



Villa Main Apartments, Port Arthur, TX

Multifamily Section 8 Project-Based Rental Assistance

**Office of Audit, Region 6
Fort Worth, TX**

**Audit Report Number: 2018-FW-1002
January 31, 2018**



To: Mary Walsh, Southwest Region Director, Multifamily Housing, 6AHMLA
Craig Clemmensen, Director, Departmental Enforcement Center, CACB

//signed//

From: Kilah S. White, Regional Inspector General for Audit, 6AGA

Subject: Villa Main Apartments, Port Arthur, TX, Subsidized Nonexistent Tenants,
Unsupported Tenants, and Uninspected Units

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 Villa Main Apartments in Port Arthur, TX.

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 817-978-9309.



Audit Report Number: 2018-FW-1002

Date: January 31, 2018

**Villa Main Apartments, Port Arthur, TX, Subsidized Nonexistent Tenants,
Unsupported Tenants, and Uninspected Units**

Highlights

What We Audited and Why

We audited the multifamily Section 8 project-based rental assistance (PBRA) program at the Villa Main Apartments. We selected Villa Main in accordance with the Office of Inspector General's (OIG) goal to review the U.S. Department of Housing and Urban Development's (HUD) multifamily housing programs and because the OIG Office of Investigation conducted an investigation and suggested that the complex might not have had appropriate controls to ensure tenant eligibility. Our objective was to determine whether the owner administered its Section 8 PBRA program in accordance with HUD regulations and guidance. Specifically, we wanted to determine whether tenants were eligible for the program, housing assistance subsidies were accurate, and units received required inspections.

What We Found

The owner did not administer its Section 8 PBRA program at Villa Main in accordance with HUD regulations and guidance. It assisted at least 82 tenants who were either ineligible for assistance because they did not exist or the tenant eligibility and the unit physical condition standards could not be supported. These conditions occurred because the owner and former management agent lacked oversight of their staff. They also failed to establish effective control systems, which allowed their onsite employees to commit fraud. The employees falsified tenant eligibility, did not properly verify tenant income, and did not inspect the units as required by HUD. As a result, HUD paid the owner \$534,741 in subsidies for ineligible "ghost" tenants and incurred more than \$1 million in subsidies for which the owner could not support the tenants' subsidy amounts or that the subsidized units were in decent, safe, and sanitary condition.

What We Recommend

We recommend that the Southwest Region Director of Multifamily Housing require the Villa Main owner to (1) repay HUD \$534,741 for housing subsidies received for ineligible nonexistent "ghost" tenants and (2) support or repay HUD more than \$1 million for tenants whose eligibility the owner could not support. In addition, HUD should require its contract administrator to ensure that the Villa Main owner's recently implemented quality control program is working as designed and in accordance with HUD requirements. We also recommend that the Departmental Enforcement Center take appropriate administrative actions against the appropriate owner(s).

Table of Contents

Background and Objective.....	3
Results of Audit	5
Finding: HUD Paid Subsidies to Villa Main Apartments for Nonexistent Tenants, Unsupported Tenants, and Uninspected Units.....	5
Scope and Methodology.....	11
Internal Controls.....	13
Appendixes.....	14
A. Schedule of Questioned Costs	14
B. Auditee Comments and OIG’s Evaluation.....	15
C. Ineligible Subsidy Payments for Nonexistent “Ghost” Tenants.....	25
D. Unsupported Tenant Subsidy Payments.....	27

Background and Objective

The Section 8 project-based rental assistance (PBRA) program was authorized by Congress in 1974 to provide rental subsidies for eligible tenant families residing in specific multifamily rental properties. Under the program, the U.S. Department of Housing and Urban Development (HUD) enters into long-term housing assistance payments contracts with project owners to provide housing units to eligible tenants. HUD also contracts with project-based contract administrators to monitor and enforce owner compliance with the terms of the contracts and HUD regulations and requirements.

Villa Main Apartments is a 140-unit complex at 901 Main Avenue in Port Arthur, TX. HUD subsidized rents for 81 units through a yearly housing assistance payments contract with the owner, Villa Main Housing Associates, Ltd, a Texas Limited Partnership.¹ The contract summarized the terms and conditions for subsidy payments. Based on the tenant's income, the owner determined how much rent each tenant was responsible for and submitted monthly claims to HUD for the difference between the tenant's portion of the rent and the total approved rent for an adequate housing unit. Between January 2012 and May 2017, HUD paid the owner more than \$2.2 million in tenant subsidies.

Southwest Housing Compliance Corporation was HUD's performance-based contract administrator for Villa Main's Section 8 PBRA program. Due to national litigation between HUD and other parties, HUD amended its contracts with administrators throughout the country to delete certain monitoring tasks, effective October 1, 2011. HUD reinstated the monitoring tasks in May 2016. However, the administrator had not performed onsite monitoring reviews of Villa Main as of the end of our review period.

The owner hired management agents to oversee day-to-day operations at Villa Main. Three management agents managed the project between January 2012 and May 2017. From December 2011 to May 2016, RealTex Housing Management, LLC was the management agent. UAH Property Management LP managed the project from June to August 2016. Alpha-Barnes Real Estate Services, LLC began managing the project in September 2016. The fraud detailed in this report occurred during the time RealTex Housing Management, LLC was the management agent.

The Office of Inspector General's (OIG) Office of Investigation (OI) conducted an investigation at a different apartment complex² and subpoenaed bank records. During its investigation, OI

¹ The partnership includes Villa Main Housing Associates GP LLC, the general partner, and PNC Multifamily Capital Institutional Fund XXXIV Limited Partnership (the investment limited partner), Columbia Housing SLP Corporation (the special limited partner), and Madhouse Development Services, Inc. (the class B limited partner).

² We also conducted the following audit: The Beverly Place Apartments, Groves, TX, Subsidized Nonexistent Tenants, Unqualified Tenants, and Tenants With Questionable Qualifications, audit report 2017-FW-1009, issued June 29, 2017.

discovered fraud by onsite staff at Villa Main, including identity theft and manipulated tenant income documents. Villa Main's former manager and assistant manager pleaded guilty to conspiracy and theft of public money and received prison sentences. This report does not include findings for issues addressed through the investigative process.

