

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case #24-0007-I

Issued: August 13, 2024



OFFICE OF THE INSPECTOR GENERAL
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City Hall, Suite 635
100 N. Holliday Street
Baltimore, MD 21202



August 13, 2024

Dear Citizens of Baltimore City,

The mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in City government, as well as to investigate complaints of fraud, financial waste, and abuse. The following synopsis is a condensed version of the full report provided to City management officials and does not contain all investigative information.

In July 2023, the Office of Inspector General (OIG) received a complaint that alleged the City of Baltimore (City) had to return more than \$10 million in grant funding to the U.S. Department of Housing and Urban Development (HUD). The complainant alleged this occurred due to delayed fund drawdowns and issues with the software used for drawdowns.

Background

The Mayor's Office of Homeless Services (MOHS) is responsible for administering services and assistance to individuals and families at risk or currently experiencing homelessness in the City. MOHS programs are funded with City, Federal, and State Funds. HUD awards Continuum of Care (CoC) funding on an annual basis. According to HUD's website, the CoC program promotes a community-wide goal of ending homelessness and provides funding for nonprofit providers and state and local governments to rehouse homeless individuals and families quickly.¹

The OIG learned that MOHS publicizes the Notice of Funding Opportunity (NOFO)² from HUD's Office of Community Planning and Development (CPD) and works with the CoC and nonprofit organizations (subrecipients) to solicit and prepare the applications for the upcoming year or new programs. MOHS submits the applications to HUD, which then approves the grants for one year. Each subrecipient enters a contract with the City, which stipulates the grant source's program restrictions. MOHS then completes drawdowns from HUD's electronic Line of Credit Control System (eLOCCS), which HUD states should occur quarterly.³ According to witnesses and information reviewed, MOHS has 120 days after a program's performance ends to draw down the remaining funds. The following report focuses on the expenditures for the funds that occurred during the City Fiscal Years 2021 to 2024.

Methodology

The OIG interviewed numerous current and former MOHS personnel to gain insight into the process for grant awards, provider payments, and how the City receives reimbursement from HUD. MOHS' former Director (Former Director) was employed with the City from June 2021 to September 2023. The OIG spoke with the Former Director, but they declined a formal interview. Lastly, the OIG reviewed supporting documents including, but not limited to, correspondence, grant contract information, policies, HUD reports, and invoices pertinent to the investigation.

¹ https://www.hud.gov/program_offices/comm_planning/CoC

² The Notice of Funding Opportunities (NOFO) is a published each year on Grants.gov for HUD's Discretionary Funding Programs.

³ <https://www.hudexchange.info/homelessness-assistance/coc-esg-virtual-binders/coc-esg-financial-management/eloccs/>

