



Office of Public and Indian Housing, Washington, DC

Family Self-Sufficiency Program



To: Robert E. Mulderig, Acting Deputy Assistant Secretary, Office of Public Housing Investments, PI
//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

Subject: HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency 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 HUD's oversight of its Family Self-Sufficiency 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 215-430-6734.



Audit Report Number: 2018-PH-0002

Date: September 10, 2018

HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency Program

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) oversight of its Family Self-Sufficiency (FSS) program. We conducted the audit as part of our annual audit plan. Our objective was to determine whether HUD provided adequate oversight of its program.

What We Found

HUD did not provide adequate oversight of its FSS program. Specifically, HUD did not ensure that grantees (1) always had action plans that complied with regulations, (2) accurately calculated monthly escrow credits, (3) always reported accurately in its Public Housing Information Center (PIC) database, (4) were adequately monitored by field offices for compliance with regulations, and (5) maintained supporting documentation showing that participants completed contractual agreement requirements. These conditions occurred because HUD (1) did not adequately review grantee action plans to ensure compliance with requirements; (2) did not have adequate policies and procedures for monitoring grantee activities, which included ensuring that grantees properly calculated escrow amounts and maintained supporting documentation; and (3) lacked adequate controls to ensure that data reported in PIC were consistently updated and accurate. As a result, HUD lacked assurance that the program operated effectively and that participants moved toward self-sufficiency once they graduated from the program, a public housing agency made an ineligible escrow payment of \$1,520, and program funds totaling \$7.8 million were unsupported because the action plans for 12 public housing agencies were incomplete.

What We Recommend

We recommend that HUD (1) direct the 12 grantees to correct their action plans to comply with program requirements and submit the corrected plans to HUD for review or repay HUD from non-Federal funds for any of the \$7.8 million it received that it cannot support; (2) require the Housing Authority of Brevard County to repay \$1,520 in ineligible escrow funds to HUD from non-Federal funds for the program participant that exceeded allowable contract terms; (3) monitor grantees' efforts for improved accuracy and completeness of PIC program data; (4) develop and implement a plan to monitor grantee FSS programs, including to ensure that escrow accounts are calculated correctly; and (5) develop and implement policies and procedures to ensure that grantees maintain documentation to support program participants' contractual agreements.

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Background and Objective

The Family Self-Sufficiency (FSS) program was established in 1990 by Section 554 of the National Affordable Housing Act. The purpose of the program is to promote the development of local strategies to enable families eligible to receive Federal assistance to achieve economic independence and self-sufficiency. The objective of the FSS program is to reduce the dependency of low-income families on Federal, State, and local housing assistance programs. The U.S. Department of Housing and Urban Development (HUD) measures the success of the program not only by the number of families who achieve self-sufficiency, but also by the number of FSS families who as a result of participation in the program, obtain their first job or a higher paying job, no longer receive benefits from one or more assistance programs, obtain a high school diploma or college degree, or accomplish similar goals that assist the family in obtaining economic independence.

Congress appropriates funding for the FSS program through annual appropriation acts that can be used only to pay the salaries of FSS program coordinators. Originally, HUD funded separate FSS programs under separate notices of funding availability for the Housing Choice Voucher Program and the public housing program. In 2014, HUD combined the two programs into one and issued one notice. The table below shows the awards for 2014, 2015, and 2016.

Fiscal year	Number of grantees ¹	Amount awarded
2014	728	\$75,034,496
2015	705	75,298,961
2016	687	75,158,372
	Total	225,491,829

The FSS program is a volunteer program for public housing and Housing Choice Voucher residents. Eligible families execute contracts of participation that spell out the terms and conditions governing participation and the responsibilities of both the grantee and the family. The contract incorporates individual training and service plans that contain short-term and long-term goals and the steps that the families take to achieve those goals. HUD regulations at 24 CFR (Code of Federal Regulations) Part 984 have only two key program requirements that participants must meet to graduate from the program. They are to (1) seek and maintain suitable employment,² and (2) become independent from cash assistance³ for at least 1 year before

¹ HUD awards FSS grants to public housing agencies, tribes, or tribally designated housing entities.

