Youngstown Metropolitan Housing Authority, Youngstown, OH

Housing Choice Voucher Program

Office of Audit, Region 5
Chicago, IL

Audit Report Number: 2017-CH-1002
July 7, 2017

To:	Kevin Laviano, Director of Public and Indian Housing Hub, 5DPH
From:	**//signed//** Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA
Subject:	The Youngstown Metropolitan Housing Authority, Youngstown, OH, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program

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 Youngstown Metropolitan Housing Authority's 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 website. 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.

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The Youngstown Metropolitan Housing Authority, Youngstown, OH, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Youngstown Metropolitan Housing Authority's Housing Choice Voucher program based on the activities included in our 2016 annual audit plan and our analysis of risk factors related to the public housing agencies in Region 5's jurisdiction. Our audit objective was to determine whether the Authority appropriately managed its Family Self-Sufficiency program and Housing Choice Voucher program files in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements.

What We Found

The Authority failed to appropriately manage its Family Self-Sufficiency program. As a result, HUD and the Authority lacked assurance that (1) program participants benefited from the program or made progress toward self-sufficiency, (2) escrow balances and monthly escrow deposits totaling nearly $60,000 in HUD's and its own systems were accurate and reliable, and (3) more than $400,000 in coordinator grant funds and escrow disbursements were used appropriately. In addition, it inappropriately disbursed more than $23,000 in program funds for ineligible program graduates. If the Authority does not develop and implement adequate procedures and controls for its program, it could inappropriately use nearly $128,000 in coordinator grant funds over the next year.

The Authority did not always comply with HUD's and its own requirements for its Housing Choice Voucher program files. Specifically, it did not always correctly calculate and support housing assistance payments and perform household reexaminations in a timely manner. As a result, the Authority inappropriately paid nearly $32,000 and had nearly $2,000 in unsupported housing assistance payments. If the Authority does not correct its certification process, it could overpay nearly $323,000 in housing assistance 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) support or reimburse its programs from non-Federal funds for escrow calculations and disbursements, coordinator grant funds, and housing assistance payments; (2) reimburse its programs from non-Federal funds for the ineligible escrow disbursements and housing assistance payments; (3) ensure that program funds are used effectively; and (4) implement adequate procedures and controls to correct the findings cited in this audit report.

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Background and Objective

The Youngstown Metropolitan Housing Authority was established in 1933 under Title 37, Chapter 3735, of the Ohio Revised Code. The Authority is governed by a five-member board of commissioners, with two members appointed by the mayor of Youngstown, OH, and one member each appointed by the Mahoning County Probate Court, Mahoning County Common Pleas Court, and Mahoning County commissioners. The board appoints the executive director. The executive director has general supervision over the administration of the business affairs of the Authority, subject to the discretion of the Authority, and the management of the Authority's housing projects.

The Authority administers the Housing Choice Voucher program, funded by the U.S. Department of Housing and Urban Development (HUD). The program allows very low-income individuals to lease or purchase safe, decent, and affordable privately owned rental housing. As of March 2017, the Authority had 2,280 vouchers and received more than $8.7 million in program funds. Additionally, the Authority received a Section Eight Management Assessment Program[1] score of 115 out of 145 (79 percent) as of June 30, 2016, which classified it as a standard performer.

The Authority also operates a Family Self-Sufficiency program. The Family Self-Sufficiency program enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. Each year, HUD makes funding for program coordinator salaries available through a competitive process. The program coordinators work in collaboration with a program coordinating committee to secure commitments for public and private resources for the operation of the program. Eligible families execute contracts of participation that specify their rights and responsibilities. The contracts incorporate individual training and services plans that contain intermediate and long-term goals, and steps that the families need to take to achieve those goals, including needed services and resources. Generally, a family becomes eligible to receive funds deposited into an escrow account on its behalf when it meets its goals and completes its family self-sufficiency contract. The amount credited to the family's escrow account is based on the increased rent the family pays due to increases in earned income during the term of the contract.

[1] A HUD system that is used to measure the performance of public housing agencies in key Housing Choice Voucher program areas and to assign performance ratings.

The objective of our audit was to determine whether the Authority appropriately managed its Family Self-Sufficiency program and Housing Choice Voucher program files in accordance with HUD’s and its own requirements.

Results of Audit

Finding 1: The Authority Failed To Appropriately Manage Its Family Self-Sufficiency Program

The Authority failed to appropriately manage its Family Self-Sufficiency program. Specifically, it did not maintain consistent and reliable program information and required documentation that was complete and accurate and met HUD's requirements. It also did not ensure that participants' escrow accounts were correctly calculated and supported and that it maintained a separate bank account for its program participants' escrow funds. The weaknesses occurred because the Authority failed to implement adequate procedures and controls and did not ensure that its program coordinators had a sufficient understanding of HUD's program requirements. As a result, HUD and the Authority lacked assurance that (1) program participants benefited from the program or made progress toward self-sufficiency, (2) escrow balances and monthly deposits totaling nearly $60,000 in HUD's and its own systems were accurate and reliable, and (3) more than $400,000 in coordinator grant funds and escrow disbursements were used appropriately. In addition, it inappropriately disbursed more than $23,000 in program funds for ineligible program graduates. If the Authority does not develop and implement adequate procedures and controls for its program, it could inappropriately use nearly $128,000 in coordinator grant funds over the next year.

The Authority Did Not Maintain Consistent and Reliable Program Information

The Authority did not maintain consistent and reliable information for its program. The Authority maintained participant information in its internal program system, on a separate subsidiary ledger maintained by the finance department, and in HUD's Inventory Management System-Public and Indian Housing Center system (HUD's system). When we compared the information from the three systems, the information was neither consistent nor reliable for the Authority's current participants. Therefore, we were unable to determine the correct (1) number of current program participants, (2) monthly escrow deposits, and (3) total escrow balances. Specifically, according to an ad hoc report from HUD's system for the period February 29, 2016, through February 28, 2017, the Authority had 120[2] current participants on its program. Of the 120 current program participants, 39 had monthly escrow deposits totaling $7,041, and 44 had current escrow balances totaling $85,072.

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[2] The 120 participants included households that currently participated or had participated in the program within the last year.

However, as of February 2017, the Authority's

- Internal program system report identified 135 current program participants, of which 41 received monthly escrow deposits totaling $8,985 and 64 had escrow account balances totaling $132,975.

- Subsidiary ledger[3] showed current escrow account balances for 88 participants totaling $149,152.

Further, the Authority reported in HUD's Voucher Management System[4] that its monthly escrow deposits were $7,562 for the month of February 2017.

HUD requires that the monthly escrow deposits for participants match between its systems and the Authority's records. However, the participants' monthly escrow deposits reported by the Authority did not match the information that it reported in HUD's system and Voucher Management System. Therefore, the differences of $1,944 ($8,985 monthly escrow deposits from the Authority's internal program system – $7,041 monthly escrow deposits reported by HUD's system) and $521 ($7,562 monthly escrow deposits reported to HUD's Voucher Management System – $7,041 monthly escrow deposits reported in HUD's system), respectively, were not supported.

In addition, although HUD does not require the total escrow balances for participants currently earning monthly escrow deposits to match between the Authority's internal reports and HUD's system, it does require that the balances for the participants that do not earn monthly escrow deposits match. However, the balances for those participants did not always match.

Further, because the Authority maintained multiple escrow balance calculations and reports, the information should have been reconciled as required.[5] Therefore, we estimated the average difference between the total escrow balances reported in the Authority's internal program system and subsidiary ledger and HUD's system to be $55,992.[6]

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[3] The Authority's subsidiary ledger did not contain information regarding the number of participants that received monthly escrow deposits and the associated amounts.
[4] The Voucher Management System maintains information regarding coordinator grant fund expenditures, total monthly escrow deposits, and total monthly escrow forfeitures.
[5] HUD's Public and Indian Housing Notice 2016-08, appendix 2, number 3b
[6] Our calculation of the average difference among the reports and information from the three systems is as follows: $149,152 reported in the Authority's subsidiary ledger + $132,975 reported in the Authority's internal system / 2 – $85,072.

HUD's guidance reminds public housing agencies that the submission of incorrect information to HUD may result in lower Section Eight Management Assessment Program scores, improper results in HUD program evaluations, and reductions in funding. As of June 30, 2016, the Authority received 10 out of 10 points for its administration of its Family Self-Sufficiency program.

The Authority Did Not Ensure That Required Documentation Was Complete and Accurate and Met HUD's Requirements

We reviewed the files for 58 households that participated in the Authority's program from September 1, 2014, through August 31, 2016, to determine whether the Authority maintained documentation that was complete, accurate, and met HUD's requirements. All 58 of the participant files (100 percent) contained incorrect or incomplete documentation. The 58 program participant files contained 1 or more of the following deficiencies:

- 58 had missing or incomplete resources and supportive services listed on the individual training and services plan,
- 51 had missing annual escrow reports,
- 42 did not contain HUD-required interim goals on the individual training and services plan,
- 18 did not contain the required final goal of seeking and maintaining suitable employment on the contract of participation,
- 15 had inappropriate or incorrect baseline certification dates for information used on the contract of participation,
- 11 had incorrect family rent amounts listed on the contract of participation,
- 10 had incorrect effective and expiration dates on the contract of participation,
- 6 had incorrect income amounts listed on the contract of participation, and
- 1 was missing the participant's signature on the contract of participation.

