Performance Audit of the San Diego Housing Commission's Homelessness Services Contract Management

MARCH 2023 | OCA-23-07

Finding 1

SDHC follows its policies and procedures for contract procurement, but can improve its process to identify sole sourced contractors' potential conflicts of interest.

Finding 2

SDHC ensures contracted homelessness services programs follow best practices through contract design, ongoing administration, and compliance monitoring.

Finding 3

The City lacks documented processes for repairs at City-owned or leased homelessness facilities, causing persistent unsafe and unsanitary conditions at some locations.

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CITY OF SAN DIEGO

OCA

OFFICE *of the* CITY AUDITOR

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Why OCA Did This Study

Addressing homelessness is a major challenge and top priority for the City of San Diego. At the time of the last count, 4,801 individuals were experiencing homelessness within the City. Contractors perform many of the City's homelessness services, such as operating storage centers, rapid re-housing programs, shelters, transitional housing, permanent supportive housing, safe parking, and outreach. These contracts are mostly administered by the San Diego Housing Commission (SDHC). Our objectives were to: (1) Determine whether SDHC procures homelessness services contracts according to leading practices; (2) Determine whether SDHC adequately monitors contract compliance; and (3) Determine whether SDHC holds contractors accountable for following best practices in providing homelessness services.

What OCA Found

We found that generally SDHC followed best practices in the procurement, administration, and monitoring of homelessness services contracts. We also found that the City lacks a documented process for addressing maintenance requests at homelessness services sites.

Finding 1: **SDHC follows its policies and procedures for contract procurement, but can improve its process to identify sole sourced contractors' potential conflicts of interest.** We found that SDHC followed its procurement policy while obtaining contracts, but did not follow its conflict of interest policy for sole sourced contracts. This increases the risk that potential conflicts are not identified and prevented.
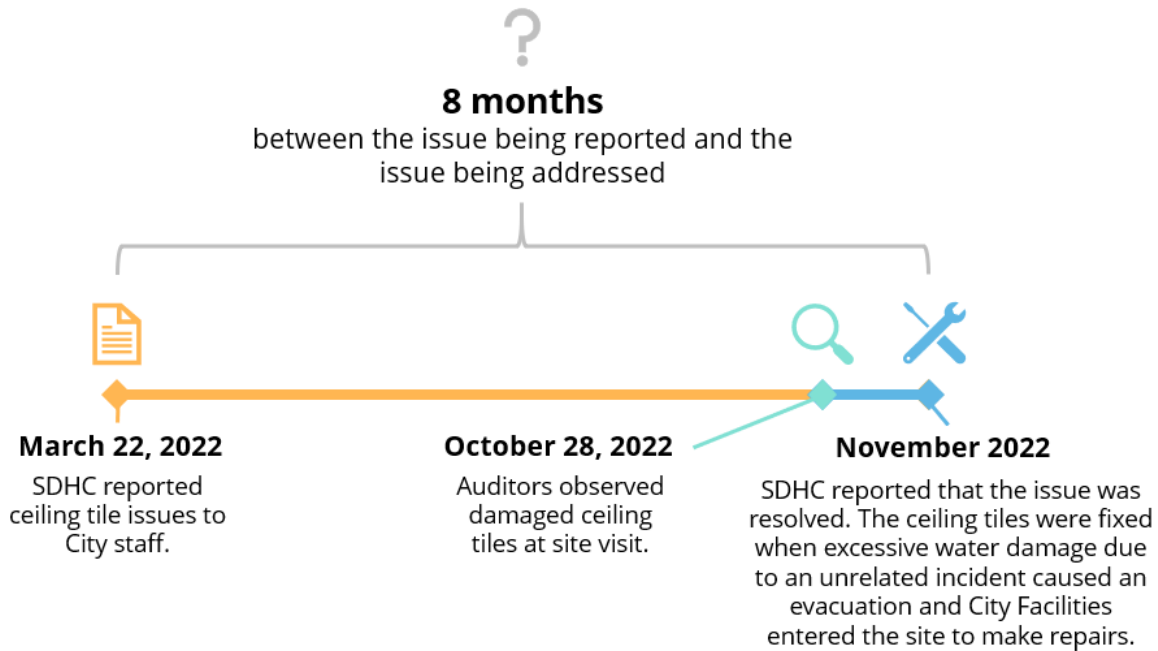
We found that in 29 sampled contracts, the contracts followed the authorized procurement path, were evaluated according to policy, and were approved by the appropriate authority. Competitive procurements included Statements for Public Disclosure, but sole source procurements did not. This was caused by a procurement policy that did not include a requirement for Statements for Public Disclosure, while SDHC's conflict of interest policy requires these for all contracts over $50,000.

Type of Procurement:

Aspect of Procurement:	Competitive (RFP/RFQ)	Sole Source
Procurement Path	✔️	✔️
Evaluation	✔️	✔️
Conflict of Interest Disclosure	✔️	❌
Approval	✔️	✔️

Source: OCA generated based on review of procurement documentation for 29 sampled contracts.

Finding 2: **SDHC ensures contracted homelessness services programs follow best practices through contract design, ongoing administration, and compliance monitoring.** We found that SDHC ensures programs follow best practices, including use of a trauma-informed care approach; incorporation of Housing First policies; having an exit, grievance, and appeals process and policy; obtaining and incorporating client feedback; and collecting and using data to monitor performance. SDHC ensures adherence to these best practices through contract design, ongoing contract administration, and annual compliance monitoring.

We also found that SDHC followed best practices in performance management, but systemwide limitations make it difficult for programs to achieve community targets. For example, staffing issues plagued providers in recent years, limiting their ability to provide in-depth case management services. SDHC is trying to address this systemwide issue in a variety of ways, including a partnership with San Diego City College for workforce training and development and a salary study to determine if homelessness service staff are adequately compensated. Additionally, COVID-19 policies made it difficult for contractors to achieve performance targets.

8 months
between the issue being reported and the
issue being addressed

March 22, 2022
SDHC reported
ceiling tile issues to
City staff.

October 28, 2022
Auditors observed
damaged ceiling
tiles at site visit.

November 2022
SDHC reported that the issue was
resolved. The ceiling tiles were fixed
when excessive water damage due
to an unrelated incident caused an
evacuation and City Facilities
entered the site to make repairs.

Source: OCA generated based on maintenance request, observation, and interviews.

Finding 3: **The City lacks documented processes for repairs at City-owned or leased homelessness facilities, causing persistent unsafe and unsanitary conditions at some locations.** We found a lack of documented City process resulted in delayed repairs at some City-owned or leased homelessness facilities. We observed disrepair at sites, including shelters, a safe parking lot, and the Homelessness Response Center. Some examples of disrepair were moldy ADA-showers, a ripped privacy mesh, and a broken HVAC system. Maintenance requests we reviewed showed broken outlets and falling ceiling panels. Some issues were reported on consecutive reports with no information on remediation.

SDHC's contracts require contractors to report any maintenance or repair needs to SDHC. SDHC has a process for receiving, evaluating, and submitting maintenance and repair requests to the City through the Homelessness Strategies and Solutions Department (HSSD). However, HSSD does not have a documented process for receiving and submitting maintenance and services requests to those responsible for performing maintenance.

As a new department, HSSD is responsible for ensuring homelessness policies are carried out by various City departments. In this role, HSSD has the opportunity to evaluate existing process and implement an improved procedure.

What OCA Recommends

We make four recommendations to improve SDHC's procurement practices and improve the City's process for completing maintenance requests at facilities where the City is responsible for maintenance and repairs:

- SDHC should develop an Administrative Regulation requiring collection of Statements for Public Disclosure for sole source contractors.

- SDHC should include the requirement for collecting Statements for Public Disclosure in a future procurement policy revision.

- HSSD should work with stakeholders to perform inspections of all homelessness services sites where the City is responsible for maintenance and complete any identified maintenance needs.

- HSSD should develop a documented City procedure for tracking maintenance requests between providers, SDHC, and City departments. This procedure should include required information, estimated timelines, and communication of progress to all stakeholders.

SDHC agreed to implement both of its recommendations. Although HSSD indicated agreement with its recommendations, it is unclear if HSSD will take the necessary actions to address the issues we identified. For more information, contact Andy Hanau, City Auditor at (619) 533-3165.

OCA
Independent · Objective · Accurate

March 2, 2023

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report of the San Diego Housing Commission's homelessness services contract management. This report was conducted in accordance with the City Auditor's Fiscal Year 2022 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented starting on page 44 of this report. Per Government Auditing Standards Section 9.52, our response to Management's comments is on page 49.

We would like to thank staff from the San Diego Housing Commission, Homelessness Strategies and Solutions Department, and program contractors for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Andrew Reeves, Joseph Picek, and Danielle Knighten.

Respectfully submitted,

Andy Hanau
City Auditor

cc: Honorable City Attorney, Mara Elliot
        Eric Dargan, Chief Operating Officer
        Paola Avila, Chief of Staff, Mayor's Office
        Kristina Peralta, Deputy Chief Operating Officer of Neighborhood Services
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Background

Like many cities across California and the United States, addressing homelessness is a major challenge and a top priority for the City of San Diego (City). On February 24, 2022, the Regional Taskforce on Homelessness (RFTH) counted 4,801 individuals experiencing homelessness[1] within the City.[2] Almost 2,500 of those counted were unsheltered—a 9 percent increase from 2020. In October 2022, RTFH published a report that found that over the prior year, 11,861 individuals experiencing homelessness in the region were successfully housed. This indicates that regional efforts are finding success. However, during the same time period, 15,327 individuals reported experiencing homelessness for the first time; thus, the region continues to face challenges to ending homelessness.

Over the past several years, the City experienced additional challenges in its homelessness response. From late 2016 to mid-2018, a Hepatitis A outbreak resulted in 589 cases and 20 deaths. The outbreak disproportionately affected individuals experiencing homelessness, who accounted for 49 percent of cases and 70 percent of deaths. In 2020, COVID-19 impacted the City's efforts to end homelessness. In response, the City opened Operation Shelter to Home at the San Diego Convention Center to provide shelter beds with physical distancing. On March 5, 2021, Mayor Todd Gloria announced plans to wind down Operation Shelter to Home and to re-open shelters with new social distancing guidelines.

Prior to COVID-19, the Office of the City Auditor (OCA) conducted an audit of the City's efforts to address homelessness. The audit found that at the time, the City had made strategic improvements, but needed additional planning, coordination,

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[1] An individual or family is defined as experiencing homelessness if they: (1) lack a fixed, regular, and adequate nighttime residence; (2) will imminently lose their primarily nighttime residence; or (3) are fleeing, or are attempting to flee, domestic violence.

[2] The 2023 Point-in-Time count took place on January 26, 2023, and data was not yet available at the time of report issuance.

oversight, and improved outreach to better address homelessness.[3]

The City funds a wide variety of homelessness programs, with contractors operating many of these services.

Combined, the City and the San Diego Housing Commission (SDHC) budgeted over $170 million on homelessness services in fiscal year (FY)2023. Funding for homelessness services comes from a variety of sources, including the City General Fund, State funds, federal funds, and other revenues. Some of these funds are used directly by the City to fund homelessness services programs; however, most of the funds are managed by SDHC through Memorandums of Understanding (MOUs). SDHC then procures contractors to provide most homelessness services. **Exhibit 1** shows an overview of how San Diego funds and administers homelessness services.

