



**Jefferson Metropolitan Housing
Authority,
Steubenville, OH**

Section 8 Housing Choice Voucher Program



To: Kevin J. Laviano, Director of Public and Indian Housing Hub, 5DPH

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: The Jefferson Metropolitan Housing Authority, Steubenville, OH, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied 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 Jefferson Metropolitan Housing Authority'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.



Audit Report Number: 2015-CH-1004

Date: September 9, 2015

The Jefferson Metropolitan Housing Authority, Steubenville, OH, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied With HUD's and Its Own Requirements

Highlights

What We Audited and Why

We audited the Jefferson Metropolitan Housing Authority's Section 8 Housing Choice Voucher program based on a request from the U.S. Department of Housing and Urban Development (HUD) and the activities included in our 2015 annual audit plan. Our audit objectives were to determine whether the Authority (1) appropriately calculated housing assistance payments, (2) maintained required eligibility documentation to support the admission and continued occupancy of its program households, and (3) ensured that assisted units were affordable.

What We Found

The Authority did not always ensure that its program files complied with HUD's requirements and its own policies. Specifically, it did not (1) correctly calculate housing assistance payments, (2) maintain required eligibility documentation, and (3) ensure that assisted units were affordable. As a result of these weaknesses, HUD and the Authority lacked assurance that program funds were used appropriately. If the Authority does not correct its certification process, we estimate that it could overpay housing assistance by more than \$100,000 over the next year.

What We Recommend

We recommend that the Director of HUD's Cleveland Office of Public and Indian Housing require the Authority to (1) reimburse its program more than \$25,000 from non-Federal funds for the ineligible housing assistance payments, (2) support or reimburse its program more than \$421,000 from non-Federal funds for the unsupported payments, (3) reimburse its households more than \$5,400 for the underpayment of housing assistance, and (4) implement adequate procedures and controls to address the issues cited in this audit report.

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Background and Objectives

The Jefferson Metropolitan Housing Authority is a public housing agency created in 1958 by the State of Ohio to provide decent, safe, and sanitary housing for low-income households. The Authority is governed by a five-member board of commissioners appointed by elected officials. The board's responsibilities include performing duties and functions as required by the Authority's bylaws or its rules and regulations. The executive director has supervision over the administration of the Authority and management over the housing projects of the Authority.

The Authority administers the Section 8 Housing Choice Voucher program funded by the U.S. Department of Housing and Urban Development (HUD). The 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 October 20, 2014, the Authority had 818 units under contract and was authorized to receive nearly \$2.5 million in program funds for the fiscal year.

Our audit objectives were to determine whether the Authority (1) appropriately calculated housing assistance payments, (2) maintained required eligibility documentation to support the admission and continued occupancy of its program households, and (3) ensured that assisted units were affordable.

Results of Audit

Finding: The Authority Did Not Always Ensure That Its Program Files Complied With HUD's Requirements and Its Own Policies

The Authority did not always ensure that its program household files complied with HUD's requirements and its own administrative plan. Specifically, it did not (1) correctly calculate housing assistance payments, (2) maintain required eligibility documentation, and (3) ensure that assisted units were affordable. These weaknesses occurred because the Authority lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and required household eligibility documentation was maintained. As a result, it overpaid more than \$16,000 and underpaid more than \$5,000 in housing assistance. In addition, the Authority was unable to support more than \$389,000 in housing assistance payments. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$101,000 in housing assistance.

The Authority Miscalculated Housing Assistance Payments

We reviewed 85 statistically selected¹ certifications for 84 of the Authority's program household files to determine whether the Authority correctly calculated housing assistance payments for the period January 2012 through December 2014. Our review was limited to the information maintained by the Authority in its household files.

For the 85 certifications, 29 (34 percent) contained incorrectly calculated housing assistance. The 29 certifications contained one or more of the following deficiencies:

- 20 contained incorrect income calculations,
- 12 contained incorrect utility allowances, and
- 1 contained an incorrect payment standard.

In addition, of the 85 certifications reviewed, 17 contained errors that had no impact on the housing assistance calculations. These errors included incorrect utility allowances and incorrect income calculations. Further, the Authority failed to follow its administrative plan for zero income households; however, the errors had no impact on housing assistance payment calculations.

