Ms. Jacky Morales-Ferrand  
Director of Housing  
City of San Jose  
200 E. Santa Clara Street  
San Jose, CA 95113-1903

Dear Ms. Morales-Ferrand:

SUBJECT: Federal Fiscal Year (FFY) 2020 Program Monitoring Visit

Emergency Shelter Grant Program:
Grant Number: (ESG) E-17-MC-06-0021
Grant Number: (ESG) E-18-MC-06-0021

Housing Opportunities for Persons with AIDS Program:
Grant Number: (HOPWA) CAH18F004

Dates of Review: Tuesday, March 17, 2020 to Monday, April 6, 2020
Exit Conference Date: Monday, April 6, 2020

From March 17 - April 6, 2020, HUD San Francisco Regional Office's Community Planning and Development (CPD) Division conducted a remote monitoring of the city of San Jose’s Emergency Solutions Grant (ESG) Program and Housing Opportunities for Persons with AIDS (HOPWA) Program to assess the city’s performance and compliance with applicable Federal program regulations and requirements. Program performance was evaluated through a review of operations, file documentation, and interviews. HUD’s review of these areas of program performance may result in the identification of Findings, Concerns, or exemplary practices. This letter transmits the monitoring review results and contains one concern and two exemplary practices.

A Concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee’s attention. Recommended Corrective Actions are suggested for Concerns. An exemplary practice is a noteworthy practice or activity being carried out by the grantee and may possibly be duplicated by another grantee.

OVERVIEW

Monitoring is the principal means by which HUD ensures that programs and technical areas are carried out efficiently and effectively, and that the programs comply with applicable laws and regulations. It assists recipients in improving their performance, developing or increasing capacity, and augmenting their management and technical skills. Also, it provides a method for staying abreast of the efficacy of CPD-administered programs and technical areas within the communities HUD programs serve. Monitoring is not limited to a one-time review
but is meant to be an ongoing process that assesses the quality of a recipient's performance over a period of time involving continuous communication and evaluation. In determining which recipients will be monitored, the Department uses a risk-based approach to rate recipients, programs, and functions, including assessing its exposure to fraud, waste, and mismanagement. This process not only assists the Department in determining which recipients to monitor, but also identifies which programs and functions will be reviewed. Areas reviewed may result in the identification of findings, concerns, or exemplary practices.

Specifics relating to this review are as follows:

**HUD Reviewer:** Abigail Ford, Senior CPD Representative

**Recipient Staff:**
- Kristen Clements, Division Manager
- Robert Lopez, Development Officer
- Shirlee Victorio, Development Officer
- April Ensign, Management Analyst
- Gabriel Borden, Management Analyst
- Yen Tiet, Senior Accountant

**Entrance Conference:**
- **Date:** March 17, 2020
- **HUD Reviewer:** Abigail Ford, Senior CPD Representative
- **Recipient Staff:** Kristen Clements, Division Manager
- Robert Lopez, Development Officer
- Shirlee Victorio, Development Officer

**Exit Conference:**
- **Date:** April 6, 2020
- **HUD Reviewer:** Abigail Ford, Senior CPD Representative
- **Recipient Staff:** Jacky Morales-Ferrand, Director of Housing
- Kristen Clements, Division Manager
- Robert Lopez, Development Officer
- Shirlee Victorio, Development Officer

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**Emergency Solutions Grant Program (ESG)**

**SUMMARY OF RESULTS AND CONCLUSIONS**

The city of San Jose receives annual Emergency Solutions Grant (ESG) funds, which are then allocated primarily to street outreach, homeless prevention, and data collection. ESG activities are administered by the city’s Housing Department, which includes different teams,
organized by expertise. Oversight of ESG is handled by a Deputy Director and Division Manager, who supervise a policy team, and team of development officers and management analysts. Gabriel Borden, Management Analyst, handles the day-to-day administration of the city’s ESG program, along with Robert Lopez, Development Officer.

Exhibits from the *Community Planning and Development Monitoring Handbook 6509.2* were used to guide the review, and are available at: https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

The following areas were reviewed:
- Homeless and At-Risk Determination and Record-Keeping Requirements
- Street Outreach Activities
- Civil Rights Review
- Financial Management (HOPWA and ESG)
- *Emergency Shelter: this activity was originally selected for review. However, due to the limitations in both time and access due to the COVID-19 Stay-at-Home order, this activity was not included as a part of this monitoring review. This activity and the corresponding subrecipient was last funded in Program Year (PY) 2017 and is no longer funded by the city’s ESG program.*

**Homeless and At-Risk Determination and Recordkeeping Requirements**

The purpose of this review was to determine whether the appropriate documentation has been maintained by a recipient and/or subrecipient and to determine whether program participant eligibility has been adequately documented in terms of their homeless or at-risk of homelessness status upon entry into the program. Exhibit 28-1: Guide for Review of Homeless and At-Risk Determination/Recordkeeping Requirements, was used to complete the review. As a part of this monitoring, client files, program procedures, and the Homeless Management Information System (HMIS) program roster report were reviewed. Feedback provided during interviews with program staff as well as information obtained by reading written reports regarding recent subrecipient monitoring visits were included in the analysis.