REPORT FRAUD, WASTE AND ABUSE

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OIG Investigation

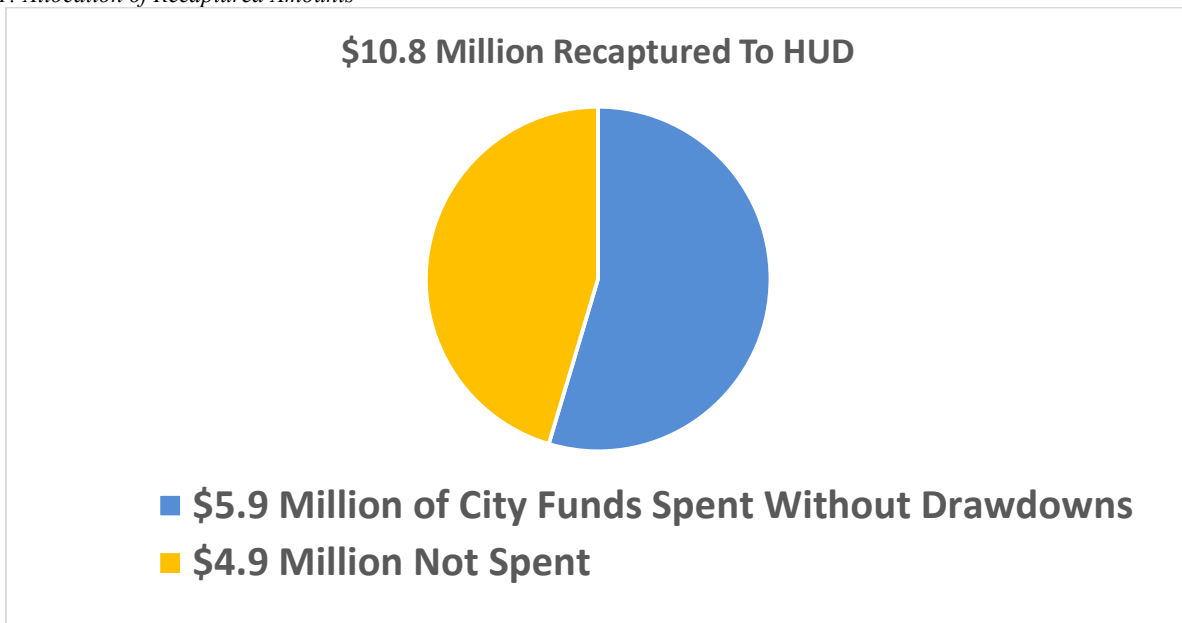
Recapture

In March 2023, a MOHS Accountant Supervisor contacted a HUD CPD Representative to schedule a meeting regarding outstanding draws in eLOCCS. Approximately two months later, the Former Director was notified that 39 grants expired in 2022, with a total award amount of \$25,444,257, and roughly \$14.7 million was drawn in eLOCCS. It was also noted that all were significantly past the 120-day deadline. According to a drawdown report, MOHS submitted five draw requests between late December 2022 and May 2023. The majority of recaptured funds appear related to contract disbursements utilizing funds from the Federal Fiscal Year 2020.

The Former Director notified Department of Finance (DOF) executives in late June 2023 that HUD would recapture nearly \$5.9 million due to lack of drawdowns. MOHS had dispersed the approximate \$5.9 million to subrecipients without drawing down the funds for reimbursement.

According to a MOHS spreadsheet provided to HUD in July 2023, the total contracted funding amount appeared to total approximately \$25.5 million, and the City's drawdowns totaled roughly \$14.7 million, resulting in a \$10.8 million difference. The OIG confirmed with the current MOHS Director that approximately \$5.9 million was recaptured by HUD due to lack of drawdowns and roughly \$4.9 million due to underspending, which is displayed in the chart below (Figure 1).

Figure 1: Allocation of Recaptured Amounts



The Former Director wrote to DOF that there is an underspending of CoC projects that HUD recaptures yearly, which other MOHS employees corroborated during their interviews.

The City requested an extension from HUD to submit drawdowns, and shared corrective action steps. HUD approved MOHS' request to resubmit vouchers for CoC FY 2020. MOHS reviewed the grant documentation and finalized a request for reimbursement of \$5,945,571.77 (approximately \$5.9 million). According to MOHS' response, MOHS has been working with HUD since October 2023 and provided documentation to substantiate the reimbursement of those funds. As of July 2024, this money has not been received by the City.

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CoC Monitoring

Additionally, the investigation revealed that HUD conducted a series of CoC monitoring of MOHS between July 25 and August 12, 2022, with 16 findings.⁴ HUD cited a significant number of findings, including lack of standard operating procedures (SOPs), infrequent drawdown of funds, ineligible expenses, unverifiable expenses, and grant costs paid outside of performance period. MOHS submitted responses to HUD in December 2022 and July 2023 with corrective actions. Some corrective actions included MOHS developing SOPs for CoC program compliance and a system to track expenses incurred against recipients that cue eLOCCS draws. Regarding the infrequent drawdowns of funds, MOHS explained that deadlines were not met due to leadership and fiscal staff turnover and cited a lack of a central grants management system. As a result of HUD's findings for improper payments and costs paid outside the performance period, MOHS returned a total of \$501,684.12 to HUD.