The Authority did not properly use program funds when it failed to correctly calculate housing assistance payments for the 29 certifications in accordance with HUD's requirements and its administrative plan. These errors resulted in \$16,264 in overpayments and \$2,200 in

¹ Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

underpayments of housing assistance. In addition, the Authority had unsupported calculations, which resulted in \$13,777 (\$7,273 + \$6,504) in unsupported payments of housing assistance.

Because the housing assistance was incorrectly calculated, the Authority inappropriately received \$8,823 in administrative fees. If the Authority does not correct its certification process, we estimate that it could overpay \$101,740 in housing assistance over the next year.²

The Authority Lacked Documentation To Support Households' Eligibility

We reviewed 84 of the Authority's household files to determine whether it maintained the required documentation³ to support the households' eligibility for the program. All 84 (100 percent) of the household files reviewed were missing 1 or more of the following documents needed to determine the households' eligibility:

- 80 were missing support that criminal background checks had been performed,
- 68 were missing lead-based paint disclosure forms,
- 54 were missing appropriate rent reasonableness determinations,
- 41 were missing executed leases,
- 36 were missing proof that one or more landlords owned the assisted units,
- 32 were missing request for tenancy approval forms,
- 16 were missing copies of the original applications,
- 9 were missing an authorization for release of information,
- 5 were missing support for a Social Security number,
- 4 were missing citizenship declarations,
- 4 were missing full support for household members, and
- 1 was missing a housing assistance payments contract.

Because the 84 household files were missing required eligibility documentation, HUD and the Authority lacked assurance that the households were eligible for the program. As a result, \$375,336 in housing assistance was unsupported. In addition, because there was no support that the Authority ensured that the household members were eligible for the program in accordance with HUD's requirements, \$32,172 in administrative fees received by the Authority was unsupported.

In addition, because the 41 files were missing a copy of the executed lease, we were unable to determine whether the housing assistance payments contracts were executed in a timely manner.⁴

The Authority Allowed Households To Move Into Unaffordable Units

The Authority allowed three households to move into units that were not affordable. For these households, their contributions to rent exceeded the initial maximum of 40 percent of their adjusted monthly income. According to HUD regulations, the Authority may not execute a

² Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

³ See appendix C for criteria.

⁴ Regulations at 24 CFR (Code of Federal Regulations) 982.305(c)

housing assistance payments contract until it has determined that the household's share does not exceed 40 percent of its monthly adjusted income at the time the family initially occupies a unit.⁵ The three households made payments toward rent totaling \$3,164 in excess of 40 percent of their adjusted monthly incomes.

The Authority Lacked Adequate Procedures and Controls

The Authority's housing assistance was incorrectly calculated, and its files were missing the required eligibility documentation because the Authority lacked adequate procedures and controls. According to the Authority's Section 8 director, in addition to performing reexaminations and issuing new vouchers to households because the Authority was under leased, the three Section 8 housing specialists also took turns performing housing quality standards inspections when the Authority's housing quality standards inspector left. She believed that the increased workload led to the specialists making errors during the reexamination process. In addition, the Authority did not perform adequate quality control reviews to ensure that housing assistance payments were correctly calculated and paid.

The Authority's Section 8 director also said that the files were missing the required eligibility documentation because the Authority had not developed a checklist for its staff to use when completing annual and interim reexaminations. She believed that a checklist would have ensured that the required documentation was maintained in the files.

As a result of our audit, the Authority's acting executive director said that he planned to (1) provide training to housing specialists and (2) implement new policies and procedures to ensure that household files contain the required eligibility documentation.

Conclusion

The weaknesses described above occurred because the Authority lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and required household eligibility documentation was maintained. As a result, the Authority overpaid \$16,264 and underpaid \$5,364 in housing assistance (\$2,200 for miscalculated housing assistance payments + \$3,164 for the households that resided in units that were not affordable). In addition, it had unsupported housing assistance payments of \$389,113 (\$7,273 + \$6,504 + \$375,336) due to missing documentation supporting housing assistance payment calculations or household eligibility.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program. The Authority received \$40,995 (\$8,823 + \$32,172) in program administrative fees related to the inappropriate

⁵ Regulations at 24 CFR 982.305(a)

and unsupported housing assistance payments for the 29 program households with incorrectly calculated housing assistance and 85 program households with missing eligibility documentation.

