



Fairmont-Morgantown Housing Authority, Fairmont, WV

Housing Choice Voucher Program



To: Russell DeSouza, Acting Director, Office of Public Housing, Baltimore Field Office, 3BPH
//signed//

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

Subject: The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Fairmont-Morgantown Housing Authority's Housing Choice Voucher program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



Audit Report Number: 2018-PH-1001

Date: February 12, 2018

The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements

Highlights

What We Audited and Why

We audited the Fairmont-Morgantown Housing Authority's Housing Choice Voucher program because (1) we received a complaint alleging that the Authority did not follow program requirements, (2) the Authority administered 1,117 vouchers and received more than \$5.2 million in funding for fiscal year 2016, and (3) we had not audited its program. Our audit objective was to determine whether the Authority adequately administered its Housing Choice Voucher program in compliance with U.S. Department of Housing and Urban Development (HUD) requirements regarding participant eligibility and applicant selection. This is the first of two reports on the Authority's program.

What We Found

The Authority did not comply with HUD's and its own requirements when administering its Housing Choice Voucher program. Specifically, it (1) did not conduct criminal background checks of applicants and participants through State or local law enforcement or court records of the local jurisdiction, (2) made housing assistance payments for ineligible participants, (3) did not always obtain written citizenship declarations and properly report family citizenship status, and (4) did not maintain an accurate waiting list for applicant selection. As a result, the Authority (1) made unsupported housing assistance payments totaling more than \$4.9 million, (2) made ineligible housing assistance payments totaling \$19,520, (3) did not maintain and report correct family citizenship status, and (4) did not treat program applicants fairly and consistently.

What We Recommend

We recommend that HUD require the Authority to (1) provide documentation to show that adult members of households for whom the Authority made housing assistance payments totaling more than \$4.9 million were not engaged in drug-related or violent criminal activity or repay its program from non-Federal funds for any amounts it cannot support and if the participants are deemed ineligible, follow applicable regulations to terminate or modify assistance; (2) repay its program \$19,520 from non-Federal funds for the ineligible housing assistance payments; (3) correct the errors identified by the audit; and (4) develop and implement controls to ensure that it follows policies and procedures required by its administrative plan. We also recommend that the Director of HUD's Baltimore Office of Public Housing refer the Authority to the Office of Fair Housing and Equal Opportunity for a review of the Authority's waiting list to ensure that all areas comply with HUD requirements.

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Background and Objective

The Fairmont-Morgantown Housing Authority is a quasi-governmental agency that administers the Housing Choice Voucher program for four counties in West Virginia: Marion, Monongalia, Preston and Taylor. This program provides rental assistance to low-income families, the elderly, and the disabled to enable them to afford decent, safe, and sanitary housing in the private market through Federal funds from the U.S. Department of Housing and Urban Development (HUD). A five-member board of commissioners governs the Authority. The Authority's offices are located at 103 12th Street, Fairmont, WV.

Under the Section 8 Housing Choice Voucher program, HUD authorized the Authority to provide tenant-based leased housing assistance payments to 1,117 eligible households in fiscal years 2016 and 2017. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2016 and 2017.

Year	Annual budget authority
2016	\$5,218,631
2017	5,954,270

The Authority did not administer any project-based vouchers.

HUD regulations at 24 CFR (Code of Federal Regulations) 982.54(c) require the Authority to administer its program in accordance with its administrative plan.

Our audit objective was to determine whether the Authority adequately administered its Housing Choice Voucher program in compliance with HUD requirements regarding participant eligibility and applicant selection.

Results of Audit

Finding: The Authority Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements

The Authority did not always administer its program in compliance with HUD's and its own requirements regarding participant eligibility and applicant selection. Specifically, the Authority did not (1) conduct criminal background checks through State or local law enforcement or court records when the household member lived in the local jurisdiction for the previous 3 years, (2) properly prorate assistance for only the eligible members of families headed by noncitizen students, (3) always obtain written citizenship declarations and properly report family citizenship status, and (4) maintain an accurate waiting list for applicant selection. These conditions occurred because (1) the Authority wanted to reduce costs and believed basic, free internet research was suitable for conducting criminal record checks, (2) its staff was not always aware of requirements, and (3) it lacked controls to ensure that it followed policies and procedures required by its administrative plan. As a result, the Authority (1) made unsupported housing assistance payments totaling more than \$4.9 million¹, (2) made ineligible housing assistance payments totaling \$19,520, (3) did not maintain and report correct family citizenship status, and (4) did not treat applicants fairly and consistently.