The Authority also lacked sufficient documentation to support that contract extensions for six participants were appropriate and that eight participants were eligible to graduate from the program, which impacted its minimum program size.[7] In addition, based on documentation maintained in its program participant files, the Authority should have terminated four participants from its program and graduated another participant that had been terminated from the Housing Choice Voucher program for not receiving housing assistance payments for more than 180 days. However, as of February 2017, the five participants remained on the Authority's list of current program participants.

[7] The minimum program size for an agency's program is reduced by one slot for each family that graduates from the program by fulfilling its contract of participation.

In addition, the Authority's participant files contained limited documentation to support that its program participants received services or information regarding opportunities for education, job training, counseling, and social service assistance to help them reach their goals and become self-sufficient. Although the Authority provided advertisements for community events, workshops, food pantry locations, children's events, and listings for job opportunities, the information was general and not tailored to the specific needs of the participants.

For example, one participant, with a goal of obtaining a general equivalency diploma, notated on the Authority's program update form that she was having difficulties with her classes. Nearly a year later, on another update form, the participant notated that she needed assistance with obtaining tutoring for her classes. However, the participant's file did not contain evidence that the Authority had contacted the participant to assist with finding a tutor or another service that would have helped the participant achieve her goal.

The Authority Did Not Ensure That Participants' Escrow Accounts Were Correctly Calculated and Supported

During our audit, of the 58 participants reviewed, 39 (67 percent) had incorrect escrow balances or escrow disbursements or a combination of both. As a result of our audit, in December 2016, the Authority's program coordinators manually recalculated each participant's escrow balance. However, when we reviewed the recalculations, we determined that the balances for 38 of the 58 participants (66 percent) were inaccurate. Specifically, the 38 participants had 1 or more of the following deficiencies:

- 12 had underfunded escrows totaling $4,684,
- 11 had unsupported escrows totaling $17,266,
- 5 had overfunded escrows totaling $7,574,
- 6 had unsupported interim or graduation disbursements totaling $6,839,
- 5 had ineligible interim or graduation disbursements totaling $23,475, and
- 2 had underfunded graduation disbursements totaling $7,076.

Additionally, 3 of the 58 participants stated on their Family Self-Sufficiency program applications that they had earned income. However, the program coordinators disregarded the information and, instead, used the most recent certification for each participant's household, which did not identify earned income.

Based on the errors with the Authority's participants' escrows deposits, we estimate that at least 31 (19.8 percent) of the participants on its program had miscalculated escrow balances.

The Authority Did Not Maintain a Separate Bank Account for Its Program Participants' Escrow Funds

The Authority did not maintain a separate bank account for its program participants' escrow funds as required by HUD. Instead, the participants' escrow funds were inappropriately maintained in its Housing Choice Voucher program bank account.

The Authority Failed To Implement Adequate Procedures and Controls and Lacked a Sufficient Understanding of HUD's Requirements

The Authority failed to implement adequate procedures and controls to ensure that it appropriately managed its program. It failed to implement necessary controls for assuring the accuracy of its financial and accounting information for its program reporting and achieving the program's objectives.

In addition, according to the Authority's program supervisor, the Authority was aware that its program software had not accrued participants' escrow deposits properly since 2014. However, there was no evidence that the Authority took necessary actions to correct participants' escrow deposits and balances caused by the system errors. As a result of our audit, on October 25, 2016, the Authority sent an email to the software company regarding the need to correct the escrow balances for 61 program participants.

Therefore, although the Authority had been aware of the issues with its program software since 2014, it failed to implement alternative procedures until its system was fixed to ensure that participants' escrow account balances were accurate.

The Authority also failed to ensure that its program coordinators had a sufficient understanding of HUD's program requirements. As a result of our audit, the Authority's program coordinators manually recalculated the escrow balances for 58 program participants. However, their recalculations were not always accurate and supported. In addition, all 58 of the participant program files reviewed were deficient. The Authority's program supervisor said she believed that the training its program coordinators received was adequate. However, the deficiencies noted in this finding show that the Authority's program staff lacked a sufficient understanding of HUD's and its own requirements.

In addition, the Authority's program manager stated that as a result of the audit, the Authority had been working on a corrective action plan for its program to submit to HUD. The plan would include implementing new policies and procedures, as well as actions to correct the deficiencies identified in the audit, especially the internal control weaknesses.

Program Coordinator Grant Funds Were Used To Pay Salaries

From September 2014 through December 2017, HUD awarded the Authority Housing Choice Voucher Family Self-Sufficiency coordinator grant funds totaling $515,051 to effectively administer a Family Self-Sufficiency program. As of March 2017, the Authority had used $387,507 of the $515,051 to pay the salaries of its program coordinators. According to HUD's grant agreement, performance is based upon whether the Authority achieves the agreed-upon activities and whether the Authority has produced tangible results through the implementation of the grant activities.

Conclusion

The weaknesses described above occurred because the Authority failed to implement adequate procedures and controls and did not ensure that its program coordinators had a sufficient understanding of HUD's program requirements. As a result, HUD and the Authority lacked assurance that the program participants benefited from the Authority's program or made progress toward self-sufficiency and could not support the variance in participants' ecrow balances and monthly escrow deposits totaling $58,457 among HUD's systems and the Authority's records.

In addition, (1) escrow accounts were underfunded by $4,684, (2) escrow calculations totaling $17,266 were unsupported, (3) escrow accounts were overfunded by $7,574, (4) escrow disbursements totaling $6,839 were unsupported, (5) escrow disbursements totaling $23,475 were ineligible, and (6) graduation disbursements totaling $7,076 were underfunded.

Because the Authority failed to appropriately manage its Family Self-Sufficiency program, HUD lacked assurance that the Authority appropriately used $387,507 ($515,051 total grant funds received – $127,544 remaining to be spent) in coordinator grant funds. If the Authority does not develop and implement adequate procedures and controls regarding its Family Self-Sufficiency program, it could inappropriately use $127,544 ($515,051 – $387,507 grant funds spent) in grant funds over the next year.

Further, due to the deficiencies cited in this finding, the Authority's program size and score in HUD's Section Eight Management Assessment Program may not be accurate or appropriate.

Recommendations

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

1A. Reconcile the $58,457 difference among its system report and subsidiary ledger and the information reported in HUD's system ($1,944 in monthly escrow deposits + $521 difference in monthly escrow deposits between HUD's system and the amount reported in the Voucher Management system + the average difference of $55,992 in total escrow account balances) to ensure that the monthly escrow deposits and total escrow balances are appropriately reported in HUD's system and provide the supporting documentation to HUD.

1B. Reconcile the current program participants and related information in its internal systems with the current participants listed in HUD's systems.

1C. Transfer $4,684 from its Housing Choice Voucher program account to its program account for the 12 participants with underfunded escrows.

1D. Support or transfer $17,266 from its program account to its Housing Choice Voucher program for the 11 unsupported escrow calculations cited in this finding.

1E. Transfer $7,574 from its program account to its Housing Choice Voucher program account for the five participants with overfunded escrows.

1F. Support or reimburse its Housing Choice Voucher program $6,839 from non-Federal funds for the one unsupported interim disbursement and five unsupported graduation disbursements cited in this finding.

1G. Reimburse its Housing Choice Voucher program $23,475 from non-Federal funds for the two ineligible interim and three ineligible graduation disbursements cited in this finding.

1H. Reimburse two participants $7,076 from its Housing Choice Voucher program account for the underfunded graduation payments cited in this finding.

1I. Ensure that it obtains a separate interest-bearing depository account for its program participants' escrow funds in accordance with HUD's requirements.

1J. Ensure that its staff is appropriately trained and familiar with HUD's requirements and its program action plan regarding the administration of its program to ensure that (1) participants' contracts of participation and individual training and services plans are properly updated and contain the necessary signatures; (2) changes in participants' files are properly identified and notated; and (3) participants are notified of changes in their monthly escrow deposits, total escrow balances, or both.

1K. Develop and implement procedures and controls to ensure that (1) documentation required by HUD and its own action plan is correctly completed, documented, and updated; (2) escrow account balances are correctly calculated and disbursed; and (3) escrow accounts and disbursements are fully supported to ensure that $127,544 in coordinator grant funds is appropriately used over the next year.

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

1L. Determine the amount of the $387,507 in coordinator grant funds that was appropriately earned by the Authority for meeting requirements. The funds that are determined to be unearned should be reimbursed to HUD from non-Federal funds.

1M. Review the Authority's graduate documentation and adjust the Authority's minimum program size as necessary.

1N. Review the Authority's Section Eight Management Assessment Program scores for the Family Self-Sufficiency program and adjust as necessary.

1O. Provide technical assistance and guidance to the Authority to ensure that it properly administers its Family Self-Sufficiency program.

