

# FRAUD HOTLINE REPORT:

## Funds wasted at veteran apartment complex

June 2022



### SUMMARY

The Joint Office spent over \$850,000 in rent to house needy veterans but allowed the property to deteriorate into unsafe, unsanitary conditions leaving the office scrambling to find new shelter.

Without adequate oversight, the office risks wasting money intended to aid Portlanders without housing.

### TIP TO THE FRAUD HOTLINE

A recent Fraud Hotline tip alleged that the Joint Office of Homeless Services wasted money by paying rent for a property that was in unlivable condition.

The Joint Office spent \$858,762 to provide shelter to needy veterans but allowed the property to deteriorate into unsafe, unsanitary housing that ultimately left the Joint Office scrambling to find shelter for the residents. Without adequate oversight, the Joint Office risks wasting money intended to house and provide services for Portlanders without housing.

This memo explains the results of the Auditor’s Office’s investigation into the tip, as well as recommendations for addressing the issues identified.

### BACKGROUND

Sandy Studios was a 32-unit studio apartment complex located on Sandy Boulevard in the Hollywood neighborhood used by the Joint Office to house formerly homeless veterans.

A building inspector came to Sandy Studios in late January 2021 and found a collapsed ceiling and damaged roof that allowed water to enter the building. The property manager hired an independent inspector who found dangerous levels of mold in nearly all the apartments caused by moisture and damage. The Joint Office scrambled to find new housing for the vulnerable residents, which was made more difficult by Covid restrictions. [A television news crew visited the site](#) and found that residents had been living in squalid conditions with broken plumbing, pest infestations, and holes in ceilings and walls.

The conditions had been devolving for almost two years without action from the Joint Office, which was ultimately responsible for the property.

Several entities in contractual relationships shared responsibility for various aspects of the property’s condition and providing tenant services. Their roles were:



The results of the investigation were based on interviews, reviews of financial records, correspondence among the parties, other documents, and policies.

## INVESTIGATION FINDINGS

### **Joint Office did not oversee Do Good Multnomah, which hired an ineffective subcontractor**

The contract between the Joint Office and Do Good Multnomah required the not-for-profit organization to repair and maintain the property. Instead, Do Good Multnomah's subcontracted maintenance to Home First Development. Do Good Multnomah relied on Home First Development to work with the landlord, tenants, and other service providers to address maintenance issues. Records show the Joint Office was aware of but did not approve Do Good Multnomah's subcontract with Home First or have a written commitment that Home First would comply with the Joint Office's requirements.

Do Good Multnomah did not use a competitive process to select Home First Development, which did not have property maintenance experience and instead had a background in real estate development. Records show Home First had a previous relationship with Do Good Multnomah.

- **Necessary repairs were not completed.** Neither Do Good Multnomah or Home First Development conducted a thorough inspection of the property once they were engaged to manage it. Do Good Multnomah didn't come to an agreement with the landlord for specific property repairs prior to signing the lease. Do Good Multnomah and Home First Development eventually created a list of repairs for the landlord, but it was based on their own observations rather than a certified inspection. Home First staff noted problems with the building, such as "a generalized lack of maintenance and moldering of the building into the ground that makes it feel like we're slumlords." Home First lost track of more than half of the items on its list, and there is no record that the landlord made many repairs. Examples included malfunctioning electric wiring and tripping breakers, a hole in the basement floor, missing exhaust screens, a non-working toilet in a common area, non-compliant wheelchair ramps, and uninhabitable units.
- **Home First Development did not press the landlord about unsatisfactory repairs.** The landlord repaired a damaged outdoor gate to address security concerns. Home First was unhappy with the result, but rather than telling the landlord, assigned its own staff to redo it. There were other examples similar to this one.
- **Home First Development did not act on tenants' damage to units and allowed tenants to deny entry to maintenance staff for repairs.** Home First documented instances where tenants clogged drains, damaged appliances, and dismantled plumbing. A consultant hired by Home First to assess the property for mold also identified tenant behavior as contributing to unsafe conditions at Sandy Studios. The consultant cited six units whose tenants maintained unsafe living environments and conditions that contributed to the presence of mold. Some tenants would not allow maintenance staff into their units to address the problems, and Home First Development did not assert its right to enter to ensure the repairs were made, even when they involved damaging water leaks.