The Authority Did Not Conduct Criminal Background Checks as Required

The Authority did not conduct criminal background checks on adult household members through State or local law enforcement records or court records when the household member lived in the local jurisdiction for the previous 3 years as required by section 3.2 of its administrative plan. There was no documentation in the 10 participant files reviewed to show that the Authority conducted criminal background checks in accordance with its policy. This occurred because, as a cost-saving measure, the Authority relied on basic, free internet research to conduct criminal record checks of applicants and participants instead of following its policy. The basic, free internet searches did not provide all of the required information that would have been provided had the Authority obtained State or local law enforcement records or court records.

Regulations at 24 CFR 982.553(a)(2)(ii) allow the Authority to prohibit admission to its program if it determines that any household member is currently engaged in or had engaged in, during a reasonable timeframe before admission, the following: (1) drug-related activity; (2) violent criminal activity; (3) other criminal activity that may threaten the health, safety, or right to peaceful enjoyment of the premises by other residents or those residing in the vicinity; and (4) other criminal activity, which may threaten the health or safety of the owner, property staff, or persons performing an administrative function on behalf of the public housing agency. The

¹ Unsupported costs are those costs for which we cannot determine eligibility at the time of the audit. In this case, the Authority lacked documentation to show that it conducted required criminal background checks.

Authority's policy states that it will deny assistance to a family because of drug-related or violent criminal activity by family members. The policy also states that this check will be made through State or local law enforcement or court records for cases in which the individual lived within the Authority's jurisdiction for the last 3 years and the Authority may use other law enforcement agencies or the Federal Bureau of Investigation's National Crime Information Center.

The Authority's former executive director incorrectly believed that the method the Authority used was acceptable; however, the Authority was searching for alternative ways to perform criminal background checks. Because the Authority did not comply with the terms of its policy, it made more than \$4.9 million in unsupported housing assistance payments from September 2016 to August 2017 on behalf of 1,101 program participants that were active in the program as of August 2017.

The Authority Made Housing Assistance Payments for Ineligible Noncitizen Students

The Authority did not properly prorate assistance for only the eligible members of families headed by noncitizen students. HUD regulations at 24 CFR 5.522 prevent assistance to any person who is determined to be a noncitizen student and to family members who accompany the student to the United States but allow for prorating assistance for eligible family members. Section 10.3 of the Authority's administrative plan states that noncitizen students on student visas, although in the country legally, are not eligible to be admitted to its program. The Authority did not properly prorate assistance for three families that had a noncitizen student as the head of household and had children who were born in the United States at the time of their admission into the program. As a result, the Authority made ineligible housing assistance payments totaling \$19,520. This condition occurred because the responsible employees were unaware of the requirement to prevent assistance to noncitizen students but prorate assistance based on their eligible family members.

The Authority Did Not Always Obtain Written Citizenship Declarations and Properly Report Family Citizenship Status

The Authority did not obtain a written citizenship declaration for all members of its participants' families. HUD regulations at 24 CFR 5.508(c)(1) require that for each family member, a written declaration be made as to his or her citizenship or immigrant status and for each child, the declaration be signed by the adult residing in the unit responsible for the child. Section 10.3 of the Authority's administrative plan requires it to obtain this declaration before admission or at the first reexamination. We reviewed the 16 families that the Authority reported to HUD as noncitizens and found that a member of 2 families did not submit a written citizenship declaration to the Authority at either the time of the family's application or during recertifications. One of the two persons was a United States' citizen, the other was not but had eligible immigration status. This condition occurred due to staff errors. The Authority incorrectly reported to HUD the citizenship status of two other families as noncitizen, although documentation in the participant file showed their United States citizenship. This condition occurred due to data entry errors and a lack controls to ensure the accuracy of information the Authority reported to HUD. As a result of these conditions, the Authority did not maintain and report correct family citizenship status.