Finding 2: The Authority Did Not Always Comply With HUD's and Its Own Requirements for Housing Choice Voucher Program Files

The Authority did not always comply with HUD's and its own requirements for its program files. Specifically, it did not always correctly calculate and support housing assistance payments and perform household reexaminations in a timely manner. The weaknesses occurred because the Authority lacked adequate oversight of its program to ensure that it complied with HUD's and its own requirements. As a result, it inappropriately paid nearly $32,000 in ineligible and had nearly $2,000 in unsupported housing assistance. If the Authority does not correct its certification process, it could overpay nearly $323,000 in housing assistance over the next year.

The Authority Had Miscalculated and Unsupported Housing Assistance Payments

We reviewed 85 statistically selected certifications for 84 of the Authority's program household files to determine whether the Authority correctly calculated housing assistance payments for the period September 1, 2014, through August 31, 2016. Our review was limited to the information maintained by the Authority in its household files.

For the 85 certifications, 39 (46 percent) had incorrectly calculated housing assistance and utility allowances. The 39 certifications contained 1 or more of the following deficiencies:

- 29 had incorrect income calculations,
- 11 had incorrect utility allowances,
- 5 had incorrect deductions from income,
- 1 had an incorrect payment standard, and
- 1 had incorrect asset income.

For the households associated with the 39 certifications, the Authority overpaid $21,990 and underpaid $1,265 in housing assistance. The Authority earned $12,676 in administration fees for the 39 files.

In addition, of the 85 certifications reviewed, 15 contained 17 errors that had no impact on the housing assistance. The errors included incorrect income calculations, utility allowances, child support deductions, payment standard amounts, voucher sizes, and medical expense calculations.

Further, 3 of the 84 household files contained documentation showing that the households had valid unreported or underreported income. However, the Authority failed to make adjustments to their housing assistance payments and execute repayment agreements with the households to recapture $9,644 in overpaid subsidies. In addition, the Authority had $1,666 in unsupported housing assistance.

The Authority's Reexamination of Households' Income Was Not Performed in a Timely Manner

The Authority did not always conduct household reexaminations annually in accordance with HUD's requirements. Specifically, of the 84 households reviewed, 29 (35 percent) had 31 reexaminations that were not conducted in a timely manner. The Authority performed reexaminations for the households up to 10 months after the households' annual reexaminations were due.

The Authority Lacked Adequate Oversight of Its Program

The Authority lacked adequate oversight of its program to ensure that it complied with HUD's and its own requirements. According to the Authority, it underwent changes with its program staff in 2013 and had to manage its program with a significant reduction in staff due to high staff turnover. For instance, the Authority's Housing Choice Voucher program director said that from July 2013 through December 2015 (less than 2 years), the Authority's Housing Choice Voucher program department had gone through nine employees. In addition, at one point during that timeframe, the department was staffed with only two employees to complete annual and interim reexaminations and all other functions of the department for more than 2,000 program households. According to the program director, the department had been stabilized since March 2016 with six employees. Therefore, the Authority's Housing Choice Voucher Program director believed that the housing assistance payment calculation errors and late reexaminations were a direct result of its personnel issues. Due to the amount of work, lack of staff, and high turnover rate, errors were made.

Of the 29 certifications with income calculation errors, 24 (83 percent) were completed by 2 former housing specialists. According to the Housing Choice Voucher Program director, one of the two former specialists had been employed by the Authority for a while and should have known how to do the calculations correctly. Therefore, it was likely that the volume of the work led to the calculation errors. In addition, because of the Authority's staffing issues, it became challenging to oversee and monitor staff members to ensure the accuracy of their work since the program director had been tasked with resolving other issues rather than being able to effectively oversee the program.

Conclusion

The weaknesses described above occurred because the Authority lacked adequate oversight of its program to ensure that it complied with HUD's requirements. As a result of the calculation errors, the Authority overpaid $21,990 and underpaid $1,265 in housing assistance. Further, it overpaid $9,644 in housing assistance for three households due to unreported or underreported income and lacked support for housing payments totaling $1,666 due to unsupported housing assistance calculations.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any 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 $12,676 in program administrative fees related to the unsupported and inappropriate housing assistance payments for the 39 program households with incorrectly calculated housing assistance and 3 program households with unreported or underreported income.

If the Authority does not correct its certification process, we estimate that it could overpay $322,550 in housing assistance over the next year. 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

2A. Reimburse its program $34,666 from non-Federal funds ($21,990 + $12,676 in administrative fees) for the overpayment of housing assistance due to inappropriate calculations of housing assistance.

2B. Reimburse the appropriate households $1,265 from program funds for the underpayment of housing assistance due to inappropriate calculations.

2C. Pursue collection from the applicable households or reimburse its program $9,644 from non-Federal funds for the overpayment of housing assistance due to unreported or underreported income.

2D. Support or reimburse its program $1,666 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.

2E. Implement adequate procedures and controls to ensure that (1) housing assistance payments are appropriately calculated and supported, (2) repayment agreements are created to recover overpaid housing assistance when unreported income is discovered during the examination process, and (3) annual reexaminations are completed in a timely manner to ensure that $322,550 in program funds is appropriately used for future payments.

Scope and Methodology

We performed our onsite audit work between September 2016 and March 2017 at the Authority's main office located at 131 West Boardman Street, Youngstown, OH. The audit covered the period September 1, 2014, through August 31, 2016, but was expanded as determined necessary.

To accomplish our audit 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; HUD's Public and Indian Housing Notice 2016-08; Office of Public and Indian Housing, Real Estate Assessment Center, Accounting Brief 23; and HUD's Guidebook 7420.10G.

- The Authority's program administrative plan, Family Self-Sufficiency action plan, annual audited financial statements for fiscal years 2013 through 2015, accounting records, system reports, bank statements, policies and procedures, board meeting minutes for September 2014 through August 2016, payment standards, household and landlord reports, housing assistance payment register, and household and participant files and HUD's fair market rents.

Finding 1

We selected a representative nonstatistical sample of 6 participant files from the 138 participants that were currently on the Authority's program as of September 21, 2016; 2 participant files from the 23 participants that graduated the Authority's program as of September 1, 2016; and 2 participant files from the 65 participants that were terminated from the Authority's program as of August 31, 2016. We used these methods to select the participant files for review during the survey because the number of participants was too large to review 100 percent. Because we did not select a statistical sample, we are unable to project our survey results to the universe of 138 participants on the Authority's program as of September 21, 2016.

During our audit, we also selected a simple random statistical sample of 48 participant files from the 159 participants[8] on the Authority's program as of September 21, 2016, to review during the audit. We used a statistical sample so that the total escrow calculation errors determined in the audit results could be projected to the universe. Deducting the statistical margin of error to accommodate the uncertainties inherent in statistical sampling, the escrow calculation errors equal 29.1 percent. Therefore, we can say with a one-sided confidence interval of 95 percent that at least 19.8 percent of all participants meet these criteria. Projecting this error rate to the audit universe of 159 participants and after deducting for the margin of error, we can say with a one-sided confidence interval of 95 percent that at least 31 participant files contained escrow calculation errors.

For our review of the Authority's program, the audit scope was expanded to September 21, 2016, to include support for our calculations of the program participants' monthly escrow deposits, escrow balances, and escrow disbursements. This expansion of the scope was necessary to ensure that our audit results included the most current information available in HUD's and the Authority's systems at the time of our onsite fieldwork.

Finding 2

We statistically selected a stratified random sample of 85 monthly housing assistance payments[9] from the Authority's 39,028 monthly disbursements to landlords from September 2014 through August 2016 (24 months). We used a statistical sample so the audit results could be projected to the universe. Based on the 85 randomly selected housing assistance payments from the audit universe of 39,028 housing assistance payments, we found that the overpayment per household was an average of $26.80 per tenant month. Deducting for a statistical margin of error, we can say with a one-sided confidence interval of 95 percent that this amounts to at least $16.53 per tenant per month. Therefore, projecting this amount to the audit universe of 39,028 housing assistance payments and 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 $645,100 in housing assistance in the universe was overpaid. Over the next year, this is equivalent to an additional overpayment of $322,550 ($645,100 / 2) 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

[8] The universe of 159 included current and graduated participants.

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

which the housing assistance was incorrectly paid or 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.

Data, Review Results, and Generally Accepted Government Auditing Standards

We relied in part on data maintained by the Authority in its systems. 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 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 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:

- 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 Authority failed to implement adequate procedures and controls and ensure that its program coordinators had a sufficient understanding of HUD's program requirements (finding 1).
- The Authority lacked adequate oversight of its program to ensure that it complied with HUD's and its own requirements (finding 2).