Joint Office staff did not hold Do Good Multnomah accountable for lapses in property management. Joint Office officials confirmed staff did not walk the site prior to or after contracting with Do Good Multnomah to identify maintenance problems. They also did not request a copy of Home First Development's list of needed repairs, saying they expected Do Good Multnomah to bring serious site issues to the Joint Office's attention. More than a year of rent payments and inaction occurred before the Sandy Studios' ceiling collapsed.

The Joint Office plays two potentially conflicting roles with service providers: it is responsible for holding them accountable and supporting them as organizations. When Joint Office employees became aware of the maintenance problems at Sandy Studios in 2019, they did not act to put pressure on the landlord to remedy maintenance problems. Instead, they continued to pay rent, began talking about transitioning tenants to another facility, and helped Do Good Multnomah get funding for a new project.

### **Joint Office’s monitoring did not include an assessment of building’s condition**

Joint Office policies require annual risk assessments and further monitoring of properties to ensure conditions are safe and tenants are receiving services. The Joint Office did not perform risk assessments of Sandy Studios in 2019 or 2020. A January 2021 risk assessment occurred a month before the ceiling collapsed but did not note any serious problems at Sandy Studios. That assessment rated Do Good Multnomah as a low priority for further monitoring. Joint Office staff did not identify poor conditions at the property during further monitoring either, which included interviews with key staff members and a review of files. It did not include an assessment of the physical condition of the property. Joint Office staff rarely visited Sandy Studios. Covid restrictions may have contributed to limited visits in 2020, but they do not explain the lack of attention in 2019.

### **Joint Office took no action about Do Good Multnomah’s performance problems**

Quarterly reports submitted by Do Good Multnomah documented its performance shortcoming. Do Good Multnomah met only half of its performance goals in 2020. The organization met two goals related to the percent of clients remaining in housing. It placed 7 residents who exited the program in permanent housing which did not meet their goal of 12. It also had a goal of a 90 percent occupancy rate, but the reported rate was 87 percent.

Omissions and other problems with the reports should have but did not prompt follow-up by Joint Office staff.

- Reports rarely addressed the condition of the property despite a requirement that they do so along with an action plan to address problems.
- Two successive reports contained identical text.
- Another report mentioned insect infestations and blamed residents for it. It did not include an action plan to resolve the infestation.
- The same report mentioned a lack of onsite property management, which was required in the contract.
- A report submitted immediately prior to the ceiling collapse did not indicate issues that might lead to a catastrophic event.

### **OUR RECOMMENDATIONS**

1. Ensure staff are knowledgeable about contract requirements and prepared to enforce them.
2. To address role conflicts, separate employees charged with contract oversight and enforcement from those responsible for advocating for and supporting non-profit providers who may be subject to enforcement.
3. Develop compliance checklists and guidance to ensure oversight is comprehensive and includes prompts to review high-risk areas.
4. Follow-up on problems identified by service providers in their quarterly performance reports and monitor action plans; document when they have been resolved.

### **RESPONSE FROM THE JOINT OFFICE**

The Joint Office responded to the investigation with a statement generally agreeing with the recommendations but objecting to some descriptions in the report as inflammatory. Management also objected to our use of the word “roof” to describe the part of the building that collapsed. We agree that “ceiling” is the accurate term and used it in the final report where appropriate. We otherwise stand by our findings and appreciate management’s agreement to implement our recommendations.

View the statement from the Joint Office of Homeless Services at the end of this report.

