



Internal Audit Department
NeighborWorks® America

Audit Review of HSCP – Grant Awards

Project Number: NW.NI.WINDDOWN.2020

Audit Review of HSCP Grant Award

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TO: Members of the NeighborWorks America Audit Committee
FROM: Fred Udochi, Chief Audit Executive
RE: Housing Stability Counseling Program (HSCP) Grant Award
DATE: January 31, 2023

Attached is our draft audit report for the Grant Award review. Please contact me with any questions you might have.

Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: M. Rodriguez
S. Ifill
K. Edmonds
R. Simmons
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**Function Responsibility and Internal Control Assessment
Audit Review of HSCP Grant Award**

Business Function Responsibility	Report Date	Period Covered
National Initiatives	November 22, 2022	May – September 2021
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations	Generally Effective¹	
Reliability of Financial Reporting	Not Applicable	
Compliance with Applicable Laws and Regulations	Not Applicable	

¹ **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

As part of the American Rescue Plan Act of 2021², the U.S. Congress appropriated \$100 million to NeighborWorks America for the purpose of designing and administering grant programs supporting housing counseling services³.

The Corporation, in turn, channeled most of these funds to nonprofit housing counseling organizations and other qualified entities inside and outside the NeighborWorks network.

NWA administered the program, including the oversight of the execution of these activities, the usage of funds and related quality and compliance monitoring.

One of the first steps in the program involved the publication of a Funding Announcement. 160 grant applications were received from 144 housing counseling agencies that requested a total of \$348.4 million; NWA selected 131 of these for grant awards that totaled \$88.0 million⁴.

Objective

The objective of this review was to obtain assurance that the grant awards process was effective and that HSCP grant awards were awarded in accordance with program criteria and other applicable requirements.

Scope

The scope of the review included the following aspects, among others:

- HSCP Grant Awards Process and Outcomes:
 - Policies and Procedures Governing HSCP Grant Review and Award Process;
 - HSCP Grant Requirements and Scoring of Applications;
 - Evidentiary Support for Grant Application Review Scores Assigned; and
 - Adequacy and Equity of Grant Award Determinations.

Grant Application Review Process:

Every organization seeking HSCP funding was required to submit a Grant Application by the stipulated deadline of 30 June 2021.

Fourteen Application Review Teams were set up, each comprising three Reviewers and one Team Lead. For each response that a given applicant provided to a question, each Reviewer assigned a score in accordance with the corresponding scale defined by the Scoring Rubric and also included explanatory comments to support the assigned score.

Wherever differences or variances in the Raw Scores for Applicant responses were assigned by Reviewers, these variances were to be later resolved by the respective Teams during Consensus Calls.

² Public Law No: 117-2, H.R.1319, 117th Congress (2021-2022), Section 3204.

³ According to the legislation, “housing counseling” was defined as “(1) housing counseling provided directly to households facing housing instability, such as eviction, default, foreclosure, loss of income, or homelessness; (2) education, outreach, training, technology upgrades, and other program related support; and (3) operational oversight funding for grantees and subgrantees that receive funds under this section.”

⁴ This was later further reduced to 127 organizations that received a total of \$87.8 million because four agencies declined their respective awards.

Scores were further adjusted based on additional factors, such as the assessment of financial management capacity and independent audits of the Applicant Organizations, the percentage of Applicant counselors that were HUD-certified and the percentage of the Applicant's counseling activity expected to fall within the program's Targeted Geographic Areas, as defined by the Funding Announcement. The final Scores were then formulaically translated into proposed Grant Award dollar amounts, which were then subjected to various rounds of adjustments to match the total funding amount available for distribution to grantees.

Methodology

The methodology for conducting the review comprised the following elements:

Design: Review of design of process governing HSCP Grant Review and Awards. This included examining documents, such as the following:

- Supporting Legislation from U.S. Congress;
- HSCP Funding Announcement, dated 26 May 2021⁵;
- Memoranda to the Board of Directors dated 21 September 2021, regarding Grant Awards process undertaken; and
- Reviewer Manuals, including Application Scoring Rubrics for NeighborWorks Organizations (NWOs) and Housing Counseling Intermediaries / State Housing Finance Agencies, respectively.

⁵ The HSCP Funding Announcement was later amended on 06 Oct 2021 (i.e., after the Grant Awards were determined).

Execution: Examination of information supporting Management review of Grant Applications and resulting Grant Award determinations:

- Review of the distribution of Grant Award amounts to the Applicants;
- Selection of a Sample of Organization Applications (see Attachment A for resulting list);
- Review of Application Content, Questions and Applicant Responses;
- Examination of Application Reviewer Content, including assigned Scores & comments;
- Review of documentation supporting Consensus Calls and determinations; and
- Assessment of relationship between Application Scores and Grant Award Amounts relative to the Dollar Amounts Requested by Applicants.

Observations and Recommendations

General Observation

NWA's Grants Portal system⁶ maintains data for all Application Questions, Responses, Reviewer Scores and Responses.

The total number of applicant responses, scores and comments collected from all Applicant organizations and reviewers and then captured in the system exceeded 50,000 data items⁷.

Internal Audit was able to confirm that there exists at least a rough relationship between the overall Review Score assigned to applications and the Percentage of Grant Request Awarded⁸. On the whole, and as reflected in the chart below, the higher the final score assigned to any given grantee, the greater the percentage of funds requested by a grantee that was ultimately awarded to that grantee. Indeed, even a simple linear relationship between these two could be postulated, given that approximately 57% of the change in the Percentage of Grant Request Awarded could be predicted by changes in the Score and that there is a strong positive correlation⁹.

