



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: April 1, 2022

HCR22-064

SUBJECT: Amendment to San Diego Housing Commission's Agreement with Nan McKay & Associates for Quality Assurance Audit Services for the COVID-19 Housing Stability Assistance Program

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Rental Assistance Division

CONTACT/PHONE NUMBER: Azucena Valladolid (619) 578-7604

#### REQUESTED ACTION:

Authorize an amendment to the San Diego Housing Commission's agreement with Nan McKay & Associates for Quality Assurance Audit services for the COVID-19 Housing Stability Assistance Program (HSAP) to increase the total compensation in order to allow for the continued provision of Quality Assurance Audit services for HSAP.

#### EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) administers and operates the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP), which helps pay rent and utilities for households with low income in the City of San Diego that experience financial hardship due to or during the ongoing COVID-19 pandemic.
- As of March 22, 2022, HSAP has made payments totaling \$188,709,987.91 to help 16,488 qualifying households.
- The Housing Commission contracts with a third party to conduct audits on HSAP applications to support HSAP's compliance with federal and state regulations.
- The audits review whether or not required documentation and verification of eligibility requirements have been submitted, accurate award amounts are calculated, and funding requirements are met before the Housing Commission disburses funds. The audits support program integrity and safeguard against suspected fraud.
- The Housing Commission initially contracted with Nan McKay & Associates for Quality Assurance Audit services in April 2021. A new contract for an amount not to exceed \$250,000 was awarded to Nan McKay & Associates in October 2021 as the need for audit services continued. The contract term ends June 30, 2022, with a one-year renewal option.
- The need to increase and extend the audit contract is primarily due to the Housing Commission receiving ongoing allocations of additional funding, which have expanded HSAP and the anticipated term of the program and increased the number of applicant households to serve.
- The proposed contract amendment increases the maximum amount of the allowed compensation. However, expenses for this contract are based on a fee per completed audit. If fewer audits are needed due to the limited available funding and/or timelines set by funding requirements, the actual contract expenses would reflect only the costs of the completed audits.
- The proposed actions do not increase the Housing Commission's Fiscal Year 2022 Budget.



## REPORT

**DATE ISSUED:** March 24, 2022

**REPORT NO:** HCR22-064

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of April 1, 2022

**SUBJECT:** Amendment to San Diego Housing Commission's Agreement with Nan McKay & Associates for Quality Assurance Audit Services for the COVID-19 Housing Stability Assistance Program

**COUNCIL DISTRICT:** Citywide

### **REQUESTED ACTION**

Authorize an amendment to the San Diego Housing Commission's agreement with Nan McKay & Associates for Quality Assurance Audit services for the COVID-19 Housing Stability Assistance Program (HSAP) to increase the total compensation to allow for the continued provision of Quality Assurance Audit services for HSAP.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Authorize an amendment to the Housing Commission's agreement with Nan McKay & Associates for Quality Assurance Audit services for the COVID-19 Housing Stability Assistance Program (HSAP) by increasing the maximum compensation for the current and optional term (if exercised) of the agreement in the amount of \$152,100 for a total maximum compensation amount of \$402,100 for the continued Quality Assurance Audit services, as required due to additional funding sources received to expand HSAP and assist more households.
- 2) Authorize the Interim President & Chief Executive Officer (President & CEO), or designee, to substitute the funding sources with other available funding sources provided the total program/project budget amount after substitution does not exceed the approved total budget, and increase compensation by not more than 20 percent of the total agreement amounts, if necessary, should the operational need arise, without further action by the Housing Commission Board.
- 3) Authorize the Interim President & CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and take such actions as are necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, are submitted to each Housing Commissioner in advance of approval for the designee to sign..

### **SUMMARY**

The Housing Commission administers and operates the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP), which helps pay rent and utilities for households with low income in the City of San Diego that experience financial hardship due to or during the ongoing COVID-19 pandemic.

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The City Council (Agenda Item No. 603; Resolution No. 313439) and Housing Authority (Report No. HAR21-010; Resolution No. HA-1900) authorized HSAP and initial funding for the program on February 22, 2021. These approvals included budgeting \$83,705,260.75 for assistance payments to qualifying households.