Turnover and SOPs

Numerous witnesses reported that MOHS has experienced high turnover for an extended period and said the turnover contributed to the lack of drawdowns. According to Workday, the City's Human Capital Management Software, 56 employees departed from the agency from January 2021 to December 2023.⁵ Thirteen were program compliance officers, who work with subrecipients and monitor their financial and program performance. Three accountant II's and two fiscal administrators who also left during this period were responsible for portions of the drawdown process.

The loss of program compliance officers appeared to impact MOHS' ability to complete annual performance reports (APR), which are required for drawdowns. A MOHS Supervisor (MOHS Supervisor) stated MOHS fell behind on completing Annual Performance Reports (APR), which must include programmatic and fiscal performance for making final draws. MOHS had the subrecipient's documentation but did not have its own APRs, which impacted final draws. The MOHS Supervisor stated that the Program Compliance unit underwent a staffing transition. The lack of onboarding and lack of passed on historical knowledge caused MOHS to fall behind in APR's. The MOHS Supervisor stated all financial documentation must be included to close the APR out.

With the significant turnover, witnesses stated historical knowledge from departing employees was not documented or passed on to the remaining employees. Several witnesses corroborated HUD's monitoring finding that MOHS lacked SOPs, and multiple witnesses described the training as limited. During the investigation, under the new leadership, the OIG learned that MOHS was continuing to draft SOPs but had created a Compliance and Fiscal Manual. In addition, MOHS has implemented a grant management software and an Excel grant tracker.

eLOCCS Access Issues

MOHS draws funds down through the eLOCCS, the primary grant and subsidy disbursement system that handles disbursement and cash management for most HUD grant programs. MOHS' fiscal unit accountants with eLOCCS access can drawdown grant funds after the City has made disbursements to subrecipients. The accountant enters a voucher into eLOCCS and the amount is processed and paid. Draws must be made within 120 days of the grant end date. Backup documentation must be submitted during this review to substantiate the drawdown. One approving official is responsible for ensuring drawdowns are

⁴ Annually, HUD's Community Planning and Development (CPD) representative will choose specific programs and obtain a random sample of vouchers and require all backup documentation be provided.

⁵ This list does not include contingent workers.

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correct and requesting eLOCCS access for employees. There are multiple accountants responsible for drawdowns.

On May 3, 2022, the Former Director forwarded a HUD CoC Spending Report to MOHS executives. The Former Director noted that there were large balances in eLOCCS and inquired if there were any delays in drawing down funds. Shortly after that email, two former MOHS Accountants (MOHS Accountant 1 and MOHS Accountant 2) lost access to eLOCCS. On May 12, 2022, MOHS Accountant 1 attempted to help MOHS Accountant 2 receive drawdown confirmations and shared their eLOCCS user identifications. HUD prohibits the transmission of login information through email and all communication must be sent securely. HUD sent MOHS Accountant 1 an email notifying them that their access would be suspended as a result of the identification sharing.

In September 2022, a former MOHS Fiscal Administrator (Former MOHS Fiscal Administrator) was the City's lone approving official left for another City position. Without an approving official, staffers could not be recertified to keep their credentials up to date in the eLOCCS system. In February 2023, approximately five months after the Former MOHS Fiscal Administrator departure, the Former Director became the new approving official.

Subrecipient Payment Delays

Numerous witnesses reported delays in MOHS issuing payments to subrecipients. During the investigation, the OIG was notified that late payments for one subrecipient (Vendor) placed multiple tenants at risk of eviction. MOHS contracts with the Vendor for rental assistance and supportive housing services.

The OIG learned there was a four-month delay in MOHS paying the Vendor after the start of the Vendor's contracts in April 2023. In late summer 2023, several tenants risked being evicted due to non-payment. In August 2023, the Vendor received a letter from MOHS to give to the landlords thanking them for their patience. The Vendor received payment in August 2023 and subsequently paid the landlords who were awaiting payment. Ultimately, two tenants were evicted due to the landlord reportedly selling the property, requiring them to be relocated. MOHS assisted with their relocation and paid approximately \$15,000 of their hotel stays.