If the Authority does not correct its certification process, we estimate that it could overpay \$101,740.⁶ These funds could be put to better use if proper procedures and controls are put into place to ensure the accuracy of housing assistance payments.

Recommendations

We recommend that the Director of HUD's Cleveland Office of Public and Indian Housing require the Authority to

- 1A. Reimburse its program \$25,087 (\$16,264 in housing assistance payment plus \$8,823 in associated administrative fees) from non-Federal funds for the overpayment of housing assistance due to inappropriate calculations of housing assistance payments.
- 1B. Reimburse the appropriate households \$2,200 from program funds for the underpayment of housing assistance due to inappropriate calculations.
- 1C. Support or reimburse its program \$414,781 (\$375,336 + \$7,273 in housing assistance payments + \$32,172 in associated administrative fees) from non-Federal funds for the unsupported payments of housing assistance cited in this finding.
- 1D. Support or reimburse the appropriate households \$6,504 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.
- 1E. Reimburse the appropriate households \$3,164 from non-Federal funds for the rent amounts paid, exceeding 40 percent of their adjusted monthly income, for units that were not affordable.
- 1F. Review the remaining household files to ensure that additional households do not reside in units that are not affordable.
- 1G. For households residing in units that are not affordable, renegotiate the rents to the owners or require the households to move into units that are affordable.
- 1H. Ensure that its staff is trained and familiar with HUD's regulations and the Authority's policies.
- 1I. Implement procedures and controls to ensure that housing assistance is correctly calculated during the examination process to ensure that \$101,740 in program funds is appropriately used for future payments.

⁶ Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

- 1J. Implement adequate procedures and controls to ensure that required eligibility documentation is obtained and maintained to support households' admission to and continued assistance on the program.

Scope and Methodology

We performed our onsite audit work between January and July 2015 at the Authority's main office located at 815 North 6th Avenue, Steubenville, OH. The audit covered the period December 1, 2012, through November 30, 2014, but was expanded as determined necessary.

To accomplish our review objective, we interviewed HUD program staff and the Authority's employees. In addition, we obtained and reviewed the following:

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 982, and 984; Office of Public and Indian Housing notices; and HUD's Guidebook 7420.10G.
- The Authority's program administrative plans, created November 2012; annual audited financial statements for 2011, 2012, and 2013; accounting records; bank statements; policies and procedures; board meeting minutes for December 2012 through November 2014; payment standards; household and landlord reports and housing assistance payment register; and HUD's fair market rents.

We statistically selected a stratified random sample of 85 monthly housing assistance payments⁷ from the Authority's 14,956 monthly disbursements to landlords from December 2012 through November 2014 (24 months). Based on the 85 randomly selected housing assistance payments from the audit universe of 14,956 housing assistance payments, we found that the overpayment per household was an average of \$14.⁸ Projecting this amount to the audit universe of 14,956 housing assistance payments, the overpayments totaled more than \$200,000. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can state, with a confidence interval of 95 percent, that at least \$203,481 in housing assistance in the universe was overpaid. Over the next year, this is equivalent to an additional overpayment of \$101,740 ($\$203,481 \times 12 \text{ months} / 24 \text{ months}$) in housing assistance. Due to the low percentage of underpayment errors, underpayment projections were not reported in our statistical sampling results.

The calculation of administrative fees was based on HUD's administrative fee per household month for the Authority. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of housing assistance payment calculation errors for the household files that contained administrative fees exceeding the housing assistance payment errors.

⁷ The 85 monthly housing assistance payments were from the 85 household certifications, which represented 84 households.

⁸ This amount was rounded for reporting purposes.

We relied in part on data maintained by the Authority. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. We provided our review results and supporting schedules to the Director of HUD's Cleveland Office of Public and Indian Housing and the Authority's acting executive director during the audit.

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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 objectives:

- 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 Deficiency

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

- The Authority lacked a sufficient understanding of HUD's requirements and failed to implement an adequate quality control process to ensure that housing assistance payments were correctly calculated and household eligibility documentation was maintained (see finding).