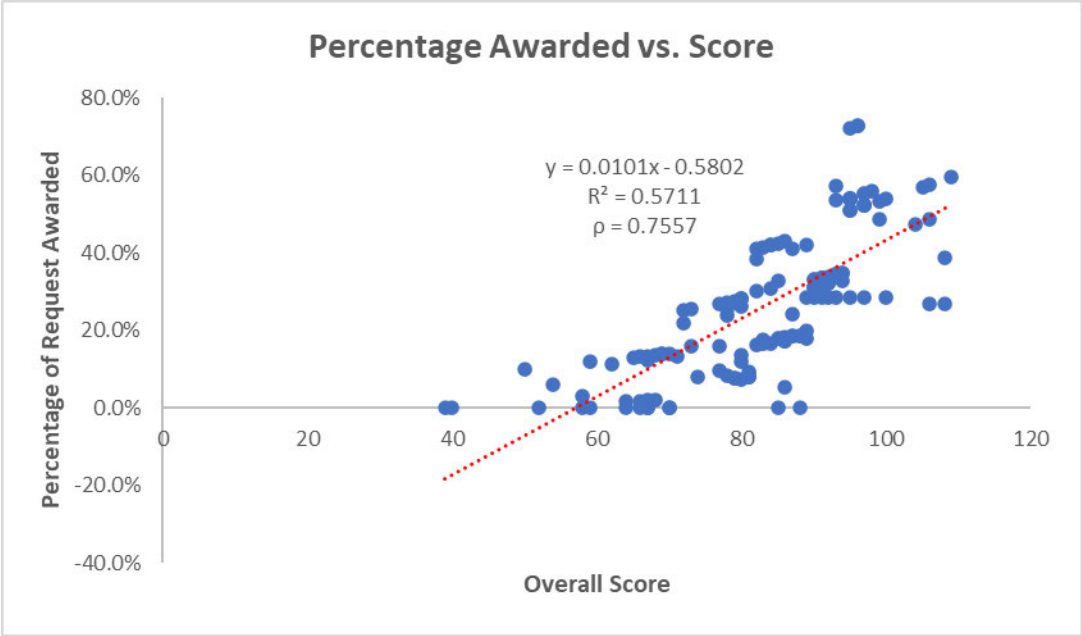
Figure 1 - Percentage of Request Awarded vs. Overall Score assigned to Grant Application

⁶ NWA's Grant Portal system is based on FLUXX software.

⁷ This level of detailed documentary support is not matched, however, by the summarized spreadsheet records (maintained outside of Grants Portal) that documented the Consensus Calls, during which final Review Scores were determined.

⁸ This relationship was already implied by components of Management's grant award tabulations.

⁹ The Pearson Correlation Coefficient for the population, ρ , is + 0.7557, while its square (R^2) is 0.5711; Correlation Coefficient values ranging between + 0.6 and + 0.8 are categorized as "Strong Positive". This relationship appears to have been flattened by the application of quintiles on Score ranges when determining the percentage of the Grantee Request to be awarded.



Internal Audit is not reporting any specific Audit Observations in connection with this review.

Conclusion

On a final note, we would like to take this opportunity to extend our thanks to National Initiative (NI) team and leadership for its excellent collaboration and support throughout this review.

Attachment A

A sample of organizations was selected to support this review. This sample included the following:

No.	Selected Applicant	Requested (\$)	Awarded (\$)
1	Arizona Department of Housing/Arizona Housing Finance Authority	3,288,000	374,832
2	CATHOLIC CHARITIES USA	3,624,800	1,522,416
3	Centro Campesino Farmworker Center, Inc.	1,872,000	504,450
4	Centro de Apoyo Familiar	5,450,000	0
5	CommunityWorks In West Virginia, Inc.	4,368,000	77,314
6	Connecticut Housing Finance Authority	3,178,400	2,313,875
7	Consumer Credit Counseling Services of San Francisco	9,998,960	2,858,550
8	Famicos Foundation	874,640	472,306
9	Georgia Department of Community Affairs	6,214,640	2,392,636
10	GreenPath, Inc.	9,998,960	2,858,550
11	Home HeadQuarters, Inc.	260,000	25,000
12	HOMEFREE - U S A	9,446,000	2,858,550
13	Housing Partnership Network	3,656,120	1,535,570
14	Indiana Housing and Community Development Authority	1,967,320	196,732
15	Iowa Finance Authority	767,200	90,530
16	Louisiana Housing Corporation	9,685,760	0
17	MISSISSIPPI HOMEBUYER EDUCATION CENTER - INITIATIVE	528,272	0
18	National Community Reinvestment Coalition	8,710,520	1,149,789
19	NATIONAL URBAN LEAGUE	9,997,880	2,858,550
20	Neighbor to Neighbor, Inc.	884,000	159,120
21	Neighborhood Housing Services of Los Angeles County	9,568,000	504,450
22	Neighborhood Housing Services of New Haven, Inc.	686,400	53,333
23	New Jersey Housing and Mortgage Finance Agency	8,697,560	2,858,550
24	Orlando Neighborhood Improvement Corp.	520,000	178,464
25	Pennsylvania Housing Finance Agency	9,996,800	2,858,550
26	Rural Community Assistance Corporation	2,303,792	1,677,161
27	Telamon Corporation	3,506,000	2,524,320
28	Tri-County Housing & Community Development Corporation	566,800	41,660
29	UnidosUS	9,998,960	2,858,550
30	Washington State Housing Finance Commission	9,996,800	1,399,552