



**Wellston Housing Authority
Wellston, MO**

**Community Service and Self-Sufficiency
Requirement**



Issue Date: September 24, 2014

Audit Report Number: 2014-KC-0005

TO: Lindsey Reames, Deputy Assistant Secretary for Field Operations (Acting), PQ
//signed//
FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA
SUBJECT: Wellston Housing Authority Improperly Administered the Community Service and Self-Sufficiency Requirement

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 Wellston Housing Authority's administration of the Community Service and Self-Sufficiency Requirement.

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 913-551-5870.



September 24, 2014

Wellston Housing Authority Improperly Administered the Community Service and Self-Sufficiency Requirement

Highlights

Audit Report 2014-KC-0005

What We Audited and Why

We reviewed the Wellston Housing Authority's administration of the Community Service and Self-Sufficiency Requirement (CSSR) due to its unusually low reported rate of compliance with the requirement. Also, this audit will complement our upcoming nationwide internal audit of CSSR. Our audit objective was to determine if Wellston Housing Authority properly administered the CSSR.

What We Found

The Authority improperly administered the CSSR. It improperly determined whether 105 tenants complied with the CSSR and reported incorrect compliance status codes on the Family Report (Form 50058). The Authority also improperly renewed leases for noncompliant tenants in 78 units. As a result, HUD provided subsidies for noncompliant tenants, and noncompliant households occupied units that could have housed compliant families.

What We Recommend

We recommend that HUD require the Wellston Housing Authority to develop and implement procedures to address noncompliance before lease renewal and terminate a lease if noncompliance is not corrected. This will put the Wellston Housing Authority's annual operating subsidy for 78 units of \$302,000 to better use. Also, HUD should provide guidance to the Authority staff for proper CSSR coding and conduct follow up monitoring to confirm the staff's understanding and ensure staff is properly administering the CSSR including properly determining CSSR status and follow up action.

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BACKGROUND AND OBJECTIVE

Wellston Housing Authority (Authority) operates 201 public housing units under the Conventional Public Housing Program. Under this program, the Authority rents units that it owns to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based on 30 percent of household income after deductions. In 2013, the Authority received more than \$593,000 in public housing operating subsidies and is projected to receive more than \$778,000 in 2014.

The Authority has been under Administrative Receivership since July 1996. Administrative Receivership is a process where HUD declares a Public Housing Authority (PHA) in substantial default of its ACC and takes control of the PHA under the powers granted to the HUD Secretary under the Housing Act of 1937, as amended. In 2012, HUD appointed an employee from its Kansas City office as receiver. This individual acts as the Authority's board.

The Quality Housing and Work Responsibility Act of 1998, which amended Section 12 of the U.S. Housing Act of 1937, established the requirement that every nonexempt adult resident of public housing contribute 8 hours of community service each month or participate in an economic self-sufficiency program. Community service is the performance of voluntary work or duties that are a public benefit and that serve to improve the quality of life, enhance resident self-sufficiency, or increase resident self-responsibility in the community. Self-sufficiency programs include programs for job training, employment counseling, work placement, basic skills training, and education.

Residents exempt from the requirement are those who are

- 62 years of age or older;
- Blind or disabled and who certify that, because of this disability, they are unable to comply with the service provisions or primary caretakers of such individuals;
- Engaged in eligible work activities;
- Exempt from having to engage in a work activity under the State program funded under the Social Security Act or a State-administered welfare-to-work program; or
- Members of a family receiving welfare assistance, benefits, or service under a State welfare program.

Public and Indian Housing (PIH) Notice PIH-2009-48, was issued November 25, 2009 to help PHAs understand and administer the mandated Community Service and Self-Sufficiency Requirement (CSSR) and in response to an audit report issued by the Office of Inspector General on March 24, 2008. This Notice was extended by Notice PIH-2011-11 and Notice PIH-2012-13 indefinitely, until amended, superseded, or rescinded and without any substantial change.

