

GAO

Report to the Chairman, Subcommittee
on Human Resources and
Intergovernmental Relations,
Committee on Government Operations,
House of Representatives

August 1991

D.C. GOVERNMENT

**Information on the
Homeless Family
Program**



144891

General Government Division

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August 22, 1991

The Honorable Ted Weiss
Chairman, Subcommittee on Human
Resources and Intergovernmental
Relations
Committee on Governmental Operations
House of Representatives

Dear Mr. Chairman:

This report responds to your request concerning the District of Columbia's homeless family program. You asked for information on five issues concerning the program's operation.

- What approaches has the District used to acquire its apartment-style shelter housing?
- What is the District paying for contract shelter and support services?
- How does the District monitor contractor performance?
- How many once homeless families have located permanent housing?
- How many families who left a shelter have returned to the program?

Background

The District has been providing housing to homeless families since the mid-1960s. As of October 1, 1990, the District had 472 housing units for homeless families. These units consisted of 297 apartment-style units and 175 hotel/motel rooms. The apartment units were located in boarding houses and small apartment buildings, the largest of which contained a total of 45 units. The District did not own any of the facilities but instead contracted for their use. District employees performed program operations at 209 of the units and contractor employees performed program operations at the remaining 263 units.

The District's assistance to homeless families is coordinated by the Office of Emergency Shelter and Support Services (OESSS), which is within the Department of Human Services (DHS). OESSS is supposed to assist families in two ways. First, it is to provide temporary housing for families in apartment-style units. The use of apartment-style units was mandated by D.C. Law 7-86, the Emergency Shelter Services for Families Reform Act of 1987.¹

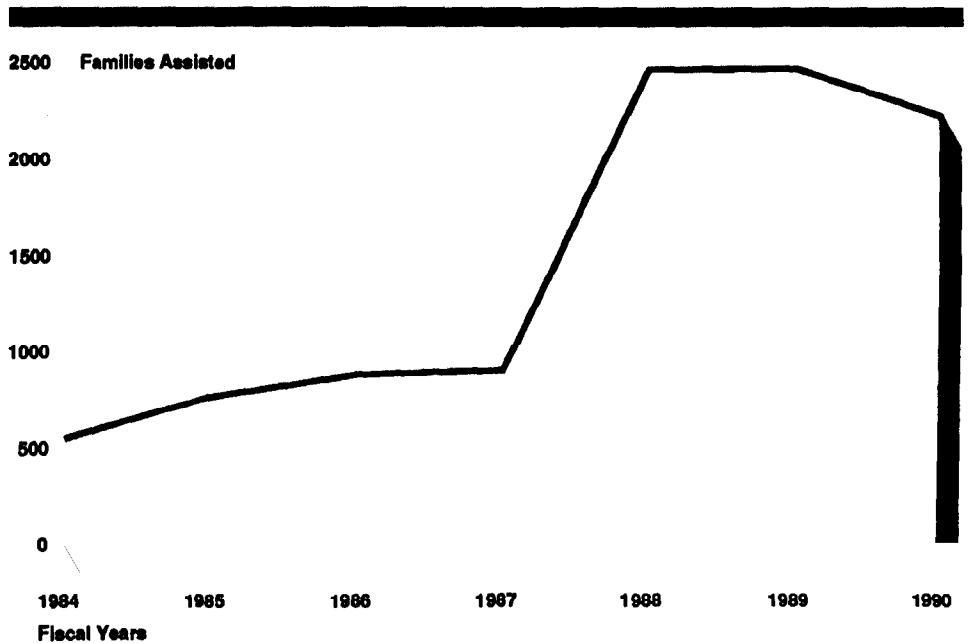
¹The law allows for the use of hotel or motel rooms rather than apartments if (1) unforeseen circumstances leave no alternative and (2) the placement is for no longer than 15 calendar days.

Secondly, OESSS is to provide support services to each member of a family placed in a shelter to help return the family to independent living. These services include medical assistance, job training, counseling, education assistance, and housing location assistance, as well as any other services deemed appropriate.

Size of the Homeless Program Has Grown

The enactment of the District of Columbia Right to Overnight Shelter Initiative of 1984, D.C. Law 5-146, gave every homeless person in the District the right to overnight shelter.² As a result, the number of homeless families assisted has increased about 309 percent between fiscal years 1984 through 1990. Figure 1 shows the number of families assisted for fiscal years 1984 through 1990.

Figure 1: Homeless Families Assisted - Fiscal Years 1984 Through 1990



Note: Families residing in more than one shelter during the year are counted more than once. Families whose stay in a shelter transcended 2 years are counted in each year.

According to the Deputy Chief, OESSS, the increase in families served during fiscal year 1988 arose from District residents (1) more fully understanding the entitlement provisions and (2) realizing that homeless

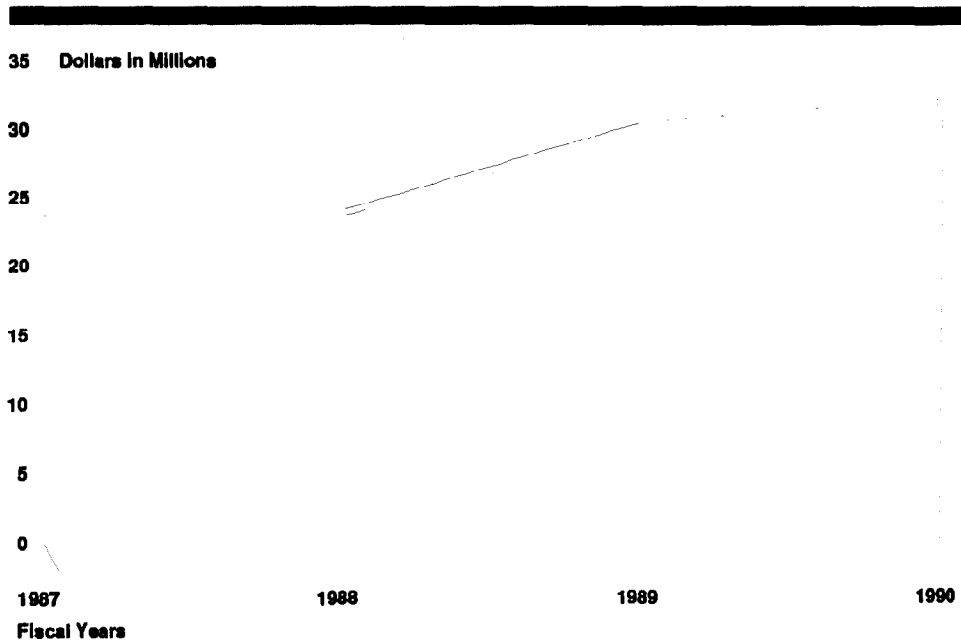
²The provision of guaranteeing overnight shelter was rescinded with the enactment of the District of Columbia Emergency Overnight Shelter Amendment Act of 1990, D.C. Law 8-197, effective March 6, 1991.