The Authority Did Not Always Maintain an Accurate Waiting List for Applicant Selection

The Authority did not always accurately record disability preference points for applicants on its waiting list. Of eight applications reviewed indicating that a disabled person was a household member, the Authority awarded preference points to none of the applicants when they were placed on the waiting list. Also, of 12 applicants reviewed, to whom the Authority awarded disability preference points, the files for 2 applicants lacked documentation to show that the Authority verified their disability before admitting them to the program. The Authority's administrative plan required that it give preference to applicants with a family member who was either disabled, working, a West Virginia resident, or displaced. Section 4.10 of HUD's Housing Choice Voucher Guidebook 7420.10G required the Authority to verify the preference based on current circumstances before accepting the family into the program. These conditions occurred because the Authority lacked controls to ensure that it awarded and verified preference points to applicants before providing assistance as required.

Conclusion

The Authority did not comply with HUD's and its own requirements when administering its program. It (1) did not conduct criminal background checks of applicants and participants through State or local law enforcement as required, (2) made housing assistance payments for ineligible participants in its program, (3) did not always obtain written citizenship declarations and properly report family citizenship status, and (4) did not maintain an accurate waiting list for applicant selection. As a result, it (1) made unsupported housing assistance payments totaling more than \$4.9 million, (2) made ineligible housing assistance payments totaling \$19,520, (3) did not maintain and report correct family citizenship status, and (4) did not treat program applicants fairly and consistently.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing require the Authority to

- 1A. Conduct criminal record background checks in accordance with its policies and procedures to ensure that adult members of households for whom the Authority made housing assistance payments totaling \$4,920,685² were eligible to participate in the program or repay its program from non-Federal funds for any amount that it cannot support. If the participants are deemed ineligible, the Authority should follow applicable regulations to terminate or modify assistance.
- 1B. Develop and implement controls to ensure that criminal records checks are conducted, according to policy, at application and when family composition changes.
- 1C. Repay its program \$19,520 from non-Federal funds for the ineligible housing assistance payments made.

² This amount does not include \$30,848 in housing assistance payments that the Authority made for the members of the 10 households that we reviewed. The searches of public and non-public records that we conducted on the members of the 10 households did not disclose any violent or drug-related criminal activity.

- 1D. Correct the errors in the files of the noncitizen families identified by the audit.
- 1E. Develop and implement controls to ensure that it follows policies and procedures found in its administrative plan for verification of citizenship or eligible noncitizen status.
- 1F. Develop and implement controls to ensure that assistance is properly prorated for eligible family members of noncitizen students.
- 1G. Review the citizenship documentation for all adult household members residing in assisted housing and verify correct entry to applicable HUD systems.
- 1H. Correct the waiting list errors identified by the audit.
- 1I. Develop and implement controls to ensure that it follows policies and procedures to award and verify preference points for program applicants as required by its administrative plan.
- 1J. Train staff on the requirements for which it will develop and implement controls as a result of the recommendations made in this audit report.

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

- 1K. Refer the Authority to the Office of Fair Housing and Equal Opportunity for a review of the Authority's waiting list to ensure that all areas comply with HUD requirements.

Scope and Methodology

We conducted the audit from April through December 2017 at the Authority's office located at 103 12th Street, Fairmont, WV, and our office located in Pittsburgh, PA. The audit covered the period January 1, 2016, through April 15, 2017, but was expanded to include data from HUD's Public and Indian Housing Information Center and the Authority's housing assistance payment register and waiting lists through August 2017 as noted below.

For the period January 1, 2016, to April 15, 2017, we selected a nonstatistical sample of 10 participant files for review. We selected 5 files from 33 participants who were admitted during the first 30 days (January 1 to January 30, 2016) and 5 files from the 61 participants who were admitted during the last 30 days of this period (March 17 to April 15, 2017). Although our sample was nonstatistical, the results applied to the entire universe of active participants as of August 2017. The Authority confirmed that the condition that we identified in the sample of 10 files existed in all of the other active files because it was knowingly not complying with the policy in its administrative plan to conduct criminal background checks on adult household members through State or local law enforcement records. The Authority made more than \$4.9 million in unsupported housing assistance payments from September 2016 to August 2017 on behalf of 1,101 program participants that were active in the program as of August 2017.