Our objective was to determine whether the owner administered Villa Main's Section 8 PBRA program in accordance with HUD regulations and guidance. Specifically, we wanted to determine whether tenants were eligible for the program, housing assistance subsidies were accurate, and units received required inspections.

Results of Audit

Finding: HUD Paid Subsidies to Villa Main Apartments for Nonexistent Tenants, Unsupported Tenants, and Uninspected Units

Villa Main’s owner did not administer its Section 8 PBRA program in accordance with HUD regulations and guidance. Specifically, the owner billed HUD for at least 39 tenants who did not exist and 43 tenants with falsified income or lacking the required documentation for recertifications. Further, the owner failed to ensure that required annual inspections were conducted. These conditions occurred because the owner and the former management agent lacked oversight of their staff, which allowed onsite managers to defraud HUD and Villa Main tenants. In addition, the owner failed to implement appropriate controls to ensure that its tenants were eligible, housing assistance payments were accurate, and its units were inspected, as certified on its reimbursement requests to HUD. As a result, HUD paid the owner \$534,741 in subsidies for nonexistent “ghost” tenants³ or vacant units and more than \$1 million for unsupported tenants and units that it could not assure HUD were decent, safe, or sanitary. See the table below.

Subsidies paid for 82 ineligible and unsupported tenants

Issue	Ineligible subsidy payments (see appendix C)	Unsupported subsidy payments (see appendix D)	Total
At least 39 nonexistent “ghost” tenants	\$534,741		\$534,741
Falsified income and lack of documentation for 43 tenants		\$1,095,364	1,095,364
Totals	534,741	1,095,364	1,630,105

HUD Paid the Owner for Nonexistent “Ghost” Tenants

Villa Main improperly submitted housing assistance vouchers for units with tenants who had moved out of their subsidized units or for vacant units. HUD required Villa Main to bill HUD only for occupied units.⁴ A comparison of utility records⁵ to rent rolls and housing assistance payments showed that 39 tenants did not live in Villa Main units at the time HUD paid their

³ Nonexistent “ghost” tenants refers to subsidized units, which Section 8 PBRA tenants did **not** occupy but the owner billed HUD for those tenants on its certified reimbursement requests, resulting in ineligible monthly housing subsidies from HUD.

⁴ Housing assistance payments renewal contract, section 4.d.2

⁵ Utility records showed that the utilities were either in the complex’s name (vacant) or in the name of another person not on record as living in the unit. The tenant occupying the unit was responsible for utility payments.

housing subsidies. Further, interviews⁶ with former Section 8 tenants, former onsite managers, employers, reported income contributors, and non-Section 8 tenants confirmed that the onsite staff set up nonexistent “ghost” tenants by filing subsidy information for tenants who had moved out of units and renting those units to non-Section 8 tenants to collect rent for themselves. This scheme allowed the former onsite managers to collect and keep rent from the non-Section 8 tenants, while the owner received housing subsidies from HUD for nonexistent “ghost” tenants.

Through their fraudulent actions, former onsite managers used tenant personal identification information to maximize HUD assistance, while creating their own personal enrichment opportunities and harming low-income tenants. In one instance, utility records

Former onsite managers defrauded HUD and Villa Main tenants.

showed that a Section 8 tenant’s service for unit 150 was disconnected in November 2011. We interviewed the tenant’s former employer, who said the tenant worked there from August 2009 through August 2011, then moved to California. The former employer also stated that the signatures on 2012 and 2013 verification of employment forms were not her signature. Income information within the tenant’s file showed that she lived and worked in California in 2013. In addition, the tenant file contained no evidence that the owner conducted the required tenant recertifications in 2014 or 2015.

After the Section 8 tenant moved out of unit 150 in 2011, Villa Main continued to use her personal identification information to collect HUD housing subsidies for that unit through April 2016. A different tenant confirmed that she lived in unit 150 and paid full rent by cash or money orders. However, the tenant file showed that this tenant lived in unit 108 and not unit 150 as stated by the tenant. Our review of utility records confirmed that utilities for unit 150 were in this tenant’s name from December 2011 through April 2016. In this case, the onsite managers used the tenant’s personal identification information to collect the HUD subsidy for unit 108, while the tenant paid full rent for unit 150, which HUD also subsidized the entire time the tenant lived there. The tenant said she did not know she had applied for Section 8 and that she currently owned a house and business⁷ and knew she did not qualify for the program. Further, the tenant confirmed that signatures on 2014 and 2015 tenant recertifications for unit 108 were not her signature.

In addition to the previously described fraudulent activities, the former onsite managers minimized tenant income, which maximized HUD assistance, including utility allowance reimbursement checks, which resulted in HUD’s paying the owner more than it should have in subsidies for ineligible units and inflated utility allowances. The former onsite managers also required other non-Section 8 tenants to pay cash or money orders for rent on subsidized units, which the managers deposited into personal bank accounts instead of the project account as required. After OI started its investigation, the onsite manager changed the tenant status to “moved out” for nonexistent “ghost” tenants and asked the non-Section 8 tenants who still lived

⁶ In addition to our interviews, we reviewed OI interviews with former onsite managers and non-Section 8 PBRA tenants.

⁷ Auditors interviewed this former tenant at her business.

at Villa Main to apply for the program if they were qualified. These fraudulent activities resulted in ineligible housing assistance payments for 39 nonexistent “ghost” tenants totaling \$534,741.

HUD Paid the Owner for Unsupported Tenants

The owner billed HUD for at least 43 tenants whose eligibility it could not support. A review of 34 tenant files showed that all of the files contained deficiencies. The files (1) contained falsified income verification documents; (2) had income discrepancies; (3) lacked Enterprise Income Verification (EIV) system reports,⁸ third-party income verification, or both; (4) included blank and unsigned forms HUD-50059, which are used to submit eligibility information to HUD through its Tenant Rental Assistance Certification System (TRACS) for subsequent housing assistance payments; and (5) had missing or incomplete inspection reports. In addition, the owner could not locate nine tenant files, which left it unable to support that the subsidies HUD paid benefited eligible tenant families. The resulting unsupported payments for these deficiencies totaled more than \$1 million.