families were receiving priority in obtaining public housing and rental payment assistance.

Homeless Expenditures

As the number of families assisted increased, so did the District's expenditures. Expenditure data supplied by the DHS Office of Financial Management showed that OESSS homeless expenditures increased approximately 34 percent from about \$24 million during fiscal year 1987 to about \$32 million during fiscal year 1990. Figure 2 shows OESSS homeless expenditures for fiscal years 1987 through 1990.

Figure 2: Homeless Expenditures - Fiscal Years 1987 Through 1990



Note 1: Expenditure data for fiscal years before 1987 were not available.

Note 2: The District did not account separately for expenditures for families versus individuals.

Objectives, Scope, and Methodology

To obtain the information needed to respond to your request, we (1) interviewed District and contractor officials and lawyers who have represented the interests of homeless families; (2) reviewed District family shelter contracts and contract monitoring files; (3) analyzed shelter rental costs; and (4) determined the number of families leaving and returning to District shelters. As agreed with the Subcommittee, our analysis of contract cost and monitoring was limited to those contracts

that were in effect on October 1, 1990, where both housing and support services were provided by contractors. Therefore, our analysis does not include shelters operated by District employees. Data relating to the number of families who obtained permanent housing and homeless family recidivism reflects all shelter operations. A more detailed explanation of our objectives, scope, and methodology can be found in appendix I.

Results

Your questions and the information we developed follow. Additional detail related to questions 1-3 can be found in appendixes II-IV.

1. What approaches has the District used to acquire its apartment-style shelter housing?

The District's approach since the mid-1980s to assist homeless families has been to contract with the private sector for small apartment buildings in which both housing and support services could be provided. As of October 1, 1990, the District had contracts with 11 vendors, both private and nonprofit. All contracts, with the exception of one emergency contract, were obtained through four competitive procurements. The emergency contract has since been replaced by one obtained through competitive procurement. The same vendor was awarded both the emergency and competitive contracts.

The procurement efforts, however, did not result in the District obtaining the number of apartments desired because of insufficient private sector response to its procurement solicitations. Contractor representatives and lawyers representing homeless families said that private sector vendors did not respond because (1) the District requirement that the offeror demonstrate control of a facility, such as through ownership or lease, at the time the proposal was offered heightened the business risk, and (2) nonprofit agencies were unwilling to operate under District supervision and regulation.

Although previous procurement efforts failed to obtain the number of apartment units desired, the District has been slow to consider alternative housing procurement approaches. According to DHS officials, other approaches were not attempted because of budget limitations and the lack of time to plan because of the day-to-day homeless housing crisis.

Because past procurement efforts at locating apartment units have not been totally successful, the District has continued to use hotel and motel

rooms to house families. During fiscal year 1989 the average length of stay in hotel shelters was 57 days. Prompted by a legal challenge to its continued use of hotels and motels to house families beyond the 15 days allowed by D.C. law 7-86, the District drew upon analysis of past procurement efforts and attempted two new approaches during fiscal year 1991 to obtain apartment-style shelter housing. These were (1) contracting with a vendor to locate, negotiate for, and supervise 300 apartment units and (2) purchasing apartment buildings. As of June 1, 1991, 104 of the 300 apartments had been leased. Concerning the purchase approach, District officials are reviewing the contracts that will be awarded as a result of its first solicitation. (See app. II.)

2. What is the District paying for contract shelter and support services?

As of October 1, 1990, the District was spending about \$7.8 million annually for 11 contracts to provide housing (281 units) and support services to homeless families. Three of the contracts were only partially funded by the District, with other funding being provided by the federal government and other sources. Among contracts fully funded by the District, costs ranged from about \$350,000 for a contract for 11 units to \$2.7 million for a contract for 90 units. The District has begun an initiative to reduce program costs through contract renegotiation efforts and program operation changes.

Under District law the District cannot pay more for the occupancy (rent) cost per unit of emergency shelter housing than the appropriate rental rate established for its Tenant Assistance Program (TAP). Occupancy costs are costs associated with unit rental, such as rent and utilities, and do not include costs associated with providing support services. Our analysis of six contracts that were awarded after the payment standard was established and where the District provided all funding showed that for four of the six contracts the District would pay excessive rent. We determined that for the four contracts a total of about \$1,317,864 was allowed but that the District would pay \$1,855,629, a difference of \$537,765, or 41 percent over what was allowed.³ These amounts are based upon the assumption that all four contracts would be in effect for their full term.

³This amount is based on the assumption that all four contracts would be in effect for 1 year each. It does not represent a particular calendar time period because all four contracts were awarded on different dates.

The TAP rental rate is based upon the fair market rental rate established by the federal Department of Housing and Urban Development (HUD) for its section 8 housing program. A portion of the District's excessive rent was due to HUD's delay in publishing its annual rates. For our analysis we used the section 8 rates in effect on the date the contract became effective even if those rates represented an earlier time period. These rates should have been used by the District in its contract cost analysis. However, even if the section 8 rates applicable to the date the contracts became effective had been published and been in effect, our analysis showed that the District would still incur excess rental cost of \$399,333 or 27 percent over what was allowed. (See app. III.)