Exhibit 1

Funding for Homelessness Services Flows from a Variety of Sources, through Multiple Agencies, and Ends with Contractors and Direct Services
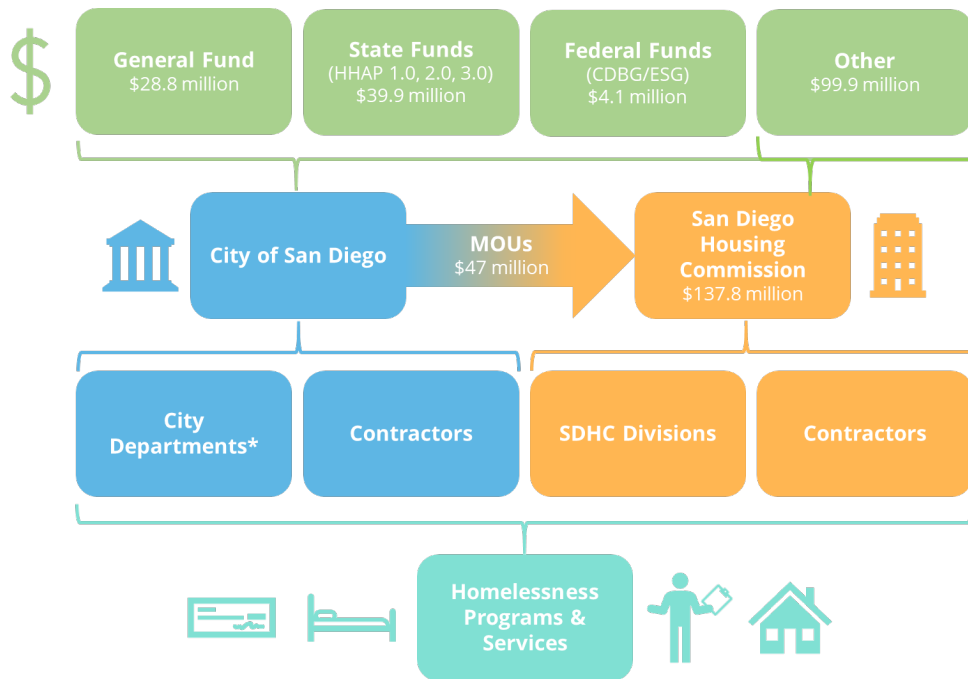
*$500,000 is administered by San Diego County.
Note: More detailed information on the types of programs can be found in Appendix C.
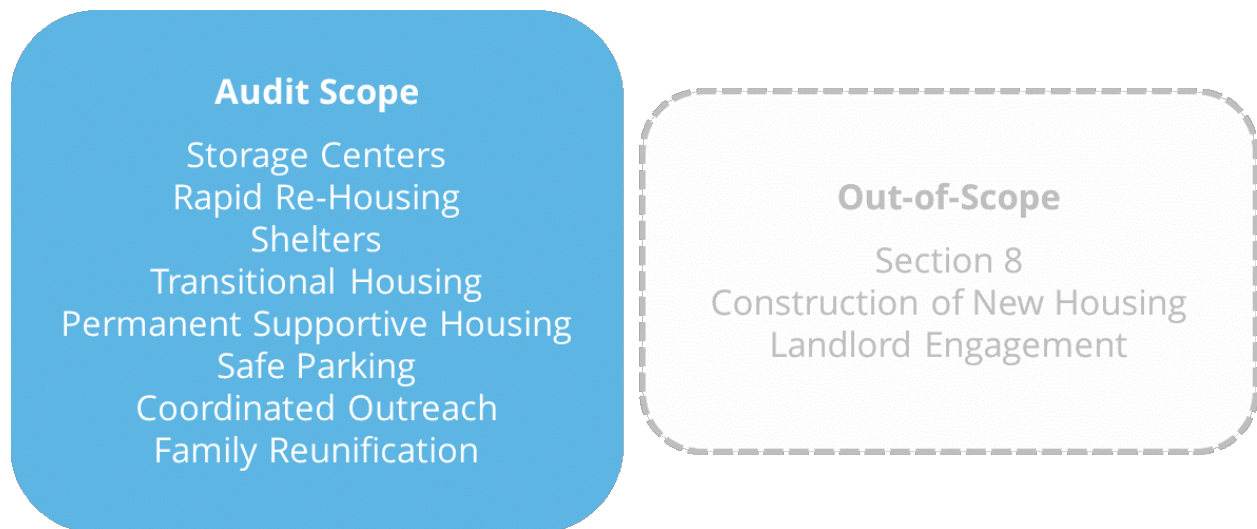
Source: OCA generated based on information from the Independent Budget Analyst's Report 22-20, published July 2022.

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[3] The full audit, published in February 2020, can be found here.

Funding is allocated to different groups of programs that cover all aspects of the housing and homelessness response. Programs funded include direct homelessness services, such as shelter and rapid rehousing, as well as related programs, such as federal voucher support, landlord engagement, and construction of new affordable housing. As displayed in **Exhibit 2,** only services that are contracted by SDHC and are directly related to assisting individuals currently experiencing homelessness were included in the scope of this audit.

Exhibit 2

SDHC Participates in a Wide Variety of Activities that Help Address Homelessness, but Not All Are Covered by this Audit

Audit Scope

Storage Centers
Rapid Re-Housing
Shelters
Transitional Housing
Permanent Supportive Housing
Safe Parking
Coordinated Outreach
Family Reunification

Out-of-Scope

Section 8
Construction of New Housing
Landlord Engagement

Note: Coordinated outreach, family reunification, and safe parking programs were administered by SDHC at some point in FY2018 to FY2022. These programs are currently administered by the City.

Source: OCA generated based on audit scope and contract sample selection.

The City is part of a regional homelessness response.

In 2019, the partnership of RTFH, SDHC, the Mayor's Office, and City Council released the Community Action Plan on Homelessness for the City of San Diego. The plan's vision is for regional partners to work creatively and collaboratively to quickly create a path to safe and affordable housing and services for individuals who experience homelessness. The report recognized that homelessness is a regional issue and does not stay within the limits of the City. Therefore, multiple public agencies provide homelessness services or administer funding related to homelessness within the San Diego Continuum of Care.[4] **Exhibit 3** summarizes the relationship between these agencies.

Exhibit 3

Functional Areas of Focus for San Diego Homelessness Agencies

Functional Areas of Focus			
RTFH	**SDHC**	**City - Mayor's Office**	**City Council**
Leadership-Implementation Team			
Coodination and Collaboration with Key Stakeholders, Business, and Philanthropy			
Communications			
Collaboration with County Resources			
Subject Matter Expertise: Policy Development and Program Design		Coordination with Mainstream Resources	Budget Authority
Operations for Funded Programs		Alignment and Coordination of City Departments	Legislative Authority
Coordinated Entry	Budget and Legislative Recommendations		Policy Guidance
HMIS Data Analysis and Reporting	Housing-Pipeline Development	Convening Stakeholders	
Engagement of People with Lived Experience	Project Management Support for Implementation Team and Leadership Council	Identification of Political Issues/Barriers	

Source: [Community Action Plan on Homelessness](#), page 37.

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[4] A Continuum of Care (CoC) is a regional or local planning body that coordinates housing and services funding for homeless families and individuals.

The Regional Task Force on Homelessness coordinates activities between jurisdictions. It is the lead agency for the Continuum of Care, administers other State and federal funding, administers the Homeless Management Information System (HMIS) and Coordinated Entry,[5] and conducts federally required activities, such as system performance review and housing inventory tracking. RTFH released a Regional Action Plan in September 2022 that identifies resource gaps and is designed to align all stakeholders under one vision. The plan also adopts a set of core principles, identifies system priorities, and establishes a sense of urgency.

The San Diego Housing Commission administers City of San Diego, State, and federal funds for transitional and permanent supportive housing to address homelessness among families, seniors, veterans, and individuals. It also creates low-income and supportive housing, provides direct services, recommends and implements policy, and trains and provides technical assistance for the network.

The Mayor's Office and the Homelessness Strategies and Solutions Department (HSSD) develop and execute policy, issue Requests for Proposal (RFPs), administer funding allocated to SDHC and other contractors, and identify City property for use in addressing homelessness. Since 2022, HSSD also administers contracts for street outreach, safe parking, and family reunification. Other City departments also have operations that are related to the City's homelessness response. For example, the San Diego Police Department's Homeless Outreach Team (HOT) conducts street outreach, the Environmental Services Department participates in encampment abatements, and the Department of Real Estate and Airport Management (DREAM) manages some owned and leased properties used by homelessness services contractors.

The Housing Authority of the City of San Diego (Housing Authority), which consists of the nine members of the City Council, provides budget authority and policy direction as a

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[5] The Coordinated Entry System (CES) functions throughout the San Diego region and connects individuals experiencing homelessness with the most appropriate and available housing options.
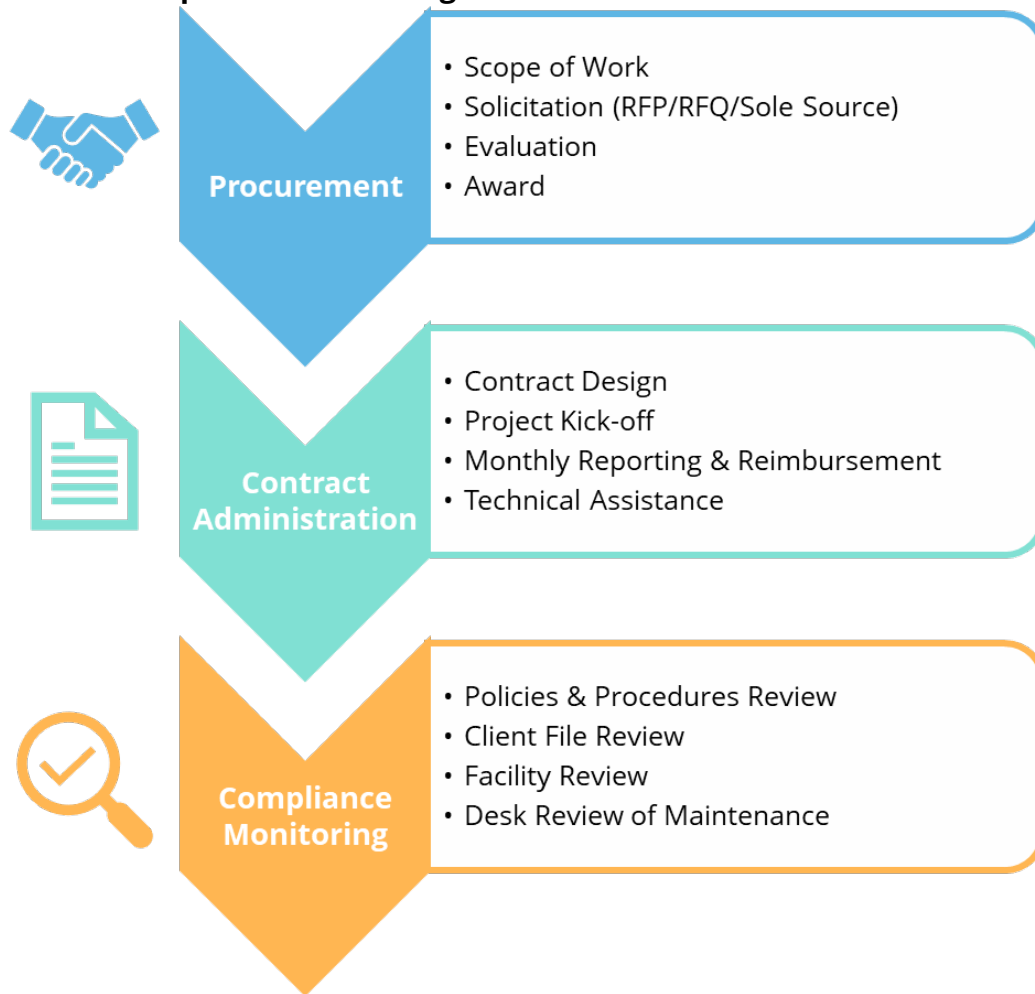
means to oversee City and SDHC activities, approves contracts, and funds pilot programs. SDHC is governed by the Housing Authority, which has final authority over SDHC's budget and major policy changes.