Falsified Income

Two tenants confirmed with auditors that their income was falsified. In one instance, a Section 8 tenant stated that she informed the former onsite manager that she had two jobs but the manager responded, “I did not hear that.” The tenant said she paid \$300 per month in rent. However, forms HUD-50059 in the tenant’s file showed that the tenant’s rent ranged from \$0 to \$68 per month from March 2012 through February 2016. Further, the tenant said that the onsite manager asked her to sign certifications sporadically, backdate them, or sign the certifications without dating them. Falsifying income allowed this tenant to receive more housing assistance than she was entitled to, while the former onsite manager could keep the difference between the amount the tenant paid and the total tenant payment. The new management agent completed adequate recertifications for this tenant in October 2016 and March 2017, which provided the correct income and tenant payment amounts. Although we did not interview all tenants, our review of the 34 tenant files suggested that the example described above was not an isolated incident.

Income Discrepancies

Of the 34 reviewed files, 8 contained income discrepancies. Income on the forms HUD-50059 did not include income from other household members, or the tenant files contained EIV reports showing that tenants had employment income; however, the forms HUD-50059 submitted to HUD showed much lower income from nonwage sources, such as child support or gifts, which were also questionable.

Lack of EIV Reports, Third-Party Income Verification, or Both

All 34 reviewed files had missing EIV reports, third-party income verification, or both. HUD mandated the use of the EIV system for verification of employment and income of tenants and for reducing administrative and subsidy errors and required third-party verification of the income. Even when the staff had EIV reports, the records showed that

⁸ The Enterprise Income Verification system is a web-based computer system containing employment and income information on individuals participating in HUD’s rental assistance programs. Regulations at 24 CFR (Code of Federal Regulations) 5.233 and HUD Handbook 4350.3, REV-1, require its use as a third-party verification source.

they disregarded the information. In some instances, former staff ignored the information for unlawful purposes.

Lack of Tenant Signatures on Forms HUD-50059 and HUD-50059-A

All 34 files were missing tenant signatures on forms HUD-50059 and HUD-50059-A as required by HUD.⁹ Many of the forms were also missing. Without relevant information and tenant signatures on required forms, the owner could not assure HUD that eligible tenants occupied the subsidized units.

HUD Paid the Owner for Uninspected Units

All 34 reviewed files had missing inspection reports, or the inspection reports were not completed. However, the owner billed HUD and received payment for these uninspected units. HUD required the owner to complete annual inspections to ensure that the units for which assistance was billed were decent, safe, sanitary, and occupied or available for occupancy.¹⁰

The Owner Lacked Oversight and Did Not Have Controls To Detect or Prevent the Fraud and Deficiencies

The owner did not have appropriate oversight or controls to detect the onsite managers' fraud or prevent the managers from committing fraud against HUD and the tenants. The managers routinely used the same amounts and sources of income each year in tenant eligibility submissions to HUD. The owner did not verify the information that the onsite managers provided when it certified the accuracy of its monthly requests to HUD for subsidy payments.

For example, for five consecutive years (2012 through 2016), Villa Main reported that one tenant had no employment income and the same gift income of \$1,920 annually. However, EIV reports in the tenant's file showed that he had employment income during this time, including an annual salary of more than \$55,000 during 2013 and 2014 (see figure 1), which significantly exceeded the eligibility limit of \$20,150 for his family size. In this instance, one of the prosecuted former onsite managers generated the EIV report but failed to adjust the subsidy payment to the accurate amount in Villa Main's certification for payment to HUD. Had the onsite manager reported the income, the owner would not have received housing subsidies for this tenant.

⁹ HUD Handbook 4530.3, REV-1, chapter 7

¹⁰ 24 CFR 5.705

Figure 1: Excerpt from EIV report in the tenant file showing more than \$55,000 in income Villa Main failed to report to HUD

Project:	VILLA MAIN APARTMENTS	
Effective Date of Action:	12/01/2014	
Next Re-certification Date:	12/01/2015	
Projected Annual Wages and Benefits from Form HUD-50059:	\$0.00	
Period Of Income for Discrepancy Analysis	09/01/2013 - 08/31/2014	
Discrepancy Analysis	Actuals	Annualized Last Quarter
Reported Annual Wages and Benefits from EIV Data:	\$55,369.52	\$43,287.12
Amount of Annual Income Discrepancy:	(\$55,369.52)	(\$43,287.12)
Amount of Monthly Income Discrepancy:	(\$4,614.13)	(\$3,607.26)
Percentage of Income Discrepancy:	(100%)	(100%)

Note: Negative numbers represent potential under reporting of income. Please discuss this income discrepancy with the tenant. Positive numbers represent potential decrease in tenant income.

Confidential Privacy Act Data. Civil and Criminal penalties apply to misuse of this data.

Report Generated By - [REDACTED]

prosecuted former on-site manager

On the requests for subsidy payment, the owner certified that (1) each tenant’s eligibility and assistance payment was computed in accordance with HUD regulations, administrative procedures, and the contract; (2) all of the facts and data on which the requests for payment were based were true and correct; (3) the required inspections had been completed; and (4) the units for which assistance was billed were decent, safe, and sanitary. The certifications were incorrect, and the owner received ineligible and unsupported payments totaling more than \$1.6 million.

Evidence of noncompliance with HUD requirements in the tenant files, such as those identified in this report, was obvious. The owner or the management agent could have detected the deficiencies had it monitored the program and reviewed the files. HUD’s project-based contract administrator’s onsite management and occupancy review in May 2011 found deficiencies similar to those in this report, such as (1) the management agent did not use the existing tenant search for applicants’ household members during the screening process; (2) several files contained no evidence that management attempted to acquire third-party verification of income before accepting the tenant self-certification of third-party income form; and (3) the management agent had not investigated income discrepancies. There was no evidence that the owner took actions to address the issues brought to its attention by the project-based contract administrator until after the OI investigation had begun.

Improvements

Since the current management agent took over in September 2016, the owner and current management agent had taken a more proactive approach and implemented changes to their oversight procedures. These procedures included (1) performing monthly monitoring of compliance with the required earned income verification report and (2) changing procedures for disbursement of reimbursable utility allowance checks. We tested these procedures and found that the new procedures appeared to be adequate. However, the current management agent had not completed a physical inspection of the units as required.