The Housing Commission launched the online application portal for HSAP on March 15, 2021. As of March 17, 2022, more than 44,000 applications have been submitted, which includes more than 13,000 individuals who updated previously submitted information and/or requested additional assistance, and more than 38,000 additional applications have been started and are pending completion. The application remains open at [covidassistance.sdhc.org](https://covidassistance.sdhc.org), and additional applications are submitted daily.

The Housing Commission began disbursing payments in late April 2021 to help qualifying households. As of March 16, 2022, the Housing Commission has disbursed \$185,488,843.30 to help 16,322 qualifying households. Additional payments are disbursed each business day in accordance with the Housing Commission's posted operating hours.

In March 2021, the U.S. Congress enacted the American Rescue Plan Act (ARPA), which President Joe Biden signed into law on March 11, 2021. The City of San Diego received an allocation of \$54,539,063.20 in ARPA funds directly from the U.S. Department of the Treasury. These funds supported the operation of HSAP to help households that need help paying their rent and utilities to avoid being displaced from their homes. In addition, on June 23, 2021, the State transferred an additional \$5,610,840.67 in funding for which the Housing Commission requested Housing Authority and City Council approval on July 27, 2021, to expend on HSAP assistance payments and administrative expenses in accordance with State funding requirements. The \$60,149,903.87 was approved by the City Council (Agenda Item No. 331, Resolution No. R-313667) and Housing Authority (Report No. HAR21-015; Resolution No. HA-1921) for HSAP, of which \$51,484,860.16 was budgeted for assistance payments. The July 27, 2021, Housing Authority and City Council actions also approved a first amendment to the MOU between the Housing Commission and the City for the Housing Commission to continue to oversee and administer HSAP with the additional funds.

In addition, the State of California allocated \$39,712,779.17 of federal ARPA funds to the City of San Diego for HSAP assistance payments and program administration. On October 5, 2021, the City Council (Agenda Item No. 331; Resolution No. R-313732) and Housing Authority (Report No. HAR21-020; Resolution No. HA-1923) authorized the acceptance of these funds from the State and the expenditure of these funds on HSAP assistance payments and administrative expenses in accordance with federal and State funding requirements. The City Council and Housing Authority also approved a second amendment to the MOU between the City and the Housing Commission for the administration and oversight of HSAP to incorporate the \$39,712,779.17 of federal ARPA funds the State allocated to the City of San Diego and reflect the reallocation of CARES Act Community Development Block Grant (CDBG-CV) funds for use on a new eviction prevention and education program, which the Housing Commission would oversee through a separate agreement with the City of San Diego. In addition, the approved MOU amendment included updated program guidelines to allow HSAP to provide relocation assistance to eligible households that have been displaced during the pandemic, as permitted by U.S. Treasury Department guidelines that were revised on August 25, 2021.

At the Housing Commission's request, the State also allocated an additional \$27,000,000 to the City of San Diego for HSAP. On December 6, 2021, the City Council (Agenda Item No. 202; Resolution No. R-

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313800) and the Housing Authority (Report No. HAR21-027; Resolution No. HA-1931) authorized the use of these funds for the HSAP and a third amendment to the MOU between the Housing Commission and the City of San Diego for the administration and oversight of the program to incorporate these funds.

The Housing Commission continued to work with the office of Mayor Todd Gloria on efforts to obtain additional funding to continue to provide assistance to families with low income experiencing financial hardship due to or during the COVID-19 pandemic. The U.S. Department of the Treasury developed a process for the reallocation of federal emergency rental assistance funds. This potential reallocation included making additional funds available to high-performing agencies based on demonstrated need. On October 29, 2021, the Housing Commission submitted a formal request to the U.S. Department of the Treasury for \$115 million in reallocated funds to support HSAP. The Treasury Department on January 7, 2022, announced the reallocation of funds, including the \$8,308,615 allocated directly to the City of San Diego in response to the Housing Commission's request. On March 1, 2022, the City Council (Resolution No. 313945) and the Housing Authority (Resolution No. HA-1937) authorized the use of the \$8,308,615 in reallocated federal funds to support HSAP.

