



City of Seattle  
Edward B. Murray, Mayor

**Human Services Department**  
Catherine Lester, Director

## MEMORANDUM

DATE: November 2, 2015

TO: Jason Johnson, Deputy Director of Services and Strategy

FROM: Efren Agmata, Fiscal Auditor, Human Services Department

SUBJECT: Fiscal Review of Seattle Housing and Resource Effort

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### **I. INTRODUCTION/SCOPE OF WORK:**

This report summarizes the fiscal monitoring review of the Human Services Department (HSD) funded contracts administered by Seattle Housing and Resource Effort (SHARE). The purpose of the fiscal review is to obtain information to provide a level of assurance that contract funds are expended in a manner consistent with HSD's Master Agency Services Agreement (MASA) and Project Services Agreement and compliance with relevant federal and state laws, regulations and guidelines and Office of Management and Budget circulars.

- **Background and General Observations:**

SHARE is a self-organized, grassroots non-profit organization of homeless and formally homeless individuals working to solve homelessness, educate the community, and empower homeless people.

Membership in SHARE is open to all homeless and formally homeless adults. SHARE practices self-management as it acknowledges and promotes the innate dignity of each person. All major decisions are made organizing meetings that all members are encouraged to attend, participate and vote in.

### **II. EVALUATION PROCESS:**

The HSD fiscal review was conducted on October 20, 2015 when the entrance interview was held with Ms. Michele Marchand, Organizer, Mr. Neal Blum, Administrator, Mr. Jarvis Capucion, Board member, Mr. Gary Eyerly, SHARE II member. During the visit, documentation was provided to conduct an in-depth analysis on the following topics:

1. March 2015 invoices – Supporting documentation for contracts DA15-1392 and DA15-1524;
2. August 2015 invoices – Supporting documentation for contracts DA15-1392 and DA15-1524;

3. Follow-up on Agency Monitoring Checklist (completed in June 2013);
4. Last three Board minutes dated 10/03/15, 10/10/15, and 10/17/15;
5. Audit report requirements per MASA;
6. 2013 audited financial statements report and 2014 unaudited balance sheet and income statement reports;
7. 2014 draft audited financial statement report and Form 990;
8. 2015 balance sheet and income statement reports thru October 27, 2015

Additionally, a fiscal review has previously been conducted on SHARE in 2009, 2011, and 2013.

- **Contract Agreement Review: March and August 2015 Invoices**

The contract agreement review consisted of looking at allowability, allocability, reasonableness, performance, adherence to budget, funding sources and included review, as needed, of required supporting documentation and financial reports to ensure accordance with the terms of the contract agreements and applicable laws, regulations and guidelines.

The scope of services and performance standards are detailed in the Project Services Agreements (PSA) between HSD and SHARE. SHARE also has monitoring and documentation obligations under the PSAs that allow HSD to evaluate compliance with its expectations. The goal of the contract agreement review is to conclude with positive results regarding the recipient’s handling of the HSD-funded contracts.

For the contract period reviewed, SHARE received general funds, per two HSD-funded contracts, for the programs detailed in the table below. These two contracts are assigned to program specialist, Mary Flowers of CSA, who conducts a separate program monitoring review.

PROGRAM NAME	SERVICES
SHARE Shelter Program	SHARE Shelter Program includes a network of indoor shelter programs, a locker storage program, and the SHARE II Program. SHARE shelters are located throughout Seattle and utilize space at faith based and community organizations. The program utilizes a self-management model intended to promote dignity, self-respect, empowerment and leadership development among participants.
WHEEL Women’s Shelter	The Women’s Shelter is operated by the Women’s Housing Equality and Enhancement League (WHEEL) and provides basic – mat on floor emergency shelter for women, many of whom face multiple challenges.

- **Agency Fiscal Health Review:**

The agency fiscal health review consisted of looking at a number of areas, including organization administration, reporting requirements, financial systems, information and

communications, and compliance requirements, summarized in the table below. SHARE completed a questionnaire during the 2013 fiscal review. Aside from staffing changes, no significant changes occurred since 2013.

<b>AREAS EXAMINED</b>	<b>SATISFACTORY YES / NO / NA</b>	<b>COMMENTS</b>
<b>Organization/Administration</b>		
A. Organizational Structure	Yes	
B. Board of Directors/ Governance	Yes	
<b>Reporting Requirements</b>		
A. Contract Reporting	Yes	
B. Insurance	Yes	
<b>Financial Systems</b>		
A. Organizational Activity	Yes	
B. Accounting Systems	Yes	
C. Budgetary Controls	Yes	
D. Cost Allocation/Indirect Cost Plan	Yes	
E. Cash Management	Yes	
F. Bank Reconciliations	Yes	
G. Payroll Disbursements	Yes	
H. Disbursement Process	Yes	
I. Petty Cash	Yes	
J. Travel	Yes	
K. Consultant/Subcontracting	Yes	
L. Purchasing and Procurement	Yes	
M. Fixed Assets (Property and Equipment)	Yes	
<b>Information &amp; Communications</b>		
A. Accounting Methods	Yes	
B. Financial Statements and Reports	Yes	
C. Monitoring the Controls	Yes	
<b>Compliance Requirements</b>		
A. Activities Allowed or Unallowed	Yes	
B. Allowable Costs/Cost Principles	Yes	
C. Matching	Yes	
D. Reporting	Yes	
E. Program Income	Yes	

### III. SUMMARY OF FINDINGS:

#### Unit cost reimbursement (UCR) payment model:

The two HSD-funded contracts used this payment model. The UCR payment model is straightforward as HSD is invested in the type of outcomes, commitments, milestones or deliverables, at a designated cost rate, agreed upon in the contract agreement.