Conclusion

The owner violated its housing assistance payments contract with HUD for its Section 8 PBRA program by billing HUD for vacant units and nonexistent “ghost” tenants; submitting erroneous certifications to bill HUD for unqualified and questionable tenants; and charging HUD for units that it failed to ensure were decent, safe, and sanitary. This condition occurred because the owner placed unwarranted trust in its onsite managers, which harmed its Section 8 PBRA program. Further, the owner and former management agent lacked oversight of their staff and failed to implement appropriate controls to ensure that tenants were eligible and HUD housing assistance payments were accurate, as certified on its reimbursement requests. As a result, the owner collected housing assistance payments of more than \$1.6 million to which it was not entitled.

Recommendations

We recommend that the Southwest Region Director of Multifamily Housing require Villa Main Apartments owner to

- 1A. Repay HUD \$534,741 for 39 subsidized units with ineligible “ghost” tenants.
- 1B. Provide support that the subsidized 43 units without annual physical inspections, without required EIV reports, or with missing files were eligible or repay HUD \$1,095,364 for those subsidies.
- 1C. Implement appropriate controls to ensure tenants are eligible, housing assistance subsidies are accurate, and that units are inspected as required.

We further recommend that the Southwest Region Director of Multifamily Housing

- 1D. Verify that the owner is providing oversight to its onsite staff and its recently implemented quality control program is working as designed and in accordance with HUD requirements.
- 1E. Ensure that the project-based contract administrator’s review process includes steps to obtain reasonable assurance that tenants being reported as subsidized at Villa Main qualify for the program and live in the subsidized units.

We also recommend that the Director of the HUD Departmental Enforcement Center

- 1F. Consider whether administrative action against the appropriate owner(s) is warranted.

Scope and Methodology

We performed our fieldwork at Villa Main’s office located in Port Arthur, TX, and the OIG Offices of Audit in Houston, TX and Fort Worth, TX, from July through November 2017. Our audit period was January 2012 through May 2017.

To accomplish our objective, we

- Reviewed relevant HUD regulations and requirements.
- Reviewed the management agents’ policies and procedures.
- Reviewed the contract administrator’s management and occupancy review period for Villa Main, dated June 17, 2011.
- Reviewed Villa Main’s latest Real Estate Assessment Center inspection report.
- Reviewed utility records subpoenaed by the Offices of Investigation and Audit.
- Reviewed and analyzed the monthly housing assistance payment requests for the audit period.
- Reviewed TRACS move-in move-out reports, TRACS assistance payment reports, unit payment history reports, and Lexis Nexis reports.
- Reviewed the project’s audited financial statements, general ledgers, check registers, and rent rolls.
- Interviewed tenants or employers or their reported income contributors when we could locate them.
- Interviewed HUD and management agent staff.
- Removed utility allowance amounts and proportional judgment amounts that were included in the OI plea agreement with the former onsite managers or referred to HUD’s Departmental Enforcement Center when calculating the ineligible amounts.

Of the 138¹¹ subsidized tenants during our review period, we selected a sample of 14 files for tenants who (1) had high housing assistance payment amounts, (2) moved out in 2016, (3) had problem indicators, and (4) were not tenants included in OI’s investigation. For the survey phase of our audit, we reviewed the files to determine whether documentation supported the tenant’s eligibility for subsidized housing. We also attempted to contact 14 tenants, employers, or reported donor income contributors to verify information in the files. The test results refer only to the tenants tested and cannot be projected to the population of tenants. Based on the results of this review, we expanded our review in the audit phase to include an additional 68 tenants, who

¹¹ The number of assisted tenants (138) exceeded the number of assisted units (81) due to tenant move-ins and move-outs during the audit period.

had housing assistance payments of more than \$10,000 during the review period.¹² For these 82 tenants (14 + 68), we compared information in the utility records to TRACS reports, including rent rolls, move-in move-out reports, payment histories, and stolen check lists obtained from OI. We also reviewed interview records from OI for 14 other tenants. We determined that 39 of the tenants were clearly nonexistent “ghost” tenants.

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.

¹² Of 138 tenants, 82 had housing assistance payment amounts of more than \$10,000 with total payments of \$2,087,911 out of \$2,248,430 (93 percent of the total payments during the audit period).

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:

- Policies and procedures that Villa Main's owner implemented to ensure that its Section 8 PBRA program was administered in accordance with HUD's rules and regulations.
- Policies and procedures that Villa Main's owner implemented to provide adequate oversight of former onsite managers at Villa Main.
- Policies and procedures that Villa Main's owner implemented to ensure that its monthly HUD billings were accurate and included only occupied units.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The owner and former management agent lacked oversight and did not have sufficient controls to ensure that they implemented the Section 8 PBRA program in accordance with HUD's rules and regulations, including that their monthly billings to HUD were for eligible tenants and for adequately supported subsidies (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$534,741	
1B		\$1,095,364
Totals	534,741	1,095,364

- 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.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

VILLA MAIN HOUSING ASSOCIATES, LTD., a Texas limited partnership

Ms. Kila S. White
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
819 Taylor Street, Suite 13A09
Fort Worth, Texas 76102
KWhite@hudoig.gov

Re: Villa Main Apartments - Formal Written Response to Draft Audit Report entitled, "Villa Main Apartments, Port Arthur, TX, Multifamily Section 8 Project-Based Rental Assistance"- Audit Report Number: 2018-FW-100X (the "Draft Audit")

Dear Ms. White:

On behalf of Villa Main Housing Associates, Ltd., a Texas limited partnership (the "Owner"), through Villa Main Housing Associates GP, LLC, a Texas limited liability company (the "GP"¹) and Port Arthur Affordable Housing Corporation, a Texas nonprofit corporation and a public facility corporation that serves as the sole member of the GP (the "Nonprofit") formed as a housing development instrumentality of the Port Arthur Housing Authority (the "Authority"), we submit these written comments to the Draft Audit.

As will be further discussed below, as a threshold matter, we would like to note that the Authority is not a part of the Property's (defined below) ownership structure. The Authority does have an option and right of first refusal to acquire the Property from the Owner following the expiration of the 15-year tax credit compliance period, but otherwise, it is not in privity with the Property. The Developer (defined below) sought the Nonprofit's participation in the development of the Property in order to assist the Owner in its application for low income housing tax credits and to further support the Property's qualification for *ad valorem* tax exemption.

