OFFICE OF AUDIT
REGION 5
CHICAGO, IL

Pontiac Housing Commission
Pontiac, MI

Section 8 Housing Choice Voucher Program

2014-CH-1009 SEPTEMBER 12, 2014

Issue Date: September 12, 2014

Audit Report Number: 2014-CH-1009

TO: Willie C. Garrett, Director of Public Housing, 5FPH

//signed//
FROM: Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

SUBJECT: The Pontiac Housing Commission, Pontiac, MI, Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Pontiac Housing Commission's Section 8 Housing Choice Voucher program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (312) 353-7832.

September 12, 2014

The Pontiac Housing Commission, Pontiac, MI, Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's or Its Own Requirements

Highlights

Audit Report 2014-CH-1009

What We Audited and Why

We audited the Pontiac Housing Commission's Section 8 Housing Choice Voucher program based on our analysis of risk factors relating to the housing agencies in Region 5's[1] jurisdiction. Our objective was to determine whether the Commission complied with Federal, State, or its own requirements regarding its Family Self-Sufficiency program and conflicts of interest.

What We Recommend

We recommend that HUD require the Commission to (1) reimburse its program more than $160,000 due to overpaid escrow disbursements and credits; (2) reimburse its program participants whose escrow accounts were understated by more than $6,500; (3) support or reimburse its program nearly $40,000 for the unsupported family self-sufficiency escrow disbursements and credits; (4) support or reimburse HUD more than $137,000 for the unsupported coordinator funds; and (5) support or reimburse its program more than $47,000 for its conflicts of interest.

What We Found

The Commission did not always administer its Family Self-Sufficiency program in accordance with HUD's and its own requirements. Specifically, it did not (1) correctly calculate participants' escrow balances, (2) ensure that participants' files contained required documentation, and (3) ensure that its coordinator effectively managed the program. As a result, the Commission (1) overpaid nearly $107,000 in escrow disbursements, (2) overfunded participants' escrow accounts by more than $53,000, and (3) underfunded participants' escrow accounts by more than $6,500. In addition, HUD and the Commission lacked assurance that more than $177,000 in program and coordinator funds was used appropriately.

Further, the Commission did not ensure that it complied with HUD's and the State of Michigan's requirements regarding conflicts of interest. As a result, HUD and the Commission lacked assurance that more than $47,000 in housing assistance payments was used appropriately.

[1] Region 5 includes the States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

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BACKGROUND AND OBJECTIVE

The Pontiac Housing Commission was established in June 1948 by the City of Pontiac, MI, to provide decent, safe, sanitary, and affordable housing and create opportunities for self-sufficiency and economic independence for eligible low- and moderate-income residents of Oakland County. The Commission's primary funding source is the U.S. Department of Housing and Urban Development (HUD) under the regulation of the State of Michigan's Act 18 of 1933. A five-member board of commissioners is appointed by the mayor of Pontiac to serve a 5-year term. The board is responsible for the overall policy and direction of the Commission. The Commission's executive director is appointed by the board of commissioners and is responsible for providing general supervision and carrying out the Commission's day-to-day operations.

The Commission administers the Section 8 Housing Choice Voucher program funded by HUD. The Section 8 program provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of June 11, 2014, the Commission had 530 units of its authorized 770 vouchers under contract, and the annual housing assistance payments totaled more than $2.6 million in program funds.

The Family Self-Sufficiency program promotes the development of local strategies to coordinate public and private resources that help Housing Choice Voucher program participants and public housing tenants obtain employment that will enable participating families to achieve economic independence. The Family Self-Sufficiency program is administered by public housing agencies with the help of program coordinating committees. The program coordinating committees usually consist of representatives of local government, employment and job training agencies, welfare agencies, nonprofit providers, local businesses, and assisted families. Supportive services most commonly provided to program participants are child care, transportation, education, and job training. The major components of the program include a contract of participation between the public housing agency and the family, an individual training and services plan for each participating family member, and an interest-bearing escrow account.

The program establishes an escrow account for each family that is funded by the Housing Choice Voucher program's housing assistance payments. The family's annual income, earned income, and family rent when the family begins the program are used to determine the amount credited to the escrow account based on increases in earned income. The full amount of the escrow account in excess of any amount owed to the public housing agency becomes available to the family when it has fulfilled its obligations under the contract and has certified that no family member is receiving welfare assistance. From December 2008 to June 2014, the Commission reported escrow deposits totaling $425,678 in HUD's Voucher Management system.

HUD provided grant funding to public housing agencies to pay the salaries and benefits of its Family Self-Sufficiency program staff through its notices of funding availability for fiscal years 2012 and 2013 for the Housing Choice Voucher Family Self-Sufficiency program. All recipients of funding under these notices must administer the program in accordance with HUD at 24 CFR (Code of Federal Regulations) Part 984 and must comply with Housing Choice Voucher program requirements, notices, and guidebooks.

The Commission was designated as troubled in its 2011, 2012, and 2013 Section Eight Management Assessment Program ratings. It also was designated as troubled in its Public Housing Assessment System ratings. As a result of its troubled status, HUD entered into a recovery agreement with the Commission to improve its ratings. In addition, HUD contracted with the Nelrod Company to provide technical assistance to the Commission. However, this technical assistance did not specifically address the Commission's Family Self-Sufficiency program.

Our objective was to determine whether the Commission complied with Federal, State, or its own requirements regarding its Family Self-Sufficiency program and conflicts of interest. Specifically, we wanted to determine whether the Commission (1) accurately computed Family Self-Sufficiency escrow credits for its program participants, maintained the appropriate eligibility documentation, and appropriately used its Family Self-Sufficiency program coordinator grant funds and (2) followed HUD's and the State of Michigan's conflict-of-interest requirements.