SDHC's contract management process has strict protocols for contract procurement, administration, and compliance monitoring.

Most of the City's contracts related to homelessness services are administered by SDHC. SDHC's contract management process, summarized in **Exhibit 4**, consists of three parts: (1) procurement, (2) contract administration, and (3) compliance monitoring.

Exhibit 4

SDHC Follows a Detailed Process of Contract Management, from Solicitation to Annual Compliance Monitoring

Procurement
- Scope of Work
- Solicitation (RFP/RFQ/Sole Source)
- Evaluation
- Award

Contract Administration
- Contract Design
- Project Kick-off
- Monthly Reporting & Reimbursement
- Technical Assistance

Compliance Monitoring
- Policies & Procedures Review
- Client File Review
- Facility Review
- Desk Review of Maintenance

Source: OCA generated based on information from SDHC.

SDHC's Procurement Policy sets requirements for procurement to ensure that SDHC's purchasing and contracting functions promote administrative flexibility and efficiency. The policy also maintains prudent internal controls and compliance with applicable statutes and regulations.

The procurement policy lays out specific requirements and restrictions on this process, such as:

- Which contracts require a formal solicitation process based on a monetary threshold;

- When sole source procurement is allowed;

- How contracts are evaluated; and

- How and by whom contracts are approved depending on the monetary amount.

After SDHC selects a contractor, the contract moves into the contract administration stage with the Homeless Housing Innovations team (HHI). Contract administration involves the ongoing monitoring of contractor performance, technical and programmatic assistance, and the monitoring and collection of data.

Some examples of contract administration conducted by HHI include:

- Annual trainings to cover critical changes to fiscal procedures, broad changes to program guidelines, and more;

- On-site visits to participate in Joint Hazard Assessment Teams (JHAT) and observe shelter conditions for health and safety hazards;

- Technical assistance to help problem-solve issues, such as interagency coordination and the planning and execution of client housing goals;

- Online meetings with program staff to discuss and train on financial tracking and specific program guidelines; and

- Monthly data reporting using the Data Collection Tool (DCT), which includes enrollment levels, performance metrics, basic demographics, and program staffing.

SDHC's Equity and Compliance Assurance team performs annual sub-recipient monitoring by looking at program outcomes and requirements. To perform monitoring, staff complete the following:

- Program policies and procedures review;

- Participant files review, including review of the intake process, case management papers, and exit documents for a sample of participant files;

- Annual facility reviews for minimum habitability requirements;[6] and

- Desk review of inspections and maintenance, necessary permits, and other operational documentation.

Audit Scope and Objectives

The scope of this audit was homelessness services contracts administered by SDHC that started during FY2018 through FY2022. Programs within scope covered $63.8 million of SDHC's $128 million homelessness budget in FY2022. The scope did not include contracts administered by HSSD because HSSD had not administered any homelessness services contracts for longer than a year during the scope period. However, HSSD and other City departments—including General Services Facilities Division (Facilities) and DREAM—are involved in maintenance conducted at City-owned and leased properties used by homelessness services providers.

The objectives of the audit were to:

1. Determine whether SDHC procures homelessness services contracts according to leading practices;

2. Determine whether SDHC adequately monitors contract compliance; and

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[6] SDHC staff informed us that on-site compliance monitoring was temporarily suspended due to the COVID-19 pandemic, but that SDHC is planning out how to restart in-person reviews.

3. Determine whether SDHC holds contractors accountable for following best practices in providing homelessness services.

Audit Results

Finding 1: SDHC follows its policies and procedures for contract procurement, but can improve its process to identify sole sourced contractors' potential conflicts of interest.

A key step to effective provision of contracts is a strong procurement policy, which should protect the public interest by awarding contracts that represent the best overall value and protect against conflicts of interest. We found that the San Diego Housing Commission (SDHC) generally follows its contract procurement policies and procedures with one specific exception. In reviewed sole sourced contracts, SDHC did not obtain Statements of Public Disclosure—which provide information on ownership and leadership interests—as prescribed in its internal conflict of interest policy. SDHC confirmed that it typically does not collect Statements of Public Disclosure for sole sourced contracts, which accounted for 42 of 93 homelessness services contracts during FY2018 through FY2022, totaling over $70 million in contract value. This increases the risk that potential conflicts are not identified and prevented. We recommend that SDHC update its procedures for sole sourced contracts to require this disclosure.

SDHC followed its procurement policy while obtaining contracts, but did not follow its separate conflict of interest policy for sole sourced contracts.

As mentioned in the Background, SDHC's Statement of Procurement Policy describes the requirements and procedural steps for SDHC to procure homelessness services contractors. The U.S. Department of Housing and Urban Development (HUD) requires that public housing agencies, including SDHC, adopt a procurement policy that conforms with federal law and includes recommended best practices. SDHC adopted such a policy, which was approved by the Housing Authority of the City of San Diego, effective January 31, 2017. To determine the extent to which SDHC followed this policy, we reviewed:

- Cost analyses and independent cost estimates for awarded contracts;
- Evaluation scores for contractor proposals;
- Sole source justifications to determine eligibility of sole sourced contracts;
- Contractor proposals to determine if they included required conflict of interest documents; and

- Records from the SDHC Board of Commissioners and the Housing Authority of the City of San Diego to determine whether the contracts were appropriately approved.

We tested a sample of 29 contracts[7] during FY2018 through FY2022. The contracts covered a variety of service providers and intervention types. We separated the contracts into three groups, including:

- The housing group, which contained 6 contracts covering 6 separate permanent supportive housing and rapid re-housing programs totaling $24 million;

- The shelter and transitional housing group, which contained 18 contracts covering 9 separate emergency shelter and bridge shelter programs totaling $124 million; and

- The support group, which contained 5 support contracts covering 4 separate safe parking, family reunification, and storage center programs totaling $13 million.

Our sample covered $160 million of the $187 million in homelessness services contract value in our scope. Our sample also covered 10 of the 24 homelessness services contractors[8] awarded contracts during the scope period, including 9 of the top 10 contractors by total awards.

We found the following, which is summarized in **Exhibit 5**:

- Reviewed contracts followed the authorized procurement path. This helps provide assurance that public funds are only committed after following a proper procurement process, including ensuring reasonable cost.

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[7] We requested documentation for 30 contracts. After receiving documents, one was an option and not a full contract. Contracts were randomly selected out of 94 weighted by contract value. This is not a statistically significant random sample and cannot be extrapolated to all contracts. **Appendix C** contains the description of sample programs, including name, provider, contract amount, and start/end date**.** See **Appendix B** for more details on audit procedures.

[8] Of these contractors, 12 received less than $1 million over the scope period.

- Reviewed contracts were evaluated in accordance with policy. This helps provide assurance that contracts are awarded to the best proposal.

- Reviewed competitive procurements included Statements for Public Disclosure. This helps provide assurance that contractors do not have a conflict of interest.

- Reviewed sole source procurements did not include Statements for Public Disclosure. SDHC confirmed that these were not collected for sole source procurements during the audit scope. This creates a potential for contractor conflict of interest.

- Reviewed contracts were approved by the appropriate authority. This helps ensure accountability and good stewardship of public funds.

Exhibit 5

SDHC Generally Followed Procedures for Procurement Outside of One Aspect

Type of Procurement:

Aspect of Procurement:	Competitive (RFP/RFQ)	Sole Source
Did SDHC follow the authorized procurement path and ensure reasonable cost?	✔	✔
Did SDHC evaluate proposals and justifications according to policy?	✔	✔
Did SDHC collect necessary documentation to protect against potential conflicts of interest?	✔	✘
Were SDHC contracts approved by the appropriate authority?	✔	✔

Source: OCA generated based on review of procurement documentation for 29 sampled contracts.

SDHC required sole sourced contracts to provide a written justification and meet the prescribed conditions for use. Justifications for our sampled contracts included the Hepatitis A outbreak, the COVID-19 pandemic, and maintaining a continuity of care for affected individuals. As stated above, sole sourced contracts in our sample were approved by the appropriate authority (i.e., the SDHC CEO, Board of Commissioners, or the Housing Authority of the City of San Diego).

SDHC's procurement policy does not require Statements for Public Disclosure for sole sourced contracts.

Conflict of interest policies help prevent the erosion of trust that can occur if a government employee were to put their own interests ahead of the public's interests. Therefore, SDHC does not allow its employees or agents to participate in the award or administration of a contract if a conflict—real or apparent— would be involved. To ensure SDHC identifies all conflicts of interest, the SDHC Conflict of Interest Policy states that contractors receiving an award of $50,000 or more must submit a Statement for Public Disclosure. Statements of Public Disclosure require names of charitable organizations' leadership in order to identify potential conflicts of interest with SDHC's procurement procedures. We reviewed competitive procurements that required these statements; however, SDHC staff stated they typically do not require these statements for sole sourced contracts. Consequently, during our analysis of sample procurement documents, we found that SDHC collected these disclosures for all competitive procurements but approved all sample sole sourced contracts without the required disclosure statements. While SDHC policies mention other controls[9] to prevent fraud, sole sourced contracts present a higher risk for conflicts of interest. This makes it especially important for SDHC to require Statements for Public Disclosure on sole sourced contracts in addition to competitively bid contracts.

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[9] SHDC Procurement Policy Section 3.4 allows the CEO, or their designee, to establish Administrative Regulations that will facilitate appropriate review of procurement-related actions. SDHC should use this tool to quickly establish a process to obtain Statements for Public Disclosure for sole-sourced contracts.

Recommendation 1.1 The San Diego Housing Commission should issue an Administrative Regulation to require Statements for Public Disclosure for sole source contracts in accordance with its Conflict of Interest Policy and collect required statements for all current and future contracts over $50,000.

(Priority 2)

Recommendation 1.2 When the San Diego Housing Commission next updates its Statement of Procurement Policy, it should require Statements for Public Disclosure for sole source contracts in accordance with its Conflict of Interest Policy.

(Priority 2)

Finding 2: SDHC ensures contracted homelessness services programs follow best practices through contract design, ongoing administration, and compliance monitoring.

