agencies and fails to hold agencies fully accountable for all potential program inadequacies and inaccurate reporting. OIG recommended that DFSS improve training and quality control over its RFP application review process, design its audit tool to capture all known findings, and should also hold delegate agencies accountable for misreporting performance data.

In response to our audit findings and recommendations, DFSS stated that it has implemented an automated application scoring system to minimize human errors in the application scoring process and, going forward, "will strictly adhere" to its policy to resolve scoring discrepancies. To resolve the issue of unrecorded findings, DFSS has instructed its auditors to record observed issues irrespective of whether they appear in a sample. Finally, DFSS stated that beginning next year it will implement strategies to verify delegate agency performance.

The specific recommendations related to each finding, and DFSS's response, are described in the "Audit Findings and Recommendations" section of this report.

II. BACKGROUND

A. The Department of Family and Support Services

The mission of the Department of Family and Support Services (DFSS) is to,

support [] a continuum of coordinated services to enhance the lives of Chicago residents, particularly those most in need, from birth through the senior years. The Department works to promote the independence and well-being of individuals, support families and strengthen neighborhoods by providing direct assistance and administering resources to a network of community-based organizations, social service providers and institutions.⁵

In 2014 the City appropriated \$323.1 million for DFSS of which \$269.3 million, or 83.3%, was grant funds primarily from federal and state sources. The Department had 541 full-time equivalent positions in 2014.⁶

The Department's 2015 Service Guide states that it "provides direct assistance and administers resources to more than 300,000 Chicagoans each year via our citywide network of more than 300 community-based delegate agencies."⁷ DFSS selects delegate agencies through a Request for Proposal (RFP) process. RFPs include a description of the services the Department seeks to procure and how it will evaluate applications. Throughout the year, DFSS's Program Monitoring Unit (PMU) conducts program monitoring audits, which include health and safety checks, of approximately 460 service programs provided by delegate agencies. DFSS auditors assess whether delegate agencies are in compliance with contractual obligations, including whether a delegate agency's service reports are supported by required documentation, such as signed client intake forms.

B. Homeless Services

DFSS "supports services and resources for homeless individuals and families, including homelessness prevention, outreach and engagement, shelter and interim housing, rapid re-housing, and supportive housing."⁸

According to DFSS, identifying delegate agencies to provide services to homeless residents in all areas of the City is a challenge. As such, once the Department selects a delegate agency, it is limited to funding services in the location where that delegate agency operates, not necessarily in the areas with the greatest need. In addition, delegate agencies may not be able to branch out into new areas to provide services because of challenges that include zoning requirements, difficulty obtaining or maintaining facilities, and the availability of funds. Moreover, DFSS can only

⁵ City of Chicago, Department of Family and Support Services, "Mission," accessed May 8, 2015, http://www.cityofchicago.org/city/en/depts/fss/auto_generated/fss_mission.html.

⁶ City of Chicago, Office of Budget and Management, "2015 Budget Overview," 75, accessed May 8, 2015, http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2015Budget/OV_book_2015_ver_11-24.pdf.

⁷ City of Chicago, Department of Family and Support Services, "2015 Service Guide," accessed May 8, 2015, http://www.cityofchicago.org/content/dam/city/depts/fss/supp_info/DepartmentGuide/residentguide.pdf.

⁸ City of Chicago, Office of Budget and Management, "2015 Budget Overview," 74, accessed May 8, 2015, http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2015Budget/OV_book_2015_ver_11-24.pdf.

require its delegate agencies to perform contractually obligated services. If a delegate agency offers services funded by another organization, then DFSS cannot dictate how and when services will be performed. This can lead to an overlap or redundancy of services in some areas and a lack of services in other areas. In addition, participation in homeless services is voluntary and neither DFSS nor its delegate agencies can mandate that individuals take part in homeless services.