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			$58,457
1C			4,684
1D		$17,266	
1E			7,574
1F		6,839	
1G	$23,475		
1H			7,076
1K			127,544
1L		387,507	
2A	34,666		
2B			1,265
2C	9,644		
2D		1,666	
2E			322,550
Total	**67,785**	**413,278**	**529,150**

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 ensure that participants' escrow accounts are properly calculated, recorded, and available for uses consistent with HUD's requirements to assist participants in achieving self-sufficiency and coordinator grant funds are used to appropriately administer the program. In addition, it will 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 its program administrative plan.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation	Auditee Comments

YOUNGSTOWN
METROPOLITAN HOUSING AUTHORITY

June 12, 2017

Kelly Anderson
Regional Inspector General for Audit, Region 5
Ralph H. Metcalfe Federal Building
77 West Jackson Blvd., Suite 2201
Chicago, IL 60604

Dear Ms. Anderson:

The Youngstown Metropolitan Housing Authority (YMHA) is in receipt of your draft audit report regarding the Authority's Housing Choice Voucher program. We have participated in a formal exit conference regarding the audit results. The following shall serve as the Authority's response to the draft report along with the required supporting documentation:

Finding 1; Section 1 - The Authority did Not Maintain Consistent and Reliable Program Information.

Comment 1

The methodology used by Office of Inspector General (IG) auditors to conclude that the Authority did not maintain consistent and reliable program information is ill-conceived and insufficient to reasonably be used as a valid basis for findings and recommendations issued in the discussion draft. Specifically, the IG used a PIC/IMS Ad Hoc report as the basis for comparison with the Authority's data systems regarding the number of program participants, monthly escrow deposits and current escrow balances.

Program Participants

Comment 2

Comment 3

The PIC/IMS Ad Hoc report for Housing Choice Voucher (HCV) participants is designed to provide data based on the date on which the most recent HCV certification effective date. The Ad Hoc report used for this comparison had an end date of 02/28/2017. According to PIH Notice 2016-08 Appendix 3, an Ad Hoc date range in a report used for comparison with a housing authority's data should include "a date in the future" if the PHA has submitted future dated data. The Authority routinely submits certifications in advance of the actual effective date. Therefore, the Ad Hoc report did not include HCV FSS participants who were in the program on the date the report was generated and whose certifications were dated on or after 3/1/2017. (The Ad Hoc report generation date was not provided by the IG in its discussion draft, however, verbal communications between the IG auditors and Authority staff indicate that analysis of reports was performed in April 2017.) The Ad Hoc report, did however, list 22 participants who had exited the FSS program before 02/28/17.

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Auditee Comments and OIG's Evaluation

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Auditee Comments

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Comment 4

The Ad Hoc report, with 120 participants listed, was compared to an internal program system report of 135 **current participants** which was generated from the Authority's database (TenMast Wn Ten II) on February 9, 2017. This report did not rely on certification dates, but rather upon whether or not a participant had an enrollment date and no exit date. This report did not list any participants who had exited the program.

Comment 5

In summary, the Ad Hoc report did not list all current participants due to the date range used to generate the report and did include participants who had exited the program. The Authority's internal program system report listed only current participants as of February 9, 2017. No valid conclusions on consistency and reliability of program data can be drawn from the comparisons between these two reports because they did not include and were not designed to include the same list of participants.

Comment 6

Monthly Escrow Deposits
Monthly escrow deposits on the PIC/IMS Ad Hoc report did not match those on the Authority's internal program system report because the two reports did not include and were not designed to include the same list of participants.

Comment 7
Comment 8

Current Escrow Balances
IG auditor's compared the escrow balances in the PIC/IMS Ad Hoc report, the Authority's internal program system report, dated February 9, 2017 and the Authority's subsidiary leger, dated April 6, 2017. The escrow account balances in the Authority's reports did not match the PIC/IMS Ad Hoc report because since the reports did not include and were not designed to include the same list of participants.

Comment 8

Additionally, PIH Notice 2016-08, Appendix 3 clearly states that in a comparison of a PIC/IMS Ad Hoc report to Authority data systems for escrow balance analysis, the "**amounts should not match**", unless the participant is not earning a monthly credit. As further explained in the notice, this is because the Ad Hoc report shows the escrow account balance as of each participant's most recent certification date and not as of the date on which the report was generated. Certification dates ranged from March 8, 2016 to February 28, 2017 in the Ad Hoc report used for the comparison and analysis of the Authority's data systems.

Comment 9

Balances on the Authority's internal program system report are totals as of February 9, 2017 – the date on which the report was generated. Balances on the Authority's subsidiary ledger are totals of February 28, 2017. PIH Notice 2016-08, Appendix 3 provides a detailed explanation of how to reconcile the IMS/PIC Ad Hoc escrow balances with authority data systems to see if there are escrow calculation problems. However, this process was not used by IG auditors.

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Auditee Comments and OIG's Evaluation

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YOUNGSTOWN
METROPOLITAN HOUSING AUTHORITY

Finding 1; Section 2 - The Authority did Not Ensure That Required Documentation Was Complete and Accurate and Met HUD's Requirements

Comment 10

The Authority has audited participant files so that an effective Corrective Action Plan (CAP) can be prepared to address documentation errors and other findings. A CAP was submitted to the HUD Cleveland Field Office on April 20, 2017 and was drafted to address information provided by the IG on February 24, 2017. This discussion draft is broader in scope and contains additional details that were not provided to the Authority in February. Therefore, the Authority will update the CAP to address issues raised in the discussion draft. Please refer to Recommendations IJ and IK for additional information.

During file audits, the Authority found that some documentation errors listed on the supporting schedule were incorrectly identified by IG auditors. For example:

Comment 11

Comment 12

Comment 13

The discussion draft stated that "15 had inappropriate incorrect baseline certification dates for information used on the contract of participation." The Authority found that there were 6 errors, not 15. The supporting schedule listed 13 participants with incorrect baseline certifications dates. Of those 13, 6 had dates on the supporting schedule showing that the certification date was appropriately dated as no more than 120 days before the contract of participation was executed. The supporting schedule also included one participant for whom the wrong certification date was listed. Participants with incorrectly identified errors are listed below. Copies of the supporting schedule, as well as, the correct certification for participant ID #57 are attached.

Participant ID	[redacted]	Baseline Cert Date	COP Execution Date	Time between Certification and COP Execution
S5		06/01/14	09/05/14	97 days
2		10/01/12	01/08/13	100 days
35		06/01/16	09/20/16	112 days
19		12/01/14	03/17/15	107 days
21		12/01/14	03/23/15	113 days
38		06/01/12	09/19/12	111 days
S7		01/01/14 listed 11/01/13 in file(see attached)	11/26/13	25 days

Comment 14

The discussion draft stated that "6 had incorrect incomes listed on the contract of participation." The Authority found that there were 4 errors instead of 6. Copies of the COP and supporting income data are attached for participants #8 [redacted] and #47 [redacted].

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Auditee Comments and OIG's Evaluation

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Comment 15

The Authority also found that some of the errors can be attributed to programming errors in its database (TenMast WinTen II). The discussion draft identified that 11 files had family rents incorrectly listed on the contract of participation. The database populates the income and rent amounts directly into the Contract of Participation. In 9 of the 11 identified family rent errors, the database had incorrectly populated the rent with information from form-HUD 50058 field **9j** instead of from field **9f**. Field 9f is 30% of the family's adjusted income and field 9j is the Total Tenant Payment (TTP). (TTP was more than 30% of family adjusted income in these files because the Authority has a minimum rent of $50.) TTP filed 9j would be the correct field for a public housing FSS participant, but not for a Housing Choice Voucher participant.

Comment 15

Escrow calculations are also processed automatically in the Authority's database. There have been a number of errors in these automatic calculations since the Authority's conversion to the current database, which took place in February 2014. The Authority's FSS coordinators brought this to the attention of the previous program director and team leader, both of whom retired in December 2015. However, no action had been taken to address the problem. Annual escrow reports were not sent for 2014 or 2015 since the staff was aware that many of the calculations were incorrect. In 2016, FSS staff contacted TenMast to discuss calculation errors and to determine how they could be corrected. TenMast sent instructions for manual escrow corrections to be made by YMHA staff. Manual calculations and corrections were made to all FSS escrow accounts in November and December 2016. 2016 Annual Statements were sent to participants in January 2017. The Authority will address database errors as part of its Corrective Action Plan and data reconciliation processes going forward. (See Recommendations IA, IJ and IK).

<u>Finding 1, Section 3 - The Authority Did Not Ensure That Participants' Escrow Accounts Were Correctly Calculated and Supported</u>

Comment 16

The discussion draft states that IG auditors reviewed the Authority's December 2016 recalculations of program participant escrow balances and determined that 66% (38 of 58) were incorrect. A spreadsheet summarizing IG calculations as compared to Authority calculations was provided to the Authority. The spreadsheet also detailed which of the Authority calculations were determined to be errors. However, no actual supporting documentation was provided to the Authority to verify IG auditors' calculations.

Comment 17

Comment 18

Authority staff spoke with IG auditors via conference call on May 17, 2017 and requested copies of supporting documentation. IG staff declined to provide documentation and stated that the auditor(s) had used form HUD-50058s (program certifications) to recalculate escrow balances and that the Authority had used form HUD-52652 (FSS Escrow Account Credit Worksheets). Since the data on the Authority's FSS Escrow Account Credit Worksheets is imported from program certifications, this did not clarify, document or validate errors reported in the audit findings. Until the Authority receives copies of supporting calculations for each identified error, we cannot agree to transfer funds as recommended in the discussion draft.