Once a contract is awarded, contract administration is important to maintain performance. Best practices in the operations of homelessness services programs ensure persons experiencing homelessness receive a consistent and coordinated minimum standard of care. We found that SDHC ensures contracted programs follow best practices across all aspects of contract administration.

To test SDHC's controls for securing compliance with these standards, we reviewed documents from our sample of 29 contracts relating to five areas of best practice, across three different aspects of contract administration. Documents we reviewed included:

- Signed contracts between SDHC and contractors;
- Data Collection Tools (DCTs)[10]; and
- Annual Compliance Monitoring Reports.

Additionally, we conducted 15 site visits of programs and conducted interviews with program staff. **Exhibit 6** summarizes our findings.

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[10] Contracts require a monthly data collection tool that reviews progress on the contract metrics and provides a narrative section for program staff to explain any shortcomings or barriers that may prevent them from achieving the target.

Exhibit 6

SDHC Ensures Programs Follow Regional and National Best Practices Across Aspects of Contract Administration

Best Practices:	Does SDHC ensure contract design follows best practices?	Does SDHC ensure best practices as part of ongoing contract administration?	Does SDHC monitor programs for compliance with best practices?
Programs should use a Trauma-Informed Care approach.	✓	✓	✓
Programs should incorporate Housing First policies.	✓	✓	✓
Programs should have an exit, grievance, and appeals process and policy.	✓	✓	✓
Programs should obtain and incorporate client feedback.	✓	✓	✓
Programs should collect and use data to improve performance.	✓	✓	✓

Source: OCA generated from review of 29 sampled contracts and monitoring documents.

SDHC requires trauma-informed care procedures and monitors contractor compliance with this requirement.

For a program to be considered trauma-informed, it must realize the widespread impact of trauma, recognize the signs and symptoms of trauma in clients, and respond by integrating knowledge about trauma into policies and practices. Continuum of Care (CoC) standards state that programs need to use a trauma-informed approach and must incorporate the principles of trauma-informed care in their written policies and procedures, and in staff training protocols.

Overall, we found that SDHC ensures contractors incorporate trauma-informed care principles. Contracts we reviewed included language requiring the use of trauma-informed care. Program staff training logs we reviewed also showed evidence that staff attended trainings on trauma-informed care. To learn more about staff experience, we surveyed 67 contractor staff[11] to determine if they agreed with statements about trauma-informed topics. Topics included training, knowledge, physical environment, and crisis procedures. As shown in **Exhibit 7**, we found that staff generally agreed with these statements, with no more than five staff disagreeing with any given statement. Finally, while conducting site visits, we observed that sites generally had trauma-informed environments.

Exhibit 7

Staff Believe Their Work is Providing Trauma-Informed Care that is Flexible to Meet the Clients' Needs

I can confidently describe the work incorporating trauma-informed principles that are taking place at our organization.

88%
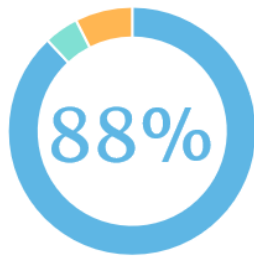
- Strongly Agree or Agree
- Neither Agree nor Disagree
- Strongly Disagree or Disagree

I believe my coworkers provide respectful quality care to all clients.

87%
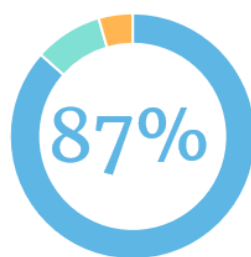
- Strongly Agree or Agree
- Neither Agree nor Disagree
- Strongly Disagree or Disagree

This program is flexible based on individual circumstances.

94%
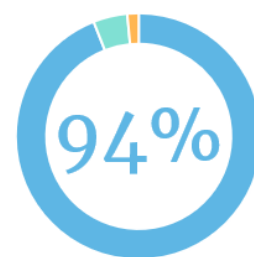
- Strongly Agree or Agree
- Neither Agree nor Disagree
- Strongly Disagree or Disagree

Source: OCA generated based on survey responses.

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[11] We provided the survey either during auditor site visits or through an online link. We received 67 responses from staff at multiple agencies and programs. See **Appendix B** for more details on our site visits.

SDHC also reviews policies and procedures for evidence that a program is ground in trauma-informed care. The monitoring reports we analyzed demonstrated that SDHC reviewed program policies and procedures for trauma-informed care.

SDHC requires Housing First procedures and monitors contractor compliance with this requirement.

Housing First prioritizes rapid placement and stabilization in permanent housing without service participation requirements or preconditions for entry. California State law requires recipients of State funding to adopt guidelines and regulations to include Housing First policies. Additionally, CoC Community Standards recommend programs have a Housing First approach. This approach incorporates other best practices, such as harm reduction, and can be used in all phases of the homeless housing and services system.

The SDHC contracts we analyzed required programs to have Housing First principles. We also saw evidence of SDHC assisting programs in following Housing First principles. For example, in meeting notes for monthly DCT review, we saw evidence that SDHC staff provided technical assistance on participant immigration status and joined case conferencing to assist with the housing of four undocumented households. Program staff also stated that SDHC worked with them to ensure referred clients would meet a funder's income verification and addressed the issue before it was escalated.

Throughout the lifetime of the contract, SDHC monitors a program's adherence to Housing First. Specifically, during the annual compliance monitoring process, SDHC staff checked for Housing First principles. In the program review procedures, staff check client intake paperwork and program files against a number of Housing First test steps. Staff review the intake paperwork for additional screening, make sure participation in services is voluntary, and ensure no requirements for sobriety.

SDHC requires client feedback procedures and monitors contractor compliance with this requirement.

CoC standards expect programs to engage participants in ongoing program evaluation, solicit feedback on program services quality, and make improvements based on input. To help programs meet this requirement, SDHC contracts require each program's policies contain a way for clients to provide feedback. Specifically, FY2022 contracts require the collection of

client satisfaction data and quarterly reports to SDHC. The reports should include how findings were incorporated into service delivery and program design.

Program staff described changes that directly resulted from client feedback, including a new donation area, elimination of a laundry schedule, and creation of a clean and sober area of a shelter. We observed kiosks that SDHC installed to obtain anonymous feedback from participants. At the kiosks, participants are asked about their overall stay, safety, cleanliness, and more. SDHC staff stated that they discuss any issues or suggestions in meetings with providers. As a result of client feedback, staff described positive changes at the Homelessness Response Center, including refresher trainings and improved staffing for the busiest times. During annual monitoring, the SDHC compliance team reviews program policies and procedures for compliance with client feedback requirements and discusses with the program examples of feedback that are being incorporated.

SDHC requires exit policies, monitors contractor compliance with this requirement, and is working with contractors to standardize policies.

While programs are aiming to get participants into permanent housing, circumstances require that programs also have a process for involuntary exit or termination of services. There is no one best exit policy, but national and regional best practice agencies describe aspects including:

- The process must include written notice and a formal review process.

- Rules should be designed to help individuals get into permanent housing and should be centered around safety, terminating assistance only in the most severe cases.

- In most instances, terminations should not mean permanent bans. However, shelters can have different standards for termination of assistance and could permanently ban participants who violate rules or create dangerous situations.

- Any terminations or bans should not prohibit entry into other supportive services in the area.

The most recent SDHC contracts we reviewed require that programs have policies around grievances, progressive conflict resolution, and client appeals. The contracts also require that programs give participants a service agreement, which includes violations that lead to immediate terminations. SDHC and program staff both stated that they were in conversations around standardizing the exit policy to create consistency across the system.

To monitor these policies throughout the lifetime of the contract, SDHC collects information on exits due to noncompliance with its monthly and annual data collection tool (DCT). Of the 39 DCTs we reviewed that measured negative outcomes, only 2 showed a failure to meet the goal.

During the annual monitoring process, SDHC staff check the program's policies and procedures for the contract requirements. Staff also review client files to see if terminated clients were given due process. In the monitoring reports we analyzed, SDHC reported 142 client files as involuntarily exited and all client files contained evidence of due process.

SDHC designs contracts to meet local standards on program data collection and performance management.

Homelessness services program evaluation is important for determining if services are impactful. Evaluations track program performance and allow for mid-course corrections. CoC Community Standards expect that all programs regularly review program data throughout the year to support ongoing program decision-making and use this data to make improvements. Additionally, CoC Community Standards recommend programs discuss data regularly among staff and other stakeholders to strategize activities for improvement.

SDHC contracts meet this standard[12] in a variety of ways, including:

- Requiring the use of a Homeless Management Information System (HMIS);

- Establishing performance metrics and targets;

[12] We analyzed contracts over our entire scope period for language surrounding the different topics, but the language of the bullets is from FY2022 contracts.

- Requiring contractors participate in compliance and performance monitoring and improvement activities;

- Requiring documentation of program progress through monthly and term-end reports; and

- Establishing possibility of a performance improvement plan if contract benchmarks are not met.

Systemwide limitations make it difficult for programs to achieve community targets.

For specific contracts, SDHC and RTFH staff informed us that performance metric targets are based off of regional goal-setting documents, such as the Community Action Plan and CoC Community Standards, funder-specific requirements, and analyses of past performance. Due to the COVID-19 pandemic, many of these targets are out-of-date and do not fully capture the current environment for contractors. SDHC staff stated that RTFH plans to engage with regional stakeholders on program goals this year.

For our sample of 29 contracts, we analyzed performance metrics for different programs in three different groups: permanent housing, emergency shelter, and support services.[13] Each program has different metrics and targets based on the type and size of the program. We reviewed annual data collection tools and combined different metrics into five broad categories[14]:

- **Persons Served: How many individuals the program served.** For example, a storage center's goal may be to serve 500 unique individuals in one year.

- **Occupancy/Utilization: Rate at which beds or case management slots were filled.** For example, an emergency shelter's goal may be to be at least 95 percent occupied, on average, for a contract year.

- **Positive Outcome: Rate at which participants achieved permanent or other longer-term housing OR the number of households housed.** For example,

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[13] We analyzed some contracts that did not end up in groups because they did not last a full fiscal year or did not have applicable target metrics.

[14] To standardize the results, we analyzed whether the program achieved its goal each year (or was within 10 percent of achieving its goal). For example, a program's goal could be to move 100 individuals into permanent housing. If the program housed at least 90 individuals, we would count it as successful; housing less than 90 individuals would count as unsuccessful.

a rapid re-housing program's goal may be to house 56 persons in one year.

- **Negative Outcome: Rate at which participants were involuntarily exited from the program.** For example, an emergency shelter's goal may be to exit less than 20 percent of participants for non-compliance with program rules.

- **Returns to Homelessness: Rate at which participants who were housed returned to homelessness within the next 6–24 months.** For example, a rapid re-housing project may have a goal that 85 percent of participants who positively exited are still permanently housed after 12 months.

Below, we present results of our analyses separated into the different groups of programs: permanent housing, emergency shelter, and support services. Following the results of our analyses, we go into detail on external factors—such as staffing shortages, high housing prices, and COVID-19—that contributed to vendor underperformance.

Permanent Housing   The permanent housing group contains the permanent supportive housing programs and rapid re-housing programs, totaling 5 of the 29 sampled contracts. As shown in **Exhibit 8**, the permanent housing group generally succeeded in achieving goals for positive outcomes but had mixed results on persons served.