RESULTS OF AUDIT

Finding 1: The Commission Did Not Always Administer Its Family Self-Sufficiency Program in Accordance With HUD's and Its Own Requirements

The Commission did not always administer its Family Self-Sufficiency program in accordance with HUD's requirements and its own program action plan. Specifically, it did not (1) correctly calculate participants' escrow balances, (2) ensure that participants' files contained required documentation, and (3) ensure that its coordinator effectively managed the program. The noncompliance occurred because the Commission lacked sufficient policies and procedures and an adequate quality control process to ensure that HUD's regulations, its own action plan, and Family Self-Sufficiency program procedures were followed. Further, it failed to exercise proper supervision and oversight of its program coordinator. As a result, the Commission overpaid nearly $107,000 to its program graduates, overfunded participants' accounts by more than $53,000, and underfunded participants' accounts by more than $6,500. It also funded or disbursed more than $212,000 in program funds to participants without proper supporting documentation and could not support that more than $137,000 in coordinator grant funds was properly used.

The Commission Made Inaccurate Escrow Calculations

The Commission did not correctly calculate the escrow balances for all five of its Family Self-Sufficiency program graduates. The five graduates' participant files contained one or more of the following errors:

- Three participants had the incorrect amount of family rent at program commencement used in their escrow credit calculations.
- Two participants were eligible to graduate early during the term of their contracts yet remained on the program and continued to earn escrow credits.
- Two participants had the incorrect amount of earned income at program commencement used in their escrow credit calculations.
- Two participants had escrow credits misapplied.
- One participant received escrow credits, although earned income during the current examination did not exceed earned income at program commencement.
- One participant had the incorrect amount of current earned income used in the escrow credit calculation.
- One participant received escrow credits after her graduation date.

- One participant was allowed to remain in the program and continued to receive escrow credits for more than 9 years, although the maximum term limit is 7 years.

As a result of the Commission's calculation errors, it overpaid $106,924 in escrow disbursements to the five graduates.

When the Commission switched from its former software provider HAB, Inc.'s Housing Management System to its current software provider Housing Data Systems in April 2013, it discovered for its current participants many of the errors indicated above for its five graduates. Therefore, the Commission requested that Housing Data Systems determine the accuracy of the escrow account balances for its 20 current program participants and make adjustments as needed.[2] After the Commission adjusted the escrow balances for its 20 current participants, we determined that 18 were still inaccurate. The 18 files contained 1 or more of the following errors:

- 6 participants had escrow account balances that failed to include interim disbursements that were previously paid.
- 5 participants were eligible to graduate early during the term of their contracts yet remained on the program and continued to earn escrow credits.
- 5 participants had baseline figures that were more than 120 days old. File documentation for these participants indicated that the family's income at program commencement had increased from that in the examination used to establish the baseline figures.
- 3 participants had incorrect escrow credits posted to their accounts.
- 3 participants had the incorrect amount of earned income at program commencement used in their escrow credit calculations.
- 2 participants had the incorrect amount of family rent at program commencement used in their escrow credit calculations.

In addition, for five participants, the Commission was not able to provide detailed subsidiary ledgers identifying each escrow credit, interest, and other activity that occurred in the escrow accounts. Therefore, we were unable to identify the type of error. However, based on our calculations, the participants' balances were not accurate. As a result of the Commission's miscalculations, 15 participants' escrow accounts were overfunded by $53,559, and 3 participants' escrow accounts were underfunded by $6,541.

[2] Despite the discovery of the escrow account errors for its current participants, the Commission failed to determine the accuracy of the escrow disbursements that were made to its five graduates.

The Commission Failed To Maintain Required Documentation

The Commission lacked required documentation[3] to support escrow disbursements totaling $137,858 and escrow account balances totaling $74,464 for its 5 Family Self-Sufficiency program graduates and 20 current participants. The 25 files were missing 1 or more of the following documents:

- All 25 of the individual training and services plans failed to include the required final goal to seek and maintain suitable employment during the audit period.
- 18 current participants were missing annual reports of their escrow account balance for the 2012 calendar year, and 2 of these participants were missing the annual report for the 2013 calendar year.
- 4 graduates were missing documentation showing that all goals indicated on their individual training and services plans were completed before they graduated.
- 2 graduates and 1 current participant were missing documentation of their extension requests and approvals.
- 2 current participants were missing the required goal to be independent from welfare assistance at least 1 year before the expiration of the contract of participation on their individual training and services plans.
- 1 current participant file was missing the contract of participation and individual training and services plan.

The Commission added the goal to seek and maintain suitable employment for 13 of the 20 current participants after we notified it of the required goal during the audit. As a result, the unsupported escrow balance for its current participants was reduced from $74,464 to $39,178.

The Commission's Coordinator Did Not Properly Oversee the Program

The Commission failed to maintain an effective program. HUD awarded the Commission grants totaling more than $188,000 under its Housing Choice Voucher Family Self-Sufficiency Coordinator program from 2012 through 2014. According to HUD's notice of funding availability, these funds were made available to pay the salaries and fringe benefits of the Commission's coordinator with the stipulation that the Commission administer its Family Self-Sufficiency program in accordance with HUD's regulations at 24 CFR 984 and comply with program requirements, notices, and guidebooks.

[3] 24 CFR 984.303 and 984.305 and the Commission's program action plan

However, contrary to HUD's requirements, the Commission's coordinator failed to ensure that (1) required documentation was maintained for its participants, (2) participants' escrows were calculated appropriately, (3) annual escrow credit reports were provided, or (4) participants met the graduation requirements before disbursement of the final escrow balance.

The Commission used $137,347 of the funds from April 2012 through March 2014 to pay the salary and benefits of its program coordinator. Because the Commission's coordinator failed to effectively manage the program, the Commission could not support that it properly used the grant funds. If the Commission does not implement adequate procedures and controls regarding its Family Self-Sufficiency program, we estimate that it could inappropriately use $50,877 ($188,224 - $137,347) in grant funds over the next year.

The Commission Lacked Adequate Procedures and Controls

The Commission lacked sufficient policies and procedures and an adequate quality control process to ensure that HUD's regulations, its own action plan, and Family Self-Sufficiency program procedures were followed. It also failed to exercise proper supervision and oversight of its program coordinator.

The Commission's program coordinator knew that program participants needed to obtain and maintain employment to become self-sufficient. However, the program coordinator did not require this as a goal if participants were already employed when they started the program. Therefore, the goal to seek and maintain employment was not enforced on the individual training and services plans as required by the contract of participation.