² Suitable employment determination is made by the grantee based on the skills, education, and job training of the individual who has been designated as the head of the FSS family and based on the available job opportunities within the jurisdiction served by the grantee.

³ Temporary Assistance for Needy Families cash assistance provides monthly cash assistance to very low-income families based on eligibility standards set by the States.

graduation from the program. When a family's income increases, the grantee performs a recertification and calculates the new amount that the family is required to pay toward its housing costs. The grantee will put into an escrow account the amount of subsidy it saved (either Housing Choice Voucher Program funds or public housing program funds) because the family increased its share of its housing costs during the term of the FSS contract. A family is eligible to receive the escrow funds deposited into the account on its behalf when it meets the established goals and completes its FSS contract.

Our objective was to determine whether HUD provided adequate oversight of its FSS program.

Results of Audit

Finding: HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency Program

HUD's oversight of its FSS program was not adequate. Specifically, HUD did not ensure that grantees (1) always had action plans that complied with regulations, (2) accurately calculated monthly escrow credits, (3) always reported accurately in its PIC database, (4) were adequately monitored by field offices for compliance with regulations, and (5) maintained supporting documentation showing that participants completed contractual agreement requirements. These conditions occurred because HUD (1) did not adequately review grantee action plans to ensure compliance with requirements; (2) did not have adequate policies and procedures for monitoring grantee activities, which included ensuring that grantees properly calculated escrow amounts and maintained supporting documentation; and (3) lacked adequate controls to ensure that data reported in PIC were consistently updated and accurate. As a result, HUD lacked assurance that the program operated effectively and that participants moved toward self-sufficiency once they graduated from the program; a public housing agency made an ineligible escrow payment of \$1,520; and program funds totaling \$7.8 million were unsupported because the action plans for 12 public housing agencies were incomplete.

Action Plans Did Not Always Comply With Regulations

HUD did not ensure that program action plans complied with applicable regulations. Regulations at 24 CFR 984.201 required that each participating grantee's action plan include a minimum of 12 elements. The 12 elements included (1) family demographics, (2) estimated number of families that could participate in the program, (3) eligible families from self-sufficiency programs, (4) family selection procedures, (5) outreach efforts, (6) incentives to encourage participation, (7) FSS activities and supportive services, (8) a method for identifying family support needs, (9) assurances of noninterference with the rights of nonparticipating families, (10) program termination procedures, (11) a timetable for program implementation, and (12) a certification of coordination. However, 12 of the 27 grantee⁴ action plans reviewed did not include at least 1 of the required elements. For example, nine grantee action plans did not include a certification of coordination, which certified that the development of the services and activities under the FSS program had been coordinated with the job opportunities and basic skills programs, and other relevant employment, transportation, and education programs in the applicable area to avoid duplicated services and activities. HUD stated that the action plans were required to be reviewed only when the grantee submitted its original application for enrollment in the FSS program. Further, in 2012, HUD issued guidance to the field offices for reviewing grantee action plans, but the guidance did not require the field offices to conduct the reviews. HUD acknowledged that action plans were not compliant and planned to include action plan reviews in its new FSS monitoring tool. However, the monitoring tool had not been

⁴ The 27 grantees are the public housing agencies related to the 31 participant files reviewed. Three grantees had more than one participant.

implemented, resulting in 12 of the 27 grantees reviewed being awarded \$7.8 million in unsupported costs (appendix C).

