

HOMELESS SERVICES AUDITS: OVERVIEW AND MODEL LEGISLATION

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KEY POINTS

- The “Housing First” approach was proposed to end homelessness by 2023 but there has been no significant reduction since its implementation.
- The current method of evaluating homelessness services measure compliance rather than performance.
- Third party audits of Continua of Care can help identify inefficiencies in the system and allow funds to be allocated more effectively.

“...THERE IS NO COMPLETE INVENTORY OF AGREEMENTS AND ASSOCIATED SPENDING FOR THE CITY’S HOMELESSNESS ASSISTANCE EFFORTS, AND WE COULD NOT DETERMINE THE NUMBER OF THESE AGREEMENTS DUE TO LIMITATIONS WITH AVAILABLE DATA.”

~ CITY OF AUSTIN’S SPECIAL [REPORT ON HOMELESSNESS SPENDING](#)

ISSUE

Texans believe that it is their duty to help those who are less fortunate. So much so that they allow their tax money to be spent by federal, state, city, and county governments to feed, clothe, and shelter those most in need. However, those monies are not always spent in a manner that aligns with the goal of reducing homelessness. “Housing First,” a federally mandated one-size-fits-all approach to homelessness, has consistently failed to address the underlying issues that lead to chronic homelessness. Instead, the principles of Housing First have cost billions of taxpayer dollars and homelessness in Texas has only increased. A new approach is necessary. In furtherance of that goal and to improve the efficacy of the money spent on homelessness services, performance audits utilizing a self-sufficiency optimization scale needs to be performed on the services being provided and the outcomes produced.

In 2013, the Department of Housing and Urban Development (HUD) began prioritizing the Housing First approach to homelessness. This approach emphasizes providing government-subsidized housing without any conditions attached, like seeking mental health services, receiving drug treatment, scholastic education, or employment training. In fact, as of 2013, HUD discontinued funding such services because they deemed it nonessential. Instead, HUD made Housing First’s primary goal “to quickly and successfully connect individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry, such as sobriety, treatment or service participation requirements” ([U.S. Department of Housing and Urban Development, n.d.-a, para.1](#)).

HUD aims to reach its goal through consolidating all homelessness services in a single geographic area, known as a Continuum of Care (CoC). A CoC, as defined by HUD, is a “comprehensive public-private planning process composed of non-profit and government service providers and funders” ([U.S. Department of Housing and Urban Development, 2006, p. 2](#)). The CoC is the primary method by which cities, states, communities, non-profit organizations, and the federal government address homelessness in a particular area. The intention is to utilize the maximum number of resources through one overarching body, as opposed to a patchwork of differing organizations attempting to do the same thing.

To determine the homeless population in their area, CoCs will conduct a Point-in-Time (PIT) count. CoCs are required to conduct “an annual count of people experiencing homelessness who are sheltered in emergency shelter, transitional housing, and Safe Havens on a single night” ([U.S. Department of Housing and Urban Development, n.d.-b, para. 1](#)). The Department of Housing and Urban Development also requires that CoCs undertake a count of the unsheltered homeless on odd number years ([U.S. Department of Housing and Urban Development, n.d.-b](#)). While the HUD website has guidelines for CoCs to follow regarding how PIT counts are conducted, “each count is planned, coordinated, and carried out locally” ([U.S. Department of Housing and Urban Development, n.d.-b, para. 1](#)).

CoCs that receive HUD funds are only allowed to provide low-barrier housing. Because of this, the standards by which CoCs are judged are limited, often not reflecting the needs of the homeless to achieve self-sufficiency. As of now, the performance measures by which programs under CoCs are judged relate to 1) length-of-stay, 2) exits to permanent housing, 3) return to homelessness, 4) new or increased and earned income, 5) serving high needs populations, and 6) equity factors which include measures relating to serving under-represented individuals ([U.S. Department of Housing and Urban Development, 2023a](#)). These metrics are necessary

to understand how programs under the CoC are performing, but such metrics are not sufficient to comprehend the true efficacy of programs provided to the homeless.