## **ABOUT PORTLAND'S FRAUD HOTLINE**

The Auditor's Office administers the Fraud Hotline to enable the public and City employees to confidentially report suspected fraud, waste and abuse of position by or against the City. The Hotline also serves to identify and prevent losses of City funds and act as a deterrent to fraud, waste and abuse of position. Hotline tips can be submitted online at [www.PortlandFraudHotline.com](http://www.PortlandFraudHotline.com) or by phone by calling 866-342-4148.

When the Auditor's Office finds waste, inefficiency or abuse of position via the Hotline, it is required by law to notify the Portland City Council of the findings. This report, which is delivered to the City's mayor and commissioners, serves as that notice. It is also released publicly to inform about substantiated Hotline tips.

Investigated by: Elizabeth Pape





---

**To:** KC Jones, Director, Audit Services Division  
Elizabeth Pape, Performance Auditor, Audit Services Division

**From:** Shannon Singleton, Interim Director, Joint Office of Homeless Services

**Date:** May 11, 2022

**RE:** JOHS Response to City of Portland Auditor’s Recommendations in response to Fraud Hotline investigation regarding conditions at Sandy Studios

The City/County Joint Office of Homeless Services (JOHS) appreciates the work that went into this investigation of Sandy Studios, a program whose establishment and basic operating structure predated JOHS.

However, we disagree with some of the statements made regarding the work conducted by our office and provider partners. In some cases assertions were demonstrably inaccurate or exaggerated, while in others they minimized challenges such as the COVID-19 pandemic or the reality of landlord-tenant law.

And while we also acknowledge some challenges with our processes that warranted changes for how JOHS oversees contracts, it is worth highlighting that we had already initiated some of these remedies prior to the issuance of this hotline report.

First, it is simply not correct to say that JOHS did not “oversee DGM Multnomah (DGM)”. It is also not true that the JOHS staff did not walk the site.

This was an occupied building when DGM took over Sandy Studios, part of an improvement plan spurred by JOHS. And at the time of transfer of the building and the program to DGM, JOHS directly oversaw a range of improvements to the rooms. As part of that work, there was an on-site open house that included visiting some of the rooms.

Additionally, there were regular on-site walkthroughs where JOHS staff, DGM Multnomah, and Home First went through their punch lists as repairs were made in December 2018, January 2019 and January 2020.

In January 2020, DGM informed the Joint Office it had decided to exit the Sandy Studios building upon the expiration of its lease in 2021, as the owner did not follow through on his punch list agreement. And as early as August 2020, JOHS and DGM held meetings on how best to transition DGM and the Sandy Studios residents – who were tenants, with all rights reserved



---

– out of this property.

That relocation work was well underway when facilities issues escalated at Sandy Studios in early 2021.

To say otherwise – to assert conditions there had devolved “without action from the Joint Office,” when there is evidence in the public record that says otherwise – is disappointing and should be corrected in the hotline report.

We also strongly insist that the narrative of a “catastrophic event” and the continued use of the phrase “roof collapse” are both inflammatory and inaccurate. There was not a roof collapse. Among the documented facilities challenges that had already put us on a path to exiting the building, there was a water leak that caused part of a ceiling in one of the apartments to fall. Ultimately, 6 of 32 units were not habitable because of the damage.

DGM has records of efforts to enter the rooms at Sandy Studios - while being compliant with tenants rights - and records of being turned away by tenants. Fallout from the pandemic compounded those challenges.

This was a very low-barrier program. DGM worked with partner organizations serving veterans to provide additional services for tenants. During the pandemic – in the months before widespread vaccinations throughout all of 2020 – a lot of those outside support services for tenants became unavailable.

During the pandemic, people became even more isolated and struggled with behavioral health issues. Some went so far as to physically threaten staff who tried to enter their units to do repairs. DGM was committed to not evicting people to the streets, especially during a pandemic, so in those cases maintenance issues went unaddressed while DGM and Home First continued to try to resolve them.

