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TO: Shawn Sweet, Director of Cleveland's Public Housing Hub, 5DPH

FROM: *Kelly Anderson*  
Kelly Anderson, Regional Inspector General for Audit, Region V, 5AGA

SUBJECT: Cuyahoga Metropolitan Housing Authority, Cleveland, OH, Did Not Operate its Section 8 Housing Choice Voucher Program According to HUD's Requirements

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Cuyahoga Metropolitan Housing Authority's (Authority) Section 8 Housing Choice Voucher program. The audit was part of the activities in our fiscal year 2011 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered its program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) requirements and the Authority's program administrative plan to include determining whether (1) the Authority's unit inspections were sufficient to detect housing quality standards violations and provide decent, safe, and sanitary housing to its residents; (2) it appropriately managed its Family Self-Sufficiency program according to HUD's requirements and its action plan; and (3) it performed timely housing quality standards unit inspections. This is the first of two planned audit reports on the Authority's program.

### **What We Found**

The Authority failed to operate HUD programs according to HUD's and its requirements. The Authority's program administration regarding housing unit conditions was inadequate. Of the 82 program units statistically selected for

inspection, 76 did not meet minimum housing quality standards, and 50 had material violations that existed before the Authority's previous inspections. Based on our statistical sample, we estimate that over the next year, HUD will pay nearly \$9.6 million in housing assistance for units with material housing quality standards violations.

The Authority did not always comply with HUD's requirements, its action plan, and its program procedures in administering its Family Self-Sufficiency program. It failed to maintain required documentation for 64 of its 71 program participants with an escrow balance and all 22 of its graduates with escrow disbursements. In addition, it failed to maintain accurate escrow balances for 69 of its 71 participants with escrow balances or issue accurate escrow disbursements to all 22 of its graduates.

The Authority did perform timely housing quality standards unit inspections. We reviewed 58,805 inspections for 14,344 tenants and determined from the low error rate (.04 percent or 21 inspections) that the Authority's timeliness of inspections was sufficient.

## **What We Recommend**

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to (1) reimburse its program from non-Federal funds for the improper use of more than \$100,000 in program funds, (2) provide documentation or reimburse its program nearly \$550,000 from non-Federal funds for the unsupported housing assistance payments, and (3) implement adequate procedures and controls to address the findings cited in this audit report to prevent nearly \$9.6 million in program funds from being spent on excessive housing assistance payments over the next year.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence issued because of the audit.

## **Auditee's Response**

We provided our review results and supporting schedules to the Director of HUD's Cleveland Office of Public Housing and the Authority's interim chief executive officer during the audit. We provided our discussion draft audit report to the Authority's interim chief executive officer, its board chairman, and HUD's staff during the audit. We held an exit conference with the interim chief executive officer on June 15, 2011.

We asked the interim chief executive officer to provide comments on our discussion draft audit report by July 1, 2011. The interim executive officer provided written comments, dated June 29, 2011. The complete text of the

written comments, along with our evaluation of those comments, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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The Cuyahoga County, OH Metropolitan Housing Authority (Authority), established in 1933 pursuant to section 3735.27 and 3735.50 of the Ohio Revised Code, was the Nation's first public housing authority to provide safe and sanitary housing to low-income families. The passage of the United States Housing Act in 1937 enabled the Authority to provide federally subsidized housing. Following the passage of the Federal Housing Act of 1974, the Authority began administering the Section 8 rental housing assistance program. The Authority's jurisdiction includes all of Cuyahoga County, except for Chagrin Falls Township. The Authority is a political subdivision of the State of Ohio and is governed by a five-member board of commissioners appointed for 3-year terms by local elected officials. The board governs the business, policies, and transactions of the Authority. The chief executive officer is appointed by the board and has the overall responsibility of carrying out the board's policies and managing the Authority's day-to-day operations. The Authority's office is located at 8120 Kinsman Road, Cleveland, OH. As of April 30, 2011, the Authority had 13,827 Section 8 voucher units under contract with annual housing assistance payments totaling more than \$92.6 million in program funds.