According to witnesses, the timing of HUD and State grant funding awards contributed to delayed payments to subrecipients, including the Vendor. MOHS' subrecipient contracts sometimes start earlier than HUD or State grant awards. Furthermore, MOHS cannot issue payment to the subrecipients until the City's Board of Estimates (BOE) approves the contract. The City received HUD's notification of award on March 28, 2023, and the Vendor began performing contract duties three days later, on April 1, 2023. MOHS' contracts with the Vendor were not executed until July 2023, and payments were not issued until August 2023, approximately four months after the contract began. A former MOHS accountant stated that funds used to be available when the BOE process held up contracts. The investigation received information that indicated MOHS may have begun utilizing funding to bridge the gap between grant award and contract approval for subrecipients.

Regarding other causes for payments delays to subrecipients, witnesses cited subrecipient's expenditure reports as another reason that delayed payments may occur. Subrecipients must submit their expenditure reports on time for payment, otherwise they will be non-compliant. A subrecipient submits an expenditure report to a MOHS program compliance officer, and the compliance department does an initial review to ensure the expenses are eligible and consistent with the approved budget. Once approved, the compliance department submits the documentation to the fiscal staff who then processes the payment in Workday.

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Several witnesses stated expenditure reports from subrecipients are sometimes inaccurate or submitted late. Incorrect expenditure reports are granted extended deadlines. If the subrecipient does not submit by the deadline, MOHS will redact that line item and payout line items with properly submitted documentation. Subrecipients can be paid for redacted line items the following month. MOHS offers technical assistance to subrecipients who do not understand the requirements.

INVESTIGATIVE FINDINGS

The OIG substantiated the allegations that, of \$25 million in award funding, HUD identified more than \$10 million to be recaptured. The investigation learned and MOHS confirmed that the recapture amount was comprised of approximately \$5.9 million that the City had disbursed without completing drawdowns for reimbursement from HUD and \$4.9 million that the City had not spent. After issuing the \$5.9 million in payments with City funds, MOHS did not complete the necessary drawdowns for reimbursement in HUD's eLOCCS system within the required timeframe for reimbursement. HUD has approved the City's appeal for an extension and, the City has requested reimbursement for the \$5.9 million.

Turnover and lack of standard operating procedures were cited as reasons for the infrequent drawdowns. From 2021 to 2023, approximately 56 employees departed MOHS. Witnesses stated there was a lack of historical knowledge passed down when employees would leave and new employees would begin. The absence of standard operating procedures also adversely impacted the continuity of historical practices. The investigation uncovered that MOHS has recently completed a compliance manual. Numerous issues with eLOCCS access also occurred leading up to the HUD recapture, including two employees' suspension of access. Turnover also impacted the maintaining of employees with eLOCCS access and an approving official. Witnesses also noted that HUD's approval for eLOCCS access was not timely.

Additionally, the OIG learned that MOHS had to return \$501,684.12 due to HUD's monitoring report finding infrequent drawdowns and ineligible expenses.

The investigation also revealed issues with payment to subrecipients. According to witnesses, payment delays occur due to subrecipient programs starting before or shortly after HUD's grant award announcement to the City. MOHS then must complete its contract process and have the BOE approve the contract before payments can be issued. Witnesses also stated late or inaccurate expenditure reports from subrecipients contribute to delayed payments.

Witnesses interviewed spoke positively of the current MOHS Director, and the investigation found MOHS is making significant changes to address HUD's recapture and monitoring, and delayed subrecipient payments. MOHS' compliance efforts in response to the recapture are noteworthy. The OIG recommended that MOHS further review ways to maximize HUD funding to reduce potential recapture of funds, including those resulting from underspending. In the attached response, MOHS provided an additional policy implemented to mitigate slow spending of grant funds.