The U.S. Department of the Treasury also published a notice allowing jurisdictions to reapply for an additional reallocation of funds. On January 18, 2022, the Housing Commission submitted a formal request for \$96,291,294.59 in additional funding based on an analysis of the program's projected need through May 2022. On March 14, 2022, the U.S. Department of the Treasury informed the City of San Diego that it awarded \$7,133,772.56 in reallocated funds to the City of San Diego.

On February 7, 2022, California State lawmakers passed Senate Bill (SB) 115, which California Governor Gavin Newsom signed into law February 9, 2022. This legislation authorized eligible local jurisdictions and federally recognized tribal governments to request cash flow loans from the California Department of Housing and Community Development (HCD) for Emergency Rental Assistance Program expenditures. Such expenditures must be for complete, eligible applications by households that were received on or before March 31, 2022 for rent and utilities due during or before March 2022, including administrative costs that are consistent with the provisions of Chapter 17 (commencing with Section 50897) of Division 31 of Part 2 of the Health and Safety Code, as applicable. SB 115 was intended to provide local programs with immediate cash, in the form of temporary cash flow loans, to maximize rental relief to all eligible households as the local programs await additional federal funding from either ERA1 or ERA2. If the anticipated federal funding is not received by June 30, 2023, is insufficient to repay the loan and/or-if such funds cannot be utilized for reimbursements, the California Department of Finance will forgive an amount up to the amount not covered by the federal allocation.

A separate report (HCR22-063) is being presented to the Housing Commission Board of Commissioners for action regarding the authorization to use the \$7,133,772.56 in reallocated federal funds and the State cash flow loan program to support HSAP.

HSAP is subject to federal and state regulations. The Housing Commission contracts with a third party to conduct audits on HSAP applications to support HSAP's compliance with these regulations. The audits review whether or not required documentation and verification of eligibility requirements have been submitted, accurate award amounts are calculated and funding requirements are met before the

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Housing Commission disburses funds. The audits support program integrity and safeguard against suspected fraud.

The initial contract for the provision of Quality Assurance Audit services was awarded to Nan McKay & Associates in April 2021 through a non-competitive process in accordance with the guidelines of the Housing Commission's Statement of Procurement Policy Section 9.4 due to the urgency and time constraints of funding associated with HSAP. The need for Quality Assurance Audit services continued, and in October 2021, a new contract was awarded to Nan McKay & Associates through a non-competitive process in accordance with the guidelines of the Housing Commission's Statement of Procurement Policy Section 9.4 for an amount not to exceed \$250,000 for an eight-month term of October 19, 2021, through June 30, 2022, with a one-year renewal option. Nan McKay & Associates is providing Quality Assurance Audit services for the continuing operations of HSAP. The existing scope of services includes the following:

- Conduct remote reviews adhering to the training provided by the Housing Commission, including focusing on the list of Eligibility and Application Criteria and Documentation requirements
- Complete an electronic auditing form, which will provide specific items for review (auditing criteria is subject to change)
- Conduct reviews and submit results, including audit findings for every file audited, to the Housing Commission within 72 hours of review. The results will include, at minimum, pass/fail outcome, list of eligibility criteria not satisfied/passed, name of staff assigned to file, name or application ID audited. Results shall be provided in a format pre-approved by the Housing Commission
- Conduct a minimum of 20 audits per day
- Provide the Housing Commission with weekly reports (in an approved format) that include data on each HSAP file reviewed. For those files with errors, the report shall clearly and objectively describe the error. The report will also include an analysis of error trends

The need to increase and extend the audit contract is primarily due to the Housing Commission receiving ongoing allocations of additional funding, which have expanded HSAP and the anticipated term of the program and increased the number of applicant households to serve, which has resulted in an increase of applications to audit. Funding regulations expanded and changed over the course of HSAP, resulting in updates to the eligibility and administration of the program, thereby increasing the need to audit files to ensure compliance with program regulations. Additionally, third-party audits ensure program integrity and appropriate disbursements and safeguard against suspected fraud. Finally, staff turnover requires auditing to ensure program compliance.

The proposed contract amendment increases the maximum amount of the allowed compensation. However, expenses for this contract are based on a fee per completed audit. If fewer audits are needed due to the limited available funding and/or timelines set by funding requirements, the actual contract expenses would reflect only the costs of the completed audits.