Our objective was to determine whether the Authority administered its Section 8 Housing Choice Voucher program in accordance with HUD's requirements and its program administrative plan to include determining whether (1) the Authority's unit inspections were sufficient to detect housing quality standards violations and provide decent, safe, and sanitary housing to its residents; (2) it appropriately managed its Family Self-Sufficiency program according to HUD's requirements and its action plan; and (3) it performed timely housing quality standards unit inspections. This is the first of two planned audit reports on the Authority's program.

## RESULTS OF AUDIT

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### Finding 1: Controls over Housing Unit Inspections Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards and its requirements. Of the 66 non-quality control program units statistically selected for inspection, 62 failed to meet minimum housing quality standards and 45 had material violations that existed during and before the Authority's previous inspections. For quality control units, we inspected 16 units of which 14 failed to meet minimum standards and five had material violations. The violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards and its requirements. As a result, nearly \$62,000 in program funds was spent on units that were not decent, safe, and sanitary. Based on our statistical sample, we estimate that over the next year, HUD will pay nearly \$9.6 million in housing assistance for units with material housing quality standards violations.

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#### **HUD's Housing Quality Standards Were Not Met for Non-Quality Control Unit Inspections**

From the 2,604 program units that passed housing quality inspections performed between November 1 and December 31, 2010, we statistically selected 66 program units for inspection by using data mining software. The 66 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 66 units between February 7 and March 16, 2011.

Of the 66 units inspected, 62 (94 percent) had a total of 639 housing quality standards violations. In addition, 45 units were considered to be in material noncompliance since they met one or more of the following criteria: (1) one or more emergency health and safety violations that predated the Authority's inspection, (2) multiple violations that predated the Authority's inspection, or (3) violations identified by the Authority and not corrected. The following table categorizes the 639 housing quality violations in the 62 units.

Category of violations	Number of violations
Electrical	145
Window	140
Other potential hazardous features	61
Stairs, rails, and porches	45
Access to Unit	39
Floor	31
Stove range with oven	27
Heating	20
Smoke detector	16
Security	15
Potential lead-based paint	13
Toilet	13
Dryer ventilation	11
Plumbing	11
Roof and gutters	10
Ventilation	10
Wall	9
Exterior surfaces	9
Sink	7
Foundation	<u>7</u>
Total	<u>639</u>

We provided our inspection results to the Director of HUD's Cleveland Office of Public Housing and the Authority's Interim chief executive director on May 19, 2011.

### Electrical Violations for Non-Quality Control Unit Inspections

One hundred forty-five electrical violations were present in 49 of the Authority's units inspected. The following items are examples of electrical violations listed in the table: exposed fuse box connections, exposed electrical contacts, and missing outlet cover plates. The following pictures are examples of the electrical-related violations.

Household S018927:  
Wiring on the  
basement ceiling is  
improperly connected  
without a junction box.



Household 1013712:  
The live wires  
dangling from the  
basement ceiling have  
exposed contacts.



### **Window Violations for Non- Quality Control Unit Inspections**

One hundred forty window violations were present in 42 of the Authority's units inspected. The following items are examples of window violations listed in the table: windows that do not open or stay up properly, cracked or broken panes, and windows that do not lock or close properly. The following pictures are examples of the window-related violations.



Household S057815:  
A window sash in the  
bedroom is broken  
and has a loose glass  
pane.



Household 1021560:  
The window doesn't  
lock because the sash  
is too large for the  
window frame and  
doesn't line-up for the  
locks.



### **Stairs, Rails, and Porches Violations for Non-Quality Control Unit Inspections**

Forty-five stair, rail, and porch violations were present in 27 of the Authority's units inspected. The following items are examples of the stair, rail, and porch violations listed in the table: handrails too short, missing handrails, and porch defects such as being severely warped enough to create a tripping hazard. The following pictures are examples of stair, rail, and porch violations.