3. How does the District monitor contractor performance?

Contract monitoring is needed to assure that the goods and/or services contracted for are being provided. The District, however, has not established any formal policies and procedures for monitoring shelter contracts. The Program Monitor (PM) and contractor representatives stated that inspections had been conducted, but we could not determine the extent or number of these inspections because the PM did not always document the inspections. The inspections that were noted in the files were generally conducted after some significant event had taken place, such as a congressional inquiry or an incident at a facility—for example, a ceiling falling on a resident. Based on the information available at the end of our field work, in some cases the deficiencies were either not corrected or had been in the process of being corrected for up to 6 months. (See app. IV.)

4. How many once homeless families have located permanent housing?

According to District data, during fiscal years 1989 and 1990, 2,550 families left a District or contractor operated shelter. Of these, 1,682 families, or 66 percent, obtained permanent housing—843 in the private market and 839 in public housing. The remaining 868 families, or 34 percent, went into housing with relatives or friends or made other arrangements. Of the 843 families that obtained housing in the private market, 420 or approximately 50 percent received rental assistance through TAP (65 families) or the federal government's Section 8 Housing Assistance Program (355 families).

5. How many families who left a shelter have returned to the program?

The District did not keep data on the rate of recidivism for once homeless families. However, DHS officials estimated the rate at 25 percent. According to the DHS official responsible for processing homeless family shelter applications, three groups of families comprise the returnees. About 50 percent of the returnees represent families who left a shelter of their own volition or were expelled; the second group, representing 40 percent, were families that had located permanent housing but had lost that housing because of eviction or other reasons; and the third group, representing 10 percent, were families headed by persons who were at one time minors in families that were once in a shelter. DHS officials believe that the recidivism rate could be reduced as a result of proposed tightening of program eligibility requirements. For example, one item under consideration is the exclusion of people from further assistance who failed to pay their portion of rent after they located subsidized housing.

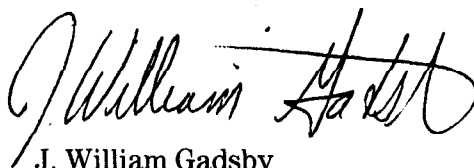
Agency Comments

We discussed the information in this report with DHS officials. They said that their contract monitoring function needs improvement, and they are examining this issue. They had no comment on the other issues discussed in this report.

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the issue date. At that time, we will send copies to other interested parties.

Major contributors to this report are listed in appendix V. If you have any questions concerning this report, please contact me on (202) 275-8387.

Sincerely yours,



J. William Gadsby
Director, Federal
Management Issues

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Abbreviations

CSS	Commission on Social Services
DCRA	Department of Consumer and Regulatory Affairs
DHCD	Department of Housing and Community Development
DHS	Department of Human Services
DPAH	Department of Public and Assisted Housing
HUD	Department of Housing and Urban Development
OESSS	Office of Emergency Shelter and Support Services
PM	Program Monitor
RFP	Request For Proposal
TAP	Tenant Assistance Program

Objectives, Scope, and Methodology

In order to obtain information relating to the questions you raised concerning the operation of the District's homeless family program, we interviewed the following people: DHS officials involved with providing shelter housing and support services, contracting for those services, and monitoring contractor compliance; DPAH officials involved with assisting families to locate permanent housing; representatives of private organizations who are or were under contract with DHS to provide housing and support services; and other interested third parties, such as lawyers who represent the interests of homeless families. We also reviewed laws relating to the operation of the program and applicable court cases.

To obtain information relating to contract cost and monitoring, we reviewed DHS contracts and contract monitoring files. To determine what the District was paying for its contracted housing and support services and how it monitors contractor compliance, our work was limited, as agreed with the Subcommittee, to those contracts that were in effect on October 1, 1990, in which a contractor supplied both housing and support services. There were 11 such contracts.¹ Our report, therefore, does not cover shelters operated by District employees. These include a total of 198 units in hotels/motels and two small apartment buildings. Three of the contracts were only partially funded by the District government. Total cost figures shown in this report only reflect the District's portion of the funding.

The District has established a rental payment standard concerning what it is allowed to pay for a facility to be used as shelter housing. This standard is based upon the U.S. Department of Housing and Urban Development's (HUD) section 8 program for new construction and substantial rehabilitation fair market rental rate for the Washington, D.C., market. To calculate the maximum amount allowable by law for shelter occupancy cost, we determined the configuration of each shelter building (efficiencies, 1-bedroom, 2-bedroom, etc.) and the appropriate structure type. The shelter configuration was obtained from the contract files or, in those cases where the contract files did not specify the building configuration, from a contractor representative. We multiplied the number of apartments by the appropriate section 8 rate. We multiplied this figure by 12 to determine the yearly cost allowable under section 8. We used the most recently published rates in effect at the time

¹Included in the 11 contracts we examined was 1 contract where only housing was provided. Support services were provided by District employees. We included this contract because it was awarded as a result of a competitive procurement that took place during 1986. This procurement solicitation initially was for both housing and support services, but the solicitation was amended to allow for housing only.

the District awarded the contracts. The rates were obtained from the Chief Appraiser, Valuation Branch, Technical Support Division, Office of Insured Multifamily Housing Development, HUD.

We then determined the occupancy (rental) cost the District paid for 6 of the 11 contracts. Two of the contracts were eliminated because they were awarded before the enactment of D.C. Law 7-86, which limited occupancy cost. Three contracts were eliminated because the occupancy costs were only partially funded by the District and its portion was insufficient to cause a violation. Occupancy costs include rent, utilities, trash, maintenance, insurance, pest control, and repairs. To the total cost of those items, we added any building-related personnel costs that we believe should be included in rent, such as the cost of salary for maintenance staff. Costs such as these are included in HUD's fair market rent determination. "Fair market rent" is defined as HUD's determination of rents, including utilities (except telephone), ranges and refrigerators, parking, and all maintenance, management, and other essential housing services that would be required in a particular area to obtain privately developed and owned housing classified as newly constructed or substantially rehabilitated. We subtracted this total amount from the yearly section 8 costs to determine if excessive rent was paid.

We used unaudited DHS-supplied data to obtain the number of families assisted, homeless expenditures, and the number of families who located permanent housing.