In 2013-2014, DFSS spent nearly \$60.0 million on homeless services provided by delegate agencies. The majority of funding was from federal grants, each with restrictions on the types of programs that can be funded and who is eligible to participate.⁹ The amount of funding available can change each year. To accommodate year-to-year changes in program restrictions, eligibility standards, and available funding, DFSS employs a “blended stream funding” strategy in which it may use portions of several grants to fund one delegate agency. DFSS selected 55 delegate agencies to provide homeless services in 2013. Of these, 54 had their contracts extended to the following year. DFSS selected two new delegate agencies in 2014 bringing the total for that year to 56.

C. Homeless Service Delegate Agency Selection

The purpose of the 2013 Homeless Services RFP was “to identify and select agencies that can provide services that meet the needs of people in Chicago who are homeless or at risk of homelessness.”¹⁰ The RFP stipulated that delegate agencies must comply with all laws, policies, and guidelines imposed by the federal, state, and local funders. Federal guidelines establish a definition of homelessness and require award recipients to reduce the length and overall number of homeless individuals. The RFP states that applicants should apply this definition and strive to “move homeless households quickly back into appropriate permanent housing while linking them to the support services necessary to prevent a recurrence of homelessness.”

RFP respondents must complete an application that includes an executive summary, a program narrative, an explanation of how the delegate agency will monitor and evaluate its progress toward achieving program objectives, a description of how the agency will achieve program performance measure outcomes, a program budget, and required attachments including an Internal Revenue Service statement of tax exempt status, staff resumes, and a Certificate of Insurance. DFSS scores each application using a “Scoring Tool” created for this purpose. The Scoring Tool assigns points based on how well an applicant answers the evaluation criteria from the RFP. DFSS assigns two reviewers to each application. Each reviewer completes a Scoring Tool and determines a total score for each application. DFSS uses the average of the two scores for the delegate agency’s final score, ranks all delegate agencies according to their scores, and then selects the highest rated delegate agencies to become homeless service providers in the

⁹ See Appendix A for an overview of federal support for homeless services.

¹⁰ City of Chicago, Department of Family and Support Services, “Request For Proposals (RFP) for 2013 Homeless Services,” June 4, 2012, 3, accessed February 9, 2015, http://www.cityofchicago.org/dam/city/depts/fss/supp_info/RFP/2013HomelessRFP/2013HomelessServices2013RFP.pdf. Prior to 2013, DFSS issued homeless services RFPs every year. This meant that DFSS received approximately 140, 15-20 page homeless delegate agency applications at the same time and had to finish reviewing them in two months. In 2013, DFSS issued one RFP, selected successful applicants, and then extended their contracts through 2014. In the future, DFSS will implement a staggered application cycle to help relieve the burden of reviewing all applications at the same time.

following year, with one exception—DFSS occasionally awards funding to a lower scoring delegate agency with an existing contract in order to maintain continuity of service for existing clients.

D. Homeless Service Delegate Agency Program Monitoring Audits

DFSS auditors use a “Program Review Monitoring Instrument” designed by DFSS to audit the program compliance of delegate agencies. The questions on the Instrument reflect the conditions and requirements of each funding source. An audit can result in *Findings*, *Concerns*, *No Findings*, or *No Concerns*:

- *Findings* are based on noncompliance with the contract terms and conditions. For example, there are federal, state, and local laws prohibiting discrimination. If a delegate agency signs a contract and accepts funds from one of these sources, it agrees, in the terms and conditions, to abide by these laws. If the auditor finds that the delegate agency is missing a signed non-discrimination statement, the auditor will record a *Finding*.
- *Concerns* are based on noncompliance with the program scope and budget. During the audit, the auditor may find that the delegate agency cannot produce documents supporting its claim of the number of clients it served during the quarter. Since performance outcomes relate to the contract’s scope and budget, the auditor would record a *Concern*.