Household 1021560:  
The stairway to the  
rear deck needs a  
handrail.



Household 16922:  
The underside of the  
handrail of the  
basement has a sharp  
edge on the splice  
plate.



### **HUD's Housing Quality Standards Were Not Met for Quality Control Inspections**

From the 22 program units that passed a quality control inspection performed by the Authority between November 1 and December 31, 2010, we statistically selected 17 units for inspection by using data mining software. One unit was an exemption because it was a modernization rehabilitation program unit and not on the Section 8 Housing Choice Voucher tenant-based program. The 16 units were inspected to determine whether the Authority conducted adequate quality control unit inspections to detect housing quality standards violations. Our appraiser inspected the 16 units between March 15 and March 23, 2011.

Of the 16 units inspected, 14 (88 percent) had a total of 96 housing quality standards violations. In addition, five units were considered to be in material noncompliance since they had one or more emergency health and safety

violations that predated the Authority's inspection and multiple violations that predated the Authority's inspection. The following table categorizes the 96 housing quality standards violations in the 14 units.

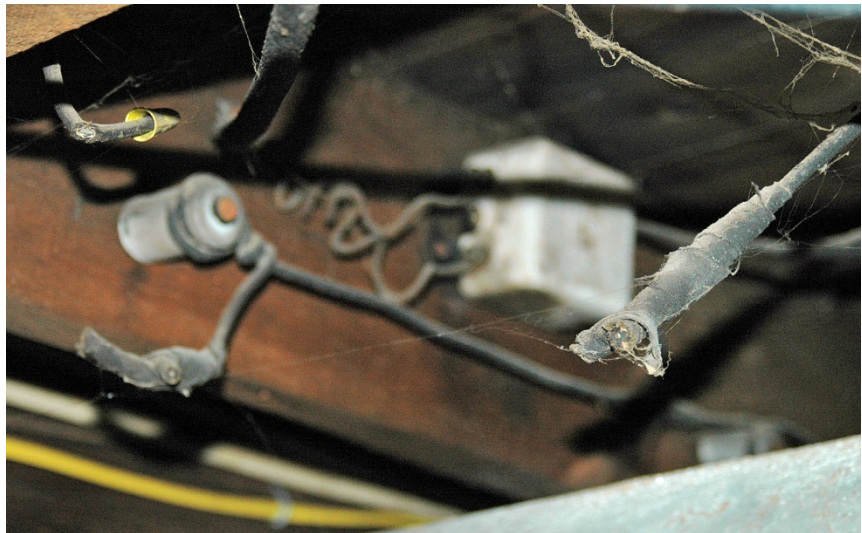
Category of violations	Number of violations
Electrical	21
Window	16
Stairs, Rails, and Porches	9
Other potential hazardous features	9
Floor	5
Smoke detector	5
Security	5
Stove range with oven	4
Potential lead-based paint	4
Dryer ventilation	3
Roof gutters	3
Heating	2
Sink	2
Exterior surfaces	2
Ventilation	1
Wall	1
Foundation	1
Ceiling	1
Tub/shower	1
Water heater	<u>1</u>
Total	<u>96</u>

We provided our inspection results to the Director of HUD's Cleveland Office of Public Housing and the Authority's interim chief executive officer on May 19, 2011.

### Electrical Violations for Quality Control Unit Inspections

Twenty-one electrical violations were present in nine of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: exposed fuse box connections, exposed electrical contacts, and outlets with open ground connections. The following pictures are examples of the electrical-related violations.

Household S813335:  
There are various unacceptable cut, frayed, and improperly terminated wires in the basement ceiling.



Household S064675:  
A live abandoned wire on the basement ceiling has exposed contacts at the ends.



### Window Violations for Quality Control Unit Inspections

Sixteen window violations were present in seven of the Authority's program units inspected. The following items are examples of window violations listed in the table: windows that do not open or stay up properly, cracked or broken panes, and windows that do not lock or close properly. The following pictures are examples of the window-related violations.

Household S064474: A basement window glass block is shattered.