Based on the information reviewed, the results are:

CONTRACT NUMBER	CONTRACT PERIOD	CONTRACT AMOUNT	HSD PAYMENT	CONTRACT BALANCE
DA15-1392	01/01/15-12/31/15	\$308,581.00	\$233,878.45	\$74,702.55
DA15-1524	01/01/15-12/31/15	\$266,995.00	\$199,699.50	\$67,295.50
		\$575,576.00	433,577.95	\$141,998.05

- DA15-1392: SHARE Program
  - UCR contract ending December 31, 2015
  - Sampled months of March and August 2015; supporting documentation, records and reports were provided for review
  - HSD payments through September 30, 2015; remaining balance of \$74,702.55 is expected to be spent by the contract end date
- DA15-1524: WHEEL Shelter Program
  - UCR contract; ending December 31, 2015
  - Sampled months of March and August 2015; documentation, records and reports were provided for review
  - HSD payment through September 30, 2015; remaining balance of \$67,295.50 is expected to be spent by the contract end date

#### Review of Board Minutes:

SHARE Board members meet on a weekly basis and discuss a variety of topics ranging from shelter reports, program updates, finance and infrastructure concerns, grant writing and proposals, encampment issues and other topics. SHARE provided the Board minutes for October 3, 10, and 17, 2015 for review.

#### Review of Master Agency Services Agreement:

HSD has SHARE's 2009 signed MASA on record. SHARE indicated that they submitted a 2012 MASA agreement, however there is no record available from either HSD or SHARE. We discussed Section 240 of the MASA on audit report compliance to ensure that SHARE understood the reporting requirements. SHARE concurs with the requirements.

### Review of Financial Statements Reports:

1. HSD has SHARE's December 31, 2011, financial statements report, as prepared by Steven A. Issacson, CPA, which was conducted in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants (AICPA). At the time of the review, there were no reportable conditions or instances of noncompliance required to be reported.
2. HSD did not receive an audited financial report from SHARE. SHARE did not conduct an audit for fiscal year ending December 31, 2012.
3. HSD received the December 31, 2013 audited financial statements report and 2014 unaudited balance sheet and income statement reports on September 24, 2015.
  - a. A review of the 2013 audit report indicated that SHARE was distressed financially with a deficit cash and unrestricted assets balances.
  - b. A review of the 2014 unaudited balance sheet and income statement reports indicated that SHARE's financial health became worse. SHARE continued to operate in the red with a deficit cash balance of \$67,000, debt of \$36,000 and no liquidity to speak of.
4. HSD received the December 31, 2014 draft audited financial statements report and Form 990 on October 20, 2015. As stated previously, SHARE financial health as of December 31, 2014 was unstable with deficit cash and unrestricted net asset balances.
5. HSD received the unaudited October 2015 balance sheet, dated October 27, 2015, and income statement dated October 29, 2015. SHARE's is fully aware of their financial health and continues to address it amidst declining revenues and increasing debt.
  - a. Loss of revenue: SHARE has experienced funding cuts and loss of revenue the past few years.
    - i. 2015 funding from King County was cut;
    - ii. 2015 FEMA funds has not been available;
    - iii. In 2015, anticipated receiving \$50,000, approved by City Council, of funding for existing encampment shelters;
    - iv. Despite ongoing efforts, partnership with United Way has not materialized;
    - v. 2015 grant from Satterberg Foundation ended;
    - vi. 2015 fundraising efforts has not been as successful as expected; intends to conduct direct mail and a Christmas event to generate;
    - vii. 2015 Grant applications has yet to generate results
  - b. Debt balances: Due to funding cuts and loss of revenue, SHARE has struggled to make ends meet to pay expenses resulting in increase of debt balances.
    - i. Honeybucket balance of \$36,000: SHARE restructured this debt balance by paying an additional \$5,000 to the existing monthly invoices. This

debt balance is expected to be satisfied and fully paid by December 31, 2015.

- ii. Payroll taxes of \$30,000: SHARE has addressed the deficit balance of payroll taxes and is current to date.
- iii. Loan payable to Catholic Community Services: SHARE has an existing \$10,000 loan balance which they need to settle and satisfy.
- iv. Other existing debt balances: vendor balances and operational expenses are satisfactory.

**IV. RECOMMENDATIONS AND CORRECTIVE ACTIONS:**

Recommendations:

- 1. HSD to update SHARE Master Agency Services Agreement.
- 2. SHARE to continue mitigating loss of revenue streams and funding cuts; inform HSD program staff as necessary.
- 3. SHARE to continue fundraising efforts and compete for grants.
- 4. SHARE to address increase in operational costs to avoid incurring additional debt.
- 5. SHARE to submit Form 990 as a placeholder until the current fiscal year audit is completed.

Corrective Actions:

No corrective actions at this time.

**V. CLOSING:**

HSD appreciated the assistance and cooperation provided by SHARE staff during the fiscal review process. Please let me know if you any questions or need further clarification.

cc: Heidi Albritton, Deputy Director Administrative Operations, HSD  
Sola Plumacher, Interim Deputy Director, Community Support and Assistance (CSA)  
Adrienne Easter, Program Manager, CSA  
Mary Flowers, Program Specialist, CSA  
Kim VonHenkle, Planner, CSA  
Charles Liyab, Budget Manager, HSD  
Abdiwali Mohamed, Accounting and Audit Supervisor, HSD