The city submitted a list of all participants served under the program (via the HMIS roster report), and a random number generator was used to select files for further analysis. The subrecipient submitted the files electronically, redacting all personally identifiable information (PII). The review found that files were well organized, and all eligibility determinations were supported with appropriate documentation. Notes obtained from staff interviews and recent monitoring reports described the city’s satisfaction with the performance of the subrecipient in this area. Based on this monitoring review, it was determined that the ESG program is compliant with the requirements in this area. As a result, there are no findings or concerns noted.

**ESG Street Outreach Activity Review**

The purpose of this review was to evaluate the city’s Street Outreach component projects and its compliance with applicable requirements. Areas of review included the costs charged as essential services necessary to reach out to unsheltered homeless people; connect them with emergency shelter, housing, or critical services; and provide urgent, non-facility-
based care to unsheltered homeless people who are unwilling or unable to access emergency shelter, housing, or an appropriate health facility. Exhibit 28-4: Guide for Review of ESG Street Outreach Requirements, was used to complete the review.

Activity reviewed:

<table>
<thead>
<tr>
<th>IDIS Activity ID</th>
<th>Activity Name</th>
<th>Program Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2966</td>
<td>ESG-18-001A- PATH Outreach for Unhoused Populations</td>
<td>2018</td>
</tr>
</tbody>
</table>

As a part of this monitoring, the subrecipient agreement, recent monitoring reports, written program procedures, financial transactions, and written standards were reviewed. Interviews were conducted with program staff to ensure that the standards, as written, were followed in day-to-day practices. The city’s prior HUD monitoring review report (FFY 2016) was also taken into consideration to ensure that recommendations made during that visit were still being implemented.

Based on this monitoring review, it was determined that the city’s ESG program is compliant with the requirements. As a result, there are no findings or concerns noted. There was one exemplary practice noted.

Exemplary Practice Number 1: Subrecipient Monitoring

The city submitted evidence of subrecipient monitoring records as a part of the documentation submission for the remote ESG monitoring review. The reviewer found that the city’s subrecipient monitoring was conducted with a great level of detail, and monitoring documentation included a unique review checklist that included the results of the city’s initial risk assessment, the status of subrecipient reports due to the city, identifiers of beneficiary files submitted for review, and pages of carefully documented subrecipient staff interviews. The subrecipient files that were randomly selected for HUD’s review were extremely well organized, evidencing the impact of thorough and regular subrecipient monitoring by the city of San Jose.

Emergency Shelter Activity Review

The purpose of this review was to assess the recipient’s compliance with the ESG Emergency Shelter component requirements. The areas of review were to include the costs of providing essential services to homeless families and individuals in emergency shelters, renovating buildings to be used as emergency shelter for homeless families and individuals, and operating emergency shelters. However, due to access and time limitations resulting from the COVID-19 Stay-at-Home order, this activity was not included in the monitoring review. This activity (emergency shelter) is no longer funded by the city’s ESG program.
Housing Opportunities for Persons with AIDS (HOPWA)

SUMMARY OF RESULTS AND CONCLUSIONS

The city of San Jose receives an annual formula allocation of Housing Opportunities for Persons with AIDS (HOPWA) funds, which are then allocated primarily to tenant-based rental assistance (TBRA), permanent housing placement assistance, and medical and housing case management and self-sufficiency services. HOPWA activities are administered by the city’s Housing Department, which includes different teams, organized by expertise. Oversight of the HOPWA program is handled by a Deputy Director and Division Manager, who supervise a policy team, and team of development officers and management analysts. April Ensign, Management Analyst, handles the day-to-day administration of the city’s HOPWA program, along with Robert Lopez, Development Officer.