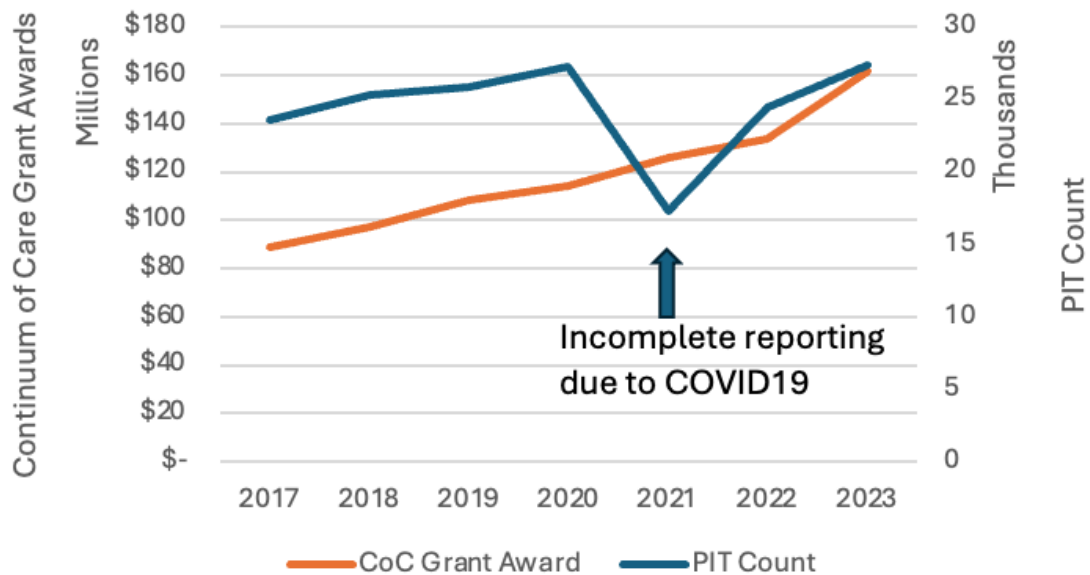
The amount of money being spent was justified when shifting homelessness policy to Housing First because this new approach was supposed to end homelessness in ten years. “The Obama administration on Tuesday unveiled an ambitious plan that aspires to end homelessness among some of society’s most vulnerable groups within the next decade,” McClatchy reported on June 22, 2010 ([Pugh, 2010](#)). Looking back, we can see that homelessness was not eliminated, but actually has been increasing.

Grants awarded to Texas CoCs have increased every year between 2017 and 2023 from roughly \$88 million to \$161 million (U.S. Department of Housing and Urban Development, [2024](#); [2023c](#); [2022](#); [2021](#); [2020](#); [2019](#); [2018](#)). Even with ever increasing funding, homelessness in Texas increased by 3,829 people between 2017 and 2023, from 23,548 to 27,377 people ([U.S. Department of Housing and Urban Development, 2023b](#)). During this period, the only reduction in the number of homeless counted in the Point in Time count was between 2020 and 2021 during the height of the COVID-19 pandemic. According to the description of the Annual Homeless Assessment Report for 2021 released in February of 2022, “Many CoCs chose to not conduct an unsheltered PIT count because their capacity to conduct counts was limited due to other pandemic-response efforts and the risk of transmitting COVID-19” ([U.S. Department of Housing and Urban Development, 2022](#)). This demonstrates why performance audits are necessary to determine why increasing amounts of taxpayer money are going towards programs that are not meeting their stated goals.

In 2020, the United States Interagency Council on Homelessness observed that “one of the most menacing but easily made errors in measuring success is to measure outputs rather than outcomes” ([United States Interagency Council on](#)

Figure 1

Texas Continuum of Care Grant awards compared to Texas PIT count by year.



Note. Data from U.S. Department of Housing and Urban Development Continuum of Care Competition Homeless Assistance Award Report FY 2023c; 2022; 2021; 2020; 2019; 2018; 2017 and U.S. Department of Housing and Urban Development 2023 AHAR Part I: PIT Estimates of Homelessness in the U.S. 2007-2023 Point-in-Time Count by state (XLSB).

[Homelessness, 2020, p. 12](#)). The study differentiates between the two seemingly similar concepts, explaining that “completing a job training program is an output, finding and keeping a job is an outcome” (p. 12). For example, services that practice Housing First are measuring outputs, when they need to be measuring outcomes instead. Rather than measuring the number of individuals that have increased their earned income while participating in such a program, the program should be evaluated by whether these individuals are earning a living wage. In this instance, the metric of “increasing earned income” is unclear, as that dollar amount could have raised from zero to an amount that is still below what is deemed appropriate to truly be self-sufficient.