Grantees Did Not Always Correctly Calculate Monthly Escrow Credits

HUD did not ensure that the grantees always calculated escrow accounts correctly for FSS participants. Specifically, 4 of 31 participants reviewed had incorrect escrow balances for 12 months before completing the program. Three of the four participants had escrow credits totaling \$791 that the grantees owed to the participants. The incorrect calculations were a result of the participants' increased income that was not identified by the grantee and included in its escrow calculations. Regulations at 24 CFR 984.305(b)1 required that the FSS credit be computed by the amount that is the lessor of (1) 30 percent of current monthly adjusted income less the family rent, disregarding any increases in earned income from the effective date of the contract of participation; or (2) the current family rent less the family rent at the time of the effective date of the contract. The fourth participant was overpaid \$1,520 because the participant had exceeded the contract terms for the FSS program. Regulations at 24 CFR 984.303(c) and (d) stated that the FSS participants must complete the obligations agreed upon no later than 5 years from the effective date of the contract, with the option of a 2-year extension. However, the participant was enrolled in the program for 8 years, and the grantee continued to allow the escrow account to accumulate funds, which resulted in ineligible costs of \$1,520.

HUD's Automated Data Were Not Always Accurate

HUD did not ensure that grantees always reported accurate participant data in its automated PIC database. We reviewed the information for six participants that grantees had reported in PIC as having graduated from the program that did not receive their escrow disbursement. Our review found that the PIC information was inaccurate and the six participants received their escrow disbursements. HUD Office of Public and Indian Housing (PIH) Notice PIH-2010-25 required grantees to submit their form HUD-50058⁵ reports no later than 60 calendar days from the effective date of any action recorded. HUD relies on the grantees to submit accurate, complete, and timely data to administer, monitor, and report on the management of its assistance programs. The data we obtained on the six participants were dated February 1, 2017, and showed that the participants had graduated from the FSS program from December 2014 to March 2016. Therefore, the grantee reports should have been current and accurate. HUD uses the PIC data to report program performance outcomes to Congress. The reports include such items as the number of program participants, number of graduates, amount of escrow funds received, number of participants that exited rental assistance, and number of graduates that purchased a home. Without complete, accurate, and timely information being submitted by grantees to PIC, HUD lacks assurance that the program outcomes reported to Congress accurately reflect the program's performance.

⁵ Form HUD-50058, Family Report, is the PIH report that HUD uses to collect information from its public housing, Housing Choice Voucher, and Section 8 Moderate Rehabilitation programs. The information is collected in the PIC database that HUD uses to monitor grantees, provide demographic information describing tenants' characteristics, participate in income matching, detect fraud, and analyze the subsidized housing programs.

HUD Did Not Ensure That Field Offices Monitored the FSS Program

HUD did not have formal program monitoring requirements for the field offices responsible for overseeing the activities of the FSS grantees. There were no monitoring tools or guidebooks to assist field offices with conducting site visits or monitoring reviews. Of the 27 grantees in our sample, only 8 (30 percent) had been monitored or received technical assistance related to the FSS program in the last 3 years. However, the technical assistance that was provided was related to the timeliness of grant drawdowns and not the implementation of the program. HUD Handbook 7460.7, REV-2, states that HUD monitors grantee compliance with HUD statutes and regulations through audits. The primary mission of HUD's field office staff is to ensure that grantees meet these performance requirements and facilitate the provision of technical assistance. Without adequate monitoring, grantees were operating their FSS programs with little to no oversight from HUD. In May 2018, during our review, HUD stated that it was finalizing and implementing a new FSS monitoring tool. However, the monitoring tool had not been implemented.

Grantees Did Not Always Maintain Supporting Documentation

HUD did not ensure that grantees always maintained sufficient documentation in the participants' files to support completion of program goals and objectives. For example, of the 31 files reviewed, for 6 files managed by 6 grantees, documentation in the files used to support the participants' completion of goals included handwritten notes, while other grantees maintained copies of credit reports showing a decrease in debt, bank statements showing an increase in savings, or transcripts showing that college courses had been completed. In addition, for six files managed by five grantees, the files contained no documentation to support the achievement of program goals. The FSS Guidebook, issued in February 2017, states that FSS programs should keep detailed records of participant activities to support the participants' goals and contract of participation. HUD stated that it did not provide guidance on the supporting documentation that should be maintained in the files to show that participants completed the goals and objectives of their contractual agreements. In addition, HUD did not require the grantees to perform third-party verification of the participants' completion of program goals and objectives. Although, grantees had documentation to show that participants achieved the two key program requirements, HUD lacked assurance that the participants completed the additional program goals and objectives that were developed specifically for each participant's contractual agreement because the grantees did not always obtain or maintain supporting documentation verifying those accomplishments.