Exhibit 8

Permanent Housing Programs Generally Achieved Targets for Positive Outcomes, but Returned Mixed Results on Persons Served
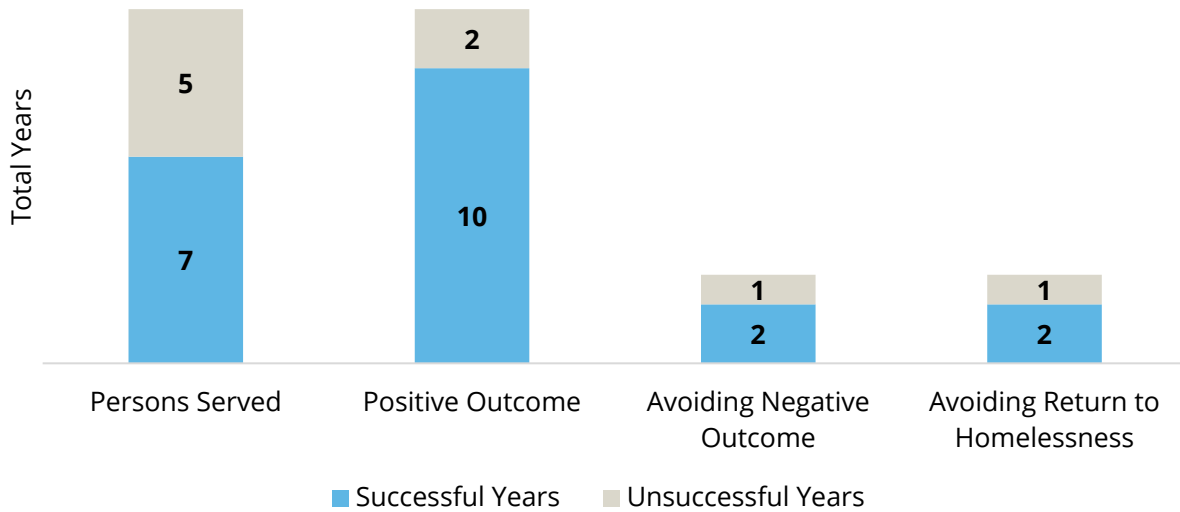
Note: Each contract may not report on all metrics, or a specific contract year may not have a target for that metric. In these cases, we did not analyze the performance of that program year. Additionally, COVID-19 impacted contractor performance. For more information, see below section titled "COVID-19 related policies made it difficult for contractors to achieve performance targets."

Source: OCA generated from review of 5 sampled permanent housing contracts and annual data collection tools.

Shelter   The shelter group contains the different emergency shelter and bridge shelter contracts, totaling 16 of the 29 sample contracts. As shown in **Exhibit 9**, the shelters succeeded in achieving their goals for negative outcomes. However, they returned mixed results on occupancy/utilization goals, and failed to meet targets for positive outcomes and avoiding returns to homelessness around half the time.

Exhibit 9

**Shelters Achieved Negative Outcome Goals but Often Missed Targets
for Positive Outcomes**

Note: Each contract may not report on all metrics, or a specific contract year may not have a target for that metric. In these cases, we did not analyze the performance of that program year. Additionally, COVID-19 impacted contractor performance. For more information, see below section titled "COVID-19 related policies made it difficult for contractors to achieve performance targets."

Source: OCA generated from review of 16 sampled shelter contracts and annual data collection tools.

Support Services   The support services group contains the safe parking program, family reunification program, and the storage connect centers, totaling 4 of the 29 sample contracts. These programs met negative outcome goals, returned mixed results on persons served goals, and failed to meet occupancy/utilization goals. **Exhibit 10** shows the results of this group's analysis.

Exhibit 10

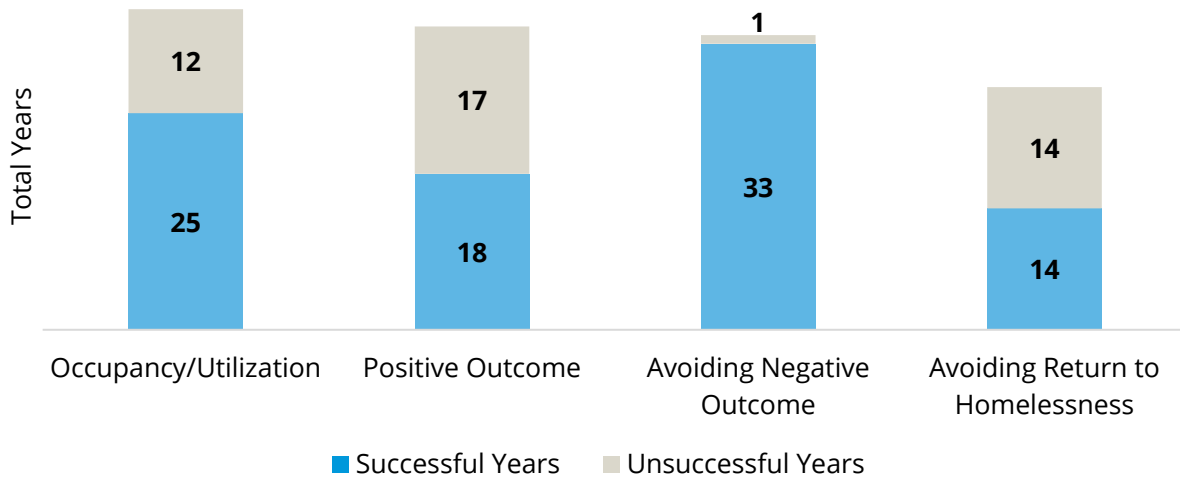### Support Programs Showed Mixed Results on Goals Related to Persons Served
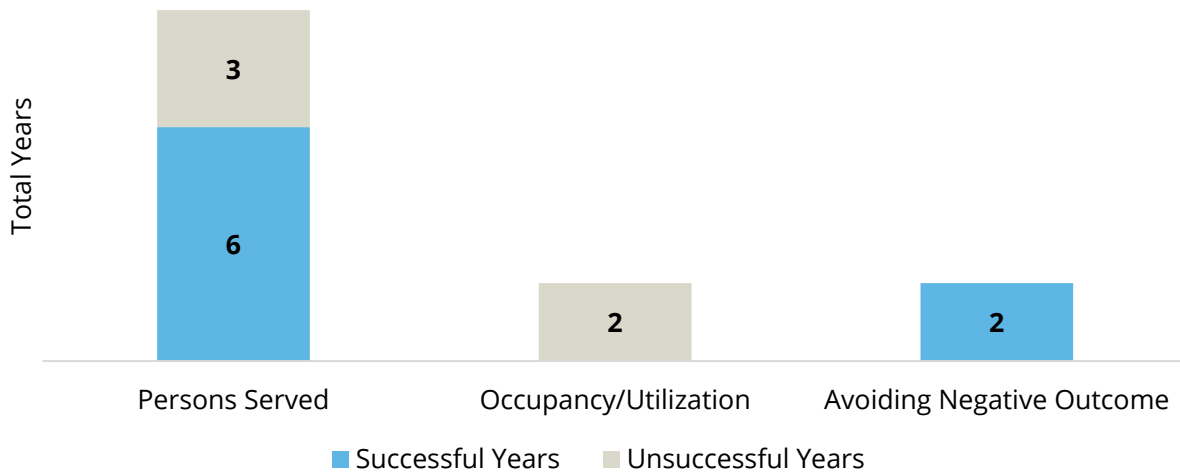
Note: Each contract may not report on all metrics, or a specific contract year may not have a target for that metric. In these cases, we did not analyze the performance of that program year. Additionally, COVID-19 impacted contractor performance. For more information, see below section titled "COVID-19 related policies made it difficult for contractors to achieve performance targets."

Source: OCA generated from review of 4 sampled support services contracts and annual data collection tools.

Staffing and housing inventory shortages impacted contractor performance.

As mentioned above, external factors contributed to low performance. Staffing issues plagued providers in recent years, limiting their ability to provide in-depth case management services. While contracts require programs to provide appropriate staffing levels, SDHC staff understand contractors may not have the funding necessary to learn the root cause of staffing shortages. Therefore, SDHC is trying to address this systemwide issue in a variety of ways. SDHC partners with San Diego City College to operate the Homelessness Program for Engaged Educational Resources. This program provides specialized education, training, and job placement assistance to develop the workforce needed for homelessness programs and services.

Staffing shortages are likely exacerbated by relatively low wages. Program management noted that due to wages, staff compete with participants for housing resources. Recently, SDHC commissioned a salary study which showed a majority of

frontline homelessness staff cannot afford even a one-bedroom unit without being cost-burdened. The report recommended that SDHC and the City collaborate to find funding to shift from minimum wage to living wage as the benchmark for comparing wages.

Contractors also underperformed on positive outcomes due to system-wide limitations with the high price of housing in the area, low availability of permanent supportive housing, and low rental vacancy rates. Additionally, program staff stated that "returns to homelessness" does not fully reflect program performance. Staff often have little to no insight into a participant's actions and circumstances once they exit the program. For instance, shelter programs are not modeled to provide case management after individuals exit the program. All of these factors may impact performance against metrics and make it difficult to achieve targets that might be achievable in other parts of the country or region.

COVID-19 related policies made it difficult for contractors to achieve performance targets.

Finally, program narratives provided on DCTs and program underperformance over time demonstrate the impact of COVID-19 on operations. The related policies made it more difficult for participants to gain employment and affordable housing, and lowered occupancy rates due to quarantine units and closure of upstream referral locations. Despite these restrictions, programs still reported performance against original contract goals. **Exhibit 11** shows the rate at which programs achieved their goals during the five years in our scope period.

Exhibit 11

Program Performance Declined During the COVID-19 Pandemic
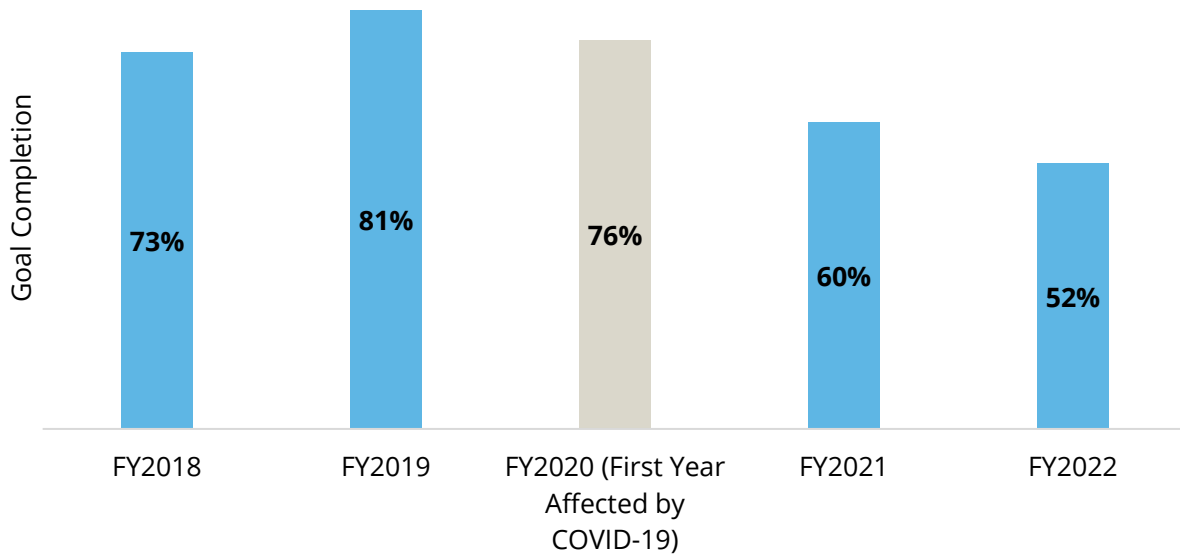
Source: OCA generated from review of 24 sample program's annual data collection tools from FY2018 through FY2022.