Exhibits from the Community Planning and Development Monitoring Handbook 6509.2 were used to guide the review, and are available at: https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

The following areas were reviewed:

- HOPWA Grant Administration and Responsibilities
- Client Eligibility and Assessment
- Reporting for the HOPWA Program
- Tenant-Based Rental Assistance
- HOPWA Project Sponsor or Subrecipient Management
- Lead-Based Paint
- Civil Rights Review
- Financial Management (HOPWA and ESG)

HOPWA Planning and Rent Subsidies

The purpose of this review was to monitor core HOPWA program requirements including grant administration and responsibilities; client eligibility and assessment; record retention and access; reporting; and rental assistance programs. Monitoring of this area was conducted using Exhibit 10-1: Guide for Review of HOPWA Housing Planning and Rent Subsidies. As a part of this monitoring, a random sampling of client files was selected using a random number generator, and the files were monitored for eligibility and compliance with eligibility and TBRA requirements. Policies and procedures, participant rental agreements, recent monitoring results, and staff interviews were conducted.

Activities reviewed:

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<tr>
<th>IDIS Activity ID</th>
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<tr>
<td>2970</td>
<td>HOP-16-003B-c_THT-Permanent HSG Placement (2018)</td>
<td>2018</td>
</tr>
<tr>
<td>2968</td>
<td>HOP-15-003B-b_THT - TBRA (2018)</td>
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Based on this monitoring review, it was determined that the city’s HOPWA program is compliant with the requirements. As a result, there are no findings or concerns noted.

**HOPWA Subrecipient Management**

The purpose of this review was to evaluate the management and oversight of project sponsors and/or subrecipients by HOPWA grantees. Project file documentation and subrecipient agreements were reviewed, and interviews were conducted with grantee staff. Monitoring of this area was conducted using Exhibit 10-4: Guide for Review of HOPWA Project Sponsor or Subrecipient Management.

The monitoring included a review of the city’s grantee management and training systems, monitoring policies, practices and reports, the city’s grant management log, training records and TA provided to subrecipients, subrecipient audit, invoices and reimbursement documentation, and grant reconciliation spreadsheets. Staff interviews regarding subrecipient oversight and grant administration were also conducted with April Ensign, Management Analyst, and Robert Lopez, Development Officer. Based on this monitoring review, it was determined that the city’s HOPWA program is compliant with the requirements. As a result, there are no findings or concerns noted. There was one exemplary practice noted.

**Exemplary Practice Number 2: Program Oversight and Engagement**

The City of San Jose has committed specific resources to each of its CPD-funded programs, including the HOPWA program. The city’s dedicated management analyst for HOPWA, April Ensign, exhibited outstanding program and procedural knowledge during staff interviews. The city’s HOPWA manual is extremely detailed, contains the most current information, and all policies detailed in the manual were well-supported in practice by the city’s housing department records. A review of the city’s subrecipient monitoring reports showed careful attention to the importance of program oversight and engagement for subrecipient success. Additionally, regular check-ins with subrecipients, as documented in the city’s grant management log, served to evidence the level of attention paid to the review of invoices, eligible costs, subrecipient time-tracking, and technical assistance provided to the subrecipient. Interviews with Robert Lopez, Development Officer, further emphasized the city’s commitment to careful oversight of CPD Programs and HUD funds, and the success of assigning specific resources to oversee programs with complex requirements.

**Lead-Based Paint Review**

The purpose of this review was to ensure compliance with the requirements of the HUD/EPA Lead-Based Paint Disclosure Rule and HUD's consolidated lead-based paint regulation, known as the Lead Safe Housing Rule. Both Rules implement the Residential Lead-Based Paint Hazard Reduction Act of 1992 (the "Act"). Exhibit 24-3, Guide for Review of Lead-Based Paint Compliance in Properties Receiving Tenant-Based Rental Assistance, was used for the monitoring review.
This evaluation included a review of client files, examination of written procedures, and staff interviews. The sample of participants was drawn from the HOPWA TBRA Activity. Based on this monitoring review, it was determined that the HOPWA TBRA program is compliant with the requirements. As a result, there are no findings or concerns noted.

**ESG and HOPWA: Cross-Cutting Areas for Review**

**Financial Management (HOPWA and ESG):**

The Financial Management review was conducted on both the HOPWA and ESG Programs. The purpose of the review is to assess the grantee's conformity to financial management requirements. The city of San Jose's financial management system was reviewed for compliance with Subpart J, Grant Administration, and 2 CFR Part 200, Subpart E, which provides guidance on determining the allowable costs of programs administered by State and local governments.

One IDIS voucher for each of the programs was selected at random for review. To supplement the review, subrecipient invoices from both the HOPWA and ESG programs were selected at random for further analysis. The activities and corresponding vouchers listed in the table below; along with Exhibit 34-1, Guide for Review of Financial Management and Audits, were used to conduct this review. The city’s Chart of Accounts, fund accounting reports, grant reconciliation spreadsheet, and Fiscal Unit Process Manual were analyzed as well. Staff interviews were conducted with Robert Lopez, Development Officer, regarding the city’s fiscal procedures for HOPWA and ESG fund management.