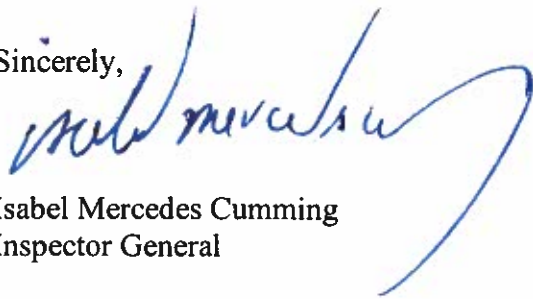
The OIG sustained the complaint allegations that \$10.8 million was returned to HUD, including \$4.8 returned due to underspending and \$5.9 resulting from lack of timely drawdowns.

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Sincerely,



Isabel Mercedes Cumming
Inspector General

CC: Hon. Brandon M. Scott, Mayor of Baltimore City
Hon. Nick Mosby, Baltimore City Council President
Hon. Bill Henry, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Ebony Thompson, Baltimore City Solicitor

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**Mayor's Office of Homeless Services
Response
Case # 24-0007-I**



CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT

M E M O R A N D U M

TO	Isabel Mercedes Cumming, Inspector General, Office of the Inspector General
FROM	Ernestina Simmons, Executive Director, Mayor's Office of Homeless Services (MOHS)
DATE	July 19, 2024
SUBJECT	ROI 24-0007-I

I have had the opportunity to review the OIG Management alert and appreciate both your time and effort to understand the factors that played a critical role in the operations at MOHS and the overall impact to our grant administration and service delivery. Over the past several months, we have worked closely with HUD alongside our internal teams to improve our policies, procedures and practices. Please see below for additional updates as it relates to the investigation:

HUD FY2020 Vouchers:

On June 27, 2023, Mayor Scott submitted a request to HUD for an extension to submit drawdowns for Baltimore City FY2020 grants and shared with HUD corrective action steps that would be taken by the administration to improve our policies and practices. Attached you will find an update on each of the corrective actions taken by MOHS that aligns with the Mayor's request. MOHS has been working closely with HUD since October 2023 and have submitted all requested documentation to support our request for reimbursement in the amount of \$5,945,571.77.

DEOBLIGATED FUNDS:

MOHS is the collaborative applicant for Baltimore City Continuum of Care. As a result, we administer HUD CoC Funds through our sub-recipients who are responsible for providing services that include supportive services, rapid rehousing and permanent supportive housing. All HUD funds are reimbursable. As a result, our sub-recipients must provide the services and provide MOHS with the supporting documentation that they have remitted payment for the contracted services. Upon expiration of grants, unspent funds remaining in the project account are de-obligated and recaptured by HUD. MOHS has implemented additional policies and procedures that allows us to identify agencies that are underspending throughout their period of performance **Mitigating Slow Spending Policy (Attached)** and develop corrective action plans aimed at decreasing unspent funds annually.

HUD Fiscal Year 2022 Monitoring, CoC FFY 2019 Open Finding Response:

Attached you will find the latest submission to HUD on 6/26/2024 which includes responses on the outstanding items that needed action by MOHS from the CoC Monitoring Report for Fiscal Year 2022, CoC FFY2019. MOHS has responded to all HUD monitoring findings and provided supporting documentation to close out each finding.

On February 6, 2024 HUD closed (11) Finding with MOHS requesting until June 30, 2024 to close out the remaining 5 findings that included comprehensive policies and procedures for our internal team (Baltimore Fiscal and Compliance Manual) as well as our Continuum of Care Providers (The Journey Home CoC Written Standards). On June 26, 2024, MOHS submitted all of the required policies and procedures to comply with the remaining (5) findings. Our responses are under review with HUD. They included:

- Finding #2: Standard Operating Procedures/Policies and Procedures
- Finding #4: Written Standards
- Finding #6: Subrecipient Evaluations for Noncompliance (Risk Assessment & Monitoring
- Finding #11: Transparency Act Reporting
- Finding #15 (listed as 14): Missing Procurement Standards for Audit Services

MOHS remains committed to improving our internal systems to ensure compliance with federal, state and local funding. If you have any questions, or need any additional information, please do not hesitate to let us know.