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	<u>\$25,087</u>		
1B			\$2,200
1C		\$414,781	
1D		<u>6,504</u>	
1E			3,164
1I			<u>\$101,740</u>
Total	<u>\$25,087</u>	<u>\$421,285</u>	<u>\$107,104</u>

- 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 when we cannot determine eligibility 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 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 instance, if the Authority implements our recommendations, it will (1) ensure that funds are available to provide assistance to eligible families and (2) stop incurring program costs for the overpayment and underpayment of housing assistance and, instead, will spend those funds in accordance with HUD's requirements and the Authority's program administrative plan. Once the

Authority improves its controls, 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

Comment 2



Jefferson Metropolitan Housing Authority
815 North Sixth Avenue, Steubenville, Ohio 43952
Phone: (740) 282-0994 • Fax: (740) 284-7066



Kimberly Toler, Assistant Regional Inspector General for Audit
U.S. Dept. of HUD Office of Inspector General
200 N. High Street Room 334
Columbus, OH 43215

Re: Draft Audit report of the Jefferson Metropolitan Housing Authority
Housing Choice Voucher program

Dear Ms Toler:

Thank you for the opportunity to respond to the Office of Inspector General's draft audit of Jefferson Metropolitan Housing Authority's Housing Choice Voucher program.

Jefferson Metropolitan Housing Authority (JMHA) has reviewed the findings and recommendations from the Office of Inspector General's (OIG) recent audit. JMHA is enthusiastic about the opportunity to improve program compliance and efficiency as the result of the OIG's review. Below is JMHA's response to the OIG's findings and recommendations; as well as, a plan for continuous improvement.

JMHA agrees with the OIG finding that the agency was not in complete compliance with the federal regulations as well as its established policies. Upon further review, JMHA has some points of clarification regarding the volume of findings and payments owed as detailed below. JMHA will submit to the OIG documentation supporting the revised calculation of amounts owed. JMHA is eager to work with the OIG to create meaningful change and improvement within the agency.

Finding

The authority did not always ensure that its program files complied with HUD's requirements and its own policies. Specifically, it did not (1) correctly calculate housing assistance payments, (2) maintain required eligibility documentation, and (3) ensure that assisted units were affordable. As a result of these weaknesses, HUD and the Authority lacked assurance that program funds were used appropriately.

JMHA agrees that not all of the HAP calculations were done correctly, however the depth of the incorrect payments is not as severe as initially calculated by the OIG. JMHA is currently analyzing all of the OIG's findings and will submit a revised calculation summary to the OIG.

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**Ref to OIG
Evaluation**

Auditee Comments

Comment 3

Comment 4

Comment 5

Recommendations

1A. Reimburse its program \$25,087 (\$16,264 in housing assistance payment plus \$8,823 in associated administrative fees) from non-Federal funds for the overpayment of housing assistance due to inappropriate calculations of housing assistance payments.

1B. Reimburse the appropriate households \$2,200 from program funds for the underpayment of housing assistance due to inappropriate calculations.

1C. Support or reimburse its program \$414,781 (\$375,336 + \$7,273 in housing assistance payments + \$32, 172 in associated administrative fees) from non-Federal funds for the unsupported payments of housing assistance cited in this finding.

1D. Support or reimburse the appropriate households \$6,504 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.

JMHA is conducting analysis of improper over and under payments. Once that analysis is complete it will respond to the recommendations above. It is JMHA's intention to promptly address any financial discrepancies after the review is conducted.

While that analysis is pending JMHA would like to address two findings that directly affect the calculation of HAP payments; rent reasonableness determination and HAP Contract validity.

While JMHA agrees with the assertion that many files reviewed by the OIG did not contain documentation of the rent reasonableness process, the agency maintains that it followed its policy based methodology and used the EZ-RAD system to ensure that the rent paid to landlords was reasonable to comparable units in the local market. For many of these files, initial tenancy had exceeded HUD's three year record retention requirement and therefore there is no regulatory requirement to maintain the documentation of the initial rent reasonableness test in the file. JMHA is currently running the OIG identified files through the EZ-RAD system archives. Once that is complete, JMHA will provide OIG with a report of Rent Reasonableness documentation for all files identified by the OIG.