If a delegate agency receives a *Findings* rating on a DFSS program monitoring audit, it has 14 days to submit a corrective action plan. DFSS monitors the implementation of corrective action during follow-up visits. If the corrective action resolved the issue that caused the *Findings*, then the auditor will change the delegate agency’s final rating to *No Findings*. If, however, the issue has not been resolved, the auditor will issue a final rating of *Findings*.¹¹ A final rating of *Findings* negatively affects a delegate agency’s score the next time it applies to become a homeless service provider for DFSS. Delegates are not required to submit a corrective action plan for *Concerns* and auditors do not check on corrective status of *Concerns* during follow-up visits.

In 2013, DFSS conducted program monitoring audits of 149 homeless delegate agency programs. Of these, 44, or 30%, had an initial rating of *Findings*. Thirty-two of those 44 were able to convert their final rating to *No Findings*, while 12, or 8% of the total of the audited programs, received a final adverse rating of *Findings*.

¹¹ The time between the initial audit and the follow-up depends on the dates entered on the correction plan. The final rating depends on whether or not the auditee corrects the *Findings*. For example, during a November 27, 2013 visit, an auditor found that a delegate agency was missing a carbon monoxide detector for the facility, job descriptions for personnel files, and proof of homelessness documentation for 26 clients. On March 25, 2014, the auditor conducted a follow-up audit and found that the agency installed a carbon monoxide detector, added the job description to the personnel files, but did not replace the missing proof of homelessness documentation. The auditor changed the two corrected *Findings* to *No Findings*, but issued a final rating of *Finding* for the unresolved issue of the homelessness documentation.

III. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The objectives of the audit were to determine if,

- DFSS employed a process designed to ensure that it selected only qualified delegate agencies to provide homeless services;
- DFSS's audit process ensured delegate agency compliance with program requirements; and
- DFSS held delegate agencies accountable for program performance.

B. Scope

This audit focused on DFSS's process for selecting and monitoring homeless services delegate agencies. Although we reviewed delegate agency data during the audit, we did not audit the delegate agencies.

We reviewed DFSS homeless services activities for 2013 and 2014. Prior to 2013, DFSS had released a Homeless Services RFP annually. However, for 2014, DFSS did not issue a new RFP, choosing instead to extend most of the 2013 delegate agencies for another year.¹² The delegate agency selection process begins six months before the programs are implemented. Therefore, in order to analyze DFSS's process for selecting 2013 delegate agencies, we had to review data from 2012. To address questions about DFSS's audit process, we reviewed data from 2014.

DFSS conducts both program monitoring and fiscal audits of delegate agencies. In 2012, OIG conducted an audit of DFSS's policies and procedures for managing grants made to delegate agencies.¹³ That audit reviewed DFSS's fiscal monitoring practices. This audit reviewed DFSS's program monitoring practices.

¹² According to Article 1.2 of the Delegate Agency Agreement Terms and Conditions, "the City may, if in accordance with applicable law, at any time before this Agreement expires, extend it for up to 2 additional periods, each period not to exceed 1 year, by written notice to you." According to DFSS, it exercised this option in 2014 instead of issuing a new RFP because it "sought to maintain continuity of service delivery by extending current contracts." In response to OIG questions, DFSS stated that without a new RFP, all 2014 delegate agencies are accountable to the criteria of the 2013 RFP. Hence, the 2013 Scoring Tool, by which the 2014 delegate agencies were originally selected, was still relevant for testing DFSS's selection process.

¹³ The 2012 audit reviewed the grant management function at DFSS to determine whether grants were properly monitored and related procedures were effective and in compliance with grant regulations. The audit found that DFSS's grant monitoring processes were generally effective; however, it found deficiencies in some fiscal monitoring practices including a misunderstanding of segregation of duties, insufficient management oversight, a misunderstanding of governmental auditing reporting standards, and ineffective grant close-out procedures. The 2012 audit report is available on the OIG website: http://chicagoinspectorgeneral.org/wp-content/uploads/2012/04/DFSS-Grants-Audit-Report_Final.pdf. The follow-up of that audit is also available on the OIG website: <http://chicagoinspectorgeneral.org/wp-content/uploads/2013/04/DFSS-Grants-Follow-Up.pdf>