HUD Lacked Oversight and Adequate Controls

These conditions occurred because HUD did not provide adequate oversight of its FSS program. Specifically, HUD (1) did not adequately review grantee action plans to ensure compliance with regulations; (2) did not have adequate policies and procedures for monitoring grantees' activities, which included ensuring that escrow accounts were properly calculated and supporting documentation was maintained by grantees; and (3) lacked adequate controls to ensure that data reported in PIC were consistently updated and accurate. Notice PIH-2010-25 states that HUD relies on grantees to submit accurate, complete, and timely data to administer, monitor and report on the management of its assistance programs. HUD receives FSS program funding from Congress based on program outcomes reported in the congressional justification, which is

developed from the PIC data. Inaccurate PIC data can result in potentially overinflated outcomes and accomplishments, which Congress uses to make decisions.

HUD Recently Developed and Planned To Implement FSS Program Policy Changes

In July 2013, the U.S. Government Accountability Office (GAO) issued a report (GAO-13-581) stating that HUD's data on self-sufficiency programs should be improved. GAO found that HUD needed to better inform Congress and improve what was known about residents' participation in key grant programs designed to facilitate resident self-sufficiency and their progress toward self-sufficiency. In October 2013, HUD's Office of Inspector General (OIG) issued a memorandum (2014-NY-0801) on the Housing Choice Voucher FSS program, which found that HUD did not sufficiently monitor the grantees administering the FSS program. Both reports included recommendations that would improve the completeness and accuracy of the FSS program. HUD developed and issued the following guidance to address the recommendations from both of these reports.

In February 2017, HUD issued the Family Self-Sufficiency Guidebook. The Guidebook was created to provide best practice tips to grantees and HUD staff on how to improve the administration of the FSS program. The guidance provided ideas for FSS recruitment, modifying individual service plans, performing escrow calculations, case management, and tracking outcomes. The Guidebook addressed some of the deficiencies noted in our report, such as inaccurate escrow calculations, modifying individual service plans to reflect current goals, and case management. However the guidance did not require that supporting documentation, such as third-party verification, be maintained to support that the participants' interim and final goals were met. HUD needs to improve its oversight to ensure that grantees follow the best practices and support the outcomes reported. Further, HUD encouraged field offices and grantees to review the best practices online training that was developed; however, it was not a training requirement.

In February 2017, HUD issued guidance to grantees explaining that it would no longer accept ad hoc reports on the number of FSS program participants. HUD stated that it would rely solely on the number of FSS families shown in PIC for each of the grantees and encouraged public housing agencies to ensure that the number of FSS families was accurately reported in PIC. This guidance addressed the deficiencies noted in the report related to the inaccurate reporting in PIC. Beginning in fiscal year 2017, the grantees were awarded FSS program funds based solely on the PIC data they entered. This measure helped to increase the program data reported in PIC, ensuring that participant details and outcomes were more accurately reflected.

In December 2017, HUD issued Federal Register 6046-N-01- Family Self-Sufficiency Performance Management System. The regulation stated that HUD planned to use the performance measuring system to identify high-performing and troubled FSS programs. In addition, HUD would likely consider the FSS performance score of an FSS program when it determined FSS funding awards. At least once per year, HUD would analyze data collected from PIC to calculate the FSS performance scores for each grantee program. A grantee's FSS performance score would be calculated based on three measures and weighted as follows:

- (1) earnings performance measure (50 percent),
- (2) graduation rate (30 percent), and
- (3) participation rate (20 percent).