JMHA does not dispute the OIG finding that there were HAP contracts signed by the agency outside of the 60 day window required by HUD regulations. JMHA acknowledges that this was an administrative failing but review of the files identified showed that all necessary documents were prepared; the contract signature dates were the only area of non-compliance. JMHA is committed to reaching compliance without displacing or adversely affecting its landlords or participants. Based on that assertion, JMHA will be aligning the execution date of the existing HAP contracts within 60 days of the start date of the lease.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 6

Comment 7

Comment 8

Comment 9

Recommendations

1E. Reimburse the appropriate households \$3,164 from non-Federal funds for the rent amounts paid in excess of 40 percent of their adjusted monthly income for units that were not affordable.

1F. Review the remaining household files to ensure that additional households are not residing in units that are not affordable.

1G. For households currently residing in units that are not affordable, renegotiate the rents to owner or require the households to move into units that are affordable.

JMHA acknowledges that there were families paying a tenant portion outside of the HUD designated 40% affordability threshold but cannot at this time agree with the amount cited. JMHA will re-calculate the HAP for the applicable families and advise the OIG of our findings and JMHA's calculated amount to be reimbursed to the affected households.

JMHA also contends that renegotiating the current rent after initial occupancy or asking the family to move is adding additional burden to both these participants and owners when the error lies with JMHA, not its clients. As the burden has already been absorbed by the participants and affordability only applies at initial occupancy of a unit, JMHA asserts that no further action is needed with these families. JMHA recommends that all participants will be allowed to stay in their current unit at their current rent unless they request to move to reduce any disruption in their current living situation.

To prevent further affordability occurrences, JMHA has instituted a technological tool to check all initial occupancy files for affordability prior to approval of tenancy for all new admissions and moves effective 9/1/15 and forward. The HCV Director will be performing a secondary affordability check when conducting quality assurance reviews.

Recommendations

1H. Ensure that staff is trained and familiar with HUD's regulations and the Authority's own policies

JMHA agrees that a lack of program knowledge and understanding led to many of the findings that the OIG identified. JMHA has contracted with Nan McKay and Associates, a nationally recognized leader in regulations based training, to implement a comprehensive customized training plan for all staff. Training will include eligibility, occupancy, fair housing, hap calculation, HQS and customer service. Trainings will be accompanied by assessments to ensure that knowledge is retained and can be applied in a job setting.

NMA is also assisting JMHA to conduct a thorough review of the policies in its administrative plan to ensure that they are compliant with federal guidelines and user friendly for both staff and the public.

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Auditee Comments

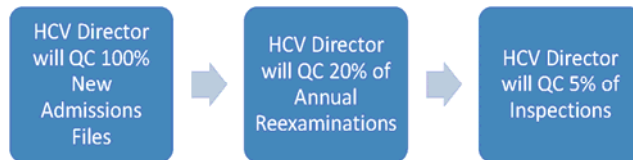
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Recommendations

1I. Implement procedures and controls to ensure that housing assistance is correctly calculated during the examination process to ensure that \$101,740 in program funds are appropriately used for future payments.

1J. Implement adequate procedures and controls to ensure that required eligibility documentation is obtained and maintained to support households' admission to and continued assistance on the program.

JMHA has developed a quality assurance process that involves all levels of staff from front line specialists to the HCV Director. JMHA will be using a quality control tool developed by Nan McKay and Associates that has been used nationwide and resulted in multiple agencies achieving high performer SEMAP status. All staff that process work will be given a quality control checklist to follow and place in each file. The HCV Director will then implement monthly quality assurance using SEMAP standards and the following methodology:



Comment 11

In addition to the quality control process outlined above JMHA will spend the next 12 months auditing files in accordance with an established file protocol process to ensure all core documents are in file. While JMHA acknowledges that file protocol needs improvement, it does dispute the finding that Social Security documentation and Criminal Background Checks were not in the file. Per the JMHA administrative plan Section III Page19, the agency adopted HUD's security recommendation that all files be purged of SSN verification once the family was verified through the EIV system. Due to that policy, JMHA followed its administrative plan correctly within HUD guidelines. To ensure consistency of file protocol the HCV director has worked with staff to audit and correct 100% of the files identified in the OIG report. Prospectively JMHA will review 1/12th of all other files each month for the next year to ensure file protocol is followed consistently in 100% of cases.