In determining the level of recidivism among homeless families, we relied upon testimonial estimates obtained from DHS officials because DHS does not accumulate recidivism information.

We obtained informal comments from DHS officials on the information contained in a draft of this report. Their comments are included on page 7 of this report.

All work was done between October 1990 and April 1991 and in accordance with generally accepted government auditing standards.

What Approaches Has the District Used to Acquire Its Apartment-Style Shelter Housing?

On October 1, 1990, the District had 11 homeless family shelter contracts in effect. Ten of the 11 contracts were awarded as a result of four competitive procurements. The other was an emergency contract. These efforts, however, have not resulted in the District obtaining the number of desired apartments. As a result, the District has continued to use hotels and motels to house homeless families for extended periods of time beyond what is allowed in the Emergency Shelter Services for Families Reform Act of 1987, D.C. Law 7-86.

The District has been slow to consider alternative housing approaches. Since the enactment of D.C. Law 7-86 on March 11, 1988, the District has known that it would have to primarily use apartments to house homeless families. However, it was not until November 1990, 2 years and 8 months later, that new procurement approaches were attempted. District officials said they did not attempt different approaches because of inadequate funding and the lack of planning time.

Prompted by a legal challenge to its continuing use of hotels and motels to house families and drawing upon analysis of past procurement efforts, the District is attempting two new approaches to obtain apartments. These are (1) contracting with a vendor to locate, negotiate for, and supervise 300 apartments to be used for temporary housing and (2) purchasing apartment buildings. As of June 1, 1991, 104 of the 300 apartments have been leased, the remainder have been identified, and leasing negotiations are underway for some of the identified units. Concerning the purchase approach, the District is currently reviewing the contracts that will be awarded as a result of its first purchase solicitation.

District Relied on Contractors for Housing and Support Services

Since 1983 the District has relied heavily on private contractors to meet its needs for family housing and support services. This was a change from the policies which had been followed since the mid-1960s when the then-Department of Public Welfare, the predecessor to DHS, had staffed and operated two shelters. The District was forced by budget reductions in the early 1980s to close the two shelters. According to the OESSS Chief, the District's continued use of contractors was due to the lack of OESSS staff to provide support services and DHS' reluctance to purchase buildings.

The District's approach since the mid-1980s to assist homeless families has been to locate small apartment buildings in which both housing and support services could be provided. According to the OESSS Chief, this

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approach was based upon the belief that (1) large shelter complexes create community opposition and would not easily blend into the local community environment, and (2) small buildings would permit better family supervision and the delivery of counseling and other support services by the social worker/case manager located on site.

**Competitive Procedures
Use in Awarding Current
Shelter Contracts**

As of October 1, 1990, the District had 11 contracts for providing shelter to homeless families. Ten (271 units) of these were awarded as a result of four competitive procurements. The other (10 units) was an emergency award which replaced an expired contract. It has since been replaced by a contract resulting from a competitive procurement. The same vendor was awarded both emergency and competitive contracts. Table II.1 shows the results of the four competitive procurements.

Table II.1: Results of Competitive Procurements

Date of procurement solicitation	Number of shelter contracts awarded	Units obtained
July 18, 1986	2	36
Mar. 13, 1989	5	179
Feb. 28, 1989 ^a	2	28
June 22, 1990	1	28
Total	10	271^b

^aA third contract for 10 units was awarded on March 9, 1991.

^bThis number does not include the 10 units obtained from the emergency contract.

The 10 contracts were awarded as a result of a type of procurement known as Competitive Sealed Proposal. The principal components of this procurement method are (1) a solicitation of proposals, (2) an evaluation of proposals to determine which are in the competitive range, (3) discussion with offerors, if necessary, and (4) contract award. The competitive range is determined on the basis of cost or price and other factors, in accordance with the evaluation criteria stated in the solicitation. A contract is awarded to the offeror that best meets the District's needs. More than one contract may be awarded if the highest rated offeror cannot fill the District's total requirement. As shown in table II.1, multiple contracts have resulted from three of the four solicitations.

**Shelter Program Did Not
Obtain a Sufficient
Number of Apartment
Units**

The Emergency Shelter Services for Families Reform Act of 1987 required the Mayor to provide apartment-style housing for families with children. This was to be accomplished by March 10, 1989, 1 year after the effective date of the law. It limited the option, which the District had followed since the 1960s, to use hotels and motels to meet the housing demand which exceeded the District's supply of apartment-style housing.

The District continued to rely on private contractors to meet the housing demand. However, this approach failed to produce the required housing units. For example, a request for proposal (RFP) issued on March 13, 1989, was expected to assist in increasing the District's apartment supply from 137 to 400, an increase of 263. However, even after accepting every qualified offer, only 90 of the 179 units obtained were new to the program, and therefore, the District fell short of its goal by 173 units.

A similar occurrence took place with the District's last RFP, which closed on August 30, 1990. It requested housing and comprehensive support services for up to 300 homeless families. Nine offers were submitted. Six were considered out of the competitive range, one because of high cost, two because no facility was identified, one because the offeror only wanted to serve a particular population segment, and two because the buildings offered did not contain the number or needed room sizes. One contract for 28 units was awarded, and the District is currently negotiating with the other offerors.

Because the District's attempts to locate a sufficient supply of apartment units to meet its demand were not successful, it continued to use hotels and motels to house homeless families for extended stays. For example, while D.C. Law 7-86 allowed for a maximum stay of 15 days, during fiscal year 1989 the average length of stay was 57 days. This practice resulted in the District being sued for noncompliance in the Superior Court of the District of Columbia. On October 12, 1990, the Court ordered the District to act within 90 days to comply with the requirements of the act. As discussed later in this appendix, the District has responded to the Court's order. However, the status of this order is uncertain at the current time. The parties to the lawsuit have recently been informed by the judge in the case that he intends to grant a motion filed by the District which might result in the court vacating or modifying its earlier order.