C. Methodology

To assess whether DFSS had a process designed to ensure that it selected qualified delegate agencies to provide homeless services, we evaluated the design of the Scoring Tool used in the RFP evaluation process and whether DFSS staff adhered to the Scoring Tool when reviewing applications. To evaluate the design of the Scoring Tool, we first determined if the Scoring Tool accurately reflected the evaluation criteria in the RFP and if the total points available applied equally to all delegate agencies. We then reviewed the Scoring Tool to determine if it incorporated audit results and program performance outcomes from the previous year. To assess whether DFSS staff adhered to the Scoring Tool when reviewing applications, OIG reviewed 12 out of 144 applications.¹⁴ We compared our scores to DFSS's scores to determine if DFSS reviewers scored them accurately.¹⁵ We also reviewed application scores to determine if they conformed to DFSS's criteria for reliability.

To determine if DFSS's audit process ensured delegate agency compliance with program requirements, we reviewed DFSS's process for selecting delegate agencies for audit, the design and accuracy of DFSS's Program Review Monitoring Instrument, and the Department's policy for holding delegate agencies accountable for audit results. To assess the design of the Instrument, we randomly chose three delegate agencies from different types of programs.¹⁶ We then checked to see if the "Outcomes Performance Measures" in the delegate agency's contract were represented in the Instrument. To assess the accuracy of the Instrument, OIG observed an audit and then reviewed the auditor's calculations.

To assess whether DFSS held delegate agencies accountable for program performance, we reviewed delegate agency contracts to determine if they contained the "Outcome Performance Measures" from the RFP. We then reviewed the Department's policies and conducted interviews with staff to determine how DFSS measures program performance and if the Department enforces consequences for delegate agencies that underperform.¹⁷

D. Standards

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller 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.

¹⁴ DFSS stratified the 144 delegate agency applications into high-, medium-, and low-ranked tiers. Initially, OIG randomly selected 1 application from each tier for review. We found that DFSS inaccurately scored 2 of the 3 applications. Based on this outcome, we selected an additional 9 of the highest rated applications to review, bringing our sample total to 12 out of 144 applications. Our sample methodology is not and was not intended to be representative of the entire population of delegate agency applications.

¹⁵ We assessed the reliability of the Department's application rankings by comparing recorded scores with the scores in the original source data. We found that the data were sufficiently reliable for the purposes of this report.

¹⁶ Our sample is not representative of the entire population of delegate agency contracts.

¹⁷ DFSS staff relies on quarterly reports to determine if a delegate agency met performance goals in the previous year. We assessed the reliability of the quarterly statistical reports by interviewing DFSS employees knowledgeable about the data. OIG determined that the data were sufficiently reliable for the purposes of this report.

E. Authority and Role

The authority to perform this audit is established in the City of Chicago Municipal Code § 2-56-030 which states that the Office of Inspector General has the power and duty to review the programs of City government in order to identify any inefficiencies, waste, and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations.

The role of OIG is to review City operations and make recommendations for improvement.

City management is responsible for establishing and maintaining processes to ensure that City programs operate economically, efficiently, effectively, and with integrity.

IV. FINDINGS AND RECOMMENDATIONS

Finding 1: DFSS scored delegate agency applications inaccurately and did not follow its own guidelines for resolving inconsistent scores.

DFSS received 144 applications from agencies responding to the Department's RFP for homeless services in 2013. DFSS reviewers scored each application using the Department's Scoring Tool. OIG examined the scores for 12 applications and found several scoring errors, as well as unresolved inconsistencies between the scores.

Two DFSS reviewers independently scored each applicant's response and assigned points using the DFSS Scoring Tool, which specifies maximum points for each section of the application. OIG's examination of the 24 scoring sheets for the 12 applications found,¹⁸

- DFSS reviewers erroneously awarded points only available to new programs to applications submitted by incumbent providers on 22, or 91%, of the 24 scoring sheets OIG reviewed;
- reviewers awarded points in excess of the maximum available for an individual question on 3, or 13%, of the 24 scoring sheets;
- reviewers incorrectly tallied the applicant's total score on 5, or 21%, of the 24 scoring sheets;
- one applicant was awarded facility assessment points by both reviewers even though the agency did not operate a facility;¹⁹ and
- one reviewer docked an applicant points for a finding in the previous year even though the agency did not have a previous finding.