Importantly, though, the successful resolution of this Audit and preservation of the Property as a functioning low income development is consistent with the Authority's mission to provide decent, safe and sanitary housing for persons of low income and is consistent with the Nonprofit's corporate purposes to serve as the instrumentality through which the Authority can, in part, effect that mission. Hurricane Harvey wreaked havoc on our community, particularly its low income residents, and we are desperately working to meet the housing needs of those individuals and families. Villa Main is a critical part of the solution, and we would be remiss to not mention the following - if the subsidy spigot is tightened down (or turn-off) at Villa Main, the problems in our community get worse, not better.

¹ PNC Multifamily Capital Institutional Fund XXXIV Limited Partnership serves as the Owner's equity investor limited partner; Columbia Housing SLP Corporation serves as the Owner's special limited partner; and Madhouse Development Services, Inc. serves as the Owner's Class B Limited Partner and Guarantor.

Auditee Comments

Background

Villa Main Apartments is a 140-unit apartment complex in Port Arthur, Texas (the "Property"), which was re-developed in 2006 by Madhouse Development Services, Inc. (the "Developer") using low income housing tax credits under Section 42 of the Internal Revenue Code and supported by a PBRA HAP Contract on 81 of the units. The Property is also a Mark-to-Market property so that rent levels are fixed subject to the Mark-to-Market program regulations contained at 24 C.F.R. Part 401. Port Arthur, Texas has long experienced a great need for the availability of safe, sanitary and affordable housing, and Villa Main is an important part of meeting that need. Following the devastating effects of Hurricane Harvey, Villa Main's importance became even more pronounced. It was one of the affordable housing developments that did not suffer significant damage, and its vacancies served as replacement housing for those families and individuals whom the storm displaced.

The Property's rehabilitation addressed the deficiencies noted in the Physical Needs Assessment and provided a revamped space for low income individuals to call home, but even after the renovation, it has never produced any meaningful cash flow. The Property has always operated on very thin margins, in no small part because of the fixed rent levels and the inability to secure the tax abatement because of structuring requirements HUD imposed under the Mark-to-Market program. In fact, the general partner has made a cash flow subordinate loan in an amount not to exceed \$200,000, all in an effort to help stabilize the Property and its operations.

Realtex Housing Management, LLC² served as the Property's management agent under a Property Management Agreement dated as of December 1, 2011 until its termination on May 18, 2016. UAH Property Management, L.P. served a brief period as the Property's management agent from June 1, 2016 until August 31, 2016. under Management Agreement dated as of June 1, 2016. Alpha-Barnes Real Estate Services, LLC began serving as management agent under a Management Agreement dated as of August 5, 2016 and continues in that capacity. As you note in your Draft Audit, the problems at issue arose during and are isolated to the Realtex management years.

In a letter dated April 7, 2016, Realtex sent the Owner notice that it terminated an employee, [REDACTED] (Business Manager) for "violation of corporate policies", effective 5:30pm on March 24, 2016. The termination was "prompted by information to the effect that there may be improprieties with how on-site personnel handled certain HUD subsidies and other of Owner's funds." The notice also provided that [REDACTED], the Assistant Manager, voluntarily resigned without notice on March 30, 2016 at 5:22pm. In a local news article published on December 7, 2016, it was announced that [REDACTED] was charged with stealing more than \$350,000 from Villa Main apartments - "[REDACTED] did steal and purloin money and funds paid by HUD for the benefit of qualifying HUD beneficiaries," according to Court documents." It also noted that another person, [REDACTED], "pleaded guilty to theft in July for fraudulently applying for and receiving HUD benefits for residents at the Beverly Place Apartments in Groves."

Comment 1

Comment 2

² Realtex Development Corporation is listed in the Draft Audit as the Property Manager, which should be revised to its affiliated management company.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

Comment No. 1 - The Authority is not a part of the Ownership, but the Authority - motivated by its mission - is very much interested in Villa Main's success.

As a threshold matter, we note that the Authority is not a part of the Property's (defined below) ownership structure. The Authority does have an option and right of first refusal to acquire the Property from the Owner following the expiration of the 15-year tax credit compliance period, but otherwise, it is not in privity with the Property. The Developer (defined below) sought the Nonprofit's participation in the development of the Property in order to assist the Owner in its application for low income housing tax credits and to further support the Property's qualification for ad valorem tax exemption.

Importantly, though, the successful resolution of this Audit and preservation of the Property as a functioning low income development is consistent with the Authority's mission to provide decent, safe and sanitary housing for persons of low income and is consistent with the Nonprofit's corporate purposes to serve as the instrumentality through which the Authority can, in part, effect that mission. Hurricane Harvey wreaked havoc on our community, particularly its low income residents, and we are desperately working to meet the housing needs of those individuals and families. Villa Main is a critical part of the solution, and if the subsidy spigot is tightened down (or turn-off) at Villa Main, the problems in our community get worse, not better.

Comment No. 2 - The Draft Audit contemplates the Owner taking actions far beyond industry norms to monitor the Property and the Property Manager.

Our principal comment is general in nature - the Draft Audit does not sufficiently recognize our compliance with industry norms in managing and operating affordable housing communities. We exercised reasonable measures to oversee Villa Main. A small number of individuals used their significant industry experience to conspire and defraud HUD and the Owner. Fraud - especially when a part of a multi-party conspiracy that included local law enforcement officials - is extremely difficult to detect. The Draft Audit does not appropriately recognize that the Owner was victimized, too - it was not complicit in the fraud.

While the Owner accepts its ultimate duty to operate the Property in compliance with applicable laws and regulations, we find certain assertions in the Draft Audit, as well as the theme of persistent Owner failures, to be over-reaching.