Participants that met graduation requirements continued in the program because the Commission allowed a 6-month grace period, similar to the 180-day period the Section 8 program provides to households after they no longer receive housing assistance.[4] This grace period was provided to program participants in case they lost their job or their circumstances changed and they still needed assistance to become self-sufficient. However, HUD's regulations at 24 CFR 984.303(g) state that the contract is considered to be complete when 30 percent of the monthly adjusted income exceeds the applicable fair market rent. Further, the Commission's Family Self-Sufficiency program action plan implied that an individual could participate in the program for 10 years, which is contrary to HUD's maximum contract term of 7 years (according to 24 CFR 984.303(c)).

[4] 24 CFR 982.455

The Commission could not confirm who performed quality control functions for its Family Self-Sufficiency program. Although the program coordinator said that the Commission's public housing and Housing Choice Voucher program manager performed this task, the current program manager said that she had not performed this task since she joined the Commission in October 2013. The Commission also could not support that the former program manager performed quality control functions.

The Commission's fee accountant, who monitored the financial aspect of its Family Self-Sufficiency program, failed to identify the inaccurate escrow disbursements or escrow account balances. Further, the Commission's program coordinator relied on both its previous and current software program providers to calculate its escrow credits and account balances. However, the Commission's previous software program inflated the participants' escrow credits because it did not always incorporate earned income and family rent at program commencement in the calculations, among other discrepancies. The current software program did not always (1) incorporate interim disbursements in the escrow account balances or (2) ensure that the appropriate baseline figures were used in the escrow credit calculations.

In March 2009, HUD performed a review that identified five findings regarding the Commission's administration and oversight of its Family Self-Sufficiency program. As a result, HUD recommended that all of the Commission's staff members review and receive training on HUD policies, regulations, and the notice of funding availability covering the Family Self-Sufficiency program coordinators grant to ensure an understanding of program guidelines and compliance. However, three of the deficiencies identified during our audit had been identified by HUD. These deficiencies included a failure to (1) issue annual statements to its program participants regarding their escrow account balances, (2) notify participants of program extension approvals, and (3) establish interim goals to become independent from welfare assistance at least 1 year before the contract expired.

Conclusion

The noncompliance described above occurred because the Commission lacked sufficient policies and procedures and an adequate quality control process to ensure that HUD's regulations, its own action plan, and Family Self-Sufficiency program procedures were followed. It also failed to exercise proper supervision and oversight of its program coordinator. As a result, it (1) funded or disbursed $212,322[5] ($137,858 + $74,464) in escrow payments for 20 program participants and 5 program graduates without proper documentation, (2) overpaid escrow disbursements to graduates by $106,924, and (3) overfunded $53,559 and underfunded $6,541 in program participants' escrow accounts. Further, because

[5] This amount was rounded.

the Commission failed to maintain an effective program, it could not support that it properly used its 2012 and 2013 coordinator grant funds totaling $137,347.

If the Commission does not implement adequate procedures and controls regarding its Family Self-Sufficiency program, we estimate that it could inappropriately use $50,877 in grant funds over the next year.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

1A. Reimburse its Housing Choice Voucher program $106,924 from non-Federal funds for the overpayment of its Family Self-Sufficiency program graduates' escrow disbursements cited in this finding.

1B. Reimburse its Housing Choice Voucher program $53,559 for the overfunding of its Family Self-Sufficiency program participants' escrow accounts.

1C. Reimburse the appropriate Family Self-Sufficiency program participants' escrow accounts $6,541 from its Section 8 Housing Choice Voucher program funds for the underfunded escrow accounts cited in this finding.

1D. Support the escrow disbursements to its program graduates totaling $30,934 or reimburse its Housing Choice Voucher program from non-Federal funds for the unsupported disbursements cited in this finding.[6]

1E. Support the escrow account balances for its current program participants totaling $9,040 or reimburse its Housing Choice Voucher program for the unsupported escrow credits cited in this finding.[7]

1F. Support the time spent correctly administering its Family Self-Sufficiency program or reimburse HUD from non-Federal funds the appropriate portion of the $137,347 in coordinator grant funds received for fiscal years 2012 and 2013 that was incorrectly paid.

1G. Implement adequate policies, procedures, and controls to ensure that program participants' files are properly maintained, their escrow accounts are properly calculated, and their escrow funds are properly disbursed to prevent $50,877 in Family Self-Sufficiency program coordinator grant funds from being spent contrary to Federal requirements.

[6] The actual unsupported amount was $137,858. However, $106,924 of that amount was included in recommendation 1A as an ineligible cost, thus reducing the amount in recommendation 1D to $30,934.
[7] The actual unsupported escrow balance was $39,178. However, $30,138 of that amount was included in recommendation 1B as an ineligible cost, thus reducing the amount in recommendation 1E to $9,040.

1H. Ensure that the parties responsible for administering and monitoring the Family Self-Sufficiency program are knowledgeable of both the Section 8 program and the Family Self-Sufficiency program, including HUD's and its own program requirements.

We recommend that the Director of HUD's Detroit Office of Public Housing

1I. Renegotiate its remediation agreement with the Commission to address the cited deficiencies.

Finding 2: The Commission Did Not Always Follow HUD's and the State of Michigan's Requirements Regarding Conflicts of Interest

The Commission did not ensure that its staff and board members disclosed conflicts of interest in accordance with Federal and State requirements. This condition occurred because the Commission lacked procedures and controls to ensure compliance with applicable requirements. As a result, more than $47,000 was paid to relatives and board members without proper disclosure and approval.