Our analysis showed that some programs experienced large shifts in occupancy or persons served during this time. The Family Reunification Program went from serving 103 percent of its goal in FY2019 to serving only 36 percent of its goal in FY2021. Transitional housing program staff mentioned that many referrals to their program come through the court system. However, since COVID-19, referrals have had difficulty obtaining the necessary proof of chronic alcoholism needed to enroll in the program. Shelter staff voiced similar concerns, stating that COVID-19 policies lowered the number of spaces that could be occupied. Finally, according to SDHC, persons served for rapid re-housing programs declined during COVID-19 due to the shifting need toward longer-term rental assistance to prevent returns to homelessness. As the region continues recovering from the pandemic, targets and performance should continue to be analyzed within the context of these external factors.

SDHC followed best practices in performance management, but its ability to change providers is limited by a low number of bid respondents.

Throughout the lifetime of a contract, programs should be evaluated with a mixed methods approach that includes information about how the programs are implemented as well as data on client outcomes. The National Association of State Procurement Officials recommends monitoring performance by:

- Collecting and analyzing information needed to evaluate supplier performance;
- Monitoring and providing feedback to the supplier about performance standards;
- Identifying critical areas for improvement; and
- Implementing agreed-upon steps to remedy issues.

According to SDHC staff, their first course of action when approaching an underperforming program is to compare performance to other similar programs and the system at large. Staff use the recommended mixed methods approach when comparing across the system. Contracts require a monthly data collection tool that reviews progress on the contract metrics and provides a narrative section for program staff to explain any shortcomings or barriers that may prevent them from achieving the target. We observed during an update meeting and learned from interviews that SDHC staff meet with program staff regularly regarding performance targets and that the narrative section is helpful to explain any sort of challenges or information that are not captured by the metrics. Additionally, SDHC staff monitor program staff vacancies to assess program performance in context. SDHC and program staff informed us that SDHC staff participate in case conferencing to try and contribute to solutions for clients with specific barriers or challenges. Program staff stated that this level of involvement can be helpful and goes beyond the participation of other funders.

To support this ongoing performance management effort, SDHC's compliance team evaluates policies and procedures for multiple aspects. The compliance team reviews documents and interviews staff for evidence that a program has the necessary data systems to collect information, documents project outcomes, and adheres to RTFH's performance standards and requirements. Additionally, we reviewed monitoring reports for

evidence of fiscal controls to make sure program expenses and administrative costs were allowable, reasonable, and documented.

According to SDHC, competitive bids often return a small number of respondents and this requires SDHC to try and work with the contractors it has, rather than be punitive. Out of the contracts we reviewed that were competitively awarded, there was an average of 137 vendors notified and only 4 respondents. We interviewed staff from the City of Sacramento and the City and County of San Francisco about procurement outreach and found that while the number of respondents in San Diego was comparatively low, neither city indicated conducting any additional outreach beyond what SDHC currently performs.

Overall, we found that SDHC ensures contractors follow best practices by having checks at the contract design stage, administering contracts on an ongoing basis, and monitoring compliance through an annual process. Therefore, we have no recommendations for this finding. It is important for administration of homelessness contracts to continue to use best practices to ensure good stewardship of public funds and maximize performance.

Finding 3: The City lacks documented processes for repairs at City-owned or leased homelessness facilities, causing persistent unsafe and unsanitary conditions at some locations.

We found a lack of documented City processes resulted in delayed repairs at some City-owned or leased homelessness facilities.[15] We observed disrepair at sites, including shelters, a safe parking lot, and the Homelessness Response Center. We did not observe similar conditions at sites owned or leased by the contractor or the San Diego Housing Commission (SDHC). We also reviewed maintenance requests submitted to the City by providers and SDHC that were not addressed in a timely fashion—with potentially hazardous situations lasting for months.

At City-owned and leased sites, SDHC's contracts require contractors to report any maintenance or repair needs to SDHC. SDHC has a process for receiving, evaluating, and submitting maintenance and repair requests to the City through the Homelessness Strategies and Solutions Department (HSSD). However, HSSD does not have a documented process for receiving and submitting maintenance and service requests to those responsible for performing maintenance.

Additionally, service providers may be unaware of the status of their maintenance and repair requests because the City does not have a process for providing information on the status of these requests. This can lead to deterioration of facilities and damaged trust between the service providers and their clients.

Areas of homelessness facilities are unsafe, unclean, and in disrepair.

Throughout the course of the audit, we conducted a number of site visits at program facilities from sampled contracts.[16] These visits occurred at both City-owned or leased sites and sites owned or leased by the contractor or SDHC. We found that sites where maintenance was fully the contractor's responsibility were in good repair. However, we observed unsafe or unclean conditions at sites where the City was partially responsible for maintenance. Some examples of disrepair were moldy ADA-showers, as shown in **Exhibit 12**, a ripped privacy mesh at the Golden Hall shelter, a broken HVAC system at a sprung shelter, a

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[15] The audit covered programs administered by SDHC from FY2018 to FY2022. Ten of these programs were located at City-owned or leased facilities. These programs included the safe parking program, whose contract is administered by HSSD as of July 1, 2022.

[16] The sites visited were part of our value-weighted random sample of contracts and are not necessarily representative of all sites.

broken window at the Homelessness Resource Center, and a broken streetlight at a safe parking site.

Exhibit 12

Mold in an ADA Shower at Golden Hall Resulted in Closure of the Shower, Leaving Only One ADA Shower for at Least Two Months

Source: Photographed by OCA during site visit at Golden Hall on October 28, 2022.

Additionally, we reviewed Joint Hazard Assessment Team (JHAT) reports,[17] which included observations of missing cover plates on light poles, exposed wires, and falling ceiling panels. Some of these issues were reported on consecutive JHAT reports with no information regarding remediation.

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[17] JHAT observations are monthly or bi-monthly observations from SDHC, City staff, and site staff.

The City is responsible for some maintenance and repairs at City-owned and leased properties.

At City-owned facilities, the party responsible for completing repairs varies by location and program. Uncertainty and disagreements over the responsible party can lead to delays in fixing the problem. Additionally, there are different agreements that make establishing the responsible party unclear. For example, the Memorandum of Understanding for Bridge Shelters between SDHC and the City states that SDHC is responsible for ensuring maintenance of porta-potties or modular restrooms, while the City is responsible for structural maintenance and repairs.

City staff informed us that determining responsibility between City departments also causes delays. For example, auditors noticed a broken streetlight that caused a safety risk at a safe parking facility. When asked about the status, City staff said the repair was delayed due to "back and forth" between two City departments on who was responsible for both fixing the light and clearing brush necessary to access the light. While HSSD staff notified the appropriate party to complete the repair, staff could not confirm when the repair happened.

From a contractor perspective, SDHC contracts establish the contractor as the responsible party to keep the site clean and maintained and require the contractor to notify SDHC of any issues that require repair. In addition, license agreements may provide an additional assignment of responsibility. For example, the license agreement between Father Joe's Villages and the City for Golden Hall establishes Father Joe's Villages as the responsible party for waste, damage, or destruction.

In our interviews, we learned there is disagreement between a contractor and the City regarding who should be responsible for "vandalism" conducted by shelter residents. While license agreements might establish the contractor as the responsible party, program staff informed us that it is difficult to control actions of shelter residents if they do not have a say in who resides in their facility.[18]

For example, as a result of a JHAT assessment, a service request for a broken outlet—pictured in **Exhibit 13**—was submitted to

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[18] Shelter residents are assigned by SDHC through a central coordinated intake process.

City staff on August 23, 2022. City staff deemed it to be vandalism and therefore did not request a work order as the contractor is responsible for addressing vandalism. However, the City could not provide documentation of the determination or of its notification of the determination to SDHC or the service provider. According to program staff, the outlet was fixed on January 18, 2023 by a third party contracted by the City.

Exhibit 13

A Broken Outlet Remained Unfixed for Almost Five Months

Source: Maintenance request submitted by SDHC on August 23, 2022.

While initially deemed as the responsibility of the contactor, City staff ultimately took responsibility after the issue persisted for almost five months. Although the City has the ability to obtain payment from the contractor for fixing these issues, City staff stated that the City has not pursued payment.

The City does not have a documented process for receiving maintenance requests from SDHC or contractors.

A lack of process documentation could lead to some maintenance issues falling through the cracks. In practice, maintenance requests originate from JHAT site visits or contractor reports and are reported to SDHC, which receives, evaluates, and forwards them to HSSD and the Department of Real Estate and Airport Management. The requests then get forwarded to the appropriate department or vendor and follow the appropriate party's internal process. Based on interviews with SDHC and City departments, we found that there is a lack of process documentation establishing contact department,

timelines, and communication of progress and task completion. Additionally, when we asked for the status of two service requests submitted by SDHC with lengthy timelines, City staff were unable to identify the status of the request to determine whether it was completed. This lack of process—and the resulting delays in fixes—caused the disrepair we observed. Additionally, the delays risk straining the relationship between the contractor and program participants.

For example, **Exhibits 14 and 15** show the damaged ceiling tiles we observed at a shelter, and the lengthy timeline of their repair.

Exhibits 14

Damaged Ceiling Tiles Create a Potentially Hazardous Situation

Source: Photographed by OCA during site visit at Golden Hall on October 28, 2022.

Exhibit 15

Unsafe Shelter Conditions Persisted for 8 Months After the City Received a Maintenance Request

8 months
between the issue being reported and the issue being addressed

March 22, 2022
SDHC reported ceiling tile issues to City staff.

October 28, 2022
Auditors observed damaged ceiling tiles at site visit.

November 2022
SDHC reported that the issue was resolved. The ceiling tiles were fixed when excessive water damage due to an unrelated incident caused an evacuation and City Facilities entered the site to make repairs.

Source: OCA generated based on maintenance request, observation, and interviews.

As mentioned in the Background, the Community Action Plan on Homelessness assigns the Mayor's Office with the responsibility of coordinating City departments' response to homelessness. A 2021 consultant memorandum found that HSSD needs to strengthen internal partnerships across City departments and teams. Additionally, the memorandum detailed a need for additional documentation and clarification of the City's policies and procedures.

As a new department, HSSD is tasked with serving as the liaison to homelessness services agencies and is responsible for ensuring homelessness policies are carried out by various City departments. As the coordinating department for the City, HSSD could add value by tracking requests that span different agencies and City departments. In this role, HSSD has the opportunity to evaluate existing process and implement an improved procedure that would help ensure accountability from

the City for maintenance and repairs that are the City's responsibility.