At lease execution or reexamination, all adult members (age 18 or older) of a public housing resident family must provide documentation showing that they qualify for an exemption. At each annual reexamination, nonexempt family members must present documentation of activities

performed over the previous 12 months. Documentation will include signatures of supervisors, instructors, or counselors certifying the number of hours contributed. If during reexamination, a family member is found to be non-compliant, the member and head of household will sign an agreement with the housing authority to make up the deficient hours over the next 12-month period or the lease will be terminated.

Our audit objective was to determine whether the Authority properly administered the CSSR.

RESULTS OF AUDIT

Finding: The Authority Improperly Administered the Community Service and Self-Sufficiency Requirement

Wellston Housing Authority improperly determined whether 105 tenants complied with the Community Service and Self-Sufficiency Requirement (CSSR) and improperly renewed leases for noncompliant tenants in 78 units. The Authority staff did not understand the requirement and did not have adequate procedures to address noncompliance. As a result, HUD provided subsidies for noncompliant tenants, and noncompliant households occupied units that could have otherwise housed compliant families.

Compliance Improperly Determined

The Authority improperly determined whether 105 of the 176 tenants reviewed complied with the CSSR. In addition, it improperly renewed leases for noncompliant tenants in 78 of the 115 households reviewed.

Tenants Coded Exempt Without Proper Support

The Authority coded tenants exempt without proper supporting documentation. The Authority's CSSR policy requires residents to provide documentation if they qualify for an exemption. The Authority improperly coded 14 tenants as exempt without documentation supporting an exemption. In four additional instances, tenants coded as exempt by the Authority provided documentation supporting their compliance with the CSSR.

Tenants Improperly Coded Noncompliant

The Authority coded tenants noncompliant when support for their exemption was documented in the tenant file. The Authority improperly coded 42 tenants noncompliant despite documentation for their disability, work activities, or State assistance entitling them to an exemption.

Tenants Coded Noncompliant at New Admission

The Authority coded tenants noncompliant at new admission. Notice PIH-2009-48 states that, at the time of program admission, tenants are to be coded pending or exempt. The Authority coded five tenants in our sample as noncompliant at new admission.

Tenants Coded Pending After New Admission

The Authority coded tenants as pending after new admission. Notice 2009-48 states that, if a pending code is used after the year of program admission, this means the housing authority is still in the process of verifying CSSR compliance

or that a lease renewal is pending. The Authority inappropriately coded 42 tenants as pending after new admission, when compliance could have been determined and a lease renewal was not pending.

Noncompliant Tenants' Leases Were Inappropriately Renewed

The Authority inappropriately renewed leases for noncompliant tenants in 78 units. Housing authorities review resident compliance with the CSSR at least 30 days prior to the end of the twelve-month lease. If a housing authority finds a tenant is noncompliant with the CSSR, Notice PIH-2009-48 requires it to provide written notice to the tenant stating the finding of noncompliance and that lease renewal is contingent on compliance or execution of a written workout agreement. This agreement with the housing authority presents the means through which noncompliant family members will comply. Otherwise, the family must provide written assurance to the housing authority that the tenant or other noncompliant resident no longer resides in the unit. The Authority renewed the leases of noncompliant tenants without entering workout agreements or obtaining written assurance that the noncompliant resident no longer resided in the unit.

The Authority Made Other Administrative Errors

In addition, some tenants received notices of noncompliance with the CSSR when they were exempt. Some exempt tenants signed a certificate of compliance with the CSSR and not all leases executed by the Authority included a provision requiring compliance with the CSSR.

Staff Did Not Understand Requirements

The Authority staff did not understand the CSSR and did not have adequate procedures to address noncompliance.

Authority staff was not aware that families receiving Temporary Assistance for Needy Families (TANF) or State welfare are exempt from the CSSR. Staff was also not aware that primary caretakers of disabled individuals are exempt from the CSSR. Finally, Authority staff believed that workout agreements for noncompliant tenants were only initiated at the request of the tenant.