For our review of noncitizen students participating in the Authority's program, we obtained a report of all heads of household receiving assistance through its program for the period January 1, 2016, through July 31, 2017, from HUD's Public and Indian Housing Information Center. We sorted the 1,468 heads of household by the citizenship data field and found 15 eligible noncitizens, 1 ineligible noncitizen, and 1,452 eligible citizens. We selected all 16 noncitizens for testing. For these noncitizens, we expanded our audit period to obtain the amount of assistance payments each received from admission to the program, the earliest being October 2002, through the housing assistance payment register, dated September 2017.

For our review of the Authority's waiting list, we obtained the waiting lists used by the Authority, dated March 27, May 8, and July 6, 2017. We compared these waiting lists to a participant listing, dated August 12, 2017, determining that 63 participants were admitted to the program. We identified and removed 33 duplicates from this universe because the applicant was a dependent of a current participant, appeared on multiple waiting lists, or was listed more than once due to data entry errors. Additionally, we filtered the applicant data through the disability category to identify 12 participants who claimed and were awarded disability preference points. Finally, using the July 6, 2017, waiting list, we identified eight applicants who claimed disability but were not awarded preference points. Therefore, our universe of 20 applicants claiming disability for review consisted of 12 who were awarded preference and 8 who were not.

To accomplish our objective, we

- Reviewed applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR 982, HUD's Housing Choice Voucher Guidebook 7420.10 G, and other guidance.

- Reviewed participant files and data, waiting lists, inspection reports, board meeting minutes, participant application files, audited financial statements for fiscal years 2015 and 2014, organizational chart, and other program records.
- Reviewed HUD's Public and Indian Housing Information Center data and monitoring reports for the Authority.
- Performed searches of public and non-public record databases.

We also interviewed Authority employees and HUD staff.

To achieve our audit objective, we relied in part on computer-processed data from the Authority's computer system, including participant information, housing assistance payment registers, and waiting lists. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of 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 program laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The Authority lacked controls to ensure that it complied with applicable program requirements.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$4,920,685
1C	\$19,520	




- 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


 The Fairmont-Morgantown Housing Authority HomeOwnership Center	<small>103 12th Street, PO Box 2738 Fairmont, WV 26555-2738 Fairmont (304)363-0860 Morgantown (304)291-1660 Toll Free (800)637-7464 Fax (304)366-0469 www.fmhousing.com</small>
<p>January 22, 2018</p> <p>Mr. David E. Kasperowicz Regional Inspector General for Audit Wanamaker Building 100 Penn Square East, Suite 10205 Philadelphia PA 19107-3380</p> <p>Dear Mr. Kasperowicz,</p> <p>Re: The Fairmont-Morgantown Housing Authority Response to Audit Finding</p> <p>Dear Mr. Kasperowicz,</p> <p>Attached please find the Fairmont-Morgantown Housing Authority's (FMHA) response to the findings from the audit conducted by the Office of the Inspector General on the Housing Choice Voucher Program (HCV). The Board of Commissioners and the staff of FMHA are committed to the delivery of a well-managed program, as well as the delivery of the highest quality service to our HCV participants and to HUD. Audit recommendations are received with the end goal of improving our overall operations.</p> <p>If there are any questions regarding the responses or if any additional information is needed, please contact me at 304-363-0860 ext. 104.</p> <p>Sincerely,</p> <p> Christal Crouso Executive Director</p> <p>Attachments: Response to Finding</p> <p>Cc: Debra Darby Russell De Souza Emma Middleton Board of Directors Debbie Yelich Duane Makel</p>	
	

Auditee Comments and OIG's Evaluation

Ref to OIG
Evaluation

Auditee Comments

Comment 1



**The Fairmont-Morgantown
Housing Authority**
HomeOwnership Center

103 12th Street, PO Box 2738 Fairmont, WV 26555-2738

Fairmont (304)363-0860
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Toll Free (800)637-7464

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The Fairmont-Morgantown Housing Authority
Housing Choice Voucher Program
Response to Finding

Finding:

The Authority did not always administer its Housing Choice Voucher Program in accordance with applicable program requirements.

FMHA Response: Each of the four specific statements and conclusions will be responded to individually below.