The Commission Lacked Documentation To Ensure That Conflicts of Interest Were Properly Disclosed

Contrary to HUD's regulations at 24 CFR 982.161(a) and (b), and section 125.658 of the State of Michigan Act, the Commission did not ensure that its staff and board members disclosed conflicts of interest. Of the Commission's five-member board of commissioners, two board members either participated or had relatives who participated in the Commission's Section 8 program during the audit period. Specifically, the board president had a relative who participated in the program, and the board vice president was a landlord in the program. The Commission's board of commissioners is responsible for the overall policy and direction of the Commission. The board president presides at all meetings of the Commission and submits recommendations or other information at each meeting concerning the business, affairs, and policies of the Commission, and the board vice president performs the duties of the board president in the absence or incapacity of the board president. The housing assistance payments improperly received for the tenant and the landlord totaled $24,465.

As of December 2013, the Commission's two Housing Choice Voucher program specialists had three relatives who participated in the program. The three relatives were tenants and received $16,475 in housing assistance payments during the audit period. The responsibilities of the Commission's specialists included conducting eligibility interviews, verifying income, performing rent reasonableness determinations, preparing housing assistance payments contracts, updating information, and other duties.

Further, the Commission's quality control inspector had two relatives who participated in the program during the audit period. These two relatives were tenants and received $6,413 in housing assistance payments during the audit period. The Commission's quality control inspector inspects and evaluates the quality of the housing quality standards inspections. Therefore, this individual has decision-making responsibilities similar to those of the Commission's housing quality standards inspector, who is responsible for conducting inspections and determining the condition of program-assisted units to ensure that the units comply with HUD's housing quality standards and other established codes and recommending abatement actions.

The conflict-of-interest prohibition can be waived by HUD, but the Commission is required to (1) disclose the interests of its board members and staff to HUD,[8] (2) submit waiver requests to HUD, and (3) wait to execute the housing assistance payments contracts until HUD approves the waiver.[9] However, neither written waiver requests to HUD nor written approval from HUD was maintained by the Commission for any of the conflicts of interest identified. Further, HUD was not aware of any of these conflicts of interest.

The following table summarizes the housing assistance payments made to the board of commissioners' and staff's relatives during the audit period.

Summary of conflicts of interest			
	Housing assistance payments		
Classification	Landlord	Relatives who were tenants	Total
Board of commissioners	$20,542	$3,923	$24,465
Housing choice voucher specialists	$0	$16,475	16,475
Inspectors	$0	$6,413	6,413
Totals	$20,542	$26,811	$47,353

The Commission's Procedures and Controls Had Weaknesses

The Commission lacked adequate procedures and controls to ensure that it followed HUD's and the State of Michigan's requirements regarding conflicts of interest. The executive director said that he was aware of only one conflict of interest involving the board vice president, who was a landlord in the program. He said that this relationship was discussed with HUD and as a result, this board member abstained from voting on all program matters. Although the Commission's board meeting minutes confirmed that the board vice president abstained from voting on all program matters, the Commission could not provide documentation showing that it submitted a written waiver request to HUD or that it received HUD's written approval regarding this conflict of interest.

Further, although the Commission's code of conduct and ethics policy required its employees, officers, and commissioners to immediately disclose any financial, personal or other interest that could directly or indirectly compromise the performance of their duties, the policy did not require written disclosures.

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8 24 CFR 982.161(b); annual contributions contract, section 515; and form HUD-52641, part B, section 13

9 HUD's Housing Choice Voucher Guidebook, 7420.10G, section 11.2

The Commission's assistant to the executive director and its public housing and Housing Choice Voucher program manager were aware of conflicts of interest that existed among its staff, yet HUD's and the State of Michigan's requirements were not enforced. For example, the assistant was aware that the quality control inspector and one of the specialists had relatives on the program. The assistant said that the quality control inspector, who was previously the Commission's housing quality standards inspector, had inspected his relatives' assisted units because he was the only inspector at the time. The assistant further said the specialists were monitored to ensure that they did not process or handle their relatives' files. In addition, the public housing and Housing Choice Voucher program manager was aware that one of the specialists had relatives in the program; therefore, the specialist did not process their files. However, the Commission was unable to provide documentation showing that it submitted a written waiver request and received approval from HUD before executing the respective housing assistance payments contracts. The assistant further said that staff members were not required to disclose in writing any participation in the Commission's program by either themselves or their family members.

Conclusion

The Commission lacked adequate procedures and controls to ensure that it complied with HUD's and the State of Michigan's conflict of interest requirements. Further, its policies and procedures did not require its employees to disclose potential conflicts of interest in writing. As a result, more than $47,000 was paid to relatives and board members without proper disclosure and approval.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

2A. Support its waiver request and the applicable approval from HUD to waive its conflict of interest requirements or reimburse HUD $47,353 for the housing assistance payments disbursed while the conflicts of interest existed.

2B. Revise its code of conduct and ethics policy to require its board members and employees to disclose in writing whether they participate or have relatives who participate in its program.

2C. Implement adequate procedures and controls to ensure that it follows HUD's, the State of Michigan's, and its own requirements for program conflicts of interest.

SCOPE AND METHODOLOGY

We performed our onsite audit work between December 2013 and May 2014 at the Commission's office located at 132 Franklin Boulevard, Pontiac, MI. The audit covered the period April 1, 2012, through October 31, 2013, but was expanded as necessary.

To accomplish our objective, we reviewed

- Applicable laws; HUD's program requirements at 24 CFR Parts 5, 982, and 984; HUD public and Indian housing notices; and HUD's Housing Choice Voucher Guidebook, 7420.10.

- The Commission's program administrative plans from 2011 through 2014; personnel policy; internal control policy; accounting records; annual audited financial statements for fiscal years 2011, 2012, and 2013; general ledgers; program household files; computerized databases; policies and procedures; board meeting minutes for April 2012 through October 2013; organizational chart; program annual contributions contract with HUD; and recovery agreement with HUD. Assessment of the reliability of the data in the Commission's system was limited to the data sampled, which were reconciled to Commission's records.

- HUD's files for the Commission.

We also interviewed the Commission's employees and HUD staff.