Explanation for Shortage
of Apartments

The shortage of apartment units apparently resulted from elements of the District's homeless housing policy which discouraged potential contractors from bidding. DHS officials, contractor representatives, and interested third parties said the District has been unable to secure sufficient apartment units because of the District's requirement that offerors have control of the building,¹ and the unwillingness of nonprofit agencies to change their current support service provision operation to meet District requirements.

In developing their homeless family program, the District decided that one vendor should provide both housing and support services. According to the OESSS Chief, this approach was considered more efficient because DHS would only have to deal with one vendor rather than two, a landlord and a support service provider. The housing policy was implemented by the requirement that the offerors demonstrate in their proposal the control of a facility.

This policy has limited the number of proposals. For example, a vendor may have to hold a building vacant for several months while attempting to negotiate a contract with DHS. A representative of a nonprofit organization told us that while his organization was waiting for DHS' decision, the organization was at risk for about \$80,000 in security deposits, leasing commissions, and lease option costs. He said that if they had not received a contract they would have lost that money. The OESSS Chief agreed that the site control requirement has limited responses.

According to lawyers who represent the interest of homeless families, nonprofit organizations have been reluctant to respond to the District's RFPs because they do not want to be under District supervision or change their existing programs to meet District program requirements.

¹Control can be shown through ownership, a current lease, or the option to buy or lease.

The District Has Been Slow to Consider Alternative Housing Procurement Approaches

Since the enactment of D.C. Law 7-86 on March 11, 1988, the District has known that it would have to acquire additional apartments to offset its use of hotels and motels as family shelter housing. However, it was not until November 1990, 2 years and 8 months later, that new procurement approaches were attempted. We were unable to obtain a definitive answer as to why different approaches were not attempted earlier. Following are various DHS officials' perspectives concerning the delay.

The Chief, OESSS, said other approaches were considered but not attempted for various reasons. For example, funding was a problem. Every year OESSS has exceeded its budget. He said it is difficult to attempt different approaches with unsure funding. The funding shortfall was eliminated by transferring funds from other DHS programs.

The Family Services Coordinator, OESSS, said because of the extent of each family's problems and the need for close supervision, it was believed that using small apartment buildings would be more manageable. She reasoned that this had been the approach used for several years and it was difficult to change approaches.

The former DHS Commissioner on Social Services said the District was operating in a crisis environment on a day-to-day basis and not enough time was available to consider alternative approaches.

The former DHS Deputy Director, Office of Administration, said DHS had not changed its approach because of differences in opinion within DHS and inability to reach agreement concerning what other approaches should be used.

District Now Attempting New Approaches to Obtain Shelter Units

As a result of the October 12, 1990, court order and the experience gained from previous procurements, the District is attempting two new approaches to obtain apartment-style shelter housing. These are (1) contracting for the finding, negotiation for, and supervision of apartments and (2) purchasing apartment buildings.

On November 9, 1990, in response to the Court's October 12, 1990, order, the District submitted to the Court an implementation plan to acquire apartment-style units to replace the hotel and motel units used to house homeless families. The plan states that 313 units are required to meet both current and projected needs. To meet that requirement, the plan provides for the District's Department of Public and Assisted

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Housing (DPAH) to lease units and the Department of Housing and Community Development (DHCD) to purchase units. As of June 1, 1991, both of these initiatives were underway.

Leasing Approach

On January 18, 1991, DHS awarded an emergency contract to a nonprofit organization to identify and make available for lease a minimum of 300 residential apartments. The contract provided that the contractor identify the units, conduct lease negotiations for draft leases which would be signed between the owner and DPAH, furnish each apartment, and assist in property management. This is a cost-reimbursable contract with a fixed fee. The reimbursable cost ceiling is \$879,000, and the fixed fee is \$25,000.

As of June 1, 1991, the contractor had identified all of the units, arranged signed leases between the unit owner and DPAH for 104 units, had obtained 77 owner-signed leases that were awaiting DPAH signature, and was negotiating for some of the other identified units. The Chief, OESSS, said that an emergency contract was awarded because of the need to respond quickly to the Court's order and that it would allow time to award a competitively solicited contract to replace the emergency contract.

In addition to the emergency contract, on January 10, 1991, DPAH issued an RFP to obtain similar services to those provided in the emergency contract. The contract awarded as a result of this RFP would replace the emergency contract when it expires. The contract terms would be for 12 months with four 1-year extensions. As with the emergency contract, this would also be a cost reimbursable plus fixed fee contract. Support services for families placed in leased apartments will be provided by District or contract employees. As of June 1, 1991, the procurement award was being reviewed by District officials.

Purchase Approach

On November 30, 1990, DHCD published an RFP to purchase properties that will be targeted for use as housing for formerly homeless families. About \$3.3 million was available for these purchases, and the District expected to obtain at least 73 units. As of June 1, 1991, the RFP had closed, DHCD had evaluated the offers received, and the proposed contracts were being reviewed. On March 14, 1991, DHCD published a second RFP. According to a DHCD official, a second RFP was issued because of insufficient response to the first RFP. Support services for families placed in the purchased units will be provided by District or contract employees. As of June 1, 1991, the offers received had not been evaluated.

What Is the District Paying for Contract Shelter and Support Services?

The District is spending about \$7.8 million annually for the 11 contracts that were in effect on October 1, 1990, to provide housing and support services to homeless families. Three of the contracts were only partially funded by the District, with other funding being provided by other sources. Because of variations in each contract, such as apartment size and the scope of support services provided, we could not compare contract costs. Among contracts fully funded by the District, costs ranged from \$350,000 for a contract for 11 units to \$2.7 million for a contract for 90 units. The District is attempting to reduce program costs through contract renegotiations and by pursuing alternative strategies to provide social services.

Our analysis of 6 of 11 contracts¹ determined that in four cases the District was making rent payments which exceeded what is allowed under District law. We determined that for the four contracts a total of \$1,317,864 was allowed but that the District would pay \$1,855,629, a difference of about \$537,765 or 41 percent over allowable costs.

District Contract Cost

The District is spending \$7.8 million for 11 contracts in effect as of October 1, 1990, to provide housing and support services to homeless families. Among contracts fully funded by the District, costs ranged from \$350,000 for a contract for 11 housing units to \$2.7 million for a contract for 90 units. The contracts are generally for a 1-year period and have been awarded over the last 4 years. One contract was awarded on a month-to-month basis.² Negotiations for a yearly contract are currently in progress. Table III.1 summarizes the total costs and family capacity for each of these contracts.