This new regulation addressed the deficiencies noted in our audit related to ensuring that program outcome results are accurate. By linking grantees' funding with the graduation rate and overall performance of the program, it could improve the grantees' efforts to increase program participation and the overall goal of achieving self-sufficiency. However, the performance measurement tool that is used to compare the performance of each grantee will be used at least annually; therefore, only a select number of grantees will be monitored, and it may take a few years to see the results of how the grantees performed over the years.

In January 2018, HUD provided the draft version of the Family Self-Sufficiency Monitoring Tool. The monitoring tool would be used when field office staff conducted onsite and remote reviews of FSS grantees and addressed topics such as action plan compliance, the number of participants enrolled in the FSS program, the number of participants identified in PIC versus the number of participants identified by the grantee system, grantees' composite score, escrow funds forfeited, coordinator training, Line of Credit Control System draws, and prior HUD OIG audit findings. When the monitoring tool is finalized, it should address the deficiencies noted in our report, as the tool addresses action plan compliance and verifying PIC participant data. However, HUD did not determine the frequency of monitoring for grantees; therefore, HUD cannot provide assurance on how many of the almost 700 grantees could be monitored within the next 3 years.

Conclusion

HUD did not provide adequate oversight of its FSS program. This condition occurred because HUD did not have adequate controls or policies and procedures to ensure compliance with the regulations. HUD needs to continue to strengthen its oversight of the program to ensure that grantees (1) continue to improve the accuracy of their reporting in the PIC database, (2) are adequately monitored by field offices for compliance with regulations, (3) accurately calculate monthly escrow credits, (4) maintain supporting documentation showing that participants completed contractual agreement requirements, and (5) have action plans that comply with regulations. HUD's lack of assurance that the FSS program operated effectively resulted in an ineligible payment of \$1,520 to a participant and unsupported costs of \$7.8 million.

Recommendations

We recommend that the Acting Deputy Assistant Secretary for Public Housing Investments

- 1A. Require the 12 grantees to correct their action plans to ensure that they comply with program requirements and submit the corrected plans to HUD for review or require the grantees to repay HUD from non-Federal funds for any amount of the \$7,779,450 they received that they cannot support.

- 1B. Require the Housing Authority of Brevard County to repay \$1,520 in ineligible escrow funds to HUD from non-Federal funds for the program participant that exceeded allowable contract terms of the FSS program.
- 1C. Monitor the grantees' efforts to improve the accuracy and completeness of the PIC program data to ensure that program outcomes reported to Congress are accurately supported.
- 1D. Develop and implement a plan to monitor grantee FSS programs, including to ensure that escrow accounts are calculated correctly.
- 1E. Develop and implement policies and procedures to ensure that documentation is maintained by grantees to support program participants' contractual agreements.

Scope and Methodology

We conducted the audit from December 2016 through August 2018 at HUD headquarters in Washington, DC, and our offices located in Baltimore, MD, Pittsburgh, PA, and Richmond, VA. The audit covered the period October 1, 2013, through September 30, 2016, but was expanded from July 1, 2013, through August 1, 2017, to include (1) the universe of residents who were identified in a previous audit on overincome persons living in public housing that showed a blank field in PIC for FSS participation, and (2) additional participant file information to determine why several participants that graduated from the program had an increase in rental subsidies after participation.

To accomplish our objective, we reviewed

- Applicable laws, regulations, HUD's program requirements at 24 CFR Parts 984 and 982, and other program guidance.
- Federal funding notices, grant application data, and program action plans.
- Participant program files, to include forms HUD-50058, contracts of participation, individual training and service plans, the subsidiary ledger for escrow credits and disbursements, and canceled checks for escrow disbursements.

We also interviewed staff from HUD's public housing program and Housing Choice Voucher Program, HUD's Office of Public Housing Investments, and various public housing agencies.