Household 1012936: There is a cracked glass pane on a rear bedroom window.



### Stair, Rail, and Porch Violations for Quality Control Unit Inspections

Nine stair, rail, and porch violations were present in five of the Authority's program units inspected. The following items are examples of the stair, rail, and porch violations listed in the table: handrails too short, missing handrails, crumbling stairs, and porches with flooring defects. The following pictures are examples of stair, rail, and porch violations.

Household S813335:  
The handrail from the second floor stops about mid-way to the top of the stairway instead of extending the entire length.



Household 1014364:  
The stairway to the basement needs to have a handrail that extends the entire length of the stairway.



**The Authority's Management Did Not Protect HUD's Interest**

The Authority lacked procedures and controls to ensure that its Section 8 units met HUD's housing quality standards. It also failed to exercise proper supervision and oversight of its inspections. The Authority's supervisors and inspectors neglected to report violations that existed at the units when they performed their inspections. Due to the lack of proper supervision the Authority's inspectors were confused on how to conduct a proper housing quality inspection and were not consistent with applying HUD requirements and the Authority's administrative plan.

The Authority developed its own inspection form instead of using the required HUD inspection form, which did not comply with HUD's housing quality standards or its administrative plan. Some examples that were used on the

Authority's form that were not housing quality standards or listed in its administrative plan were: did the unit have a mailbox; parked vehicle without a current registration tag; baseboards missing; sink with no caulking; tub missing caulking; garage door not weather tight; no electric in garage; third floor missing a fire ladder; county violations present; and city violations present. Some areas not addressed in the Authority's inspection form which are required under the housing quality standards are: space for storage, preparation and serving of food; security of unit; manufactured home tie downs; adequacy of heating equipment; sewer connections; elevators; and interior air quality.

The inspectors stated that they did not know all of the city codes. They also stated that they did not physically check windows and other areas of the inspection process but conducted a visual inspection. The inspectors received appropriate training and they received on-the-job training as new inspectors. We questioned inspectors in an attempt to determine how they conducted their respective inspections. We asked each inspector what length of grass would fail an inspection. The answers ranged from never failing a unit for the length of grass to just over their shoe to 5 feet high. Some inspectors moved furniture to inspect areas in the unit and others would not touch furniture in the unit. None of the inspectors identified frayed, cracked, and exposed wires in the unit. The inspectors only checked the electrical wiring in the control panel, lights, plug outlets and switch plates. The Authority required screens and storm windows in all windows and storm doors on all doors into the dwelling unit but many windows and doors were missing these items. Units selected from quality control inspections were in better condition than the majority of the units selected from the regular inspections.

During our review of the inspection process, the Authority instituted changes and stated that it would update its administrative plan. After we discussed the requirement that the Authority use the HUD inspection forms for inspections, it changed the inspection process to require the inspectors to use the HUD inspection form. The inspectors stated that HUD's inspection form assisted them in performing better inspections. Also, the Authority required its inspectors to accompany our team during our inspection process and use our process as a training environment. With the changes the Authority incorporated, its inspection process should improve, but further improvement is needed to ensure that units meet HUD's and its requirements.

## Conclusion

The housing quality standards violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. The Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that units complied with HUD's housing quality standards. In accordance with 24 CFR (Code of Federal Regulations)

982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to enforce HUD's housing quality standards. The Authority disbursed \$61,805 in housing assistance payments for the 50 units that materially failed to meet HUD's housing quality standards and received \$10,102 in program administrative fees.