¹We eliminated two contracts because they had been signed before the effective date of D.C. Law 7-86. Three contracts were eliminated because the occupancy costs were only partially funded by the District and the District portion of the funding was not sufficient enough to constitute a violation of the law.

²To obtain yearly costs, monthly figures were projected over a 12-month period.

**Appendix III
What Is the District Paying for Contract
Shelter and Support Services?**

**Table III.1: Cost of Family Shelter
Contracts in Effect as of October 1, 1990,
District Funding Only**

Contractor name	Total cost of contract	Family capacity
Urban Shelters	\$851,915	25
Metropolitan Health Assoc.	664,149	20
Washington and Washington ^a	350,268	11
Temporary Living Communities	2,749,985	90
Trans Management Systems	582,530	20
Community of Hope	523,638	19
Coalition for the Homeless ^b	756,000	28
Seed Ministries	788,400	30
Subtotal	7,266,885	243
House of Ruth ^c	138,321 ^d	10
House of Ruth ^c	136,719 ^e	10
My Sister's Place ^c	226,247 ^f	18
Subtotal	501,287	38
Total	\$7,768,172	281

^aThis contract is for housing only. District personnel provide support services on site.

^bThis contract is currently being paid on a month-to-month basis. To estimate yearly costs, monthly figures were projected over a 12-month period.

^cThis contract is funded by both the District Government and other sources.

^dThe overall total cost of this contract is \$235,492. This contract was for a 4-month period. To estimate yearly costs, contracts were multiplied by a factor of 3.

^eThe overall total cost of this contract is \$490,288.

^fThe overall total cost of this contract is \$511,355.

Because of variations in each contract, contract costs are not comparable. These variances can be explained by different apartment sizes, the fact that some contracts do not include a fee or profit, and different levels of support services. For example, each building has a different configuration of apartment sizes. One building may consist entirely of 2-bedroom units while another one is a mixture of efficiencies, 1-bedroom and 2-bedroom units.

We also found that some cost differences are attributable to economies of scale. For example, in the case of personnel costs, one security guard can be used in the entrance of a 10-unit or 40-unit building. The cost per unit would be higher for the lower size building.

The District contracted with both nonprofit and for-profit organizations. Contract costs are slightly lower for operations provided by nonprofit contractors because the nonprofit operations generally did not request a

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fee or profit. For those contractors who requested a fee, the average amount was \$77,290 or approximately 7 percent of total contract costs.

Contract cost also varied with the level of support services provided by each shelter. For example, at one shelter, the District provided the support services. In all other shelters, the contractor provided the support services.

There are also variations in contractor-provided support services. For example, at one shelter support service personnel included employment, housing, and substance abuse counselors, in addition to general social workers. Other shelters did not include all these positions.

The District Is Attempting
to Reduce Costs

District officials have taken steps to reduce contract costs through contract renegotiation and the implementation of a new policy under which support services will be provided at four regional resource centers rather than at the shelters.

The District has renegotiated two contracts and reduced the cost for the first option year by over \$68,000 for each contract. These reductions represent 11 and 8 percentage reductions respectively of the estimated yearly cost. The reductions were accomplished through lowering the costs for personnel, occupancy, supplies, and equipment; client costs such as food and clothing; and by reducing the fee.

In addition to contract renegotiation, the District is attempting to lower support service costs by implementing a new policy under which support services will primarily be provided to families through four regional resource centers. The District is providing services such as employment, housing, psychiatric, and substance abuse counseling at these centers. District officials believe that this will reduce or eliminate the need for these services to be performed by contractor shelter staff, thus reducing contract costs.

District Violated Law
Regarding Occupancy
Costs

By D.C. Law the District cannot pay more for the occupancy cost (rent) per unit for emergency shelter housing than the appropriate rate authorized by the TAP. However, our analysis of 6 of 11 contracts determined that in four cases the District would pay excessive rent of \$537,765 or 41 percent over what was allowed.

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We determined that for the four contracts a total of \$1,317,864 was allowed but that the District would pay \$1,855,629, a difference of about \$537,765 or 41 percent over allowable costs. These amounts are based upon the assumption that all four contracts would be in effect for their full term.

The Emergency Shelter Services for Families Reform Act of 1987, D.C. Law 7-86, effective March 11, 1988, states that the "Mayor shall establish standards for payment to vendors for emergency shelter family housing, which shall not exceed the amount by unit size established under section 303(b) of the Rental Housing Act of 1985 (D.C. Law 6-10; D.C. Code, Section 45-2533(b))." Section 45-2533(b) of the code states that the fair market rents applicable to TAP shall be the fair market rents established annually by HUD under its section 8 program for new construction and substantial rehabilitation in the Washington, D.C., market. "Fair market rent" is defined as HUD's determination of rents, including utilities (except telephone), ranges and refrigerators, parking, and all maintenance, management, and other essential housing services that would be required in a particular market area to obtain privately developed and owned, newly constructed or substantially rehabilitated rental housing.

To determine if the District exceeded the section 8 rates, we examined the occupancy (rental) cost for 6 of the 11 contracts. Footnote 1 on page 19 describes how we selected the six contracts. Contract occupancy costs included rent, utilities, trash, maintenance, insurance, pest control, and repairs. Costs associated with the provision of support services were not included. For our analysis, we used the section 8 rates in effect on the date the contract became effective. Those rates, however, may not reflect the actual fair market value on the effective date of the contract because the section 8 rates for new construction and substantial rehabilitation are somewhat outdated. For example, fiscal year 1988 rates were not published in final form until December 1, 1989. Fiscal year 1989 rates were finalized on April 24, 1991. Therefore, we used 1987 rates for one contract signed before December 1, 1989, and 1988 rates for all other contracts. These rates were the rates that were in effect and should have been used by the District in its contract cost analysis.

Table III.2 shows how we analyzed what the District paid versus the maximum rental payment allowed under District law for one contract.