HSSD has already made progress in this area. Staff provided draft procedures for an SDHC-administered homelessness facility that detailed roles and contact points for different vendors. Additionally, HSSD is rolling out a "text bot" that helps track service requests across the different agencies. These draft procedures are a good first step, but are not applicable to all sites, and should be properly approved. Once fully developed for use at all sites and approved, HSSD should distribute the procedures to all stakeholders.

Delayed repairs lead to damaged facilities and broken trust between service providers and individuals experiencing homelessness.

City facilities deteriorate when repairs are delayed. For example, when a roof leak required relocation of residents at Golden Hall, the Department of General Services Facilities Division stated that it identified many additional repairs that it was not aware of. As a result, the City needed to conduct significant repairs while the residents were relocated.

Additionally, lengthy timelines for repairing facilities can damage trust between shelter residents and service providers. Since residents may not know who is responsible for repairs at a shelter, they may blame the contractor for the delays. This can lead to damaged trust, which is counterproductive to the relationship-building required for contractors to encourage participation in programs intended to assist individuals experiencing homelessness and bring them into permanent housing.

Recommendation 3.1

In order to address existing maintenance issues, the Homelessness Strategies and Solutions Department should coordinate with providers, the San Diego Housing Commission, and relevant City departments to perform an inspection of all homelessness services sites for which the City is responsible for maintenance and repairs, and complete any identified repairs and maintenance at those sites.

(Priority 2)

Recommendation 3.2

In order to address future maintenance issues at sites where the City is responsible for maintenance and repairs, the Homelessness Strategies and Solutions Department should establish a procedure to track maintenance requests between providers, the San Diego Housing Commission (SDHC), and relevant City departments. This procedure should contain required information for service requests, correct routing procedure for requests, estimated timelines for repair, and communication of progress and task completion to SDHC and service providers.

(Priority 2)

Appendix A: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3

AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

Priority Class[19]	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

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[19] The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Objectives, Scope, and Methodology

Objectives

In accordance with the [Office of the City Auditor's Fiscal Year (FY) 2022 Audit Work Plan](#), we conducted a performance audit of the City of San Diego's Homelessness Services Contracts. Our objectives focused on the San Diego Housing Commission (SDHC) and were to:

1. Determine whether SDHC procures homelessness services contracts according to leading practices;

2. Determine whether SDHC adequately monitors contract compliance; and

3. Determine whether SDHC holds contractors accountable for following best practices in providing homelessness services.

Scope

The scope of this audit was homelessness services contracts administered by SDHC that started during FY2018 through FY2022. The scope did not include contracts administered by the City's Homelessness Strategies and Solutions Department (HSSD) because HSSD had not administered any homelessness services contracts for longer than a year during the scope period.

Objective	Methodology
Determine whether SDHC procures homelessness services contracts according to leading practices.	• Reviewed SDHC Procurement Policy to learn the requirements and procedural steps for the procurement of homelessness services contractors. • Reviewed SDHC Conflict of Interest Policy to determine contractor disclosures required in proposals. • Interviewed SDHC staff on procurement procedures and outreach. • Interviewed the City of Sacramento and the City and County of San Francisco to determine procurement outreach best practices.

- Reviewed procurement documents for 29 sample contracts. Documents included:
  - Cost analyses or independent cost estimates;
  - Statements for Public Disclosure in contractor proposals;
  - Evaluation scores for contractor proposals;
  - Sole source justifications; and
  - SDHC Board of Commissioners and Housing Authority records.

Determine whether SDHC adequately monitors contract compliance.

- Performed 15 site visits to determine cleanliness and safety, and interviewed program staff about technical assistance and annual compliance monitoring.
- Interviewed SDHC management on technical assistance, annual compliance monitoring, and maintenance and safety procedures.
- Interviewed City staff and management on homelessness services facility maintenance.
- Reviewed data collection tools and annual monitoring reports for 29 sample contracts.
- Reviewed monthly Joint Hazard Assessment Team (JHAT) reports for three shelter sites.
- Reviewed maintenance requests submitted from the provider to SDHC and forwarded to City staff.

Determine whether SDHC holds contractors accountable for following best practices in providing homelessness services.

- Reviewed national best practices on performance management and contract metrics.
- Reviewed regional goal-setting documents to determine local best practices in trauma-informed care, housing first, client feedback, program exit policies, and performance management.
- Interviewed SDHC staff on contract design.
- Interviewed program staff on trauma-informed care, client feedback, and program exit policies.
- Surveyed program staff to determine extent of trauma-informed care in program policy and site design.

- Evaluated initial agreements and options for 29 sample contracts against national and local best practices.

Data Reliability   We assessed the reliability of Homeless Management Information System (HMIS) data by: (1) reviewing existing information about the data and the system that produced them; and (2) interviewing agency officials knowledgeable about the data. This data is used to generate the Data Collection Tools we analyzed in Finding 2. We determined that the data were sufficiently reliable for the purposes of this report.

Internal Controls Statement   We limited our internal controls testing to specific controls relevant to our audit objectives, including controls for SDHC's procurement of homelessness services contracts and identifying potential conflicts of interest, administering homelessness services contracts, monitoring contractor compliance with homelessness services contracts, and addressing maintenance requests at homelessness services facilities.

Compliance Statement   We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Appendix C: Categories of Homelessness Services

Type of Solution	What is it?
Coordinated Outreach	Street-based case management and housing navigation services to unsheltered households.
Family Reunification Program	Housing relocation assistance to individuals and families experiencing homelessness or at risk of homelessness, connecting them with family or other support systems.
Permanent Supportive Housing	Long-term rental assistance paired with intensive wraparound supportive services to help maintain housing stability.
Rapid Re-Housing	Short- and medium-term rental assistance and supportive services to households experiencing homelessness.
Safe Parking/Camping	Safe parking, case management, and supportive services to households living in their vehicle.
Shelter	Safe, low-barrier, temporary housing, as well as stabilization and supportive services.
Storage	Safe place for people to keep belongings as they attend to personal needs (e.g., case management meetings, obtaining documents, etc.).
Transitional Housing	Service-enhanced temporary housing for up to 24 months, along with a variety of supportive services to transition to permanent housing.

Source: OCA generated based on information from SDHC.

Appendix D: Sample Contracts

No.	Name of Program	Provider	Category	Total Contract Amount	Start Date	End Date
1	Family Reunification	Downtown San Diego Partnership	Housing	$ 4,576,000.00	6/1/2017	6/30/2022
2	Rapid Re-Housing	People Assisting The Homeless	Housing	$ 1,362,791.00	7/1/2017	6/30/2022
3	6th Avenue Interim Housing	People Assisting The Homeless	Shelter	$ 3,473,590.01	7/1/2017	6/30/2022
4	Bridge Shelter - Newton	Alpha Project for the Homeless	Shelter	$ 8,076,083.00	12/1/2017	6/30/2019
5	Veteran's Shelter	Veterans Village of San Diego	Shelter	$ 5,199,640.00	12/1/2017	6/30/2019
6	Golden Hall	Father Joe's Villages	Shelter	$ 3,740,352.00	12/1/2017	6/30/2019
7	Storage Center I	Mental Health Systems, Inc.	Support	$ 6,311,190.66	5/14/2018	6/30/2021
8	Cortez Hill	YWCA of San Diego County	Shelter	$ 697,489.00	7/1/2018	6/30/2019
9	Cortez Hill	Alpha Project for the Homeless	Shelter	$ 2,528,221.14	1/1/2019	6/30/2021
10	Housing Navigation Center	Family Health Centers of San Diego	Support	$ 3,400,000.00	2/1/2019	12/31/2020
11	Rapid Re-Housing	People Assisting The Homeless	Housing	$ 909,452.00	7/1/2019	6/30/2021
12	Rapid Re-Housing	The Salvation Army	Housing	$ 909,451.04	7/1/2019	6/30/2021
13	Transitional Housing	The Salvation Army	Shelter	$ 696,927.00	7/1/2019	6/30/2022
14	Transitional Housing	Mental Health Systems, Inc.	Shelter	$ 1,259,250.00	7/1/2019	6/30/2022
15	Bridge Shelter - Newton	Alpha Project for the Homeless	Shelter	$ 10,879,418.00	7/1/2019	6/30/2020
16	Veteran's Shelter	Veterans Village of San Diego	Shelter	$ 6,930,090.43	7/1/2019	6/30/2020
17	Golden Hall	Father Joe's Villages	Shelter	$ 6,615,901.96	7/1/2019	6/30/2020
18	Bridge Shelter - Newton	Alpha Project for the Homeless	Shelter	$ 10,830,030.88	10/16/2019	6/30/2022
19	Veteran's Shelter	Veterans Village of San Diego	Shelter	$ 1,955,443.05	7/1/2020	12/31/2020
20	Bridge Shelter - Imperial	Alpha Project for the Homeless	Shelter	$ 19,382,026.32	7/1/2020	6/30/2022
21	Golden Hall	Father Joe's Villages	Shelter	$ 37,741,276.30	7/1/2020	6/30/2022
22	Safe Parking	Jewish Family Service	Shelter	$ 1,913,842.00	7/1/2020	6/30/2022
23	Permanent Supportive Housing	People Assisting The Homeless	Housing	$ 12,125,272.00	10/14/2020	1/12/2022
24	Permanent Supportive Housing	Father Joe's Villages	Housing	$ 4,287,361.00	10/14/2020	10/13/2021
25	Homelessness Response Center	People Assisting The Homeless	Support	$ 1,263,167.07	11/1/2020	6/30/2022
26	Bishop Maher Center	Father Joe's Villages	Shelter	$ 1,070,730.63	2/6/2021	6/30/2022
27	Cortez Hill	Alpha Project for the Homeless	Shelter	$ 561,893.00	7/1/2021	12/31/2021
28	Storage Center I	Mental Health Systems, Inc.	Support	$ 624,971.00	7/1/2021	12/31/2021
29	Storage Center II	Mental Health Systems, Inc.	Support	$ 1,038,031.00	1/1/2022	6/30/2022

MEMORANDUM

To: **Andy Hanau, City Auditor, City of San Diego**

From: **Jeff Davis, Interim President & CEO**
             San Diego Housing Commission

Date: **February 27, 2023**

Subject: **Response to City of San Diego Performance Audit of San Diego Housing
              Commission's Homelessness Services Contract Management**

The San Diego Housing Commission (SDHC) appreciates the dedication and effort the Office of the City Auditor committed to conducting this audit. Over the past seven months, your office demonstrated the conscientiousness and commitment to subject matter research and analysis necessary due to the complexity of homelessness services and their associated contracts. I wish to recognize your team's thoroughness and professionalism during this audit.

This memo provides SDHC management's response to the audit.

Over the past four fiscal years, the number of contracts SDHC administers for homelessness services and programs in the City of San Diego increased by over 50%. Simultaneously, the homelessness services sector experienced a series of challenges, including the Hepatitis A outbreak in 2017, the worldwide COVID-19 pandemic, the fentanyl crisis affecting San Diego and cities across the country, and the affordable housing crisis in the City of San Diego. As recognized in your audit, with a system-level focus and through collaboration with the City of San Diego and regional service providers, SDHC adhered to its policies and ensured homelessness services followed national best practices and regional Continuum of Care Community Standards.