The Authority did not have a procedure outlining the steps to be followed to address noncompliant tenants. This procedure would have specified the actions to be taken when a tenant was noncompliant before lease renewal, including how to enter into a workout agreement and how to terminate the lease of a tenant who failed to enter into a workout agreement.

Noncompliant Tenants Received Subsidies

HUD provided subsidies for noncompliant tenants, and noncompliant households occupied units that could have otherwise housed compliant families. Potential tenants were kept on the waiting list while tenants who were noncompliant with the CSSR continued to live in subsidized housing. If the Authority strengthens its controls over the CSSR, we estimate that \$302,000 (the annual operating subsidy for 78 units) will be better used to house compliant households over the next year.

HUD also received incorrect information about the compliance with the CSSR. HUD needed that information to determine whether the CSSR effectively facilitated upward mobility for public housing residents.

Conclusion

The Authority improperly renewed leases for tenants who were not compliant with the CSSR because management did not understand the requirement and did not have adequate procedures to address the noncompliance. Without a full understanding of the CSSR and procedures to address noncompliance before lease renewals, potential tenants will stay on the waiting list while noncompliant tenants continue to reside in subsidized housing.

Recommendations

We recommend that the Deputy Assistant Secretary for Field Operations:

- 1A. Provide guidance to the Authority on proper CSSR coding.
- 1B. Perform follow up monitoring of Form 50058 submissions to confirm staff's understanding and ensure staff is properly administering the CSSR including properly determining CSSR status and taking follow up action.
- 1C. Require the Authority to develop and implement a procedure for addressing noncompliance before lease renewal and terminating the lease if noncompliance is not corrected in order to put \$301,938 to better use.

SCOPE AND METHODOLOGY

Our audit period generally covered May 1, 2012, through April 30, 2014. We performed our audit work from May through August 2014 at the Wellston Housing Authority office located at 6203 Cote Brillante Avenue, Wellston, MO.

To accomplish our objective, we

- Reviewed applicable laws and regulations and HUD's guidance,
- Interviewed housing authority staff regarding their administration of the community service requirement,
- Reviewed the Authority's policies and procedures,
- Analyzed computer-processed data from the HUD's Public and Indian Housing Information Center (PIC),
- Reviewed physical tenant files to determine whether the tenants were properly classified regarding CSSR,
- Interviewed HUD's staff regarding their roles in monitoring the requirements of CSSR.

To select our sample, we used the most recent annual reexamination or new admission Form 50058 available in the PIC system. We identified 189 households who resided in Wellston, MO public housing units. Of these 189 households, we eliminated 30 newly admitted households; 30 households with heads of household 62 years of age or older and all other adults being disabled; and 14 households with disabled members who were coded exempt on Form 50058. After eliminating these 74 households we selected a sample of 115 households (consisting of 176 tenants between the ages of 18 and 61) for our review. We reviewed the sample tenant files for documentation supporting the community service or self-sufficiency activities or exempt status of the tenants. Our review found that the Authority improperly determined whether 105 of the 176 tenants complied with the CSSR, and improperly renewed leases for noncompliant tenants in 78 of the 115 households reviewed.

To compute funds to be put to better use (see appendix A), we calculated the annual public housing operating subsidy cost per household by dividing the Authority's 2014 public housing operating budget of \$778,037 by the 201 public housing units. This equaled \$3,871 per unit annually. We multiplied the 78 households with noncompliant adult tenants from our sample by the \$3,871 to obtain our funds put to better use amount of \$301,938.

We did not rely on computer-processed data to form our conclusions. Instead, we based our conclusions on reviewing source documents contained within the physical tenant files. We used information from the HUD's PIC system for the sample selection and background purposes only.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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:

- Controls to ensure tenants' CSSR status is properly determined and appropriate follow-up actions are taken against non-compliant tenants.