OIG did not find evidence in its sample that the scoring inaccuracies caused a nonqualified delegate to be selected for funding over another, more qualified, delegate. However, the results of our 12 application sample cannot be extrapolated to the full population of 144. Therefore, we can neither conclude nor rule out that inaccuracies outside our sample may have changed the selection outcome for other applicants.

OIG also found that DFSS did not follow its own guidelines for resolving substantial differences between reviewers' scores. DFSS uses the average of the two reviewers' total scores as the applicant's final score. Although not formalized in written policies, according to the Department reviewer scores that differ by more than 20-25 points raise a "red flag" and warrant further action, such as bringing in a third reviewer to score the application.²⁰ OIG's examination of all 144 applications found that for 25, or 17%, of the applications the two reviewers' scores differed

¹⁸ Our sample is not representative of the entire population of delegate applications and the result should not be projected to the full population. See Methodology section for details.

¹⁹ Applicants that operate facilities are required to submit an assessment form with photographs and details related to handicapped accessibility, building codes, zoning, and other factors relevant to the program.

²⁰ The maximum total points was approximately 90-100 depending on the specific program type, thus a difference of 20-25 points represents roughly 25% of total potential points.

by more than 20 points.²¹ However, DFSS did not investigate these scores to determine the reason for the variance, nor did it assign a third reviewer to score the application per its stated practice.²²

DFSS attributed the inaccuracies and inconsistencies to insufficient training, weak quality controls, and a lack of resources. Specifically, the Department told us that the number of applications it had to review and the time it had to review them led it to choose expediency over thoroughness. Without accurate and consistent application scoring, DFSS may not select the most qualified applicants and cannot assure delegate agencies that it scores all applications correctly.

Recommendation:

DFSS should improve reviewer training and evaluate its Scoring Tool to determine where it can minimize the probability of human error.

In addition, DFSS should improve its quality control procedures. Potential improvements could include documenting clear procedures for resolving scoring differences that exceed a specific threshold, and reallocating resources as needed to ensure resolution.

Management Response:

“DFSS appreciates the OIG’s work in evaluating our homeless services delegate selection and monitoring processes. DFSS is continuously striving to ensure that the most qualified candidates are selected and then thoroughly monitored. Over the last two years, DFSS has undertaken many efforts to improve our delegate selection process, and we appreciate the opportunity to discuss the changes we have instituted since the audited period.

DFSS instituted a new automated proposal scoring system in 2014, and has used it since that time. Reviewers enter scores into the system, and cumulative scores for all applicants are calculated and tracked in the system. This minimizes human error in proposal scoring. This system automatically adds points awarded by reviewers, and this minimizes human error in proposal scoring.

In addition, going forward, for all delegate RFPs throughout the Department, DFSS will strictly adhere to having a third reviewer read and score applications when there are discrepancies of 25 points or more between the initial two reviewers. DFSS was reviewing an unusually high number of delegate proposals during the period the OIG sampled. We had received over 1,200 proposals which needed to be read by at least two reviewers in a short period of time.

Beginning 2015, the Department moved to multi-year contracts that include renewal periods.

²¹ The 25 instances of disagreement beyond the threshold breakdown as follows: 11 times reviewers disagreed by 21-25 points, 6 times reviewers disagreed by 26-30 points, 6 times reviewers disagreed by 31-35 points, 1 time reviewers disagreed by 36 points, and 1 time reviewers disagreed by 43 points.

²² OIG cannot determine whether the selection outcome would have changed for these 25 applicants because there was no third review or other action taken to resolve the differences between scores.