Finding 1

We reviewed all of the Commission's 20 Family Self-Sufficiency program participants with escrow account balances as of March 31, 2014. We also reviewed all of the five program graduates with an escrow disbursement between April 1, 2012, and October 31, 2013. The 25 files were reviewed to determine whether the Commission (1) maintained the required documentation in the participants' files, (2) correctly maintained the participants' escrow account balances, and (3) made the correct escrow disbursement. Based on the results of these reviews, we determined whether the Commission appropriately used its coordinator grant funds. Because the Commission was unable to provide detailed subsidiary ledgers identifying each escrow credit, interest, and other activity that occurred in the escrow accounts, the review was performed for each participant's duration on the Family Self-Sufficiency program. Our review was limited to the information maintained by the Commission in its participants' files and in HUD's Public and Indian Housing Information Center system.

Finding 2

We reviewed all of the Commission's commissioners and employees who held a position in formulating policy and making decisions with respect to the program that could present a conflict of interest. We reviewed the board members' and employees' possible relationships with relatives, business associates, and close friends in LexisNexis Accurint.[10] The housing assistance payments history report and the landlord report were reviewed to determine whether board members; employees; and their potential relatives, business associates, and close friends received assistance on the program from March 1 through December 31, 2013. The employees were interviewed to ensure that the relationships were accurate. Our review was limited to (1) the information maintained by LexisNexis Accurint, (2) the housing assistance payments history report, (3) the landlord report, and (4) the employees interviewed.

We relied in part on data maintained by the Commission. Although we did not perform a detailed assessment of the reliability of the data, we performed a limited level of testing and found the data to be adequately reliable for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

[10] LexisNexis® Accurint® for Government is a point-of-need investigative solution that enables government agencies to locate people, detect fraud, uncover assets, verify identity, perform due diligence, and visualize complex relationships. It helps enforce laws and regulations; fight fraud, waste, and abuse; and provide essential citizen services.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.

- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Commission did not comply with HUD's or its own requirements in the administration of its Family Self-Sufficiency program (see finding 1).

- The Commission lacked adequate procedures and controls to ensure compliance with applicable requirements regarding conflicts of interest (see finding 2).

Separate Communication of Minor Deficiencies

We informed the Commission's executive director and the Director of HUD's Detroit Office of Public Housing of minor deficiencies through a memorandum, dated September 12, 2014.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	$106,924		
1B	53,559		
1C			$6,541
1D		$30,934	
1E		9,040	
1F		137,347	
1G			$50,877
2A		$47,353	
Totals	$160,483	$224,674	$57,418

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity that cannot be determined eligible at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. The funds to be put to better use categorized in recommendation 1C include underpaid escrow credits that should be credited to the Family Self-Sufficiency program participants' escrow accounts. The funds to be put to better use categorized in recommendation 1F reflect the remaining balance of the Commission's 2013 Family Self-Sufficiency program coordinator grant funds from April through December 2014.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

"POINTING TOWARDS PROGRESS" **Pontiac Housing Commission**

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August 25, 2014

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The Pontiac Housing Commission would like to thank the Office of Inspector General for the timely review during the Housing Choice Voucher 2014 OIG auditing period. In the OIG report it indicates the objectives of the audit's intent. The objectives were the following: (1) accurate computation of Family Self-Sufficiency escrow credits for its program participants, maintain eligibility documentation, and appropriately use of its FSS coordinator grant funds and (2) HUD's and the State of Michigan's conflict-of-interest requirements. Moreover, in the report it illustrated the historic troubled designated for the program since 2011 and reference the Nelrod technical assistance contract for remedy.

Comment 1

Based on the corrective actions taken place by the agency, along with the Nelrod technical assistance contract the Housing Choice Voucher recently was removed from troubled status to standard based on its confirmatory review conducted by HUD in July 2014. For clarification purpose, the Nelrod technical assistance contract was a comprehensive plan that embodied every component of the Housing Choice Voucher, which includes an extensive review of the FSS Program. Due to the great work by the staff, and sound policies & procedures the SEMAP score in the department was 80% for the fiscal year 2014 (110 points). This is a visual and concrete illustration that the current procedures and streamlined policies are in place within the department.

Comment 2

Prior to the actual audit, the Commission began many of the corrective actions to resolve deficiencies related in this audit report. The audit did not identify the overstatement of escrow accounts. The PHC identified the issue, changed software systems, and contracted the new software system provider to obtain the correct PIC data and correct 50058 data to obtain a true and accurate escrow balance for all FSS participants. Throughout the OIG audit period, the PHC provided several pieces of information indicating what processes and procedures were already in place or forthcoming that would be used as a tool to resolving the outlined deficiencies. However, the PHC does not feel that the report accurately depicts what has already taken place, nor the progression made prior to the OIG Audit.

Comment 3

Specifically, the FSS Program is providing documents to substantiate correction of many of the deficiencies identified in the report with regard to the overstated escrow accounts. Referencing Finding 1 related to Program Administration, the PHC is providing documentation to substantiate the fact that

Ref to OIG Evaluation **Auditee Comments**

the program administration deficiencies have been rectified with the Program Coordinating Committee, the Contract Partnership Administrator, and a Remediation Plan with the Detroit Field Office in addition to the FSS Coordination Activities. The PHC stands firm on the fact that the activities will provide more than enough oversight for proper administration of the FSS Program and that these activities were in place prior to, and during the audit.

Comments 1 and 4

Although the report does provide good recommendations regarding the developmental needs related to program administration, the program has still exceeded goals outlined in its' logic model, which is the basis for the funding received. Further the PHC disagrees with the need to reimburse any portion of the coordinator grant funds received.

Comment 5

Moreover, in the report finding (2) reference transparency within the agency related to staff and board members. In early 2012 the state appointed Emergency Manager appointed every member of the new board along with Mayor of City of Pontiac it was shortly after appointment new board and Field office representatives held a meeting in which full disclosure was provided in reference of conflicts of interest. Provided within the report is an attachment from former Mayor with meeting reference.

Lastly, the PHC is hopeful that the information and documents provided along with the PHC's comments will be sufficient enough to resolve the issues of findings 1 & 2 of the 2014 Housing Choice Voucher OIG report.

