

**U. S. Department of Housing and Urban Development
Office of Inspector General for Investigation
Inspections and Evaluations Division**



**Inspection of Whether Duplicate Rental Assistance
Payments Were Made To CPD Grant Recipients**

September 2009
IED-09-004

Executive Summary

The Office of Inspector General, Inspections and Evaluations Division, conducts independent, objective examinations of U.S. Department of Housing and Urban Development (HUD) activities, programs, operations, and organizational issues.

We completed an inspection to determine whether recipients of rental assistance payments under HUD's Community Planning and Development (CPD) Programs also received rental subsidies from HUD's Section 8 Housing Programs. CPD funding for rental assistance to eligible individuals is provided through five separate grant programs. These programs are in addition to HUD's Section 8 programs that also pay for rental assistance. HUD's CPD Director for the New York office expressed concern that the duplication of subsidy payments may be occurring between the programs.

This inspection was limited to rental assistance payments made under two CPD homeless grant programs during 2008 to grantees/sponsors (service providers) in the New York downstate area. We also determined what measures HUD's New York CPD office and the grantees/sponsors are taking to enforce the federal regulations that prohibit individuals from receiving rental assistance from more than one federal source.

Based on a sample of 123 CPD grant recipients in the New York office, our inspection disclosed no instances of duplication of rental assistance payments made using both CPD funds and Section 8 funds. However, we did find that the CPD grantees administering the programs were not consistent in their approach to enforcing the prohibition against such duplications.

During our inspection, we also searched public record databases to determine the addresses of program participants, and followed up with grantees when discrepancies existed. While all the discrepancies were resolved, we identified one instance where a sponsor continued to pay rent for an individual after the person moved out.

We discussed the results of our inspection with HUD's CPD Director in New York who advised us that he will follow-up with the grantees to ensure compliance with federal regulations.

If you have any questions concerning this report, please call Jennifer Sorenson, Director, Inspections and Evaluations Division, Office of Investigation at (202) 402-0390.

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Introduction

The Department of Housing and Urban Development provides funding to help pay the rent for eligible individuals through a number of programs. The most familiar are the Section 8 rental subsidy programs administered by the Office of Public and Indian Housing and the Office of Multifamily Housing. In addition, the Office of Community Planning and Development (CPD) administers five programs that provide rental assistance to individuals. The majority of these programs were originally authorized under the McKinney-Vento Act, and are administered by HUD's Office of Special Needs Assistance Programs.

The five CPD programs are: (1) Shelter Plus Care (S+C), (2) Supportive Housing Program (SHP), (3) Housing Opportunities for Persons with AIDS (HOPWA), (4) Section 8 Moderate Rehabilitation for Single Room Occupancy (SRO), and (5) HOME Investment Partnerships Program.

During Fiscal Years 2005 through 2008, HUD awarded substantial CPD funds in the New York downstate area for the five programs. The amounts shown below include funding to cover all program activities, which include a component for rental assistance. However, the amount for the S+C program is primarily for rental assistance.

Program	Amount Awarded to Grantees	Amount Disbursed by Grantees
S+C	\$80.4 million	\$45.8 million
SHP	\$40.7 million	\$33.8 million
HOPWA	\$4.7 million	\$2.7 million
SRO	\$6.4 million*	Not available
HOME	\$81.0 million**	Not available

* Amount is for all of New York State

** FYs 2006 - 2008

Typically under these CPD programs, the organization that provides the direct rental assistance for a program participant is responsible for determining the participants' eligibility. HUD and/or the grantee are responsible for program oversight. The grantee can be the direct service provider (typically a state or local government agency or in some cases a private nonprofit organization) or may contract with a sponsor to service the program activities and provide the rental assistance to the participating individuals.

The Code of Federal Regulations (CFR) prohibits individuals from receiving rental assistance if they are already receiving assistance from other federal sources. Specifically, 24 CFR 582.105 prohibits the receipt of Shelter Plus Care (S+C) funding if the participant is receiving federal funding for rental assistance under other HUD programs. The CFR covering the Supportive Housing Program (SHP) does not contain specific language that prohibits the receipt of dual subsidies; however, 24 CFR 583.315 states that rents paid with SHP funds should be adjusted to

reflect either a portion of the participants' income or housing costs already being paid for by public agencies.