This will eliminate the challenge of having all program divisions reviewing applications at the same time, which will decrease the burden on reviewers and allow us to adhere to our third reader protocol. Due to this new schedule, we anticipate reviewing half as many proposals at any one time in the future.

These changes result in a more efficient and robust delegate selection process and enable DFSS to consistently identify the most qualified delegate agencies to provide services to homeless residents in all areas of the city."

Finding 2: DFSS allowed known audit findings to go unrecorded because of a flaw in the design of DFSS's audit tool.

OIG observed a DFSS auditor discover a problem at an agency but fail to record it as a finding. We determined that the auditor appropriately followed the audit instructions, but the audit tool had a design flaw that allowed findings to go unrecorded.

DFSS auditors use the Department's Program Monitoring Review Instrument to conduct audits of delegate agencies. During an audit observed by OIG, a DFSS auditor reviewed an agency's calculation of shelter nights and discovered that some client intake forms were missing. After completing the review of shelter night calculations, the auditor moved on to the Intake and Program Eligibility review, which instructs auditors to verify that the required client intake and eligibility documentation is complete and accurate. The Instrument directed her to take a sample of client files and review them for accuracy and completeness. She took a sample, but none of the files the auditor selected were missing intake forms. Following the instruction of the Instrument, the auditor reviewed only the files in the sample, disregarding her knowledge of missing forms beyond the reviewed sample, and recorded *No Finding*. Had the auditor noted the missing intake forms in the Intake and Program Eligibility review section, the audit would have resulted in a *Finding*.

DFSS allowed audit findings to go unrecorded because the Instrument was not designed to direct auditors to record all known problems and consider whether they constitute *Concerns* or *Findings* in other sections of the audit tool.

Recommendation:

DFSS should design its audit tool to ensure that all known problems are identified and categorized appropriately and consistently.

Management Response:

"Following a comprehensive review of the tool, DFSS determined that this issue was best addressed through revised protocols and training on how to classify Findings outside of the audit sample, rather than through a redesign of our monitoring tool. DFSS has already taken steps to ensure that auditors accurately and consistently categorize problems identified during program monitoring visits.

As of May 2015, Program Auditors have been instructed to document observed issues found outside of the audit sample as Findings if those issues would be classified as a Finding in the selected audit sample. This practice allows DFSS to properly document issues and requires that DFSS follow-up with agencies to ensure that audit Findings are corrected, where possible."

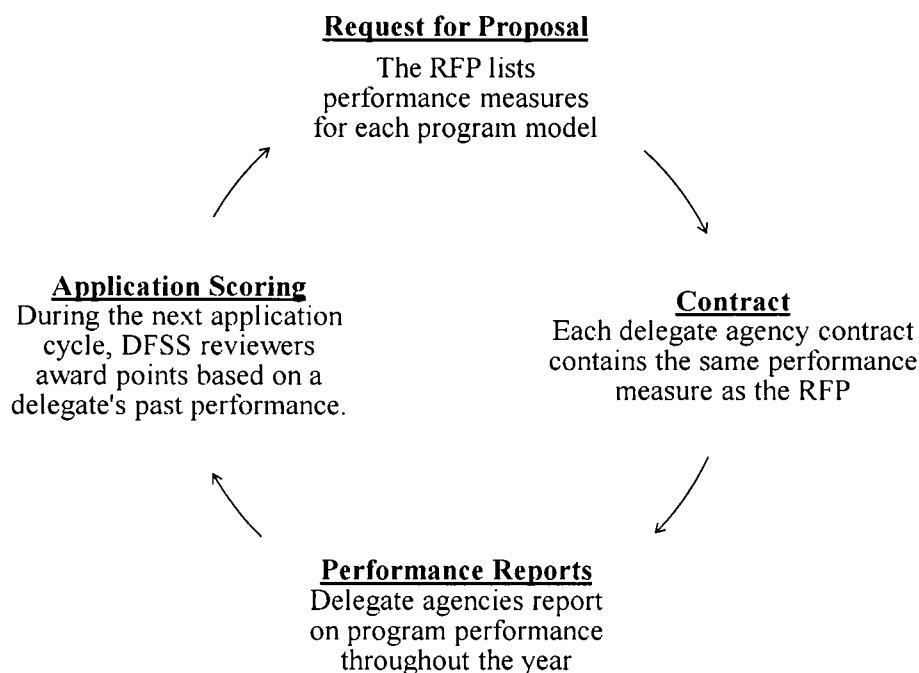
Finding 3: DFSS required delegate agencies to report on their performance but did not hold them fully accountable for inaccurate reporting.