Statement 1


Statement 1: The Authority did not conduct criminal background checks as required.
Conclusion 1: The Authority did not conduct criminal background checks of applicants and participants through state or local law enforcement as required; it made unsupported housing assistance payments totaling more than \$4.9 million.
FMHA Response: FMHA did conduct criminal background checks on all applicants. These background checks were done through the utilization of web-based services and published digital records of local law enforcement. All participants receiving assistance payments (100% of the \$4.9 million stated in the conclusion) were verified by staff to have a qualifying record. FMHA's Administrative Plan states: Background checks will be made through state or local law enforcement or court records in the local jurisdiction for at least three years. FMHA has found these searches to be effective in meeting the criminal background obligations set forth by the Administrative Plan. FMHA acknowledges that the results/clearances of the criminal background checks were not documented. These searches were completed in part with the sex offender registry searches which are well documented in files.

Statement 2

Statement 2: The Authority made housing assistance payments for ineligible non-citizen students.
Conclusion 2: The Authority made housing assistance payments for ineligible participants in its program totaling \$19,520.
FMHA Response: FMHA acknowledges vetting or interpretation errors relating to official VISA coding to these few participants.

Statement 3

Statement 3: The Authority did not always obtain written citizenship declarations and properly report family citizenship status.
Conclusion 3: The Authority did not always maintain and report correct family citizenship status.
FMHA Response: FMHA works hard to ensure all documentation is collected, reviewed and placed in applicant/tenant files. FMHA acknowledges data entry errors were noted.



Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

Statement 4

Statement 4: The Authority did not always maintain an accurate waiting list for applicant selection.

Conclusion 4: The Authority did not treat program participants fairly and consistently.

FMHA Response: FMHA acknowledges that there were data entry errors noted during the review. The report also notes that two applicants lacked documentation of disability being verified before admittance to the program. FMHA acknowledges one error but strongly disagrees with the other. FMHA feels proper verification of the applicant's disability was collected prior to admission to the program and that the file was properly documented.

FMHA believes that this clerical error is inadequate support or justification for a conclusion that the Authority did not treat program applicants fairly and consistently.

Recommendations:

Recommendation 1A. Conduct criminal background checks in accordance with its policies and procedures to ensure that adult members of households for whom the Authority made housing assistance payments totaling \$4,920,685 were eligible to participate in the program or repay its program from non-federal funds for any amount it cannot support. If the participants are deemed ineligible the Authority should follow applicable regulations to terminate or modify assistance.

FMHA Response: FMHA believes the OIG report overstated in an alarming manner the nature and gravity of the audit placing millions of federal dollars in unsupported payments. FMHA disagrees with these recommendations as court records were researched for all applicants through a variety of internet searches, newspapers and court records. The auditor's sampling found no instances where any participants did not meet the requirement which should provide reasonable assurance that the internet, newspaper and court records are adequate forms of review for programmatic requirements. FMHA's criminal background check procedure was not found to be in non-compliance of federal regulations and should be noted. The Administrative Plan presented was approved by HUD as part of the Annual Plan submission.

Recommendation 1B. Develop and implement controls to ensure that criminal records are conducted according to policy, at application and when family composition changes.

FMHA Response: FMHA will work with HUD for guidance. To date, FMHA has implemented a criminal background check form for the file to reflect that a criminal background check was performed prior to admittance to the program. In addition, some changes have been made to the agency's Administrative Plan to clearly define how criminal background checks are done.

Recommendation 1C. Repay its program \$19,520 from non-Federal funds for the ineligible housing assistance payments made.

FMHA Response: FMHA will work with the local HUD field office on this issue.

Recommendation 1D. Correct the errors in the files of noncitizen families identified by this audit.

FMHA Response: FMHA has made the noted corrections and will provide verification of such to the HUD field office.

Comment 3

Comment 4

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 5

Recommendation 1 E. Develop and implement controls to ensure that it follows policies and procedures found in its administrative plan for verification of citizenship or eligible noncitizen status.

FMHA Response:

FMHA is working to develop quality controls for these policies as well as providing education to staff as needed.

Comment 5

Recommendation 1 F. Develop and implement controls to ensure that assistance is properly prorated for eligible family members of noncitizen students.