HUD's CPD Director in the New York office raised concerns that the federal prohibition against the duplication of rental assistance using CPD and Section 8 program funds may be violated because there is no established protocol to identify such duplications.

Scope and Methodology

This inspection focused on the CPD programs that provide rental assistance to individuals in the downstate geographic area covered by the HUD New York office. Because the purpose of the inspection was to determine whether there is a current problem with duplicate rental assistance between the CPD and Section 8 programs, we reviewed rental assistance payments made during the most current complete year from January 1 to December 31, 2008.

We selected two S+C grantees and one SHP grantee. Our review of these three grantees involved five separate program grants and included three different S+C sponsors. The five grants reviewed accounted for the disbursement of approximately \$660,000 in rental assistance funds on behalf of 123 individuals. The basis for our selection was to achieve a representative sample of grantees (e.g., state and city agencies as well as nonprofit organizations), and to include large and small grants. Our sample was not drawn statistically and the results are not intended to be projected to the universe of all program participants.

Five CPD Grants Selected for Inspection

Grantee/HUD Grant No.	Sponsor (Service Provider)	Rental Assistance Payments In 2008	Number of Participating Individuals
NYC HPD/ NY0C70-0183	Odyssey House Haven	\$280,077	57
NYS OMH/ NY0C50-5020	A.J. Melillo Center for Mental Health	\$181,899	19
NYS OMH/ NY01C70-0203	Pibly Residential Programs, Inc	\$157,539	23
MTI Residential Services, Inc./ NY01B60-5013	No Sponsor	\$20,350	9
MTI Residential Services, Inc./ NY01B60-5012	No Sponsor	\$20,000	15
	Totals	\$659,865	123

We obtained listings of program participants from each of the three grantees. The listings included pertinent identifying information of the participants which we used to compare against Section 8 tenant rolls reported in HUD's Public Inquiry Communications Subsystem (PICS) and the Tenant Rental Assistance Certification System (TRACS).

We met with staff from the Offices of Public Housing, Multifamily Housing and CPD in HUD's New York office, and reviewed CPD guidance pertinent to the monitoring of grantees. We also interviewed the management at each of the three grantees and two of the sponsors about the process and procedures they had implemented to enforce related federal regulations. We obtained and reviewed the grantee's written procedures and protocol regarding the screening of applicants and the monitoring of the program sponsors and individual participants.

We also conducted a search of computerized public records to determine whether the recorded addresses were the same as the CPD program participant's address during 2008.

We initiated the review in December 2008. However, the review was suspended on December 28, 2008, at the request of HUD CPD senior management until February 2009 due to heavy workload demands of its staff. The field work resumed on February 4, 2009, and was completed in mid-May 2009.

We conducted the inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

Observations

Our inspection disclosed no instances of duplication of rental assistance payments made using both CPD funds and Section 8 funds. However, we did find that the CPD grantees administering the programs were not consistent with their approach to enforcing the prohibition against such duplications. Also, we identified one instance where rental assistance payments continued for an individual after the person moved out.

Observation 1: No Instances of Duplicate Rental Assistance Payments Were Found

Our review of 123 CPD program participants covering five CPD grants showed that none of the participants received Section 8 funding in 2008 during the same period they were receiving CPD funding.

Observation 2: Measures Taken by Grantees to Prevent the Duplication of Rental Assistance Payments Are Not Consistent

Pursuant to 24 CFR 582.400 and 24 CFR 583.400, HUD holds the S+C and SHP grantees responsible for the overall administration of the program, including overseeing the performance of its sub-recipients (i.e., sponsors). The Director of the HUD CPD office in New York affirmed these citations, and also advised that both the S+C and SHP grant agreements with HUD hold the grantees responsible for compliance with the applicable regulations codified in the respective CFRs.

Our inspection found that the HUD CPD office in New York does not match individual participants of the various CPD rental assistance programs to HUD Section 8 tenant information systems. Moreover, the CPD office does not monitor S+C and SHP grantees to specifically determine whether duplicative rental assistance payments have been made. While the CPD handbook (HUD Handbook 6509.2 REV-5) used by the staff to monitor both S+C and SHP grantees does not include specific work steps to address the duplication of rental assistance payments, it does include steps to ensure that the subsidized rents are accurately calculated.