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 Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Authority lacked a procedure to ensure noncompliance is addressed before lease renewal and leases are not renewed unless noncompliance with the CSSR is corrected.

APPENDIXES

Appendix A

SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1C	\$301,938

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (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. In this case, if the Authority implements our recommendations, it will ensure it has the capability to better manage its CSSR, ensuring \$301,938 in annual public housing operating subsidies are used to house compliant families. Once the Authority successfully implements our recommendations, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1



Wellston Housing Authority
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Interim Executive Director
Marchell Benton

Property Manager
Marchell Benton

Contract Specialist
Joshua Johnson

Executive Secretary
Ernestine Hernton

Office Hours
*** **

WELLSTON HOUSING AUTHORITY
M-F
8:30am - 5:00pm

WHA MULTI-PURPOSE CENTER
M-F
11:30am - 8:00pm

September 19, 2014

To: Carrie Gray, Assistant Regional Inspector General for Audit

From: Marchell Benton, Interim Executive Director

Subject: Draft Audit Community Service and Self-Sufficiency Requirements Audit Report

We have completed a review of the above-subject Draft Audit Report and do not disagree with the findings and recommendations contained therein. We are currently revising our procedures and implementing policies to comply with the recommendations.

We appreciate the guidance and information provided by your staff.

Should you have questions, please give me a call at 314-385-4089 or email me at mbenton@WHAopeningdoors.org.

OIG Evaluation of Auditee Comments

Comment 1 The Authority is in agreement with our findings and recommendations. The Authority stated that it is in the process of revising its procedures and implementing policies to address our recommendations. HUD will need to obtain these policies and procedures, evaluate their adequacy, and verify their completion in order to satisfy recommendation 1C.

Appendix C

CRITERIA

HUD Public and Indian Housing Notice 2009-48

Community service volunteer work and economic self-sufficiency requirements mandate that each nonexempt adult household member (18 years or older) either contribute 8 hours per month of community service within their community, or participate in a self-sufficiency program for 8 hours per month. The requirement can also be met by a combination of 8 hours of community service and participation in an economic self-sufficiency program. At least 8 hours of activity must be performed each month. An individual may not skip a month and then double up the following month unless special circumstances warrant it.

Exemptions for adult residents unable to participate include persons who are 62 years or older; blind or disabled who certify that because of this disability, they are unable to comply with the service provisions or is a primary caretaker of such individual; engaged in work activities; able to meet requirements under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located; or a member of the family receiving assistance, benefits, or services under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located.

Authorities are encouraged to use 30 hours per week as the minimum number of hours for a work activity. Authorities must describe in its requirement policy the process to determine which family members are exempt from the requirement, as well as the process for determining any changes to the exempt status of the family member. Authorities provide the family a copy of the requirement policy at initial application and secure certification of receipt. The authority makes the final determination whether to grant an exemption from the community service requirement.

HUD Public and Indian Housing Notices 2011-65 and 2010-25

HUD relies on housing authorities to submit accurate, complete, and timely data to administer, monitor, and report on the management of its rental assistance programs. In order to fully justify its budget requests to Congress, HUD needs full cooperation from all PHAs in meeting their reporting requirements in a timely manner.

Wellston Housing Authority Community Service and Self-Sufficiency Requirement Policy

A. Background

The Quality Housing and Work Responsibility Act of 1998 requires that all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes or other activities that help any individual toward self-sufficiency and economic independence. This is a requirement of the dwelling lease of WHA.