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Table III.2: GAO's Analysis of Maximum Allowable Payment Versus Occupancy (Rental) Costs for One Contract

	Maximum allowable section 8 payment			
	Number of units	Section 8 rate	Number of months	Maximum payment per section 8
Building 1:				
Efficiencies	12	\$505	12	\$72,720
1 bedroom	16	610	12	117,120
2 bedroom (includes 1 office)	18	787	12	169,992
Subtotal				\$359,832
Building 2:				
Efficiencies	6	566	12	40,752
2 bedroom	29	846	12	294,408
3 bedroom	6	846	12	60,912
4 bedroom (includes 1 office)	5	846	12	50,760
Subtotal				\$446,832
Total allowable rental payment				\$806,664
				Contract Costs
Total occupancy cost:				
Building 1				\$502,580
Building 2				565,402
Subtotal				\$1,067,982
Related personnel cost:				
Maintenance				\$18,920
Custodian				13,200
Custodian				14,560
Property Manager				14,300
Subtotal				\$60,980
Total occupancy and personnel costs				\$1,128,962
Difference (section 8 total minus occupancy and personnel total)				\$(322,298)

Four of the six contracts we examined exceed the allowable payment in the amount of \$537,765 or 41 percent over allowable costs. The excess per contract ranged from \$32,340 to \$322,218. Table III.3 shows these four contracts and the amounts by which they exceed the section 8 rate total.

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Table III.3: Family Shelter Contracts That Exceeded the Rental Payment Standard

Contractor name	Total annual payment allowable under Section 8	Total occupancy cost per contract	Difference between Section 8 payment and total occupancy cost
Temporary Living Communities	\$806,664	\$1,128,962	\$(322,298)
Coalition for the Homeless	219,720	345,240	(125,520)
Trans Management Systems	136,368	193,975	(57,607)
Metropolitan Health Association	155,112	187,452	(32,340)
Total	\$1,317,864	\$1,855,629	\$(537,765)

To determine if excess payments would have been made if the section 8 rates had been published in a timely manner, we also analyzed the contract occupancy cost against the later published section 8 rate for the time period during which the contracts were signed. This analysis showed that all four contracts would still exceed the allowable payment by \$399,333 or 27 percent over allowable costs.

We asked the DHS contract specialist responsible for shelter contracts how she determined the appropriate rate for occupancy cost. According to the contract specialist, an official associated with TAP told her to divide the rent by the number of units. She could not remember whom she talked with nor provide us with any documentation. She compared this against the TAP rate to see if the cost per unit exceeded the appropriate TAP rate. However, as shown in Table III.4, rent is only one item in contract occupancy cost. Other cost items such as utilities and maintenance were not, but should have been, included. Also, DHS did not consider certain building-related personnel costs, such as a custodian, which were sometimes shown in the personnel cost schedule rather than the occupancy cost schedule. Those costs should be included in the section 8 determination of fair market rent. Therefore, DHS did not account for all costs associated with renting a shelter housing unit when it did its analysis.

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**Table III.4: Example of DHS Occupancy
 Cost Schedule**

Item	Building 1	Building 2	Total
Rent	\$370,108	\$386,640	\$756,748
Utilities	68,250	80,250	148,500
Trash	3,402	3,402	6,804
Maintenance	9,200	15,000	24,200
Insurance	31,500	35,000	66,500
Pest Control	3,780	4,860	8,640
Repairs	16,340	40,250	56,590
Total	\$502,580	\$565,402	\$1,067,982

How Does the District Monitor Contractor Performance ?

Contract monitoring is needed to assure that goods and/or services contracted for are actually being provided. The District, however, has not established any formal policies or procedures concerning shelter contract monitoring. The program monitor (PM) said that the only guidance she has is contained in the contracts and her job description. However, these documents do not provide guidance on (1) how often a facility or case records should be inspected; (2) how an inspection should be conducted; or (3) how shelter visits should be documented.

While the PM and contractor representatives stated that inspections are conducted, we could not determine the extent or number of these inspections because the PM does not always document them.

Shelter Monitoring Guidelines Are Inadequate

According to the PM, there are no monitoring policies or procedures and the only documents she has concerning the monitoring function are her job description and the contracts. These documents, however, only provide general guidance on the oversight that is to be done. They do not set goals for the frequency of the shelter visits or the inspection approach to be used, nor are they clear concerning how the visits should be documented.

Once a contract has been signed and the contractor has begun to deliver the goods or provide the services specified in the contract, the contracting agency is responsible for assuring that it received what it contracted for. Within DHS shelter contract monitoring is the responsibility of one PM assigned to DHS' Office of the Commissioner, Commission on Social Services (CSS). In addition to contract monitoring, the PM also responds to inquiries and complaints from clients, supervisors, contractors, community agencies and citizens of the District. The PM also reviews monthly pay statements sent in by the contractors to verify the amount agreed upon in the contract.

The most complete description of the PM's responsibilities is provided in the written shelter contracts. Following is the monitoring language that appeared in one contract. This language is typical of what is in all the contracts.

"Performance Monitoring"

"The District will monitor the performance under this contract by visiting the Contractor's facilities. Visits may be announced or unannounced. During such visits, OESSS will inspect the premises of the

facilities for cleanliness and safety. OESSS staff will provide the Contractor a written report within 48 hours of any findings which are in violation of the terms and conditions of this contract. Within 48 hours of the visit, the Contractor must submit to the OESSS PM a corrective plan of action to correct the violations.”

[Text Omitted]

“The OESSS Program Monitor shall review case records to determine whether the services provided by the Contractor are appropriate to enhance client’s movement to independent living. When necessary, the OESSS PM shall make recommendations regarding a client’s movement toward independent living.”

[Text Omitted]

“The Program Monitor shall perform oversight duties on OESSS shelter programs to ensure that the Contractor adheres to the terms and conditions of the contract. When necessary, the PM shall advise the Contractor on its program and support services which will be geared toward the enhancement of shelter services delivered to clients.”