SDHC's Procurement Department continually explores ways to improve its processes to respond effectively to SDHC's increase in activities related to homelessness contract processing and procurement.

Audit Finding #1: *SDHC follows its policies and procedures for contract procurement but can improve its process to identify sole sourced contractors' potential conflicts of interest.*

> **Recommendation 1.1:** SDHC should issue an Administrative Regulation to require Statements for Public Disclosure for sole source contracts in accordance with its Conflict of Interest Policy and collect required statements for all current and future contracts over $50,000. (Priority 2)

San Diego Housing Commission   1122 Broadway, Suite 300 San Diego, CA 92101   619.231.9400   www.sdhc.org

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SDHC Response: Agree with the Recommendation
SDHC will incorporate the requirement into Administrative Regulation 203.100, Statement of Procurement Services. SDHC anticipates implementing the Administrative Regulation in May 2023.

In addition, upon being notified of the items noted in the audit, SDHC's Procurement Department took the following actions:

- The Statement of Public Disclosure Forms were included in all sole source procurements going forward.

- All homelessness services providers with sole source contracts were contacted and required to submit a Statement of Public Disclosure Form by the end of January 2023. The Procurement Department tracked responses and followed up to ensure compliance.

- The requirement was incorporated into all memos routed for contract execution approval.

Recommendation 1.2: When SDHC next updates its Statement of Procurement Policy, it should require Statements for Public Disclosure for sole source contracts in accordance with its Conflict of Interest Policy. (Priority 2)

SDHC Response: Agree with the Recommendation
SDHC will conduct a comprehensive review of the Statement of Procurement Policy in July 2023 to identify necessary updates and will include the above recommendation. SDHC anticipates implementing the updated policy, subject to required approvals, in February 2024.

Audit Finding #2: *SDHC ensures contracted homelessness services programs follow best practices through contract design, ongoing administration, and compliance monitoring.*

SDHC Response:
Multiple entities coordinate and collaborate with one another to address homelessness in the City of San Diego. The audit report includes a table displaying the "functional areas of focus," respectively, for SDHC, the Regional Task Force on Homelessness, the City of San Diego and the San Diego City Council. In the specific focus areas for which SDHC has or shares responsibility, SDHC effectively and efficiently ensures that it fulfills its responsibilities utilizing best practices in contracted programs and services, across the homelessness programs SDHC administers.

As the audit report observed, external factors affect the ability for homelessness programs to achieve some performance metrics, such as staffing challenges and the scarcity of housing resources available through the Coordinate Entry System (CES) amid historically low vacancy rates in the city. SDHC works to address these challenges and build system

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capacity. In October 2020, SDHC, in partnership with San Diego City College, launched the Homelessness Program for Engaged Educational Resources (PEER). The Homelessness PEER course provides specialized education, training and job placement assistance to develop the workforce needed for programs and services that help San Diegans experiencing homelessness. In 2022 SDHC engaged in a compensation study of homelessness services sector positions to review and consider recommendations for ensuring competitiveness of wages for critical frontline positions, and launched a wellness initiative for frontline staff to support sector efforts to attract and retain staff.

Conclusion

The audit's findings reflect SDHC's core values and strategic priorities, including a commitment to excellence and innovation in all we do and being responsible financial stewards of the funding we deploy.

As noted in the audit, SDHC ensures contracted homelessness services programs follow best practices, and SDHC closely adheres to its policies for contract procurement. SDHC agrees with the audit's recommendations and will implement them to further strengthen our efforts going forward. The audit confirmed that San Diego residents can rely on SDHC as a responsible leader in collaborative homelessness solutions.

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THE CITY OF SAN DIEGO

MEMORANDUM

DATE: February 28, 2023

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Hafsa Kaka, Director, Homelessness Strategies & Solutions Department

SUBJECT: Management Response to the Office of the City Auditor's Performance Audit of San Diego Housing Commission's Homelessness (SDHC) Services Contract Management

_____

This memorandum serves as the management response to the Performance Audit of San Diego Housing Commission's Homelessness Services Contract Management.

The purpose of the audit was to examine homelessness services contracts administered by the San Diego Housing Commission (SDHC) that started between Fiscal Year 2018 through Fiscal Year 2022. *"The objectives of the audit were to: (1) determine whether SDHC procures homelessness services contracts according to leading practices; (2) determine whether SDHC adequately monitors contract compliance; and (3) determine whether SDHC holds contractors accountable for following best practices in providing homelessness services."*

The scope did not include contracts administered by the Homelessness Strategies and Solutions Department (HSSD) – the department had not administered any homelessness services contracts for longer than a year during the scope period. However, HSSD and other City departments—including General Services Facilities Division and Department of Real Estate and Airport Management—are involved in maintenance conducted at City-owned and leased properties used by homelessness services providers.

The Homelessness Strategies and Solutions Department has reviewed the report prepared by the Office of the City Auditor and thanks the staff involved in conducting the audit. Our response highlights the recommendations and considerations for implementation as agreed upon improvements. We also would like to point out that the sample size of shelters that involve City-owned or leased properties reviewed in the audit does not reflect the City's shelter system across the board.

In total, the report has 3 findings with 4 total recommendations of which 1 finding with 2 recommendations are directed to City departments. The City has a documented process for repairs at City-owned or leased homelessness facilities which can be improved.

Recommendation 3.1: In order to address existing maintenance issues, HSSD should coordinate with providers, SDHC, and relevant City Departments to perform an inspection of

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Andy Hanau, City Auditor
February 28, 2023

all homelessness services sites for which the City is responsible for maintenance and repairs and complete any identified repairs and maintenance at those sites. (Priority 2)

Management Response: Agree, already implemented. Since HSSD was established, the department has coordinated with providers, SDHC, and relevant City Departments to perform inspections and submit any needed repairs identified. Although HSSD does not have full control or oversight of completing repairs that are the responsibility of other City Departments, HSSD will enhance collaboration to yield expedited results.

Recommendation 3.2: In order to address future maintenance issues at sites where the City is responsible for maintenance and repairs, HSSD should establish a procedure to track maintenance requests between providers, SDHC, and relevant City Departments. This procedure should contain required information for service request correct routing procedures for request, estimated timelines for repair, and communication of progress and task completion to SDHC and service providers. (Priority 2)

Management Response: Agree. HSSD has an existing documented process to address maintenance issues where the City is responsible for property conditions. Like all City processes, there is room for improvement. HSSD has setup a process of tracking the intake of service requests and will continue to collaborate with City Departments to track the closure of service requests.

Thank you for the opportunity to provide responses to these recommendations. Management appreciates your team's professionalism throughout this review.

Sincerely,

Hafsa Kaka
Director, Homelessness Strategies & Solutions Department

cc: Paola Avila, Chief of Staff, Office of the Mayor
       Eric Dargan, Chief Operating Officer
       Kristina Peralta, Deputy Chief Operating Officer
       Alia Khouri, Deputy Chief Operating Officer
       Kris McFadden, Deputy Chief Operating Officer
       Jessica Lawrence, Director of Policy, Office of the Mayor
       Matthew Yagyagan, Deputy Director of Policy, Office of the Mayor
       Christiana Gauger, Chief Compliance Officer
       Penny Maus, Director, Department of Real Estate and Airport Management
       Casey Smith, Director, Department of General Services

THE CITY OF SAN DIEGO

DATE: March 2, 2023

TO: Honorable Members of the Audit Committee

FROM: Andy Hanau, City Auditor

SUBJECT: **City Auditor Comments to the Homelessness Strategies and Solutions Department's Management Response**

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The Office of the City Auditor (OCA) appreciates the Homelessness Strategies and Solutions Department's (HSSD) response to the recommendations set forth in our Performance Audit of the San Diego Housing Commission's Homelessness Services Contract Management. However, HSSD stated it had already implemented our recommendation to conduct an inspection of homelessness facilities and resolve any existing maintenance issues, even though the evidence we gathered indicated otherwise. Additionally, HSSD stated it already has documented maintenance procedures, but it only provided draft procedures for two locations. Thus, although HSSD indicates agreement, it is unclear if HSSD and the City will take the necessary further actions to ensure that potential health and safety issues at homelessness services facilities are quickly identified and remediated.

Specifically, Recommendation 3.1 states:

> In order to address existing maintenance issues, the Homelessness Strategies and Solutions Department should coordinate with providers, the San Diego Housing Commission, and relevant City departments to perform an inspection of all homelessness services sites for which the City is responsible for maintenance and repairs, and **complete any identified repairs and maintenance at those sites**. (Priority 2)

We acknowledge the City participates in Joint Hazard Assessment Team (JHAT) visits at some locations, but some issues that we observed appeared on consecutive JHAT reports with no information regarding remediation. As the coordinating department, HSSD is responsible for liaising between City departments. However, when a roof leak required relocation of residents at Golden Hall, the General Services Department stated that it identified many additional repairs that it was not aware of, some of which appeared on JHAT reports.

As noted in the report and HSSD's response, we only visited sites where contracts were administered by the San Diego Housing Commission. At some of these sites, the City was responsible for maintenance. As HSSD notes in its response, our sample does not include all shelters. In order to have assurance that all homelessness services sites are in good condition, it is necessary for the City to conduct inspections and complete repairs at all sites for which the City is responsible for maintenance. Therefore, we believe the recommendation is not implemented at this time.

OCA-23-07

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Recommendation 3.2 states:

> In order to address **future maintenance issues** at sites where the City is responsible for maintenance and repairs, the Homelessness Strategies and Solutions Department should establish a procedure to track maintenance requests between providers, the San Diego Housing Commission (SDHC), and relevant City departments. This procedure should contain required information for service requests, correct routing procedure for requests, estimated timelines for repair, and communication of progress and task completion to SDHC and service providers. (Priority 2)

Although HSSD stated it has documented procedures, as we noted in the report, it was only able to provide draft procedures for two sites, and the draft procedures have not been properly approved. Without proper approval and distribution to all stakeholders, there is a risk that other stakeholders may not be aware of, approve, or follow the procedures. Therefore, it is necessary for the City to fully develop and approve procedures for all sites. Additionally, HSSD did not provide a target implementation date for this recommendation.

In closing, we thank HSSD for its cooperation and professionalism throughout this audit. We will work with HSSD to verify implementation of the recommendations to which it agreed in order to ensure that existing and future maintenance issues at City-owned and lease homelessness services facilities are addressed.

Respectfully submitted,

Andy Hanau
City Auditor

cc: Honorable Mayor Todd R. Gloria
        Honorable City Council Members
        Honorable City Attorney, Mara Elliot
        Eric Dargan, Chief Operating Officer
        Paola Avila, Chief of Staff, Mayor's Office
        Kristina Peralta, Deputy Chief Operating Officer
        Alia Khouri, Deputy Chief Operating Officer
        Kris McFadden, Deputy Chief Operating Officer
        Christiana Gauger, Chief Compliance Officer
        Hafsa Kaka, Director, Homelessness Strategies and Solutions Department
        Penny Maus, Director, Department of Real Estate and Airport Management
        Casey Smith, Director, Department of General Services
        Charles Modica, Independent Budget Analyst
        Jessica Lawrence, Director of Policy, Mayor's Office
        Matthew Yagyagan, Deputy Director of Policy, Mayor's Office