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<th>Voucher Number</th>
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<td>6287353</td>
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<td>6263567</td>
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<thead>
<tr>
<th>Program Document</th>
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<td>HOPWA Subrecipient Invoice (The Health Trust)</td>
<td>2968</td>
<td>May 2019</td>
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<td>HOPWA Subrecipient Invoice (The Health Trust)</td>
<td>2968</td>
<td>December 2018</td>
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<td>HOPWA Subrecipient Invoice (The Health Trust)</td>
<td>2968</td>
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<td>ESG Subrecipient Invoice (PATH)</td>
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<tr>
<td>ESG Subrecipient Invoice (PATH)</td>
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Based on this monitoring review, it was determined that the HOPWA and ESG programs are compliant with the requirements. As a result, there are no findings noted. There is one concern identified.
Concern 2020-01: To comply with HUD’s grant-based accounting requirements, the city of San Jose uses a manual grant reconciliation process for its awards, rather than setting up unique funds for each grant and grant year in its financial management system.

Condition: The city of San Jose uses a manual grant reconciliation process and tracking sheets to comply with grant-based accounting requirements, rather than setting up unique funds for each grant and grant year in its financial management system. The city ties proper grant entitlement awards to its subrecipient agreements, and the appropriate information is included on the sub-awards. Additionally, the appropriate identifiers are included in the city’s excel tracking sheets, and later reported correctly in the Schedule of Expenditures of Federal Awards (SEFA). To date, the system has worked for the city; however, tracking and reporting based on grant and grant year requires significant staff involvement. The city completes quarterly reconciliations to ensure amounts are tracked and reported properly.

Cause: According to information provided by the department’s senior accountant, the city has continued to track grants manually to avoid the significant increase of codes that would have to be set up in the financial management system if new accounts were set up each year by grant award and fund. The city has practiced quarterly reconciliations and has not encountered any challenges with its existing system.

Effect: Grant amounts, obligations, and expenditures are tracked separately by grant award and year, but the system cannot generate cash demand without human interference.

Recommendation: HUD recommends that the city of San Jose implement a full fund accounting system for its Federal grants and implement a process that requires the fiscal staff to create separate funds for each grant award, by year, which would then be reflected in the Chart of Accounts. HUD recommends all award identifiers be added to the Chart of Accounts, rather than, or in addition to, the excel spreadsheet. Such a practice will allow the city to properly report on its Federal Awards and comply with HUD’s grant-based accounting requirements without human interference, or any manual reconciliation. The city’s HUD representative is committed to provide further technical assistance on this process, as appropriate, for the city to follow this recommendation.

Civil Rights Review

This review is designed to assess the grantee’s conformity to Federal cross-cutting program requirements. Compliance with Civil Rights requirements was evaluated. Monitoring of this area was conducted with Exhibit 22-4 - Guide for Review of the Emergency Shelter Grants (ESG) Program Civil Rights-Related Program Requirements, and Exhibit 22-5 - Guide for Review of Civil Rights-Related Program Requirements for CPD Non-Formula Programs.

Interviews were conducted with Development Officer, Robert Lopez, regarding how the city has complied with civil rights requirements in its ESG and HOPWA programs. The city’s CAPER, subrecipient agreements, and grant management policies were all reviewed as a part of this analysis. Based on the areas reviewed, it was determined that the ESG and HOPWA programs are compliant with the requirements.
If the city disagrees with any of HUD’s determinations or conclusions in this monitoring letter, please address these issues in writing to this Department within 30 days of the date of this letter. The written communication should explain reasons for disagreement, along with supporting evidence. All communications should be sent to the Department of Housing and Urban Development, San Francisco Regional Office, Community Planning and Development Division, One Sansome Street, Suite 1200, San Francisco, California, 94104-4430.

CPD appreciates the opportunity to meet with city staff and see valuable HUD-funded programs at work in the community. Through interviews and meetings, the San Jose team displayed a commitment to continuing to strengthen staff capacity, build upon the existing organizational structure, and improve the lives of the citizens of the city of San Jose. HUD looks forward to continuing to work with the city to meet the goals of its Consolidated Plan.

If there are any questions, please contact Abigail Ford, Senior Community Planning and Development Representative, at 415-489-6569 or via email at Abigail.G.Ford@hud.gov.

Sincerely,

Kimberly Nash
Director
Community Planning and Development Division

cc:
Kristen Clements, Division Manager
Robert Lopez, Development Officer