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Auditee Comments and OIG's Evaluation

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YOUNGSTOWN

METROPOLITAN HOUSING AUTHORITY

Recommendations

1A. Reconcile the $58,457 difference among its system reports and subsidiary ledger and the information reported in HUD's system ($1,944 in monthly escrow deposits + $521 difference in monthly escrow deposits between HUD's system and the amount reported in the Voucher Management system + the average difference of $55,992 in (total escrow account balances) to ensure that the monthly escrow deposits and total escrow account balances are appropriately reported in HUD's system and provide the supporting documentation to HUD.

Comment 19

Disagree: Pursuant to the Authority's comments above on the methodology used to calculate the difference in its system reports and the information reported in HUD's system (PIC/IMS), the Authority disagrees that the dollar amounts in Recommendation 1A are valid.

Comment 19

Agree: The Authority does agree that a reconciliation of between internal system reports (program data, subsidiary ledger and VMS) and with IMS/PIC should be done to verify the accuracy and consistency of FSS data. The Authority will follow the procedures in PIH Notice 2016-08, Appendix 3 for reconciling Authority data with IMS/PIC and will also design a valid process for reconciling internal reports with each other. These reconciliation processes will be done twice a year.

1B Reconcile the current program participants and related information in its internal systems with the current participants listed in HUD's system.

Comment 19

Agree: The Authority agrees that reconciliation between internal system reports (program data, subsidiary ledger and VMS) and with IMS/PIC (HUD's system) should be done to verify the accuracy and consistency of FSS data. The Authority will follow the procedures in PIH Notice 2016-08, Appendix 3 for reconciling Authority data with IMS/PIC and will also design a valid process for reconciling internal reports with each other. These reconciliation processes will be done twice a year as recommended by PIH Notice 2016-08.

IC Transfer $4,684 from its Housing Choice Voucher program account to its program account for the 12 participants with underfunded escrows.

Comment 18

Disagree: Until the Authority receives supporting calculations for each identified error, we cannot agree to transfer funds as recommended.

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1D Support or transfer $17,266 from its program account to its Housing Choice Voucher program for the 11 unsupported escrow calculations cited in this finding.

Comment 20

Agree: The Authority will provide support documentation for these escrow calculations. If they cannot be supported, the unsupported amount will be transferred to the Housing Choice Voucher program account.

1E Transfer $7,574 from its program account to its Housing Choice Voucher program account for the five participants with overfunded escrows.

Comment 18

Disagree: Until the Authority receives supporting calculations for each identified error, we cannot agree to transfer funds as recommended.

1F Support or reimburse its Housing Choice Voucher program $6,839 from non-Federal funds for the one unsupported interim disbursement and five unsupported graduation disbursements cited in this finding.

Comment 20

Agree: The Authority will provide support documentation for these escrow calculations. If they cannot be supported, the unsupported amount will be transferred to the Housing Choice Voucher program account.

1G Reimburse its Housing Choice Voucher program $23,475 from non-Federal funds for the two ineligible interim and three ineligible graduation disbursements cited in this finding.

Comment 18

Disagree: Until the Authority receives supporting calculations for each identified error, we cannot agree to transfer funds as recommended.

1H Reimburse two participants $7,076 from its Housing Choice Voucher program account for the underfunded graduation payments cited in this finding.

Comment 18

Disagree: Until the Authority receives supporting calculations for each identified error, we cannot agree to transfer funds as recommended.

1I Ensure that it obtains a separate interest-bearing depository account for its program participants' escrow funds in accordance with HUD's requirements.

Comment 21

Agree: A separate interest-bearing depository account for FSS participants' escrow funds was obtained on June 5, 2017.

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1J Ensure that its staff is appropriately trained and familiar with HUD's requirements and its program action plan regarding the administration of its program to ensure that (1) participants' contracts of participation and individual training and services plans are properly updated and contain the necessary signatures; (2) changes in participants' files are properly identified and notated; and (3) participants are notified of changes in their monthly escrow deposits, total escrow balances, or both.

Comment 22

Agree: The Authority agrees to this recommendation. Prior to the issuance of the discussion draft, two FSS Coordinators attended FSS Coordinator Professional Certification training with the PIC Consulting group on May 2 through May 4, 2017. The Authority has also provided in-house training/instruction to ensure that the contracts of participation and individual training and service plans are properly completed and notated. A preliminary Corrective Action Plan (CAP) was sent to the HUD Cleveland Office of Public Housing on April 20, 2017. The CAP will be updated to include the items listed in this recommendation, as well as the scope of errors/findings in the discussion draft. The Authority will also work to address those errors created from incorrect database programming.

Comment 10

1K Develop and implement procedures and controls to ensure that (1) documentation required by HUD and its own action plan is correctly completed, documented, and updated; (2) escrow account balances are correctly calculated and disbursed; and (3) escrow accounts and disbursements are fully supported to ensure that $127,544 in coordinator grant funds is appropriately used over the next year.

Comment 10

Agree: The Authority sent a preliminary CAP to the HUD Cleveland Office of Public Housing on April 20, 2017. This CAP included quality control processes for program documentation and escrow calculations. As stated above in response to recommendation 1J, the Authority will update the CAP to address the scope of errors/findings in the discussion draft, including data reconciliation processes as addressed in Recommendation IA. The Authority will also work to address those errors created from incorrect database programming. An in-house procedures manual and FSS handbook are in development and include all relative HUD and Authority documents for ongoing reference.

Comment 23

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

1L. Determine the amount of the $387,507 in coordinator grant funds that was appropriately earned by the Authority for meeting requirements. The funds that are determined to be unearned should be reimbursed to HUD from non-federal funds.

Comment 24

Disagree: This recommendation presupposes that an invalid analysis on the reliability/accuracy of program data, an unsupported recalculation of escrow account

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Comment 24

balances, and file documentation errors should call into question whether or not the funding for the Authority's HCV FSS program was appropriately used.

It does not consider 1) program performance/outcomes; 2) the value of in-kind participant services leveraged by the Authority's FSS Coordinators; 3) tangible results of participants' decreased dependency on welfare assistance and rental subsidies; and 4) the impact on program participants and their families.

Comment 25

Program Performance /Outcomes & Value of Leveraged In-Kind Services:
Grant agreements for FSS funds awarded to the Authority in Fiscal Year (FY) 2014, and FY 2015 included the stipulation that "the Grantee must evaluate its activities and submit a performance Logic Model" to HUD. (Logic Models are calendar year reports with measurable program performance goals set by housing authorities and approved by HUD.) The IG audit covered the time period of September 1, 2014 through February 28, 2017. Report summaries and highlights for calendar years 2015 and 2016 are provided below. Copies of the Logic Models for both calendar years are included in the attachments to this report

Comment 25

FSS Funds Awarded FY 2014 for Calendar Year 2015 Program Activities: The Authority met or exceeded 90% (36 of 40) of program performance goals during 2015. Notable program accomplishments from 2015 include: 2 participants obtained Bachelor's degrees; 4 obtained Associate's degrees; 2 completed technical school; 2 obtained high school equivalency diplomas; 17 completed job training; 107 maintained employment for greater than one year; 5 had increased earned income to the level at which they no longer needed rental assistance and 3 purchased homes. The Authority's FSS program leveraged in-kind services for program participants valued at $101,657 in 2015.

Comment 25

FSS Funds Awarded FY 2015 for Calendar Year 2016 Program Activities: The Authority met or exceeded 95% (38 of 40) of program performance goals during 2016. Notable program accomplishments from 2015 include: 5 participants obtained Bachelor's degrees; 6 obtained Associate's degrees; 3 completed technical school; 4 obtained high school equivalency diplomas; 20 completed job training; 27 completed job preparation classes; 64 maintained employment for greater than one year; 6 had increased earned income to the level at which they no longer needed rental assistance and 4 purchased homes. The Authority's FSS program leveraged in-kind services for program participants valued at $101,234 in 2016.

Comment 25

Participants' Decreased Dependency on Welfare Assistance and Rental Subsidies:
During 2016, the Authority's program graduated 10 program participants. On average, these graduates reduced their dependency on rental subsidies by $2,599 annually. Those who received welfare assistance when they began the program (50% of graduates), reduced their welfare assistance by $4,819 per year.

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Comment 25

When these calculations are applied to the 24 participants who graduated during the audit time period, this equals an annual savings of $62,376 in rental subsidies and an annual savings of $57,828 in welfare assistance; a total reduction of $120,204 in federal expenditures each year. This does not take into account the savings in reduced subsidies for ongoing participants or additional taxes paid by those who became fully employed.

Comment 26

Participant Impact

The Authority's FSS program has an impact on its participants and on their families that goes beyond program performance goals, federal dollars saved or any other tangible measure of success. Many participants are the first in their families to graduate from high school, become independent of welfare assistance, go to college and gain meaningful, full-time employment. Many also overcome difficult barriers in their personal lives in order to achieve self-sufficiency. The Authority's program graduates are breaking the cycle of poverty, not only for themselves, but for the generation to follow. Attached are appreciation letters from four program graduates which serve as testimonials to how the Authority's program has impacted them individually.