To achieve our audit objective, we relied in part on computer-processed data in HUD's PIC system. 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 adequate for our purpose. The testing included comparing information obtained from HUD's PIC system to the participants' program files obtained by the grantees. We used the data to determine the number of program participants that enrolled, completed, and remained in the FSS program. In addition, we used the data to determine the number of program participants that had exited HUD's rental assistance program and participants that currently received rental assistance.

To validate the data obtained from HUD's database, we selected three sample sets. The first selection was a statistical sample of 85 families from a universe of 3,338 families that graduated from the program from January 1, 2014, to December 31, 2016,⁶ and received escrow disbursements totaling more than \$1 million. These 85 families continued to receive rental subsidies. Of the 85 files, we reviewed 25 files during our survey to determine whether the families met program requirements and were eligible to receive escrow disbursements. Although this sample of 25 families did not allow us to project the results to the population, it was sufficient to meet the audit objective. We did not review the other 60 files that were selected

⁶ Our samples included participants from both the Housing Choice Voucher Program and public housing program, which were combined into one program in 2014.

during the audit since we found that all 25 families met the program requirements and had received their escrow disbursements.

Our second selection included a nonstatistical sample of six families that graduated from January 1, 2014, to December 31, 2016, but did not receive their escrow disbursements. We selected six participants that completed the program and had the highest escrow balance to determine why they did not receive their escrow disbursement and to determine whether the families met program requirements. Although this sample did not allow us to project the results to the population, it was sufficient to meet the audit objective. We determined that all six families received their escrow funds and met the program requirements. Overall, we reviewed 31 participant files from the 2 samples described above. The 31 participant files were obtained from 27 grantees. Three of the grantees had more than one participant. In addition to the 31 participant files reviewed, we obtained and reviewed the 27 grantees' action plans to determine whether the plans complied with the regulations.

The third selection came from PIC data that were obtained during the audit on overcome persons living in public housing (2015-PH-0002). During that audit, we found that for 11,324 residents, the field in PIC for FSS participation was blank. We selected a targeted sample of 30 residents⁷ to determine whether they had participated in the FSS program from July 1, 2013, to July 31, 2014, which was the last year of the audit period addressed in audit report 2015-PH-0002. Although this sample did not allow us to project the results to the population, it was sufficient to meet the audit objective. We determined that the 2 of the 30 residents were enrolled in the FSS program from July 1, 2013, to July 31, 2014; however, they did not receive escrow payments during the time that they exceeded the annual income limits.

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.

⁷ 10 from Moving to Work public housing agencies and 20 from non-Moving to Work public housing agencies

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 program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – 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 program participants comply with laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- HUD did not provide adequate oversight to ensure that the FSS program operated effectively and participants moved toward and maintained self-sufficiency upon graduation from the program.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$7,779,450
1B	\$1,520	

- 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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000



OFFICE OF PUBLIC AND INDIAN HOUSING

DATE: August 28, 2018

MEMORANDUM FOR: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

R. E. Mulderig

FROM: Robert E. Mulderig, Acting Deputy Assistant Secretary for Public Housing Investments, PI

SUBJECT: Response to Draft Audit Report – Family Self-Sufficiency Program, Audit Report Number: 2018-PIH-XXXX

Staff in the Office of Public Housing Investments (OPHI)/Office of Public and Indian Housing (PIH) appreciate the discussions that were provided by the Office of the Inspector General (OIG) during the conduct of the audit of the Family Self Sufficiency (FSS) Program, as well as the open dialogue of the exit conference held on August 20, 2018. Thank you for the collaborative spirit in which all aspects of the audit were conducted.

As we acknowledged at the exit conference, OPHI staff agree in principle with much of the analysis in your draft audit report; moreover, even prior to the conclusion of the audit study, we had already moved to implement actions relevant to some of the key recommendations included in the draft report. We anticipate developing a Management Decision in response to the audit report that concurs with the five recommendations you have offered in the audit report.