While the above language does discuss monitoring, it does not provide specific guidance on how oversight is to be accomplished. It does not for example, provide for the frequency of shelter visits, the inspection approach to be used, or documentation of inspections. The PM’s position description is likewise lacking in specifics concerning the monitoring activity.

Program Monitor Said Inspections Done but Not Always Documented

Our examination of the PM’s files for contracts in effect as of October 1, 1990, revealed little inspection documentation. The inspections that were noted in the files were generally conducted after some significant event had taken place, such as a congressional inquiry or an incident at a facility, for example a ceiling falling on a resident.

The PM said that she attempted to inspect each shelter every 2 to 3 months but contractors who had problems previously were monitored more often. She said that during the inspections, about 50 percent of which were unannounced, she inspected the facility and reviewed case files. In addition, she talked to both contractor staff members and

residents regarding whether the clients were getting the necessary support services and what program improvements could be made. Contractor representatives told us that the PM does inspect their facility and family records. One representative said the PM comes once or twice a year and another contractor's representative said the PM came several times during the last several months.

The PM's job description requires that a chronological log of all meetings, visits, consultations, and other significant events that occur during the contract period be maintained. This requirement, however, is not consistently followed. For 7 of the 11 contracts, the monitoring file did not contain a log. The PM said she was unable to meet this requirement because of time constraints.

The inspections that were documented in the files generally revealed numerous deficiencies. Following are examples of the extent of inspections noted in two contract monitoring files and the results of the inspections.

For one contractor, the PM's file showed that the Department of Consumer and Regulatory Affairs (DCRA) inspected the contractor's facility on September 27, 1989, about 3 months before the contract was awarded. That report noted several deficiencies, including ceilings that had loose or missing parts or were damaged from dampness. The files show no evidence of further inspection until June 1990. That inspection was done in response to an accident at the shelter on June 16, 1990, in which a ceiling fell on a client. The DCSS Deputy Chief conducted an inspection of each of the 20 apartments located at the facility. Every room was noted to have some deficiencies. Some of the deficiencies found included the following: evidence of roaches; kitchen ceiling about to fall; smoke detector dismantled; no door on the refrigerator, freezer, and oven; bed frames not in use; and mattresses on the floor. The Deputy Chief's conclusion, stated in a memorandum to the PM, was "Overall, these facilities were found to be in terrible condition and immediate corrective action is warranted."

According to a letter sent to the contractor by the Commissioner, CSS, the deficiencies noted constituted a contract violation. The letter also noted that the contractor had previously been warned about the condition of these facilities. The monitoring file, however, did not indicate any documentation of those prior warnings. The PM said that many times because of time constraints, she provided verbal rather than written warnings.

As a result of the Commissioner's letter, the contractor began to take corrective action. In December 1990, another ceiling fell and the PM was prompted to make further inspections. Inspections were done on December 31, 1990, and on January 7, 16, and 28, 1991. All these inspections noted deficiencies such as the following: loose coverings on ceilings needed removal, then plastering; radiators in living rooms needed repairing to restore heat; loose wires on kitchen walls needed mounting or replacement; and bathroom floors appeared weak and needed repairs.

The ceiling and floor problems were noted in several apartments. The file contained no evidence that corrective actions were ever completed.

The PM's file concerning another contractor showed that the District's Fire Department conducted inspections on August 24, 1989, and January 31, 1990. No other inspection was reported until June 1990. On June 14, 1990, 2 days after a congressional hearing concerning shelter operations, the previous DHS Deputy Director for Administration directed the contract administrator to conduct a site inspection of the facilities of one contractor.

As a result of that request, the following inspections were done: by the PM on June 14 and 15, by the Commissioner, CSS, on June 18, and by DCRA on June 29. The results of those inspections were stated in a memorandum to the Deputy Administrator:

"A. Furnishing

"In accordance with Contract JA/87400, the Contractor is required to provide adequate furniture. Both of the facilities were found to have the necessary furniture for sleeping and eating with some accommodations (approximately three small dressers per unit) for storing personal items. Most of the [furnishings] in one shelter had been received from the Office of Emergency Shelter and Support Services' donations. The [furnishings] purchased under contract is of poor quality and needs replacement.

"B. Condition of the Facilities

"The general condition of the facilities requires immediate attention to improve the overall appearance. This included cleaning and painting the apartment units, hallways and office area. The facilities were also found to need a variety of repairs such as broken windows, ceilings with loose or peeling paint, cabinet doors broken, plumbing, etc. Reportedly, the repairs are being addressed in the facility, as some of the units have been painted and plumbing services have been provided. These units,

however, were found to have been painted in an untidy manner and incomplete plumbing work was found.”

In a July 5, 1990, letter from the Commissioner, CSS, to the Deputy Mayor for Operations, the Commissioner said that, although the Commission paid a premium cost for services provided by the contractor, persistent and continuous environmental deficiencies continued to exist at the contractor’s facilities.

On September 13, 1990, a follow-up inspection was done. The PM and contract administrator reported that, “Most of the work had not been finished.” On October 2, 1990, another follow-up inspection was held; it found that deficiencies noted previously were still outstanding. As a result of not all the deficiencies having been corrected, the Commissioner said she was not prepared to recommend monthly payment to the contractor until completion of emergency repairs. An inspection on October 23, 1990, confirmed the completion of the emergency repairs and payment was recommended.

On November 19 and December 4, 1990, additional follow-up inspections were conducted. The contractor was told that the inspections showed that “. . . sufficient efforts were not displayed to correct the deficiencies dating back to June 1990. Therefore, the reimbursement for services during September, October, and November 1990 will be withheld until such time that the deficiencies are corrected.” On January 8, 1991, additional follow-up inspections were held. As a result of those inspections, the PM concluded that the contractor had taken reasonable steps to correct the deficiencies and recommended that all outstanding invoices be reimbursed.

**Little Evidence to Suggest
That Contractor Support
Service Operations Are
Monitored**

While housing is the immediate need for homeless families, the need to correct the problem(s) that lead to homelessness is just as important. Our examination of the monitoring files showed only one inspection document that indicated that client case files had been examined. However, the PM and contractor representatives said she does inquire about whether families are getting support services when she does inspections.

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