1M. Review the Authority's graduate documentation and adjust the Authority's minimum program size as necessary.

Agree: No comment.

IN. Review the Authority's Section Eight Management Assessment Program scores for the Family Self-Sufficiency program and adjust as necessary.

Agree: No comment.

1O. Provide technical assistance and guidance to the Authority to ensure that it properly administers its Family Self-Sufficiency program.

Comment 27

Agree: The Authority would appreciate the opportunity to work with HUD's Cleveland Office of Public Housing to more properly administer and to improve FSS program operations.

Finding 2 YMHA HAP Analysis Response to IG Recommendations

2A. Reimburse its program $35, 977 from non-Federal funds ($21, 683 + $14, 294 in associated administrative fees) for the overpayment of housing assistance due to inappropriate calculations of housing assistance.

Comment 28

YMHA agrees that any HAP subsidy calculation errors should be reimbursed however YMHA requests further review by the IG of the files noted in Attachment 2A – Subsidy Calculations.

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Auditee Comments and OIG's Evaluation

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METROPOLITAN HOUSING AUTHORITY

YMHA has provided documentation to reflect some of the files are not errors and/or a different amount as noted.

Comment 29

YMHA disagrees with the determination to repay Administrative Fees of $14, 294. The Analysis Report states the Authority lacked adequate oversight of its program to ensure it complied with HUD's and its own requirements. The Analysis Report does not reflect that during most of the audit period, PHA's received a significantly reduced amount of Administrative Fees to properly administer the program due to sequestration cuts enacted in 2013. At that time, a reduction in staff occurred resulting in the loss of two Housing Inspectors and two Housing Specialists. Prior to the sequestration cuts enacted in 2013, the Authority was a High Performer under the Section 8 Management Assessment Program for seven consecutive years. Audits conducted by an Independent Auditor on an annual basis prior to sequestration did not note any programmatic administrative issues nor inadequate oversight of the program.

The Authority does not dispute the colossal loss of Administrative Fees during this time period impacted the program greatly and its ability to effectively manage but it was due to HUD's own cuts to the Administrative Fees that PHA's are entitled to earn to properly manage the program. All files reviewed were under lease as of the first day of the month appropriately. The Authority is entitled to those fees and those fees should not be reimbursed.

2B. Reimburse the appropriate households the $1,854 from program funds for the underpayment of housing assistance due to inappropriate calculations.

Comment 30

YMHA agrees that any households who were underpaid housing assistance should be reimbursed. YMHA disagrees that the amount underpaid is $1,854.00. YMHA calculations indicate $1,459.00 was underpaid. YMHA has reimbursed households any funds owed per Attachment 2B - Reimbursements. YMHA requests further review by the IG of files noted on Attachment 2B – Reimbursements as YMHA does not calculate any funds are owed for four of the eight files listed.

2C. Pursue collection from the applicable households or reimburse its program $9,530.00 from non-Federal funds for the overpayment of housing assistance due to unreported or underreported income.

Comment 31

YMHA agrees with pursuing collection from three families who have unreported income and YMHA has already pursued collection as noted on Attachment 2C – Unreported Income.

YMHA disagrees with the amount noted. YMHA calculates the debt owed at $8,032.00.

YMHA disagrees with one family listed as owing a debt. The income was appropriately reported to the Housing Authority. Please see Attachment 2C – Unreported Income.

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Auditee Comments and OIG's Evaluation

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2D. Support or reimburse its program $3,521 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.

Comment 32

YMHA agrees if there is unsupported payments funds should be repaid. YMHA assumes the unsupported information for several files are from those with participants who have been on the program for 15 years or longer where the original HAP and/or lease may not still be present. YMHA requests a secondary review by the IG as YMHA obtained updated information as noted on Attachment 2D – Unsupported Payments.

Comment 33

YMHA disagrees with the amount of unsupported payments. YMHA calculates at $1,116.00. Please see Attachment 2D – Unsupported Payments.

2E. Implement adequate procedures and controls to ensure that it (1)housing assistance payments are appropriately calculated and supported, (2) repayment agreements are created to recover overpaid housing assistance when unreported income is discovered during the examination process, and (3) that annual certifications are completed timely to ensure that $322, 550 in program funds is appropriately used for future payments.

Comment 34

YMHA disagrees that this recommendation is necessary. YMHA fully recognizes there were calculation errors and some late Annual Recertification's. However, these are a direct result of the sequestration cuts enacted by HUD during 2013 that had long term effects on the program. Lack of adequate staffing due to the Administrative Fee reductions and staffing instability over a long period of time contributed to these deficiencies. Again, it should be noted prior to the sequestration cuts, the Housing Choice Voucher Program was a High Performer for seven consecutive year's therefore adequate procedures and controls were and are in place.

Comment 34

(1) YMHA has an adequate system in place to review HAP calculations via its SEMAP reporting and quality assurance process. YMHA reviews well over the number of mandated files to be reviewed per regulations. Internal trainings and system prompts are also in use to ensure accurate subsidy calculations. YMHA has also finalized training for all staff responsible for subsidy calculations to obtain a Housing Specialist Certification via a third-party organization. Two current staff have various certifications however YMHA will ensure all staff receive updated training. YMHA will continue regular staff training and on-going quality assurance.

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Comment 34

(2) Adequate procedures are in place for the execution of repayment agreements due to unreported or underreported income as evidenced by the program's Operations Manual procedures and financial records. During the course of the survey/audit, the IG requested and YMHA provided, evidence of all Repayment Agreements and current collection efforts. Evidence of repayment agreements reflects the current fiscal year's collection of $48, 939. 21 through May 31, 2017. Please see Attachment 2E – Recommendations.

Comment 34

(3) Adequate procedures are in place for the completion of Annual Recertifications in a timely manner as evidenced by the program's Operations Manual procedures that was provided to the IG at the beginning of the survey/audit. Again, the reason for the late recertifications was due to a reduction in staff due to the reduction in Administrative Fees received from HUD to administer the program and staffing instability over a period of time which exacerbated the problem. The sequestration cuts in 2013 resulted in the reduction of seven Housing Specialists to five. In March 2016, the program stabilized with six Housing Specialists. In August 2016, the PIC system began reporting 0% late recertifications. The program also met the SEMAP standard for completing Annual Recertifications and earned all points on the most recent submission.

If you have questions or concerns regarding the aforementioned comments or supporting documentation please contact me.

Sincerely,

Jason T. Whitehead
CEO/Executive Director

Attachment(S)
Cc: Gwendolyn Bush, Board Chair

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OIG Evaluation of Auditee Comments

Comment 1 The Authority stated that the methodology used to conclude that it did not maintain consistent and reliable information was ill-conceived and insufficient to reasonably use as a basis for findings and recommendations. We disagree. We obtained the ad hoc report from HUD's Inventory Management System/Public and Indian Housing Information Center system (HUD's system), and completed our comparison using HUD's guideline detailed in appendix 3 of Public and Indian Housing Notice 2016-08.

Comment 2 The Authority stated that the ad hoc report should include a "date in the future" and the ad hoc report would not have included households whose certifications were dated on or after March 1, 2017. We partially agree. In accordance with appendix 3, section D1 of HUD Notice 2016-08, the date entered for the report would include records updated for a 1 year period. Therefore, since we used the report dated February 28, 2017, all updated records for the period February 29, 2016, through February 28, 2017, would have been included. Further, our review period for program participants ended on February 28, 2017. Therefore, changes made in HUD's PIC system after that date were not part of our review.

Comment 3 The Authority contends that we did not provide the date of the ad hoc report that that was discussed in the report. Although the date of the report was not stated in the discussion draft audit report, as the information was not necessary to understand the context of the report, we provided the report's start and end dates as well as other relevant information to the Authority.

Comment 4 The Authority stated that the ad hoc report was compared to its internal system report and did not rely on certification dates, but whether a participant had an enrollment date and had not exited the program. We compared the current participants listed on the ad hoc report to the Authority's list of current participants. As mentioned in the audit report, the Authority's list included participants that were currently on its program or had participated in its program within the last year. Therefore, these participants should have been listed on the ad hoc report.

Comment 5 The Authority stated that the ad hoc report did not list all current participants and did not include participants that had exited the program. The Authority further stated that the reports could not be compared because they did not and were not designed to include the same list of participants. We disagree. The ad hoc report had a start date of September 1, 2014, and an end date of February 28, 2017. Therefore, participants that were currently on the Authority's program, had been terminated, or had graduated during that time period were included on the report. This information should have been reconcilable with the Authority's information, as detailed in HUD's Notice 2016-08, which provided specific instructions for public housing agencies on how to reconcile their program system data with HUD's system.