Regards,

Ahmad R. Taylor, PHC Executive Director

Cc: Anthony Smith, Assistant Regional Inspector General for Audit

OIG Evaluation of Auditee Comments

Comment 1 The Commission contends that The Nelrod Company performed an extensive comprehensive review of its Family Self-Sufficiency program. Further, due to the great work of its staff and sound policies and procedures, the Commission's section eight management assessment program score was 80 percent for fiscal year 2014. We acknowledge that the Commission received a score of 80 percent for its Section 8 program. According to HUD's regulations at 24 CFR 985.3(o), the two family self-sufficiency components assessed through HUD's Section 8 Management Assessment Program are determining (1) whether the public housing agency had enrolled families in the program as required and (2) the extent of progress in supporting family self-sufficiency, as measured by the percent of current participants with progress reports that have escrow account balances. Further, The Nelrod Company's assessment indicated that the Commission's Family Self-Sufficiency program met the criteria to receive maximum points for the section eight management assessment program based on the two components, as mentioned above. However, neither The Nelrod Company's assessment, nor the family self-sufficiency component of the Section 8 Management Assessment Program include an evaluation of whether (1) participants' escrow credits were calculated correctly and (2) required eligibility documentation was maintained. Our audit objective and results, as indicated in finding 1, concluded that the Commission did not adequately administer its Family Self-Sufficiency program in these areas.

Comment 2 The Commission contends that it had already (1) identified that participants' escrow accounts were overstated, (2) changed software systems, and (3) contracted the new software system provider to obtain the correct data to obtain a true and accurate escrow balance for all its Family Self-Sufficiency program participants before the audit. The audit report acknowledged that the Commission identified that the escrow account balances for its current participants were overstated when it switched software providers; therefore, it adjusted the participants' balances. However, the calculation errors disclosed in the audit report were based on the participants' escrow account balances ***after*** the Commission completed its adjustments. Therefore as indicated in the report, despite the Commission's adjustments, the escrow account balances for 18 of its 20 current participants were still inaccurate.

Comment 3 The Commission contends that it provided documentation, with its written response, to substantiate that many of the deficiencies identified in the report in regards to the overstated escrow accounts had been corrected. We disagree. The Commission did not provide adequate documentation to show that (1) the escrow account balances were corrected or (2) required documentation was obtained to mitigate the errors identified in the audit report. Specifically, the Commission's reconciliation and forfeiture report did not identify (1) the source of the funds and (2) which participant escrow account that the funds were being applied to. In addition, the Commission's status report still reflected incorrect escrow account balances for current participants.

As discussed in the audit report, receipt of the coordinator grant funds was contingent on the Commission administering its Family Self-Sufficiency program in accordance with HUD's regulations and requirements. However as detailed in the audit report, the Commission and its coordinator did not always properly administer its program.

Further, since the Commission executed a remediation agreement with HUD regarding its Family-Self Sufficiency program, which included contracting with an acceptable entity to act as contract administrator for its Family Self-Sufficiency program, we revised recommendation 1I to address the deficiencies cited in finding one.

Comment 4 The Commission disagrees with the report's recommendation for reimbursement of the coordinator grant funds. As discussed in the audit report, receipt of the coordinator grant funds was contingent on the Commission administering its Family Self-Sufficiency program in accordance with HUD's requirements. However as detailed in the audit report, the Commission did not effectively monitor its coordinator to ensure its Family Self-Sufficiency program was administered in accordance with HUD's requirements. Therefore, the recommendation for reimbursement of the coordinator grant funds is appropriate.

Comment 5 The Commission contends that full disclosure regarding the Commission's conflicts of interest was provided during a meeting with its new board and field office representatives. As indicated in the audit report, HUD requires that the Commission submits a request for a waiver from its conflicts of interest requirement. During the course of the audit, the Commission indicated that it did not submit a request for a waiver to HUD. Further, HUD was not aware that the Commission had any conflicts of interest. However based on the Commission's code of conduct and ethics policy, that it provided with its written response; we adjusted the finding and recommendation 2B as necessary.

Appendix C

FEDERAL AND THE COMMISSION'S REQUIREMENTS

Finding 1

Sections III.C.1 of HUD's 2012 and 2013 notices of funding availability for the Housing Choice Voucher Family Self-Sufficiency program state that the purpose was to provide funding to public housing agencies to pay the salaries and benefits of its Family Self-Sufficiency program staff.

Section III.C.2.a.1 of the 2012 notice and section III.C.5.a of the 2013 notice state that "all recipients of funding under the notice must administer the Family Self-Sufficiency program in accordance with HUD regulations and requirements in 24 CFR Part 984 and must comply with Housing Choice Voucher program requirements, notices, and guidebooks."

Section III.C.4.b of the 2013 notice state that "applicants found by HUD to have capacity or past performance challenges that call into question the ability of the public housing agency to properly administer an effective Housing Choice Voucher Family Self-Sufficiency program may be placed on high risk (according to 24 CFR 85.12) and required, at time of award, to enter into a remediation agreement with the HUD field office, which may include contracting with an entity acceptable to the HUD field office to act as contract administrator for the program."

Regulations at 2 CFR Part 225, appendix B, section 16, state that "fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments."

Regulations at 24 CFR 85.43 state that "if a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances: (1) temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency; (2) disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance; (3) wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program; (4) withhold further awards for the program; or (5) take other remedies that may be legally available."

Regulations at 24 CFR 85.51 state that "the closeout of a grant does not affect: (a) The Federal agency's right to disallow costs and recover funds on the basis of a later audit or other review or (b) The grantee's obligation to return any funds due as a result of later refunds, corrections, or other transactions."

Regulations at 24 CFR 984.303(a) state that each family selected to participate in the Family Self-Sufficiency program must enter into a contract of participation with the authority that operates the program in which the family will participate. The contract of participation must be signed by the head of the participating family.