Mitigating Slow Spending

Objective: To enhance the efficiency and effectiveness of resource utilization within MOHS, ensuring timely and appropriate spending to achieve organizational goals, maintain financial health, and support operational excellence.

Scope: This policy applies to all departments, units, and projects within MOHS that manage budgets and expenditures. It encompasses all stages of financial planning, monitoring, and execution.

Policy Statement: MOHS is committed to the proactive management of funds to prevent delays in spending, optimize financial resources, and achieve project and departmental objectives within set timelines. This policy outlines the strategies and procedures necessary to address slow spending and ensure fiscal responsibility.

Key Strategies

Budget Planning and Monitoring

- a. **Annual Budget Planning:** Conduct comprehensive annual budget planning sessions involving all departments to align budget allocations with strategic objectives.
- b. **Regular Budget Reviews:** Implement monthly and quarterly budget reviews to track spending against forecasts. Utilize variance analysis to identify and address underspending trends promptly.
- c. **Dynamic Adjustments:** Allow for dynamic reallocation of funds within and between departments based on emerging needs and spending performance.

Spending Targets

- d. **Quarterly and Annual Targets:** Set clear quarterly and annual spending targets for each department, aligned with the overall financial strategy of MOHS.
- e. **Performance Monitoring:** Regularly monitor adherence to these targets through detailed financial reporting and adjust strategies as necessary to ensure compliance.

Approval Processes

- f. **Streamline approval processes** to reduce delays in fund disbursement. Simplify procedures for routine expenditures to expedite spending.
- g. **Empower department heads** with predefined discretionary spending limits to enable swift decision-making for minor expenditures.

Regular Reporting

- h. Mandate monthly financial reports from all departments detailing expenditure status, variances from budget, and projections for future spending.
- i. Detailed Analysis: Require departments to provide detailed justifications for significant variances from budgeted spending, along with corrective action plans.

Training and Support

- j. Provide budget management training for department heads and financial officers on efficient budget management and expenditure practices, including workshops on financial planning and risk management.
- k. Continuous Support: Offer ongoing support through financial management workshops, access to financial planning tools, and consultation with financial experts.

Incentives and Accountability

- l. Introduce incentive programs for departments that meet or exceed spending targets responsibly, recognizing and rewarding efficient financial management.
- m. Accountability Measures: Implement accountability measures for departments that consistently underperform in budget utilization, including performance reviews and corrective action plans.

Project Management

- n. Enforce project management best practices to ensure timely initiation and completion of projects, with a focus on adhering to budgetary constraints.
- o. Regular Updates: Require regular project status updates, highlighting budgetary aspects and spending progress, to ensure alignment with financial goals.

Risk Management

- p. Identify and assess risks associated with slow spending and develop comprehensive mitigation strategies to address these risks.
- q. Maintain a contingency plan to reallocate unspent funds to high-priority areas or projects, ensuring optimal utilization of resources.

Technology Utilization

- r. Leverage advanced financial management software to provide real-time tracking and reporting of expenditures, enabling proactive management of budgets.
- s. Utilize data analytics to predict spending patterns, identify potential bottlenecks, and inform decision-making processes.

Feedback Mechanism

- t. Establish a feedback loop where employees can suggest improvements in spending processes, ensuring continuous improvement and engagement.
- u. Regularly review and incorporate relevant feedback into policy adjustments to maintain the policy's effectiveness and relevance.

Implementation

Responsibility: The Director of Finance will oversee the implementation of this policy, ensuring alignment with organizational financial strategies. Department heads will be responsible for ensuring compliance within their respective units, supported by designated financial officers.

Communication: Communicate the policy to all relevant staff through meetings, emails, and the organization's internal portal. Ensure clarity and understanding of the policy's objectives and procedures. Provide a detailed policy document accessible to all employees, outlining the policy's provisions and expectations.

Review and Evaluation: Conduct bi-annual reviews of the policy's effectiveness, assessing its impact on spending efficiency and alignment with organizational goals. Adjust strategies and actions based on evaluation outcomes and emerging financial trends, ensuring continuous improvement and responsiveness to changing circumstances.