Comment 6 The Authority said that the monthly escrow deposit amounts did not match among the reports because the reports were not designed to include the same list of participants. We acknowledge that the monthly escrow deposit amounts did not match. However, we disagree that they should not match. HUD's Notice 2016-08, appendix 3, states that HUD expects participants monthly credit amounts to match between its system and the Authority's internal records. Additionally, HUD's accounting brief 23 states that participant's total escrow funds should be supported by the Authority's accounting records. The brief also states that deposits made into participants' escrow accounts should be reported in HUD's Voucher Management System on a monthly basis. Therefore, the Authority's records for its participants' monthly escrow deposits should match the information reported in both HUD's system and Voucher Management System.

Comment 7 The Authority stated that we compared the escrow balances reported in HUD's system, the Authority's internal system report dated February 9, 2017, and its subsidiary ledger dated April 6, 2017. We acknowledge that we compared the information among the three system-generated reports; however, the end date of the subsidiary ledger was February 28, 2017.

Comment 8 The Authority stated that the current total escrow balances should not match. We partially agree. According to HUD's Notice 2016-08, the total escrow balances for its participants should not match, ***unless*** the participants were not earning monthly escrow deposits. As cited in this audit report, there were participants that had not earned monthly escrow deposits; however, their total escrow balances did not match among the three systems.

Comment 9 The Authority stated that we did not reconcile the Authority's data with HUD's system. We used the guidance in HUD's Notice 2016-08 to compare the Authority's internal data with the data that the Authority entered into HUD's system. As cited in the report, we identified the differences reported among the various systems and recommended that the Authority reconcile the information that it reported in its internal systems to the information it reported in HUD's system, in accordance with the HUD Notice.

Comment 10 The Authority stated that it had prepared and submitted a corrective action plan to HUD. It also stated that it would update its corrective action plan to fully address the issues cited in the audit report. We commend the Authority for being proactive by taking steps to address the preliminary issues that we discussed with the Authority during an update meeting and the deficiencies cited in this audit report. The Authority should work with HUD to ensure the steps taken adequately address the issues cited in this report.

Comment 11 The Authority contended that the discussion draft report stated that 15 participant files had incorrect baseline certification dates. However, it found that only 6 had errors. The Authority also contended that 6 participants' certifications had been completed within 120 days of their contracts' execution date. We disagree. The contract of participation, form HUD-52650, shows that the effective date was the date that the contract had begun, not the date that the contract had been signed or executed. Additionally, the contract states that "the income and rent numbers 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 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 public housing agency must conduct a new reexamination or interim redetermination."

Comment 12 The Authority stated that the supporting schedule listed 13 participants with incorrect baseline certification dates. We agree. In addition to the 13 participants listed on the supporting the schedule, there were 2 participants listed on the schedule as "unknown" because the execution date had been altered, which made it illegible.

Comment 13 The Authority provided copies of the supporting schedule as well as the correct certification for participant number 57. Based on the documentation provided, it appears the Authority was referring to participant number S7. The Authority provided a copy of a form HUD-50058 that was effective November 1, 2013. However, the form was last modified on June 8, 2017, which was nearly 4 years after the effective date. Additionally, the amounts listed on the participant's contract of participation did not match the information on her November 1, 2013, certification. Instead, the amounts matched the participant's January 1, 2014, certification. Therefore, the certification that was used as the baseline was effective after the participant's contract of participation.

Comment 14 The Authority asserted that the contract of participation for household numbers 8 and 47 contained the correct income. We disagree. For participant number 8, the Authority did not use the correct annual income amount that was reflected on the participant's baseline certification. It included food stamp income, which should have been excluded from the household's annual income. Additionally, the family rent amount listed on the participant's contract of participation was not accurate. For participant 47, the Authority provided a document from its system showing that the participant had no earned income. However, according to the participant's application in the Authority's files, the participant stated that she was working. Additionally, the Authority's program coordinator notated in the file that the participant had two part-time jobs. However, the Authority failed to conduct an interim certification to include the household's income. Therefore, the participant's earned income was not accurately reflected on the contract of participation.

Comment 15 The Authority stated that the errors in the family rent amounts on the contracts of participation were due to issues with its system. During the audit, the Authority indicated that many of the deficiencies that had been identified during the audit were caused by its system. The Authority had been aware of its system issues since February 2014; however, it failed to take necessary actions to correct the family rent amounts, or recalculate participants' monthly escrow credits and total escrow balances until December 2016 as evidenced by an updated list provided by the Authority.

Comment 16 The Authority stated that we provided a spreadsheet detailing our determinations of the calculation errors; however, we did not provide documentation to support our calculations. We disagree. Our review was limited to the information maintained by the Authority in its participant files and entered by the Authority into HUD's system. Therefore, the Authority maintains the documentation that supports our calculations in its files.

Comment 17 The Authority contends that when we met to discuss the audit results, we declined to provide documentation. We disagree. We provided our supporting schedules to the Authority on April 27, 2017. On May 18, 2017, we met with the Authority to discuss the schedules and finding outlines. During the meeting, we informed the Authority's program manager that our review was limited to the information maintained by the Authority in its participant files and entered by the Authority into HUD's system.

Comment 18 The Authority stated that until it received the documents that supported our calculations, it could not agree to transfer funds. The Authority should work with HUD on the resolution of the recommendations cited in the audit report.

Comment 19 The Authority disagreed with the dollar amounts cited in recommendation 1A. Please see comments 1 through 9. However, it agreed that the information from its internal systems should be reconciled with the information it enters into HUD's system. The Authority also stated that it would complete a reconciliation twice per year. We commend the Authority for taking steps to reconcile the information. The Authority should work with HUD regarding the resolution of recommendations 1A and 1B.

Comment 20 The Authority agreed with recommendation 1D and 1F and stated that it would provide support or transfer the funds. The Authority should work with HUD regarding the resolution of this recommendation.

Comment 21 The Authority stated that it had obtained an interest-bearing account. However, it did not provide documentation to support its assertion. The Authority should work with HUD on the resolution of this recommendation.

Comment 22 The Authority stated that two of its program coordinators had attended training. However, it did not provide documentation to support its assertion. The Authority should work with HUD on the resolution of this recommendation.

Comment 23 The Authority stated that it was working on addressing the errors created by its system and developing a manual and handbook. We commend the Authority for taking the necessary actions to resolve the audit recommendations. The Authority should work with HUD to ensure that its system corrections and updated policies are appropriate and fully implemented.

Comment 24 The Authority disagrees with recommendation 1L. Section I.A.1.b.3. of the notice of funding availability for the coordinator grant states that "…the coordinator's responsibilities are to ensure that the services included in the participants' contracts of participation are provided on a regular, ongoing and satisfactory basis; that participants are fulfilling their responsibilities under the contracts; and that escrow accounts are established and properly maintained for eligible families." Because the Authority program coordinators mismanaged its program, as detailed in finding 1, the recommendation was appropriate. The Authority should work with HUD on the resolution of this recommendation.

Comment 25 The Authority provided a narrative and print screens of its "Logic Module" reporting. However, it did not provide documentation to support its statements or the numbers reported in the "Logic Module." Therefore, the Authority should work with HUD to ensure that its reports are updated to reflect HUD's determinations of the Authority's program to address the audit recommendations.

Comment 26 The Authority provided copies of appreciation letters submitted by its program participants. We commend the Authority's participants for being able to reach their goals. However, the Authority required its participants to submit appreciation letters before they could receive their graduation payments.

Comment 27 The Authority agreed with recommendation 1O and stated that it appreciated the opportunity to work with HUD to properly administer and improve its program. We commend the Authority on its willingness to resolve this recommendation.

Comment 28 The Authority agreed that calculation errors should be reimbursed; however, it provided documentation to reflect items for which it did not believe were errors, or had different amounts for the errors. We reviewed the information and adjusted the audit report and recommendation accordingly.

Comment 29 The Authority stated it disagreed that administrative fees should be reimbursed. The Authority should work with HUD on the resolution of the remaining amount cited in the recommendation, which includes administrative fees.

Comment 30 The Authority stated that it had reimbursed the households that it determined had been underpaid, and provided documentation for the items that it did not believe were errors, or had different amounts for the errors. The documentation provided by the Authority was not sufficient to support that it reimbursed the households. Additionally, for one household, the Authority reimbursed the household $96 more than the amount that was owed. The Authority should work with HUD to ensure the steps taken adequately address the recommendation.

Comment 31 The Authority agreed to pursue collections from families with unreported income. It also stated that it had pursued repayments from the households that had unreported income. However, the documentation provided by the Authority was not sufficient to support its assertion. Additionally, the Authority provided documentation to reflect items that it did not believe were errors, or had different amounts for the errors. We reviewed the information and adjusted the audit report and recommendation accordingly. For one household, the Authority stated that it was at fault for the error; therefore, we included this amount in recommendation 1A. The Authority should work with HUD to ensure the steps taken adequately address the recommendation.

Comment 32 The Authority agreed that unsupported payments should be repaid and provided documentation to support the payments for two households. The Authority should work with HUD to ensure the steps taken adequately address the recommendation.

Comment 33 The Authority disagreed with our calculation of unsupported payments. As stated above in comment 32, we reviewed the documentation it provided and adjusted the report and recommendation accordingly. The total unsupported amount remaining was $1,666, not $1,116 as indicated by the Authority. The Authority should work with HUD to ensure the steps taken adequately address the recommendation.