A. The Highlights - What We Found (p.1): *"These conditions [the findings of noncompliance] occurred because the [O]wner and former management agent lacked oversight of their staff. They also failed to establish effective control systems, which allowed their onsite employees to commit fraud."*

The inferred basis for these two sentences is out of line with industry norms, insomuch as the inference is that the Owner was not effectively monitoring its own staff. The former manager's staff committed the fraud - not the Owner's. Certainly, it appears the management company failed to supervise its personnel and failed to establish internal control systems. Ideally, Realtex's operational systems should have precluded its on-site personnel from perpetrating the fraud. Certainly, they should have allowed Realtex to promptly discover the fraud.. The

Comment 3

Comment 4

Owner, however, was in a different posture. First, it entered into an arms-length property management contract, requiring Realtex (then a well-regarded developer and manager of affordable multifamily housing) to assume primary responsibility for the duties of: (i) leasing units; (ii) determining tenant income and eligibility; and (iii) in that process, ensuring compliance with applicable HUD and Section 42 requirements. Second, it put in place a series of checks and balances that comply with industry standards to monitor Realtex's performance. Those include:

- i. Hiring of a well-regarded property management firm.
- ii. Hiring of an industry leading independent third-party audit company. Novogradac and Company, LLP conducted annual audits of the Property, which included on-site review, and none of these audits discovered the fraud.
- iii. Direct Owner monitoring. These steps included (a) routine on-site property checks and conversations with property managers³, (b) review and evaluation of management reports delivered to the Owner, and (c) review and evaluation of annual audits from Novogradac. The General Partner was not alone in these efforts. PNC, the investor limited partner, is a nation-wide leader in the tax credit industry with investments in thousands of properties over the years. PNC maintains a highly capable and sophisticated asset management department. In short, there was never any indication to the Owner that unscrupulous activity was occurring.

***The reference to Owner in the above quoted sentences should be removed, and the same general statement throughout the Draft Audit should be revised to reflect a well-concealed fraud at the property manager level, including in the first paragraph of page 5. The property manager's fraud should not be imputed to the Owner, and any suggestion in the Audit to that effect should be removed.

- B. The Results of Audit - Finding: HUD Paid Subsidies to Villa Main Apartments (p.5): *"Villa Main's [O]wner did not administer its Section 8 PBRA program in accordance with HUD regulations and guidance. Specifically, the [O]wner billed HUD for at least 39 tenants who did not exist and 43 tenants with falsified income or lacking the required documentation for recertifications. Further, the [O]wner failed to ensure that required annual inspections were conducted."*

To the extent program noncompliance occurred, it occurred because of the property manager's failures, and the Owner's ignorance of such failures was reasonable, given the sophisticated scheme applied by the fraudsters.

³ To further this point, an average of approximately 30 tenants annually at the Property were Housing Choice Voucher Tenants under the Authority's Voucher Program. The Authority engaged a third-party inspection contractor to monitor those units for HQS. The units all passed HQS inspections. This is another example of a positive report coming from the Property, although not directly related to the operation of the project-based units.

Ref to OIG
Evaluation

Auditee Comments

Comment 5

***The aforementioned sentence should be revised, and any other references to the same general finding or conclusion, to reflect the Owner's justified reliance on the property manager's actions, as follows: "Villa Main did not administer its Section 8 PBRA program in accordance with HUD regulations and guidance. Specifically, the property manager, acting under contract with the Owner, billed HUD for at least 39 tenants who did not exist and 43 tenants with falsified income or lacking the required documentation for recertifications. Further, the required annual inspections were not conducted."

- C. The Results of Audit - Finding: HUD Paid the Owner for Unsupported Tenants (p.7): *"In addition, the [O]wner could not locate nine tenant files, which left it unable to support the subsidies HUD paid benefited eligible tenant families."*

***We believe an electronic copy of these files were in HUD's possession as a part of the criminal investigation. We have located five of the missing tenant files (from the prior property manager), and the Owner is delivering the same to the HUD OIG under separate cover. We will continue to investigate these missing tenant files and will deliver those to HUD OIG when we locate them.

Comment 3

- D. The Results of Audit - Finding: The Owner Lacked Oversight and Did not Have Controls To Detect or Prevent the Fraud and Deficiencies (p.8): *"The [O]wner did not have appropriate oversight or controls to detect the onsite managers' fraud or prevent the managers from committing fraud against HUD and the tenants."*

This is true - the fraud occurred without our knowledge. No reasonable amount of Owner oversight or controls could have prevented the fraud. We followed industry norms in our operation of the Property, and as we discussed above, we did so with some of the leading third-party service providers. Clearly, Realtex, as property manager, failed, but those failures should not overshadow the fact that at the time of their engagement, they were well regarded, and we had no reason to suspect incompetence. Realtex Management successfully oversaw thousands of apartments across the state of Texas, and its senior leadership had decades of experience overseeing affordable housing. It appears that the records sent to Realtex's senior management were fraudulent, manipulated, and in that form, supported the tenants' eligibility under the PBRA program. Realtex had a duty to confirm those records - it didn't do it. The reports that came to the Owner, though, never indicated a problem, and it would be far beyond custom for an affordable housing owner to do the level of investigation that would have been required to undercover these bad acts by a few bad individuals.

We do not dispute the facts contained in the Draft Audit. The Property was victimized by unscrupulous individuals acting in concert and collusion. They were skilled in their fraud. Ultimately, the onsite manager (30+ years of experience), the assistant manager (20+ years of experience), and the maintenance staff (15+ years of experience) conspired to ensure that files were documented to give the illusion that the Property was occupied by eligible residents.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 3

Following a criminal indictment, investigation, and prosecution, HUD OIG conducted its audit and reached these draft findings. Hindsight was beneficial in that process. OIG compared utility records to rent rolls, move-in move-out reports, payment histories, and stolen check lists. OIG interviewed former onsite property managers, employers, and income contributors. OIG conducted deeper dives into individual tenant files. It is not industry norm or custom for an owner to undertake this level of review. The property manager performs many of those functions, and owners rely on their reports to confirm tenant eligibility. The Novogradac annual audits, used to test management performance in the industry, identified occasional minor concerns, which the Owner immediately addressed. Neither Novogradac nor PNC, however, flagged issues suggesting manager fraud.

E. The Results of Audit - Finding: The Owner Lacked Oversight and Did not Have Controls To Detect or Prevent the Fraud and Deficiencies (p.9): *“The [O]wner or management agent would have detected the deficiencies had it monitored the program and reviewed the files.”*

***For the reasons articulated in Paragraph E above, the reference to “Owner” in the above quoted sentence should be removed.