DFSS required agencies to submit quarterly reports on their achievement of homeless service performance objectives and it reviewed the reports for accuracy. However, DFSS did not hold agencies fully accountable for inaccurate reports and thus did not incentivize agencies to improve performance reporting in the future.

OIG determined that DFSS incorporated delegate agency program performance reporting throughout the lifecycle of service—from the original RFP through service provision—and when scoring a past provider’s response to a new RFP. The details of how this incorporation occurs are as follows, and illustrated below:

1. Original RFP: The Homeless services RFPs included performance measures so agencies responding to an RFP knew the performance levels DFSS expected. For example, agencies that operated Interim Housing programs had to demonstrate that “50% of Households exit with a documented income through benefits, employment, education or training.”
2. Contract: OIG examined a sample of three contracts and confirmed that the same performance measures were included in DFSS’s contracts with agencies selected to provide services.²³ However, DFSS said it regarded these as goals and not contractual requirements because of the inherent difficulty of achieving specific social service outcomes.
3. Quarterly Performance Reports: DFSS monitored program performance through quarterly reports submitted by the delegate agencies. For example, the quarterly report for an agency operating an Interim Housing program compared the percentage of clients exiting with a documented income to the 50% goal. DFSS stated that it reviews the quarterly reports and pairs underperforming agencies with high performing peers to help them improve their performance. During program monitoring audits it verifies the accuracy of one quarter’s data by examining samples of source documentation.
4. New RFP Application Scoring: DFSS incorporated delegate agencies’ past program performance on the application Scoring Tool by awarding additional points to incumbent agencies with a record of strong performance.

²³ We examined three contracts from different program models. We limited our sample to three because of the time it took to conduct the analysis. Our sample is not representative of the entire population of delegate agency contracts.



Although DFSS checks the accuracy of a single quarterly report during audits, it does not hold agencies fully accountable for any inaccuracies found. If a DFSS auditor finds that a delegate agency misreported program performance data for one quarter by more than 20%, then she will record an audit *Concern* for that quarter. Unlike DFSS audit *Findings*, *Concerns* do not require corrective action and are not noted as a factor to be considered as part of the DFSS Scoring Tool used to select delegate agencies in ensuing RFPs. The auditor who finds misreporting that constitutes a *Concern* will correct the quarterly performance report under review, but the correction will only affect the quarter she is auditing. If the delegate agency, intentionally or unintentionally, misreported numbers in other quarters, those quarters would not be corrected.

Recommendation:

DFSS should more thoroughly examine the scope and causes of inaccurate performance data. For example, when DFSS finds inaccurate data for one quarter, it should consider examining additional quarters as well, and determining whether data was intentionally or unintentionally misreported. DFSS should also hold delegate agencies fully accountable for misreporting performance data. One way of achieving this could be to elevate misreporting from an audit *Concern* to a *Finding*, which would require agencies to take corrective action to prevent future misreporting. Elevating misreporting to a *Finding* would also ensure that past misreporting is reflected on the Scoring Tool and thus taken into consideration during agency selection.

Management Response:

“DFSS agrees that all efforts should be taken to collect accurate data from delegate agencies. Beginning with the 2016 contract year, DFSS’s Homeless Division will use the Homeless Management Information System (HMIS) to verify delegate reports.