Our inspection also found that the HUD CPD New York office relies on the grantees to enforce the federal regulations prohibiting the duplication of rental assistance payments. However, two of the largest S+C grantees operating in the New York downstate area, the New York City Housing, Preservation and Development (HPD), and the New York State Office of Mental Health (OMH), have differing views of their responsibilities and their approaches reflect that.

HPD (primarily a housing agency) actively checks to assure that its S+C participants are not also receiving other sources of federal rental assistance. HPD uses computer software for its initial intake filing of program applicants that automatically rejects any individual who is already in the database as participating in other HPD administered housing programs, such as Section 8 Moderate Rehabilitation and Single Room Occupancy programs. Additionally, HPD routinely compares its S+C applicants against HUD's dual subsidy report which identifies households who receive assistance through multiple public housing authorities (PHAs) or are in both HUD public housing and/or multifamily programs administered by the PHAs. Furthermore, the contract HPD enters into with the property owner stipulates that the owner must disclose to HPD any related assistance from federal, state and/or local governments.

The OMH (primarily a mental health agency) does not conduct any matching of databases to determine whether program applicants or participants are also receiving other federally funded rental assistance. OMH management stated that they do not have access to information systems that would allow checking of S+C applicants against Section 8 tenant rolls. According to OMH management, it is the responsibility of the program sponsors to ensure that their clients are not receiving other sources of rental assistance. Although OMH does not provide specific guidance to its sponsors on how to do any such checking, it does inform its sponsors of the federal regulation prohibiting the duplication of rental assistance payments. OMH distributes to its sponsors a program management guide book that specifically cites that sponsors cannot accept program applicants who are currently receiving other ongoing housing assistance, such as Section 8. The guide book also states that once an individual is accepted into the program, they cannot receive rental subsidies from any other source. Furthermore, the contract that OMH enters into with its sponsors incorporates a copy of the CFR pertaining to the S+C program, including the section of the duplication of federal funded rental assistance.

The two nonprofit sponsors that operated the S+C grants for OMH did not establish procedures to collect information from program applicants on whether they are currently receiving rental assistance benefits from other federal sources. These sponsors do not conduct any matching of applicants against Section 8 tenant rolls. Management from both sponsors told us that they do not have the tools (nor access to Section 8 data), or the staff resources to identify possible duplications of federally funded rental assistance. Furthermore, they stated that because the S+C

participants were formerly homeless, they believe that the chance of the participants also receiving Section 8 benefits is very negligible.

Finally, we found that the nonprofit grantee, MTI Residential that operated the SHP grant does not conduct any check to determine independently whether its clients are receiving other sources of rental assistance, such as from Section 8. MTI management stated that they do not have access to public housing or HUD databases to conduct matching to Section 8 tenant rolls. MTI requires applicants to provide information of their various sources of income, such as wages, pension and social security payments in order to do rent calculations.

Observation 3: Other Matters

During our inspection we also compared CPD program participant addresses reported in 2008 to addresses disclosed in various public records. When discrepancies existed, we spoke to staff of the grantee/sponsor to obtain additional documentation supporting the participant's address. We were able to resolve all initial discrepancies. However, our review of documentation provided by a sponsor contracted by the OMH disclosed that one individual moved out of the CPD subsidized residence several months before rent payments were stopped. We referred this information to the Director of the HUD CPD New York office for appropriate corrective action.

Recommendations

We recommend that the Deputy Assistant Secretary for Special Needs Programs advise

1. Regional CPD Directors to provide clear guidance and technical support to its grantees to ensure that they clearly understand their responsibilities in enforcing federal regulations pertaining to the proper payment of rental assistance subsidies under the Shelter Plus Care and Supportive Housing Programs.
2. The New York CPD Director to follow-up with the New York State Office of Mental Health (OMH) to determine whether an overpayment of rental assistance was made, as cited in the Other Matters Section of this report. If so, the OMH should be directed to take appropriate measures to recapture the funds.