Comment 34 The Authority stated it disagreed with the recommendation to implement adequate procedures and controls and stated that it had adequate procedures and controls in place. We disagree. The errors cited in finding 2 show that the Authority needs to implement adequate procedures and controls, as 46 percent of the files reviewed had at least one error. The Authority should work with HUD on the resolution of this recommendation.

Appendix C

Federal and Authority Requirements

Finding 1

The National Affordable Housing Act of 1990, Section 554, amended Title I of the U.S. Housing Act of 1937 by adding Section 23. Specifically, Title I, section 23d(2) of the United States Housing Act of 1937 as amended states that for each participating family whose monthly adjusted income is less than 50 percent of the area median income, the difference between 30 percent of the participating family's adjusted income and the amount of rent paid by the participating family must be placed into an interest-bearing escrow account established by the public housing agency on behalf of the participating family.

HUD's regulations at 24 CFR 984.303(b)(1) state that the contract of participation should be in the form prescribed by HUD.

HUD's regulations at 24 CFR 984.303(b)(2) state 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 agency and the family may measure the family's progress toward fulfilling its obligations under the contract of participation and becoming self-sufficient.

HUD's regulations at 24 CFR 984.303(d) state that the public housing agency should extend the term of the contract of participation for a period not to exceed 2 years for any participating family that requests, in writing, an extension of the contract, provided that the agency finds that good cause exists for granting the extension. It also states that the family's written request for an extension must include a description of the need for the extension and that "good cause" means circumstances beyond control of the family.

HUD's regulations at 24 CFR 984.303(g)(1) state that the contract of participation is considered to be completed and the family's participation in the program is considered to be concluded when 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 thereof.

HUD's regulations at 24 CFR 984.305(a)(2)(i) state that the total combined Family Self-Sufficiency account funds will be supported in the public housing agency accounting records by a subsidiary ledger showing the balance applicable to each family. During the term of the contract of participation, the public housing agency should credit the escrow accounts periodically but not less than annually to each family's escrow account.

HUD's regulations at 24 CFR 984.305(a)(3) state that each public housing agency will be required to make a report, at least once annually, to each family on the status of the family's escrow account. In addition, it states that 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 escrow account during the reporting period, (iii) any deductions made from the account for the amounts due to the agency 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.

HUD's regulations at 24 CFR 984.305(b)(1) state that for purposes of determining the escrow credit, "family rent" for the rental voucher program is 30 percent of adjusted monthly income.

HUD's regulations at 24 CFR 984.305(c)(2)(ii) state that if the public housing agency determines that the family has fulfilled certain interim goals established in the contract of participation and needs a portion of the escrow account funds for purposes consistent with the contract of participation, such as completion of higher education or job training or to meet startup expenses involved in creating a small business, the public housing agency may, at its sole discretion, disburse a portion of the funds from the family's escrow account to assist the family in meeting those expenses.

HUD's Public and Indian Housing Notice 2016-08, section 3, states that public housing agencies are reminded of an obligation to correct any previously submitted program information that is not correct. Incorrect information may result in lower Section Eight Management Assessment Program scores, improper results in HUD program evaluations, and reductions in funding. Additionally, public housing agencies are reminded that documentation demonstrating compliance with the requirements of this notice and regulation must be kept on file. HUD may request this documentation at any time.

Section 4 of the Notice states that ensuring that the information being submitted is correct is crucial.

Appendix 2, section 3b, of the Notice states that public housing agencies that maintain multiple escrow balance calculations and listings must reconcile these different lists periodically but at least annually and at the time of any withdrawal for that given participant. Any needed reconciling adjustments must be made to each listing or system as necessary to bring all of the multiple lists into balance with each other. Program coordinators, agency accountants, and rent specialists may all be involved in this reconciliation process.

Appendix 3, section D.1, of the Notice states that HUD determines the coordinator funding by the number of participants that were enrolled or active in the program during a given period.

Appendix 3, section D.4.1e, of the Notice states that under the current reporting requirement, it is expected that the monthly escrow credits for participants match; therefore, the monthly escrow credits reported in HUD's system should be current with the public housing agency's internal records.

HUD's Public and Indian Housing Notice 2016-08, appendix 3, section D.4.1e (table), lists the steps the public housing agency should use to reconcile the total account balances in HUD's system to its internal records. The agency should start with the escrow balances as reported in HUD's system, add the monthly escrow credits earned, add any interest accrued, account for any other adjustments, and compare this total to the agency's current escrow balance.

Office of Public and Indian Housing, Real Estate Assessment Center, Accounting Brief 23, states that under the program, the public housing agency is required to deposit the escrow account funds of all participant families into a single depository account. This means that the program escrow funds must be in an account that is separate from all other funds held by the agency.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 23.4, states that the contract of participation must be executed no more than 120 days after the household's most recent annual or interim reexamination. If more than 120 days have passed since the last reexamination, a new reexamination must be completed.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 23.4 of the Guidebook states that every Family Self-Sufficiency contract must include a training and service plan for the head of the family that commits the family head to seek and maintain suitable employment. The training plan should include clearly stated goals with specific deadlines.

Form HUD-52650 (page 1), contract of participation, states that the amounts listed are the family's annual income, earned income, and family rent when the family begins participating in the Family Self-Sufficiency program.

Form HUD-52650 (instructions) states that the (contract) effective date is the first day of the month following the date the contract was signed by the family and the housing agency's representative. The (contract) expiration date is 5 years from the effective date of the contract. If the housing agency decides to extend the term of the contract, the original expiration date listed on page 1 of the contract must be crossed out and the new expiration date added.

Form HUD-52650 (instructions) states "the income and rent numbers to be inserted on page one of the contract may be taken from the amounts on the last reexamination or interim determination before the family's initial participation in the 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 Agency must conduct a new reexamination or interim redetermination."

Form HUD-52650 (instructions) states that 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 skill, education, and job training and the available job opportunities in the area.

Finding 2

Federal Register, volume 79, number 122, section D,[10] limits the utility allowance payment for tenant-based vouchers to the family unit size for which the voucher is issued, regardless of the size of the unit rented by the family. It further states that the utility allowance for a family should be the lower of (1) the utility allowance amount for the family unit size or (2) the utility allowance amount for the unit size of the unit rented by the family. This provision applies only to vouchers issued after the effective date of this notice (July 1, 2014) and to current program participants. For current program participants, the public housing agency must implement the new allowance at the family's next annual reexamination, provided that the agency is able to provide a family with at least 60 days' notice before the reexamination.

HUD's 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.

HUD's regulations at 24 CFR 5.609(a)(1) state that annual income means all amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual certification date.

HUD's regulations at 24 CFR 982.54(1) state that the public housing agency must adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. (1)(b) The administrative plan must be in accordance with HUD regulations and requirements. (1)(c) The public housing agency must administer the program in accordance with the agency's administrative plan.

HUD's 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.

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[10] Federal Register (FR)-5778-Notice (N)-01, Notice of Statutory Changes to Section 243 of the Department of Housing and Urban Development Appropriations Act, 2014 (2014 Appropriations Act) authorizes HUD to implement certain statutory changes to the United States Housing Act of 1937 made by the 2014 Appropriations Act through notice followed by notice and comment rulemaking. This notice establishes the terms and conditions by which HUD will implement changes to the utility allowances for tenant-paid utilities. HUD's 2014 Appropriations Act is Title II of Division L of Public Law 113-76, 128 Stat. 5, approved January 17, 2014. See Public Law 113-76 at 128 Stat. 604.

HUD's regulations at 24 CFR 982.402 state that (a)(1) the public housing agency must establish subsidy standards that determine the number of bedrooms needed for families of different sizes and compositions, (b)(1) the subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding, and (b)(3) the subsidy standards must be applied consistently for all families of like size and composition.

HUD's regulations at 24 CFR 982.516(a)(1) state that the Authority must conduct a reexamination of family income and composition at least annually.

Chapter 5.5 of the Guidebook states that reasonable childcare expenses for the care of children age 12 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.

Section VI(A)(7) of the Authority's administrative plan states that regular alimony and child support payments are counted as income for calculation of total tenant payment. The Authority will use the amount awarded by the court unless the family verifies that it is not receiving the full amount awarded. Verification from the agency responsible for enforcement or collection is acceptable. "Regular" payment is defined as receiving payments for at least 3 consecutive months at the time of verification.

Section VI(E)(1) of the plan states that the Authority will make all attempts to obtain verification in the following priority: Enterprise Income Verification system, third-party written, third-party oral, review of documents, and certification or self-declaration. Section (E)(3) states that for verification of a participant's employment income, the Authority will use data from the system plus four current, consecutive pay stubs or a letter from employer on company letterhead detailing participant or applicant income.

Section VII(B)(1) of the Authority's plan requires families to report income interim changes, in writing, within 30 days of the change. Section (B)(2) states that changes in family unit size or payment standard will be made at the time of the next regularly scheduled annual certification.