Comment 6

F. The Results of Audit - Finding: The Owner Lacked Oversight and Did not Have Controls To Detect or Prevent the Fraud and Deficiencies (p.9): *“There was no evidence that the [O]wner took actions to address the issues brought to its attention by the project-based contract administrator [in its May 2011 Management and Occupancy Review] until after the OI investigation had begun.”*

***The Owner was not made aware of continued non-compliance following the May 2011 MOR. Based on the absence of continued requests from Southwest Housing Compliance, there was no indication suggesting the issues remained unresolved.

Comment 7

G. The Conclusion (p.10): *“This condition [the findings of noncompliance] occurred because the [O]wner placed unwarranted trust in its onsite managers[.]”*

At the time of its engagement as property manager, Realtex was an industry leading affordable housing developer and property management firm. There was no reason to not trust it as a fully-capable property manager. It is completely within industry norms for the Owner to rely on its property manager to ensure regulatory compliance. In fact, that is the primary reason for which such managers are engaged. Often, property owners are not geographically close to their developments or do not have the capacity or the experience to dutifully manage a property, so they engage well-regarded companies to handle those functions. The Owner did just that in this instance.

***The above quoted sentence should be struck in its entirety, as it does not accurately reflect the on-the-ground view of affordable housing owners and managers nationwide.

Comment 3

H. Internal Controls (p.13): *“The owner and management agent lacked oversight and did not have sufficient controls to ensure that they implemented the Section 8 PBRA program in accordance with HUD’s rules and regulations, including that their monthly billings to HUD were for eligible tenants and for adequately supported subsidies (finding).”*

***For the reasons articulated above, the reference to “Owner” in the above quoted sentence should be removed.

Comment 8

Comment No. 3 - The Audit should place blame where it appropriately lies and recommend that HUD support the Owner’s efforts to seek remedies from the at fault parties.

The Draft Audit’s recommendations follow its findings and do not recommend seeking redress from the responsible parties. The Owner should not be called upon to repay approximately \$1,600,000 when it was a victim of a well-organized and concealed fraud. The Audit should recommend that HUD and the Owner cooperate in seeking redress from the parties who stole from and violated the public trust.

***The Audit should not recommend that the Owner repay the money stolen from it and HUD. Instead, the Audit should recommend that HUD and the Owner cooperate in seeking redress from the parties who stole from and violated the public trust.

Comment 9

Thank you, again, for the opportunity to present these comments to you. We look forward to working with you and HUD to successfully resolve these issues. Finally, we are encouraged, and hope you are, too, by the “Improvements” you note on p. 10 of the Draft Audit - “[T]he [O]wner and current management agent had taken a more proactive approach and implemented changes to their oversight procedures. . . . We tested these procedures and found that the new procedures appeared to be adequate.”

Please let us know if we can provide additional information or support to you as you finalize your Audit.

Sincerely,

/s/ Seledonio Quesada

Seledonio Quesada,
Executive Director of Port Arthur Affordable
Housing Corporation

OIG Evaluation of Auditee Comments

- Comment 1 Individual names redacted for public release of this audit report.
- Comment 2 The owner's representative (owner) explained Villa Main Apartments' management structure and that the Port Arthur Housing Authority was not a part of the ownership, but motivated by its mission, the Authority was very much interested in Villa Main's success.
- We revised the report to reflect RealTex Housing Management, LLC as its former management agent. We also acknowledge the Authority's interest in Villa Main's success.
- Comment 3 The owner asserted that it exercised reasonable measures to oversee Villa Main and that the audit report did not sufficiently recognize its compliance with industry norms in managing and operating affordable housing communities. The owner also commented that the audit report did not appropriately recognize that the owner was also a victim and not complicit in the fraud by its staff. The owner did not dispute the facts contained in the report, and acknowledged that the former management agent failed to supervise its personnel and failed to establish internal control systems. The owner also accepted its ultimate duty to operate the property in compliance with applicable laws and regulations. The owner stated that the property manager's fraud should not be imputed to the owner and requested that related references to the owner be removed from the audit report.
- Our audit objective was to determine whether the owner administered its Section 8 PBRA program in accordance with HUD regulations and guidance. As such, we reported our audit results based on HUD regulations and guidance, not based on industry norms. The audit report explains that former onsite managers defrauded HUD and Villa Main tenants. However, as its authorized agent, the former management agent certified compliance with HUD requirements and collected subsidies on behalf of the owner. Therefore, it was the owner's responsibility to ensure that its monthly billings and signed certifications to HUD were correct. As stated in the report, the evidence of noncompliance with HUD requirements in the tenant files, such as those identified in this report, was obvious. Further, there was no evidence that the owner exerted any oversight of the entities it hired. We acknowledge that entities that the owner hired did not detect the illegal activities by onsite staff. However, that does not alleviate the owner's responsibility. The best protection against fraud is employing strong internal controls that are continually reviewed and updated, which the owner failed to do. We maintain our position as described in the finding and did not make any changes.
- Comment 4 The owner stated that its ignorance of failures was reasonable given the sophisticated scheme applied by the fraudsters and requested report revisions to reflect the owner's reliance on the property manager's actions.

As stated in the report, the evidence of noncompliance with HUD requirements, some of which resulted from the fraudulent actions of former staff, was repetitive and obvious. Each of the 82 files reviewed had deficiencies (see Appendix D), most of which could have been identified with proper oversight. We maintain our position as described in the finding and did not make any changes.

- Comment 5 The owner stated that it located five of the missing tenant files from the prior property manager and would deliver them to HUD OIG. It would also continue to investigate the missing tenant files and deliver those when located.

The owner should submit its supporting documentation to HUD and work with HUD during the audit resolution process to satisfy the recommendations.

- Comment 6 The owner asserted that it was not made aware of continued non-compliance following the May 2011 MOR and based on the absence of continued requests from the PBCA there was no indication suggesting the issues remained unresolved.

As explained in the audit report, due to a national litigation between HUD and other parties, HUD amended its contracts with project-based contract administrators throughout the country to delete certain monitoring tasks (including MORs), effective October 1, 2011. HUD reinstated the monitoring tasks in May 2016. However, before the amendment went into effect, the administrator made the owner aware of deficiencies in its PBRA program. As reported, there was no evidence that the owner took action to address the issues brought to its attention by the administrator until after the OI investigation had begun. We maintain our position as described in the finding and did not make any changes.

- Comment 7 The owner stated that there was no reason to not trust the management agent as a fully-capable property manager. It also requested that a sentence be struck in its entirety.