HMIS is a locally-administered data system used to record client, service and housing data for individuals and families who are homeless or at risk of homelessness. The Homeless Division’s delegate agencies submit quarterly reports that capture the unduplicated clients and households served, demographics, services rendered, performance outcomes and bed utilization, if applicable. We will follow-up with the agencies that have been identified as having inconsistent data, via performance letters issued at least twice a year.

In addition, DFSS will examine ways to hold our delegate agencies accountable if inaccurate data is found in more than one quarter. If our analysis identifies incorrect or inadequate data, we will determine the causes and provide technical assistance via group webinars and one-on-one training based on the level of inadequacies or inaccuracies.”

V. APPENDIX A: OVERVIEW OF FEDERAL HOMELESS SERVICES GRANTS

The McKinney-Vento Homeless Assistance Act was the first federal legislation to outline a federal response to homelessness. Among other things, the Act provided federal funds for local services and defined how federal funds could be spent.²⁴ In 1995, the U.S. Department of Housing and Urban Development (HUD) streamlined the federal grant application process by requiring all stakeholders in a community to apply as one entity known as a Continuum of Care (CoC).²⁵ In response to this change, DFSS partnered with the Chicago Alliance and other community partners to establish the Chicago CoC.²⁶ The CoC acts as a planning committee that coordinates funding and services for homeless individuals, a process that resulted in *Getting Housed, Staying Housed*, Chicago's first 10-year plan to end homelessness. *Getting Housed, Staying Housed* emphasized a housing-based approach and prioritized preventing homelessness, rapidly rehousing those that are homeless, and providing wraparound services.

In 2009, the McKinney-Vento Act was amended by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. The HEARTH Act changed the ways that local agencies applied for and administered HUD grants by urging agencies to place a greater emphasis on program outcomes and data recording. In 2012, the Chicago Alliance released *Chicago's Plan 2.0*. The Plan renewed the City's commitment to the principles of *Getting Housed, Staying Housed*, while also incorporating the changes of the HEARTH Act. *Plan 2.0* lays out seven strategic priorities that form the framework of the City's homelessness prevention strategy for the next seven years. Every six months, the Chicago Alliance releases a "semi-annual progress report" detailing progress towards the goals of *Chicago's Plan 2.0*.

The 2014 Point-In-Time Homeless Count found 6,294 homeless individuals staying in shelters or on the streets of Chicago, a slight increase from the 6,279 individuals counted in 2013.²⁷

²⁴ National Coalition for the Homeless, "NCH Fact Sheet #18," June 2006, accessed February 11, 2015, <http://www.nationalhomeless.org/publications/facts/McKinney.pdf>.

²⁵ National Alliance to End Homelessness, "Fact Sheet: What is a Continuum of Care?" January 14, 2010, accessed February 11, 2015, <http://www.endhomelessness.org/library/entry/fact-sheet-what-is-a-continuum-of-care>.

²⁶ The Chicago Alliance is a member of the Chicago CoC. Its purpose is to coordinate homeless stakeholders and foster the implementing of Chicago's Plan to End Homelessness. For more information see <http://www.allchicago.org/division/chicago-alliance>.

²⁷ HUD requires grant recipients to collect data on homeless individuals. To fulfill this requirement, the City and its project partners conduct a Point-In-Time count of "every homeless person in shelter and a canvass of the streets and public spaces for those unsheltered" on a specified evening. City of Chicago, Department of Family and Support Services, "2014 Homeless Point-in-Time Count & Survey Report," accessed February 23, 2015, http://www.cityofchicago.org/content/dam/city/depts/fss/supp_info/Homeless/2015PITHomelessCount/2015VolunteerFAQ.pdf; City of Chicago, Department of Family and Support Services, "2014 2014 Homeless Point-in-Time Count & Survey Report," accessed February 23, 2015, http://www.cityofchicago.org/content/dam/city/depts/fss/supp_info/Homeless/2014PITReport.pdf. The results of the 2015 count have not yet been released.

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

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- administrative and criminal investigations;
- audits of City programs and operations; and
- reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings, disciplinary, and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

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The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

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