Comment 12

In relation to the CBC findings, per the 2001 HUD Screening and Eviction Final Rule PHAs may not retain criminal background records past their business related need to retain them. JMHA screens all families for criminal background and either denies or approves per the criteria set forth in Section III. B of the

**Ref to OIG
Evaluation**

Auditee Comments

Comment 13

administrative plan. JMHA asserts that retaining criminal background check results in the file would be in violation of the following excerpt of the Screening and Eviction Rule:

To assure the confidentiality of criminal records, the final rule (§ 5.903(g)) adopts the approach used with respect to drug abuse treatment facility records for criminal records. The records must be destroyed when the purpose(s) for which the record was requested has been accomplished and the time has expired for a challenge to the action being taken without the institution of a court action, or final disposition of any such litigation has been concluded.

In cases where families were denied based on CBC results, notices of denial of eligibility are retained in the file. In cases where families are determined eligible, the documentation is established through a written invitation to the briefing, also retained in the file.


Ongoing Steps

With a comprehensive approach that includes staff training, ongoing quality assurance, consistent communication and cross departmental accountability, JMHA is confident that it can use the OIGs findings to launch itself into a higher level of compliance and performance. JMHA looks forward to a continued partnership with the OIG throughout this process.

JMHA will submit the results of its in depth analysis of the files and HAP calculations reviewed by the OIG under separate cover.

Please feel free to contact me Cathy Moro, HCV Director at Cmoro@jeffersonMHA.org; or me at Djenkins@JeffersonMHA.org.

Sincerely,


Dorian Jenkins Aug 31, 2015

Dorian Jenkins
Acting Executive Director

C: Board of Commissioners
Cathy Moro
Siri Ott, PHRS
Kevin Laviano, Division Director

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OIG Evaluation of Auditee Comments

- Comment 1 The Authority asserts that it had points of clarification regarding the findings in the audit report. However, the Authority did not provide documentation to support its assertions. The Authority should work with HUD to resolve the recommendations.
- Comment 2 The Authority agreed that not all of its housing assistance payments calculations were completed correctly; however, the depth of the incorrect payments was not as severe as initially calculated by the OIG. The Authority did not provide documentation to support its assertions. The Authority should work with HUD to resolve the recommendations.
- Comment 3 The Authority stated that it was conducting an analysis of the over and under payments and that once its analysis was done it would respond to the recommendations and promptly address financial discrepancies. The Authority should work with HUD to ensure its analysis is thorough and that the appropriate actions are taken to address the findings cited in this audit report.
- Comment 4 The Authority asserts that after initial tenancy it was only required to maintain rent reasonableness documentation for a 3 year period. HUD's regulations at 24 CFR 982.158(f)(7) states that the Authority must retain the records to document the basis for its determination that rent to the owner is a reasonable rent (initially and during the term of a housing assistance payments contract) for at least 3 years. Therefore, the requirement includes the term of an active housing assistance payments contract, and 3 years after the contract is terminated.
- Comment 5 The Authority agreed that it did not execute its housing assistance payments contracts within 60 days of the beginning of the lease term. HUD's regulations at 24 CFR 982.305(c)(4) state that any housing assistance payments contract executed after the 60 day period is void, and the Authority may not pay any housing assistance payment to the owner. The Authority should work with HUD to ensure its housing assistance payments contracts are executed in a timely manner.
- Comment 6 The Authority agreed that there were households paying rents above HUD's affordability thresholds, however, it did not agree with the amount cited in this report. The Authority did not provide documentation to support its assertion.
- Comment 7 The Authority contends that renegotiating rents or requiring households to move out of units that do not meet HUD's affordability requirements was an undue burden to the households and owners. HUD's regulations at 24 CFR 982.305(a)(5) state that the Authority may not give approval for the family of the assisted tenancy, or execute a housing assistance payments contract, until it has determined at the time a family initially receives tenant-based assistance for occupancy of a dwelling unit, and where the gross rent of the unit exceeds the

applicable payment standard for the family, the family share does not exceed 40 percent of the family's monthly adjusted income. Therefore the Authority should not have approved the households to move into units that were not affordable. The Authority should work with HUD to determine the least burdensome actions for the families and owners and should provide HUD documentation of the steps taken to renegotiate the rents to owners, and any other actions HUD approves, before requiring households to move.