#### **AFFORDABLE HOUSING IMPACT**

The continued operation and expansion of Quality Assurance Audit services will allow low-income households experiencing financial hardship due to or during the COVID-19 pandemic to continue to access the City of San Diego COVID-19 Housing Stability Assistance Program by supporting program

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integrity. This program helps pay for rent and utilities for eligible households and will continue to help prevent housing displacement among low-income households.

**FISCAL CONSIDERATIONS**

The funding proposed by this action does not increase the Housing Commission's Housing Authority-approved Fiscal Year 2022 Budget, as amended by Housing Authority resolutions HA-1921 and HA-1923. Approving this action will authorize the Housing Commission to expend \$402,100 of federal American Rescue Plan Act (ARPA) funds towards the Agreement for Quality Assurance Audit services with Nan McKay & Associates.

**Funding Sources**

Admin Funds (ARPA)	\$402,100
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**Funding Uses**

Quality Assurance Audit Contract	\$402,100
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**PREVIOUS COUNCIL AND/OR COMMITTEE ACTION**

On February 22, 2021, the San Diego City Council (Agenda Item No. 603; Resolution No. 313439) and Housing Authority (Report No. HAR21-010; Resolution No. HA-1900) authorized the City of San Diego to transfer \$92,211,316.57, which consists of \$42,333,563 in Coronavirus Relief Funds allocated directly to the City, \$44,877,753.57 in federal funds allocated by the State of California to the City, and \$5,000,000 of CDBG-CV funds from the City to the Housing Commission; and authorized the Housing Commission to accept and expend those funds to administer the COVID-19 Housing Stability Assistance Program to provide emergency rental assistance and/or utility assistance to households with low income experiencing financial hardship due to the ongoing COVID-19 pandemic.

On July 27, 2021, the City Council (Agenda Item No. 331, Resolution No. R-313667) and the Housing Authority (Report No. HAR21-015; Resolution No. HA-1921) authorized up to \$60,149,903.87 in additional funds for HSAP, consisting of the direct allocation of ARPA funds (\$54,539,063.20) and the aforementioned additional \$5,610,840.67 from the State.

On October 5, 2021, the City Council (Agenda Item No. 331; Resolution No. R-2022-103) and Housing Authority (Report No. HAR21-020; Resolution No. HA-1923) authorized up to \$39,712,779.17 in additional funds for HSAP, consisting of federal ARPA funds allocated by the State to the City.

On December 6, 2021, the City Council (Agenda Item No. 202; Resolution No. R-313800) and the Housing Authority (Report No. HAR21-027; Resolution No. HA-1931) authorized the use of an additional \$27,000,000 in funds the State allocated to the City of San Diego for HSAP and a third amendment to the MOU between the Housing Commission and the City of San Diego for the administration and oversight of the program to incorporate these funds.

On March 1, 2022, the City Council (Resolution No. 313945) and the Housing Authority (Resolution No. HA-1937) authorized the use of \$8,308,615 in federal funds reallocated to the City of San Diego from other jurisdictions to support HSAP.

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**EQUAL OPPORTUNITY CONTRACTING/EQUITY ASSURANCE**

Nan McKay & Associates is a national company with local branch offices. It will submit the required EOC forms and Workforce Report prior to contract execution.

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders for this project include households with low income in the City of San Diego experiencing financial hardship due to the COVID-19 pandemic, landlords and property owners for these households, Nan McKay & Associates and the Housing Commission. This action is expected to have a positive impact on the community by ensuring qualifying households receive assistance to pay past-due or upcoming rent and utilities to assist with preventing housing displacement.

**ENVIRONMENTAL REVIEW**

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment.

Federal funds constitute the funding for the project. NEPA clearance was received from the City of San Diego on March 9, 2022.

Respectfully submitted,

*Azucena Valladolid*

Azucena Valladolid  
Executive Vice President, Rental Assistance &  
Workforce Development  
San Diego Housing Commission

Approved by,

*Jeff Davis*

Jeff Davis  
Deputy Chief Executive Officer  
San Diego Housing Commission

Attachments: 1) Draft Contract

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org)