Regulations at 24 CFR 984.303(b)(1) state that the contract of participation, which incorporates the individual training and services plan(s), must be in the form prescribed by HUD and should set forth the principal terms and conditions governing participation in the program, including the rights and responsibilities of the participating family and of the authority and the services to be provided to and the activities to be completed by the head of the participating family and each adult member of the family who elects to participate in the program. Paragraph(b)(2) states that the individual training and services plan, incorporated into the contract of participation, must establish specific interim and final goals by which the public housing authority and the family may measure the family's progress toward fulfilling its obligations under the contract of participation and becoming self-sufficient. For each participating family self-sufficiency family that is a recipient of welfare assistance, the public housing authority must establish as an interim goal that the family become independent from welfare assistance and remain independent from welfare assistance at least 1 year before the expiration of the term of the contract of participation, including any extension.

Regulations at 24 CFR 984.303(b)(4) state that the head of the family self-sufficiency family must be required under the contract of participation to seek and maintain suitable employment during the term of the contract and any extension thereof. Although other members of the family self-sufficiency family may seek and maintain employment during the term of the contract, only the head of the family is required to seek and maintain suitable employment.

Regulations at 24 CFR 984.303(d) state that the authority must, in writing, extend the term of the contract of participation for a period not to exceed 2 years for any program participant that requests, in writing, an extension of the contract, provided that the authority finds that good cause exists for granting the extension. The family's written request for an extension must include a description of the need for the extension. As used in this paragraph, "good cause" means circumstances beyond the control of the program family, as determined by the authority, such as a serious illness or involuntary loss of employment. Extension of the contract of participation will allow the program family to continue to have amounts credited to the family's program account in accordance with section 984.304.

Regulations at 24 CFR 984.303(g) state that the contract of participation is considered to be completed and a family's participation in the Family Self-Sufficiency program is considered to be concluded when one of the following occurs: (1) the family has fulfilled all of its obligations under the contract of participation on or before the expiration of the contract term, including any extension, or (2) 30 percent of the monthly adjusted income of the family equals or exceeds the published existing housing fair market rent for the size of the unit for which the family qualifies based on the authority's occupancy standards. The contract of participation will be considered completed and the family's participation in the program concluded on this basis even though the contract term, including any extension, has not expired and the family members who have individual training and services plans have not completed all the activities in their plans.

Regulations at 24 CFR 984.305(a)(2) state that "during the term of the contract of participation, the Authority should credit periodically, but not less than annually, to each family's family self-sufficiency account, the amount of the family self-sufficiency credit determined in accordance with paragraph (b) of this section. Paragraph (a)(3) states that each authority will be required to make a report, at least once annually, to each participant on the status of the participant's account. At a minimum, the report will include

i. The balance at the beginning of the reporting period,
ii. The amount of the family's rent payment that was credited to the account during the reporting period,
iii. Any deductions made from the account for amounts due the authority before interest is distributed,
iv. The amount of interest earned on the account during the year, and
v. The total in the account at the end of the reporting period."

Regulations at 24 CFR 984.305(b) state that "for purposes of determining the family self-sufficiency credit, "family rent" for the rental voucher program is 30 percent of adjusted monthly income. The family self-sufficiency credit must be computed as follows: For family self-sufficiency families who are very low-income families, the family self-sufficiency credit should be the amount which is the lesser of 30 percent of current monthly adjusted income less the family rent, which is obtained by disregarding any increases in earned income (as defined in section 984.103) from the effective date of the contract of participation, or the current family rent less the family rent at the time of the effective date of the contract of participation. For family self-sufficiency families who are low-income families but not very low-income families, the family self-sufficiency credit should be the amount determined according to paragraph (b)(1)(i) of this section but must not exceed the amount computed for 50 percent of median income. Family self-sufficiency families who are not low-income families must not be entitled to any family self-sufficiency credit. The public housing authority should not make any additional credits to the family self-sufficiency family's account when the family has completed the contract of participation, as defined in section 984.303(g), or when the contract of participation is terminated or otherwise nullified."

HUD's Family Self-Sufficiency Program Contract of Participation (Form HUD-52650), Family Self-Sufficiency Escrow Account, states that "the housing authority will establish a family self-sufficiency escrow account for the family. A portion of the increases in the family's rent because of increases in earned income will be credited to the family self-sufficiency escrow account in accordance with HUD requirements. The family's annual income, earned income, and family rent when the family begins the Family Self-Sufficiency program will be used to determine the amount credited to the family's family self-sufficiency escrow account because of future increases in earned income."

The Family Self-Sufficiency Program Contract of Participation, Housing Authority Responsibilities, states that the housing authority is required to establish a family self-sufficiency escrow account for the family, invest the escrow account funds, and give the family a report on the amount in the family self-sufficiency escrow account at least once a year. The housing authority should determine which, if any, interim goals must be completed before any family self-sufficiency escrow funds may be paid to the family and pay a portion of the family self-sufficiency escrow account to the family if it determines that the family has met these specific interim goals and needs the funds from the family self-sufficiency escrow account to complete the contract. The housing authority should determine whether the family has completed this contract and pay the family the amount in its family self-sufficiency escrow account if the family has completed the contract and the head of the family has provided written certification that no member of the family is receiving welfare assistance.

The Family Self-Sufficiency Program Contract of Participation, Completion of the Contract of Participation, states that completion of the contract occurs when the housing authority determines that (1) the family has fulfilled all of its responsibilities under the contract or (2) 30 percent of the family's monthly adjusted income equals or is greater than the fair market rent amount for the unit size for which the family qualifies.

The Family Self-Sufficiency Program Contract of Participation, Housing Authority Instructions for Executing the Family Self-Sufficiency Contract of Participation, Family Self-Sufficiency Escrow Account, states that the income and rent numbers to be inserted on page 1 may be taken from the amounts on the last reexamination or interim determination before the family's initial participation in the Family Self-Sufficiency program unless more than 120 days will pass between the effective date of the reexamination and the effective date of the contract of participation. If it has been more than 120 days, the housing authority must conduct a new reexamination or interim redetermination.

The Family Self-Sufficiency Program Contract of Participation, Housing Authority Instructions for Executing the Family Self-Sufficiency Contract of Participation, Individual Training and Services Plan, states that the contract must include an individual training and services plan for the head of the family. One of the interim goals for families receiving welfare assistance is to become independent of welfare assistance for at least 12 consecutive months before the end of the contract. Any family that is receiving welfare assistance must have this included as an interim goal in the head of the family's individual training and services plan. The final goal listed on the individual training and services plan of the head of the family must include getting and maintaining suitable employment specific to that individual's skills, education, and job training and the available job opportunities in the area.