- Comment 8 The Authority asserts that it had developed a tool to verify initial occupancy affordability and that the housing choice voucher program director would perform a secondary affordability review. We commend the Authority for updating its policies in an effort to resolve the recommendation. The Authority should work with HUD to ensure its updated policies are fully implemented.
- Comment 9 The Authority agreed that its lack of program knowledge and understanding led to many of the findings in the audit report and has contracted with Nan McKay and Associates for training. We commend the Authority for implementing a training plan for its staff. The Authority should work with HUD to ensure that the training plan is fully implemented.
- Comment 10 The Authority contends that it has developed a quality assurance process and checklist to follow and place in each household file. We commend the Authority for developing a quality assurance process in an effort to resolve the recommendation. The Authority should work with HUD to ensure its updated policies are fully implemented.
- Comment 11 The Authority asserts that it followed its administrative plan regarding the retention of Social Security number documentation. We disagree. The Authority's files contained Social Security documentation for all households reviewed with the exception of the 5 households mentioned in the finding. Therefore, the Authority failed to follow its administrative plan as it was the Authority's practice to maintain the documents in each household file. We commend the Authority for taking the steps to ensure that the files cited in the audit report are maintained consistently with its administrative plan. The Authority should work with HUD to ensure that all of its files are in compliance, not just the ones cited in the audit report.
- Comment 12 The Authority contends that it was not required to maintain criminal background checks in the files. We agree. The Authority should maintain evidence that a criminal background check was completed. The Authority required households to fill out an Authority form titled *Authorization for Release of Information Records of Arrests and Prosecutions*. Each household signed and dated the document as well as provided the date of birth, Social Security number, sex, and race. The form contained two check boxes; one checkbox indicating that no record was found and another checkbox indicating that a copy of the record was attached. The Authority failed to complete the appropriate checkboxes or maintain

documentation to support that background checks were completed for 80 of the 84 household files reviewed.

Comment 13 The Authority stated that with its comprehensive approach of staff training, ongoing quality assurance, communication, and cross departmental accountability it could use the findings cited in this report to achieve a higher level of compliance and performance. We commend the Authority for the actions it plans to take. The Authority should work with HUD to ensure its updated policies and procedures are fully implemented and address the findings cited in the audit report.

Appendix C

Federal and Authority Requirements

Regulations at 24 CFR 5.210(a) state that applicants for and participants in covered HUD programs are required to disclose and submit documentation to verify their Social Security numbers.

Regulations at 24 CFR 5.240(c) state that the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

Regulations at 24 CFR 5.508(b)(1) state that for United States citizens or nationals, the evidence of citizenship or eligible immigration status consists of a signed declaration of United States citizenship or nationality. The responsible entity may request verification of the declaration by requiring presentation of a United States passport or other appropriate documentation.

Regulations at 24 CFR 5.855(a) state that a public housing agency may prohibit admission of a household to federally assisted housing under its standards if it determines that any household member is engaging in or has engaged in during a reasonable time before the admission decision (1) drug-related criminal activity; (2) violent criminal activity; (3) other criminal activity that would threaten the health, safety, or right to peaceful enjoyment of the premises by other residents; or (4) other criminal activity that would threaten the health or safety of the agency or owner or any employee.

Regulations at 24 CFR 5.856 state that standards must be established to prohibit admission to federally assisted housing if any member of the household is subject to a lifetime registration requirement under a State sex offender registration program. In the screening of applicants, necessary criminal history background checks must be performed in the State where the housing is located and in other States where the household members are known to have resided.

Regulations at 24 CFR 982.158(e) state that during the term of each assisted lease and for at least 3 years thereafter, the agency must keep (1) a copy of the executed lease, (2) the housing assistance payments contract, and (3) the application from the family. Paragraph (f) states that the agency must keep the following records for at least 3 years: lead-based paint records and records to document the basis for the determination that the rent to the owner is a reasonable rent (initially and during the term of a housing assistance payments contract).