B. Definitions

Community Service is volunteer work which includes, but is not limited:

- Work at a local institution, including, but not limited to: school, child care center, hospital hospice, recreation center, senior center, adult daycare center, homeless shelter, indigent feeding program, cooperative food bank; etc.;
- Work with a non-profit organization that serves WHA residents or their children such as: Boy Scouts, Girl Scouts, Boys or Girls clubs, Community clean-up programs, beautification programs, other youth or senior organizations;
- Work at the WHA to help improve physical conditions;
- Work at the WHA to help with children programs;
- Work at the WHA to help with senior programs;
- Helping neighborhood groups with special projects;
- Working through resident organization to help other residents with problems, serving as an officer in a Resident organization, serving on the Resident Advisory Board; and
- Caring for the children of other resident so they may volunteer.

NOTE: Political activity is excluded.

Self Sufficiency Activities- activities that include, but are not limited to:

- Job readiness programs;
- Job training programs;
- GED classes;
- Substance abuse or mental health counseling;
- English proficiency or literacy (reading) classes;
- Apprenticeships;
- Budgeting and credit counseling;
- Any kind of class that helps a person toward economic independence; and
- Full-time student status at any school, college or vocational school.

Exempt Adult - an adult member of the family who

- Is 62 years of age or older;
- Has a disability that prevents him/her from being gainfully employed
- Is the caretaker of a disabled person:
- Is working at least 30 hours per week; or
- Is participating in a welfare-to-work program.

C. Requirements of the program.

1. The eight (8) hours per month may be either volunteer work.
2. At least eight (8) hours of activity must be performed each month. An individual may not skip a month and then double up the following month, unless special circumstances warrant special consideration. The WHA will make the determination of whether to allow or disallow a deviation from the schedule.
3. Activities must be performed within the community and not outside the jurisdictional area of the WHA.
4. Family obligations
 - At least execution or re-examination after February 21, 2003, all adult members (18 or older) of a public housing resident family must:
 - i. Provide documentation that they are exempt from Community Service requirement if they qualify for an exemption, and
 - ii. Sign a certification that they have received and read this policy and understand that if they are not exempt, failure to comply with the Community Service requirement will result in non-renewal of their lease.
 - At each annual re-examination, non-exempt family members must present a completed documentation form (to be provided by the WHA) of activities performed over the previous twelve (12) months. This form will include places for signatures of supervisors, instructors, or counselors certifying to the number of hours contributed.
 - If a family member is found to be noncompliant at re-examination, he/she and the Head of Household will sign an agreement with the WHA to make up the deficient hours over the next twelve (12) month period.
5. Change in exempt status
 - If, during the twelve (12) month period, a non-exempt person becomes exempt, it is his/her responsibility to report this to WHA and provide documentation of such.
 - If, during the twelve (12) month period, an exempt person becomes non-exempt, it is his/her responsibility to report this to the WHA. WHA will provide the person with the Recording /Certification documentation form and a list of agencies in the community that provide volunteer and/or training opportunities.

D. WHA obligations

1. To the greatest extent possible and practicable, the WHA will:
 - Provide names and contacts at agencies that can provide opportunities for residents, including disabled, to fulfill their Community Service obligations. (According to the Quality Housing and Work Responsibility Act, a disabled

person who is otherwise able to be gainfully employed is not necessarily exempt from the Community Service requirement); and

- Provide in-house opportunities for volunteer work.
2. WHA will provide the family with exemption verification forms, Recording/Certification documentation forms, and a copy of this policy at initial application and at lease execution.
 3. WHA will make the final determination as to whether or not a family member is exempt from the Community Service requirement. Residents may use WHA's Grievance Procedure if they disagree with WHA's determination.
 4. Noncompliance of family member: At least thirty (30) days prior to annual re-examination and or lease expiration, the WHA will begin reviewing the exempt or nonexempt status and compliance of family members.
 - If WHA finds a family member to be noncompliant, WHA will enter into an agreement with the noncompliant member and the Head of Household to make up the deficient hours over the next twelve (12) month period;
 - If, at the next annual re-examination, the family member still is not compliant, the lease will not be renewed and the entire family will have to vacate, unless the noncompliant member agrees to move out of the unit;
 - The family may use WHA's Grievance Procedure to protest the lease termination.