HUD's Family Self-Sufficiency Escrow Account Credit Worksheet (form HUD-52652), Instructions for Completing the Family Self-Sufficiency Escrow Account Credit Worksheet, states that an escrow credit must be determined at each reexamination and interim determination occurring after the effective date of the contract of participation while the family is participating in the Family Self-Sufficiency program.

The Commission's family self-sufficiency action plan states that regarding contract amendments, contracts will be extended for up to 2 years in cases in which the families are unable to complete their goals due to circumstances beyond their control, such as illness, death in the family, pregnancy, sudden layoff, etc.

Finding 2

Regulations at 24 CFR 982.161(a) state that neither the public housing agency nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the following classes of persons has any interest, direct or indirect, during tenure or for 1 year thereafter: (1) any present or former member of the public housing agency (except a participant commissioner); (2) any employee of the public housing agency or any contractor, subcontractor, or agent of the public housing agency, who formulates policy or who influences decisions with respect to the programs; (3) any public official, member of a governing body, or State or local legislator, who exercises functions or responsibilities with respect to the programs; or (4) any member of the Congress of the United States.

Regulations at 24 CFR 982.161(b) state that any member of the classes described in paragraph (a) of this section must disclose his or her interest or prospective interest to the public housing agency and HUD.

Regulations at 24 CFR 982.161(c) state that the conflict-of-interest prohibition under this section may be waived.

Section 515 of the Commission's annual contributions contract states that "neither the local Authority nor any of its contractors or their subcontractors should enter into any contract, subcontract, or arrangement in connection with any project or any property included or planned to be included in any project, in which any member, officer, or employee of the local authority; any member of the governing body of the locality in which the project is situated; any member of the governing body of the locality in which the authority was activated; or any other public official of such locality or localities, who exercises any responsibilities or functions with respect to the project during his or her tenure or for 1 year thereafter, has any interest, direct or indirect. If any such present or former member, officer, or employee of the local authority or any such governing body member or such other public official of such locality or localities involuntarily acquires or acquired before the beginning of his or her tenure any such interest and if such interest is immediately disclosed to the local authority, the local authority, with the prior approval of the Government, may waive the prohibition contained in this subsection, provided that any such present member, officer, or employee or the local authority should not participate in any action by the local authority relating to such contract, subcontracts, or arrangement."

Form HUD-52641, Housing Assistance Payments Contract, part B, section 13, states, "'Covered individual' means a person or entity who is a member of any of the following classes: (1) Any present or former member or officer of the public housing agency (except a commissioner who is a participant in the program) or (2) Any employee of the public housing agency, or any contractor, sub-contractor or agent of the public housing agency who formulates policy or who influences decisions with respect to the program. A covered individual may not have any direct or indirect interest in the housing assistance payments contract or in any benefits or payments under the contract (including the interest of an immediate family member of such covered individual) while such person is a covered individual or during one year thereafter. 'Immediate family member' means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual. The owner certifies and is responsible for assuring that no person or entity has or will have a prohibited interest, at execution of the housing assistance payment contract, or at any time during the contract term. If a prohibited interest occurs, the owner must promptly and fully disclose such interest to the public housing agency and HUD. The conflict-of-interest prohibition under this section may be waived by the HUD field office for good cause."

HUD's Housing Choice Voucher Guidebook, 7420.10G, section 11.2, states that before "executing a housing assistance payments contract and processing the housing assistance payments, the public housing agency must determine that the owner of the assisted unit is eligible to participate in the program. The term "owner" may include a principal or other interested party. Public housing agencies must not approve housing assistance payments contracts in which any of the following parties have a current interest or will have an interest for 1 year thereafter: (1) a present or former member or officer of the public housing agency, except a participant commissioner, and (2) an employee of the public housing agency or any contractor, subcontractor, or agent of the public housing agency who formulates policy or influences decisions. HUD may waive the conflict-of-interest requirements for good cause. Public housing agencies must submit waiver requests to the HUD field office. The waiver request should include the following:

(1) A complete statement of the facts of the case.
(2) Analysis of the specific conflict-of-interest provision of the housing assistance payments contract and justification as to why the provision should be waived.
(3) Analysis of and statement of consistency with State and local laws. The local HUD office, the public housing agency, or both parties may conduct this analysis. Where appropriate, an opinion by the State's attorney general should be obtained.
(4) An opinion by the local HUD office as to whether there would be an appearance of impropriety if the waiver were granted.
(5) A statement regarding alternative existing housing available for lease under the Housing Choice Voucher program or other assisted housing if the waiver is denied.
(6) If the case involves a public official or member of the governing body, an explanation of his or her duties under State or local law, including reference to any responsibilities involving the Housing Choice Voucher program.
(7) If the case involves employment of a family member by the public housing agency or assistance under the program for an eligible public housing agency employee, an explanation of the responsibilities and duties of the position, including any related to the Housing Choice Voucher program.
(8) If the case involves an investment on the part of a member, officer, or employee of the public housing agency, a description of the nature of the investment, including disclosure divesture plans.

The public housing agency must not execute the housing assistance payments contract until the HUD field office makes a decision on the waiver request."

The Commission's program administrative plan, dated February 2014, states that administration of the program and the function and responsibilities of the Commission's staff must comply with the Commission's personnel policy, the fair housing regulations, HUD regulations and notices, the program administrative plan, and applicable standard operating procedures. All Federal, State, and local housing laws must be followed.

The Commission's program administrative plan, dated December 2012, states that the administration of the program and the functions and responsibilities of the Commission's staff must comply with the Commission's personnel policy and HUD's program regulations, when applicable, as well as Federal, State, and local fair housing laws and regulations.

State of Michigan Act 18 of 1933, section 125.658, states that no member of the housing commission or any of its officers or employees should have any interest, directly or indirectly, in any contract for property, materials, or services to be acquired by the commission.