Regulations at 24 CFR 982.158(f) state that the public housing agency must keep the following records for at least 3 years: (1) records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; (2) an application from each ineligible family and notice that the applicant is not eligible; (3) HUD-required reports; (4) unit inspection reports; (5) lead-based paint records; (6) accounts and other records supporting agency budget and

financial statements for the program; (7) records to document the basis for agency determination that the rent to the owner is a reasonable rent; and (8) other records specified by HUD.

Regulations at 24 CFR 982.302(c) state that the family must submit to the agency a request for approval of the tenancy and a copy of the lease, including the HUD-prescribed tenancy addendum.

Regulations at 24 CFR 982.305(a) state that the public housing agency may not give approval for the family of the assisted tenancy or execute a housing assistance payments contract until the agency has determined that at the time a family initially receives tenant-based assistance for occupancy of a dwelling unit and when the gross rent of the unit exceeds the applicable payment standard for the family, the family share does not exceed 40 percent of the family's monthly adjusted income.

Regulations at 24 CFR 982.305(c) state that the housing assistance payments contract must be executed no later than 60 calendar days from the beginning of the lease term. Any contract executed after the 60-day period is void, and the agency may not make housing assistance payments to the owner.

Regulations at 24 CFR 982.308(b) state that the tenant and the owner must enter a written lease for the unit. The lease must be executed by the owner and the tenant.

Regulations at 24 CFR 982.308(g)(2) state that if there are changes in lease requirements governing tenant or owner responsibilities for utilities or appliances, tenant-based assistance should not be continued unless the agency has approved a new tenancy in accordance with program requirements and has executed a new housing assistance payments contract with the owner.

Regulations at 24 CFR 982.451 state that the housing assistance payments contract must be in the form required by HUD.

Regulations at 24 CFR 982.516(a) state that the agency must conduct a reexamination of family income and composition at least annually. The agency must obtain and document in the tenant file third-party verification or why third-party verification was not available for reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income. Paragraph (f) states that the agency must establish procedures that are appropriate and necessary to ensure that income data provided by applicant or participant families are complete and accurate.

Regulations at 24 CFR 982.517(b)(2) state that an agency's utility allowance schedule and the utility allowance for an individual family must include the utilities and services that are necessary in the locality to provide housing that complies with HUD's housing quality standards. Paragraph (d)(2) states that at reexamination, the agency must use the agency's current utility allowance schedule.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 5.3, states that although full-time students 18 years of age or older are technically identified as dependents, a small amount of their earned income will be counted. Only earned income up to a maximum of \$480 per year may be counted.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 5.5, states that reasonable childcare expenses for the care of children age 12 years and younger may be deducted from annual income if the care is necessary to enable the family member to work, look for work, or further his or her education.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 11.6, states that the Authority and the owner must execute the housing assistance payments contract no later than 60 calendar days from the beginning of the lease term. The Authority must not make housing assistance payments to the owner until the contract has been executed.

Chapter 4, part K, of the Authority's administrative plan states that zero income families will be reevaluated every 90 days to determine whether there are new sources of income. If a family reports that it does not have income, all adult members will be required to sign a no income affidavit, answer all questions on a zero income questionnaire, and execute a 90-day temporary certification.

Chapter 6, part E2, of the Authority's administrative plan states that the following guidelines are used to determine each family's assigned subsidy size without overcrowding or underhousing:

- (a) no more than two persons will be required to share a bedroom;
- (b) persons of the opposite sex ages 4 years and over (other than husband and wife) will not be required to share a bedroom;
- (c) children of the same sex will be required to share a bedroom;
- (d) minors older than 3 years will be required to share a bedroom with an adult of the same sex, at the discretion of the family;
- (e) adults of the same sex will be required to share a bedroom, but adults of different generations may be permitted to have separate bedrooms; and
- (f) a live-in aid is permitted a separate bedroom.

Chapter 6, part E3, of the Authority's administrative plan states that the family unit size is used to determine the maximum voucher rent subsidy. The applicable payment standard for the family should always be the lower of the payment standard amount for the family unit size reflected on the voucher or the payment standard for the actual size of the unit rented by the family.