The report questioned DGM’s use of a subcontractor. All JOHS contracts, like those also held by the City of Portland and most government contractors throughout the country, have provisions where the Contractor is able to subcontract some services. And our standard contract language at JOHS does assess subcontractor responsibilities.

The relationship between DGM and Home First at Sandy Studios was a new model where the responsibilities for property maintenance were with the building owner and the property



---

manager, with multiple levels of accountability – including on-site service provider partners visiting people, DGM staff, and landlord tenant law. The Joint Office reasonably relied upon those tools to help ensure basic maintenance was occurring.

This report also ignores COVID-19’s serious impact on social services in 2020 and beyond as it characterizes JOHS as taking no action on contract goals. Many providers struggled to meet pre-COVID performance goals during that extremely challenging and disruptive chapter of the pandemic. While most other businesses shut down and went to remote work, our provider network continued to serve our community amidst the restrictions in place, risking their own health and wellbeing to keep programs from shutting down altogether.

In the report, the City auditor recommends the following: that JOHS ensure staff are knowledgeable about contract requirements and prepared to enforce them; require staff to visit sites and assess the condition of facilities during further monitoring; develop compliance checklists and guidance to ensure oversight is comprehensive and includes prompts to review high-risk areas; and follow-up on problems identified by service providers in their quarterly performance reports and monitor action plans; document when they have been resolved.

What follows are key updates on the focus areas and recommendations from the City auditor:

- JOHS staff are trained on contract requirements and how to enforce them. Our team is onboarded and trained via our Contract Managers Manual, a reference guide to standardize and improve JOHS contracting. Additionally, a “lead contract manager” on the team supports the training/onboarding of new contract managers as well as provides ongoing support.
- For FY 2023, we have finalized a program report feedback form that will be fully implemented across contracts. The purpose is to provide feedback on program reports specifically in the areas of outputs and outcomes, invoice and spending and reporting practices and feedback.
- The JOHS monitoring process has three main components: desk monitoring, performance review, and on-site monitoring. Desk monitoring is done via an annual risk assessment tool completed within the first ninety days of each fiscal year. Agencies with high scores are prioritized for monitoring. Performance reviews are done via the program reports and review of financial invoices. On-site monitoring is conducted every three years, unless otherwise dictated by funding source.



---

The City auditor also recommended that, “to address role conflicts,” we should “separate employees charged with contract oversight and enforcement from those responsible for advocating for and supporting non-profit providers who may be subject to enforcement.”

Instead, we have separately and already begun restructuring roles and responsibilities within the JOHS’ Program Team, starting with the Adult System of Care (ASC) team, which moved to JOHS from the Portland Housing Bureau in 2016. That team has since shouldered the responsibility for delivering a massive expansion in shelter, outreach and housing services.

Historically, the policy leadership and contract management of all ASC component services has been supported by Program Specialist Seniors. We have increased staffing capacity and added four (4) Program Specialist positions to directly support contract compliance. Moving forward, Program Specialists will manage contract compliance, and Program Specialist Seniors will manage the service design and delivery aspects of contract management.

JOHS has also hired new positions to handle facilities work, and changed or refined its processes. Where a shelter program is sited at a County owned property, County Facilities provides property management, with support from the JOHS shelter team. Where a motel shelter program is on a County leased site, the Joint Office has a staff person who is regularly on site, and makes sure that, among other things, maintenance issues are being identified and addressed by the provider and/or owner, as appropriate. In permanent housing programs, we pay for services, with contracts stipulating that property management remains the responsibility of the building owner.

JOHS will continue the work we began before this hotline report, to improve our systems and processes so we can best support our community’s ending homelessness work to both meet the urgency on the ground and meet the need for safe, healthy and equitable environments for people exiting homelessness and moving back into permanent housing.

We hope that the City of Portland auditor’s office will become a partner, as our desire for accountability matches the community’s. We believe accountability can not only be achieved, but strengthened, without the inaccurate statements and inflammatory language used in this hotline report. We look forward to a shift in this partnership through the upcoming audit of JOHS.