FMHA Response:

FMHA will implement quality control procedures to ensure the proper proration and will report these controls to HUD's field office.

Comment 5

Recommendation 1 G. Review the citizenship documentation for all adult household members residing in assisted housing and verify correct entry to applicable HUD systems.

FMHA Response:

FMHA will conduct citizenship reviews for all adult member residing in assisted households during the annual reexaminations and make any necessary corrections to HUD systems.

Comment 6

Recommendation 1 H. Correct the waiting list errors identified by this audit.

Comment 7

FMHA Response: FMHA has made the necessary corrections noted in this report.

Comment 5

Recommendation 1 J. Train staff on the requirements for which it will develop and implement controls as a result of the recommendations made in this report.

FMHA Response: FMHA will complete staff training on the internal quality control procedures.

Comment 8

Recommendation 1 K. (For the Baltimore Field Office) Refer the Authority to the Office of Fair Housing and Equal Opportunity to review the Authority's waiting list to ensure that all areas comply with HUD requirements.

FMHA Response: FMHA disagrees with this recommendation. FMHA has been informed that this recommendation is a standard recommendation made for any findings relating to the waitlist during an OIG audit. The number of errors found related to the waiting list preference issue accounted for less than 1% of the preferences issued. This is far beyond a reasonable margin of error for an audit and should be noted. This was not a result of FMHA's negligent actions of purposely disregarding waiting list preferences or treating persons unfairly. These data entry errors do not demonstrate the day to day operations of FMHA. Since the review, FMHA has implemented quality control procedures and feels confident that these minimal key stroke errors will be eliminated in the future

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 9
Comment 10

Other FMHA Commentary:

The OIG Executive Summary gives an overstated and negatively exaggerated characterization of FMHA and its management of the Housing Choice Voucher Program. During interviews and meetings with the OIG auditors, the finding and recommendations were described as typical of other HCV programs across the country.

FMHA, its Board of Commissioners, and staff will implement and practice routine quality control procedure to enhance and improve the HCV Program for the communities and families we serve.

OIG Evaluation of Auditee Comments

Comment 1 The Authority stated that it conducted criminal background checks on all applicants, using web-based services and published digital records of local law enforcement and verified that all participants had records that qualified them to participate in the program. It also stated that it found its searches to be effective in meeting the requirements in its administrative plan, although it acknowledged that it did not document the results of its criminal background checks. The Authority acknowledged that it did not document its criminal background checks although it asserted that it completed them in part with sex offender registry searches it conducted and that it described as “well-documented” in its files.

During the audit, when we addressed this issue with the Authority, its former executive director and staff stated that free websites were used, instead of State or local law enforcement or court records, as required by its administrative plan and that efforts were being made to find alternative methods in order to comply with the administrative plan. According to regulations at 24 CFR 982.54(c), housing authorities must administer the program in accordance with their administrative plan. As stated in the audit report, there was no documentation in the 10 participant files we reviewed to show that the Authority conducted criminal background checks in accordance with its policy. As a cost-saving measure, the Authority relied on basic, free internet research to conduct criminal record checks of applicants and participants instead of following its policy. The basic, free internet searches did not provide all of the required information that would have been provided had the Authority obtained State or local law enforcement records or court records. To date, the Authority has not provided any evidence including request letters, emails, or invoices to show that it conducted criminal background checks as required.

Comment 2 The Authority acknowledged that it made data entry errors. However, it disagreed with an error because it felt that it maintained sufficient documentation in the participant file to show that it verified the applicant’s disability prior to admitting the applicant into the program. The Authority believes that this clerical error does not justify our conclusion that the Authority did not treat program applicants fairly and consistently.

The Authority’s comments address only part of the audit results. The Authority’s comments do not address the part of our review that showed that it did not award disability preference points to eight applicants although they claimed disability. These eight applicants would have been listed higher on the Authority’s waiting list had it awarded the preference points to them. Accordingly, the applicants could have been admitted into the program sooner. Our overall conclusion, based on review of 20 applicants claiming disability, was that the Authority did not treat program applicants fairly and consistently. As part of the audit resolution

process, the Authority can provide documentation to HUD to support its arguments.