However, OPHI/PIH does take some exception to the characterization of \$7,779,450 in “unsupported costs” in Recommendation 1A. We recognize that your basis for this characterization is the total grant amount for 12 FSS participating agencies for which your study found cases of noncompliance, in particular related to agency Action Plans needing to be brought into compliance with Program requirements. We believe that some of these cases of noncompliance are quite easily remedied. For example, the OIG audit report cites nine FSS PHAs that did not have a Certification of Coordination in the Action Plan. However, for the FSS Program to function, OPHI knows that services must be—and are being—coordinated with local providers.

Comment 1

Comment 2

Comment 2

Of course, we concur with the need to ensure that all FSS Action Plans and other aspects of FSS Programs are fully compliant with Program requirements; but OPHI has high confidence that our efforts with FSS PHAs will result in areas of noncompliance being remedied rather readily. We believe that these efforts will result in negligible, if any, costs that are ultimately unsupported. Therefore, OPHI/PIH contends that the audit report's suggestion that unsupported costs total nearly \$7.8 million significantly overstates the true magnitude of likely concern.

Our staff look forward to working with you as we conclude this audit, prepare our Management Decision, and move forward toward final actions in response to the audit report recommendations. We thank you for your commitment to continual improvement of all OPHI programs, including Family Self Sufficiency (FSS).

Thank you for this opportunity to comment on the subject draft audit report. If you have any questions, please do not hesitate to contact Maria-Lana Queen at (202) 402-4890.

OIG Evaluation of Auditee Comments

- Comment 1 HUD stated that it agreed in principle with much of the analysis in the report and that it anticipated developing management decisions to concur with the report's five recommendations. We are pleased with HUD's response. Based on the response, as part of the audit resolution process, we expect to reach timely management decision with the Department on corrective actions to address the five recommendations.
- Comment 2 HUD stated that it took some exception to the characterization of the \$7,779,450 in unsupported costs identified in recommendation 1A. HUD recognized that our basis for this characterization was the total grant amount for 12 FSS participating agencies for which our review found cases of noncompliance with agency action plans. HUD believes that some of the cases of noncompliance can be easily remedied. Therefore, HUD contends that reporting nearly \$7.8 million in unsupported costs overstates the magnitude of the concern. Notwithstanding that exception, HUD agreed with the need to ensure that all FSS action plans and other aspects of the program fully comply with requirements. It has great confidence that the areas of noncompliance will be remedied rather quickly.

We agree that the areas of noncompliance can be corrected quickly as a result of HUD working with the public housing agencies. However, HUD required public housing agencies to submit their action plans as a prerequisite for grant eligibility. As stated in the audit report, 12 of the 27 grantee action plans reviewed did not include at least one of the required elements. Unsupported costs are reported when we cannot determine eligibility at the time of the audit. Unsupported costs generally require obtaining supporting documentation. The unsupported costs in recommendation 1A can be resolved and no repayment will be necessary if the public housing agencies make the necessary corrections to bring their action plans into compliance with requirements.

Appendix C

Review of Public Housing Agency Action Plans for Deficiencies

Sequence no.	Public housing agency code	Public housing agency name	Award	Demographics	Estimate of participating families	Outreach	Family selection procedures	Program termination	Assurances of noninterference	Certification of coordination
1	MI901	Michigan State Housing Development Authority	\$2,889,943	X	X				X	X
2	MD004	Housing Opportunities Commission of Montgomery County	1,583,587	X					X	X
3	CO001	Housing Authority of the City and County of Denver	848,171							X
4	TN007	Jackson Housing Authority	608,138				X			
5	NY054	Ithaca Housing Authority	410,934		X	X				
6	NC007	Housing Authority of the City of Asheville	370,966							X
7	FL020	Housing Authority of Brevard County	229,483	X						X
8	VA035	County of Loudoun	201,416	X						X
9	SC002	Housing Authority of the City of Columbia	189,494							X
10	NY408	Town of Colonie	157,367				X	X		
11	MD029	Cecil County Housing Agency	155,668	X				X	X	X
12	RI016	Coventry Housing Authority	154,283							X
		Totals	7,799,450	5	2	1	2	2	3	9