In these volatile economic times, it is the duty of the government to be proper stewards of taxpayer money. For the sake of those who have fallen onto hard times, homelessness programs should address the root causes of homelessness and to equip

those under their care to be fully self-sufficient – both of which can be assessed through outcome-based audits. These audits will not only identify wasteful spending but also raise the standards of homelessness programs.

RECOMMENDATION

The 89th Texas Legislature should enact legislation that mandates statewide audits of homelessness services to ensure that such programs focus on outcomes that lead participants toward self-sufficiency.

MODEL LEGISLATION

A BILL TO BE ENTITLED

AN ACT

relating to the effectiveness of state-funded homelessness programs at helping beneficiaries advance toward self-sufficiency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 321, Government Code, is amended by adding Section 321.0139 to read as follows:

Sec. 321.0139. AUDIT OF HOMELESSNESS SERVICES. (a) In each even-numbered year, the State Auditor shall require an audit to be conducted regarding the effectiveness and efficiency of all homelessness services that are provided by the state agencies identified under Subsections (e) and (f).

(a-1) Notwithstanding Subsection (a), 2026 is the first year that an audit is required to be conducted under this section. This subsection expires January 1, 2027.

(b) Not later than March 1 of the year in which an audit is required under this section, the State Auditor shall engage an independent external auditor to conduct the audit. The external auditor may not be under the direction of any agency subject to the audit under this section.

(c) The State Auditor shall supervise the external auditor to ensure that the audit is conducted in accordance with the requirements of this section.

(d) The audit shall:

(1) examine all state resources used in providing services to homeless individuals, including financial resources, employees, and infrastructure;

(2) according to the purposes of and activities funded by the agencies identified under Subsections (e) and (f), their programs, and participating community service providers, assess the effectiveness and efficiency of the agencies, programs, and providers in helping homeless individuals advance toward self-sufficiency, including an assessment of the percentage of beneficiaries:

(A) who maintain housing for at least 12 months after placement in the housing, disaggregated according to the primary payor for the housing and including payors other than the beneficiary;

(B) whose children are enrolled in school or other educational programs;

(C) if eligible, who:

(i) participate in at least 20 hours per week of paid employment, including paid apprenticeships;

(ii) are engaged in occupational or vocational training programs; and

(iii) earn a living wage, as defined by the applicable local workforce development board;

(D) who are ineligible to participate in at least 20 hours per week of paid employment described by Paragraph (C)(i), disaggregated by the reason for ineligibility;

(E) with mental health needs, who engage in ongoing mental health care services;

(F) with addiction or substance use disorders, who engage in ongoing treatment services;

(G) with a history of involvement with the criminal justice system that continued during the 12-month period following the provision of the applicable services; and

(H) with a history of involvement with the criminal justice system that ceased during the 12-month period following the provision of the applicable services;

(3) make recommendations for:

(A) eliminating poorly performing programs, services, and functions;

(B) ending contractual or funding relationships with poorly performing community service providers;

(C) consolidating duplicative or overlapping programs, services, and functions; and

(D) reallocating state resources to ensure that the outcomes in relation to the criteria described by Subdivision (2) are achieved in the most effective and economical manner; and

(4) based on the effectiveness at achieving the outcomes described by Subdivision (2), rate each applicable agency, program, or community service provider as “unsatisfactory,” “satisfactory,” or “exemplary.”

(e) The following agencies must be included in the audit:

(1) the Texas Department of Housing and Community Affairs;

(2) the Health and Human Services Commission;

(3) the Department of Family and Protective Services;

(4) the Texas Education Agency;

(5) the Texas Workforce Commission;

(6) the Texas Veterans Commission; and

(7) the Texas Department of Criminal Justice.

(f) In addition to the agencies listed in Subsection (e), the State Auditor may select other state agencies for inclusion in the audit.

(g) The external auditor must:

(1) complete the audit not later than the 90th day after the date the auditor is engaged; and

(2) present its results and recommendations to the State Auditor and the heads of the agencies subject to the audit.

(h) Not later than November 1 of the year in which an audit is completed under this section, the State Auditor shall prepare and submit to the governor, the speaker of the house of representatives, the lieutenant governor, and the Legislative Budget Board a report regarding the audit and recommendations for improvement in the agencies, programs, and community service providers assessed by the State Auditor.

(i) The full audit and State Auditor’s report must be published on the State Auditor’s Internet website.

(j) The audit shall be paid for by using existing resources allocated for the purpose of auditing the agencies identified under Subsections (e) and (f).

SECTION 2. This Act takes effect September 1, 2025.

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