The owner's trust in onsite management staff allowed them to certify to HUD on behalf of the owner that it met requirements that it could not support. As the report showed, evidence of noncompliance with HUD requirements was obvious, not isolated events, and easily detected through routine file reviews. Relying on hired entities does not absolve the owner of its responsibility. We maintain our position as described in the finding and did not make any changes.

- Comment 8 The owner did not agree with the audit recommendation for it to repay approximately \$1.6 million and suggested that we recommend that HUD and the owner seek remedies from the at fault parties.

As detailed in the background section of the audit report, Villa Main's former manager and assistant manager pleaded guilty to conspiracy and theft of public money and received prison sentences. However, the owner is responsible for

repayments to HUD for ineligible housing assistance payments that it received. In Appendix C, we removed amounts included in prosecutions from subsidy payments for ineligible nonexistent “ghost” tenants. We continue to recommend that the owner repay HUD for subsidized units with ineligible “ghost” tenants, and provide support that the subsidized units without annual physical inspections, without required EIV reports, or with missing files were eligible or repay HUD for those subsidies.

Comment 9 The owner commented on the “Improvements” section of the report.

We commend Villa Main’s efforts to improve its Section 8 project-based rental assistance program.

Appendix C

Ineligible Subsidy Payments for Nonexistent “Ghost” Tenants

Tenant	Move-in date	Last utility service date	Move-out date	Ineligible HUD subsidy ¹³
1	8/24/2011	5/9/2012	7/31/2016	\$27,825
2	11/10/2011	10/31/2012	6/6/2016	22,625
3	12/3/2009	4/29/2010	9/21/2016	30,885
4	5/1/2009	11/10/2010	4/6/2016	28,171
5	4/29/2008	3/3/2010	5/25/2016	29,051
6	7/31/2009	11/11/2011	4/26/2016	26,500
7	2/25/2011	3/5/2012	1/31/2016	25,418
8	12/3/2010	No records	11/3/2016	26,068
9	12/3/2010	9/26/2011	9/20/2016	24,883
10	7/15/2011	8/22/2011	6/30/2016	23,565
11	7/15/2011	2/4/2013	6/30/2016	18,142
12	4/27/2005	12/6/2013	5/17/2016	16,159
13	6/29/2011	2/20/2013	5/31/2016	17,062
14	5/28/2008	6/26/2014	4/30/2016	10,286
15	7/20/2012	11/26/2014	3/31/2016	11,197
16	3/1/2010	3/1/2012	2/29/2016	13,016
17	12/30/2008	8/2/2011	4/6/2016	27,921
18	8/24/2011	9/28/2011	7/30/2016	24,206
19	2/10/2009	12/2/2013	9/21/2016	19,421
20	8/1/2012	9/13/2012	4/8/2016	23,423
21	7/1/2010	12/12/2013	5/17/2016	15,000
22	11/2/2009	12/3/2014	5/26/2015	1,363
23	1/26/2009	9/26/2011	3/30/2016	16,102
24	9/23/2009	5/25/2011	5/25/2016	19,138
25	7/31/2009	2/28/2014	5/25/2016	16,013
26	11/1/2012	6/11/2015	9/16/2016	9,458
27	4/24/2012	3/7/2014	5/24/2016	15,203
28	2/21/2006	6/16/2011	4/30/2016	26,409
29	8/20/2009	11/25/2013	7/31/2016	14,993

¹³ This amount does not include utility reimbursement amounts for which former onsite managers were prosecuted.

Ineligible Subsidy Payments for Nonexistent “Ghost” Tenants

Tenant	Move-in date	Last utility service date	Move-out date	Ineligible HUD subsidy ¹⁴
30	6/29/2005	No records	5/31/2016	29,001
31	5/1/2009	6/2/2010	8/31/2016	29,930
32	8/17/2012	9/13/2012	5/25/2016	24,419
33	2/13/2009	11/12/2012	9/20/2016	23,323
34	7/13/2004	1/25/2016	5/25/2016	3,406
35	8/12/2011	7/30/2012	4/13/2016	24,041
36	9/15/1999	6/26/2014	8/31/2016	12,125
37	12/6/2007	3/4/2014	3/9/2016	13,512
38	3/4/2008	8/14/2014	2/29/2016	8,359
39	11/5/2012	10/6/2015	2/19/2016	1,863
Total				749,482
Less proportional judgment amounts				(214,741)
Total ineligible amounts				534,741

¹⁴ Ibid.

Appendix D

Unsupported Tenant Subsidy Payments

Tenant	Falsified income	Income discrepancies	Missing EIV reports	Missing documentation*	Missing annual certifications	Missing tenant files	Unsupported housing subsidies
1			X	X			\$36,080
2	X	X	X	X			32,984
3		X	X	X	X		24,859
4	X	X	X	X	X		28,739
5			X	X	X		25,331
6						X	30,292
7			X	X	X		37,001
8		X	X	X	X		18,964
9			X	X			38,618
10			X	X	X		38,269
11			X	X			28,647
12						X	36,086
13		X	X	X			35,773
14		X	X	X	X		35,773
15						X	35,510
16		X	X	X			31,125
17			X	X	X		30,418
18			X	X			29,972
19						X	29,328
20						X	28,901
21			X	X	X		28,514
22			X	X	X		27,141
23						X	26,089
24			X	X	X		25,633
25			X	X	X		25,549
26			X	X	X		25,004
27			X	X	X		23,963
28			X	X	X		22,812
29		X	X	X	X		21,559
30			X	X			20,827

*Missing income verifications, missing inspection reports, and missing signatures on forms HUD-50059

Unsupported Tenant Subsidy Payments

Tenant	Falsified income	Income discrepancies	Missing EIV reports	Missing documentation*	Missing annual certifications	Missing tenant files	Unsupported housing subsidies
31			X	X			20,564
32			X	X	X		19,482
33			X	X	X		19,446
34			X	X	X		19,428
35			X	X	X		19,038
36						X	18,852
37			X	X	X		18,234
38			X	X			17,394
39						X	16,865
40			X	X	X		16,451
41				X			8,954
42			X	X	X		10,827
43						X	10,068
Totals	2	8	33	34	23	9	1,095,364

*Missing income verifications, missing inspection reports, and missing signatures on forms HUD-50059