Comment 3 The Authority believes that we overstated in an alarming manner the nature and gravity of the audit by reporting millions of Federal dollars as unsupported payments. It disagreed with the recommendation because it asserted that it conducted criminal background checks on all applicants through a variety of internet searches, newspapers and court records. It asserted that our review of 10 files provided reasonable assurance that the checks it performed were adequate.

We did not overstate the effect of the Authority's failure to document that it conducted criminal background checks in accordance with its administrative plan. Based on our review of 10 files and the statements made by the Authority's former executive director and staff, we reasonably concluded that the Authority did not conduct criminal background checks as required. Moreover, in its written response to this report, the Authority acknowledged that it did not document its criminal background checks. Without any evidence to show that the criminal background checks were conducted as required, our categorization of the related payments as "unsupported" is appropriate because unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity for which we cannot determine eligibility at the time of the audit. The Authority can support the costs by providing documentation to show that adult household members had no drug-related or violent criminal activity that would disqualify them from participating in the program.

Comment 4 The Authority stated that it has implemented a criminal background check form to document that it performed criminal background checks before admitting applicants into the program. It also stated that it has made some changes to its administrative plan to clearly define how criminal background checks are done. We commend the Authority for being proactive. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.

Comment 5 The Authority indicated that it will take action to address the recommendation. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.

Comment 6 The Authority stated that it made the necessary corrections noted in the report. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.

Comment 7 The Authority did not provide a comment for recommendation 11.

Comment 8 The Authority, although it acknowledged that this recommendation was addressed to the Director of HUD's Baltimore Office of Public Housing for action, stated that it disagrees with this recommendation because the number of errors related to the preference issue was less than 1 percent of the preferences it issued. It was

not negligent actions but data entry errors that caused the errors identified by the audit. It also stated that it has implemented quality control procedures and feels confident that these minimal key stroke errors will be eliminated in the future.

Based on our review of files for 20 applicants claiming disability, we found problems in 10 files. Specifically, in eight files, the applications indicated that a disabled person was a household member, but the Authority awarded no preference points to the applicants when they were placed on the waiting list. Files for 2 applicants to whom the Authority awarded disability preference points lacked documentation to show that the Authority verified their disability before admitting them to the program. We found that these conditions occurred because the Authority lacked controls to ensure that it awarded and verified preference points to applicants before providing assistance as required. Because we found issues in half of the files we reviewed, we considered it appropriate to make a recommendation to the Director of HUD's Baltimore Office of Public Housing to refer the Authority to the Office of Fair Housing and Equal Opportunity. If the Authority's statements that it is committed to the delivery of a well-managed program, as well as the delivery of the highest quality service to its program participants and HUD, are accurate, then it should be receptive to a review by the Office of Fair Housing and Equal Opportunity to ensure that all areas of its waiting list comply with HUD requirements.

Comment 9 The Authority stated that the "Highlights" section of the report overstated and negatively exaggerated our characterization of it and its management of the Housing Choice Voucher program.

The "Highlights" section of the report does not overstate or exaggerate our characterization of the Authority and its management of the Housing Choice Voucher program. Based on our audit objective, the "What We Found" section of the "Highlights" fairly and correctly reports that the Authority did not comply with HUD's and its own requirements when administering its Housing Choice Voucher program, and specifically, that it (1) did not conduct criminal background checks of applicants and participants through State or local law enforcement or court records of the local jurisdiction, (2) made housing assistance payments for ineligible participants, (3) did not always obtain written citizenship declarations and properly report family citizenship status, and (4) did not maintain an accurate waiting list for applicant selection. Based on the audit results, we made 10 reasonable recommendations to the Authority. These recommendations are intended to correct conditions identified by the audit and help the Authority improve its program. Moreover, in its written comments to the report, the Authority acknowledged that it made errors in administering its program and indicated that it would take, or that it had already taken, action to address the majority of the recommendations.

Comment 10 The Authority stated that during interviews and meetings with the auditors, the finding and recommendations were described as typical of other programs across

the country. Our audits generally identify problems. The extent of the problems reported depends on the management and control environment of the entity being audited. Our audit reports frequently include findings with ineligible and unsupported costs because auditees did not comply with applicable program requirements and did not maintain documentation to support its use of funds.