If the Authority implements adequate procedures and controls regarding its unit inspections to ensure compliance with HUD's housing quality standards and its housing standards, we estimate that the Authority can avoid spending more than \$9.5 million in future housing assistance payments on units that are not decent, safe, and sanitary over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

## Recommendations

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

- 1A. Certify that the applicable housing quality standards violations have been corrected for the 76 units (62 non-quality control plus 14 quality control unit inspections) cited in this finding.
- 1B. Reimburse its program from non-Federal funds, \$71,907 comprised of \$61,805 (\$52,203 plus \$9,602) for housing assistance payments and \$10,102 (\$7,960 plus \$2,142) in associated administrative fees for the 50 units (45 plus 5 units) that materially failed to meet HUD's housing quality standards.
- 1C. Implement procedures and controls to ensure that quality control inspections are completed using HUD's housing quality standards and its requirements.
- 1D. Implement adequate procedures and controls to ensure that all program units meet HUD's housing quality standards to prevent \$9,560,208 (\$9,529,128 plus \$31,080) in program funds from being spent over the next year on units that are in material noncompliance with the standards.
- 1E. Ensure that all inspectors and supervisory control inspectors are familiar with housing quality standards, and can apply them appropriately.



## Finding 2: The Authority Inappropriately Administered Its Family Self-Sufficiency Program

The Authority did not always comply with HUD's requirements, its action plan, and its Family Self-Sufficiency program procedures in administering its family self-sufficiency program. It failed to maintain required documentation for 64 of its 71 program participants with an escrow balance and all 22 of its graduates with escrow disbursements. In addition, it failed to maintain accurate escrow balances for 69 of its 71 participants with escrow balances or issue accurate escrow disbursements to its 22 graduates. These conditions occurred because the Authority lacked adequate procedures and controls to ensure that HUD's regulations, its action plan, and its program procedures regarding the Family Self-Sufficiency program were followed. As a result, it failed to support more than \$458,000 in escrow payments, overpaid nearly \$23,000 and underpaid more than \$13,000 in escrow payments and interest to its participants' escrow accounts, and overpaid more than \$5,000 in escrow disbursements to its graduates.

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### **The Authority Lacked Documentation to Support More Than \$458,000 in Escrow Payments**

We performed a 100 percent review of the 71 Family Self-Sufficiency program participants' files with an escrow account balance as of December 31, 2010. We also performed a 100 percent review of the 22 Family Self-Sufficiency program graduates' files with an escrow disbursement between January 1, 2009 and December 31, 2010. The 93 files were reviewed to determine whether the Authority maintained the required documentation in the participants' files, correctly maintained the participants' escrow account balances and made the correct escrow disbursement, and provided applicable services to assist the families in becoming self-sufficient. The review was performed for the audit period of January 1, 2009 through December 31, 2010, and expanded as necessary. Our review was limited to the information maintained by the Authority in its participants' files and in HUD's Public and Indian Housing Information Center (PIC) system.

The Authority lacked documentation to support escrow account balances totaling \$292,768 and escrow disbursements totaling \$165,828 for its Family Self-Sufficiency program participants and graduates. The documentation is required by HUD's regulations, the Authority's action plan, and its program procedures. Of the 93 files reviewed with escrow balances or escrow disbursements, 86 (92 percent) had missing or incomplete documents as follows:

- The Authority failed to include the required goal to seek and maintain suitable employment on the individual training and services plans of 61 of the 71 participants (86 percent) and 21 of the 22 graduates (95 percent).

However, it did take corrective actions and obtained revised plans for 52 of the 61 participants with escrow balances.

- The Authority failed to maintain documentation showing that an extension was requested for five participants and 11 graduates.
- The Authority failed to establish just cause for extensions for 11 participants and 15 graduates.
- The Authority failed to maintain written approval for extensions for four participants and one graduates.
- The Authority failed to maintain certification that no family member received welfare assistance for three graduates, and it failed to maintain documentation regarding this status for 13 graduates.
- The form HUD-52650, Family Self-Sufficiency Program Contract of Participation (contract) was not maintained for three participants, but the Authority took corrective actions and recovered these documents.
- The Authority failed to maintain documentation showing that the required goal to seek and maintain suitable employment was met by one graduate.
- The individual training and services plan was not maintained for one participant, but the Authority took corrective actions and recovered this document.
- One participant was not given an annual report of her escrow account balance for the 2009 calendar year.

### **The Authority Made Inaccurate Escrow Calculations**

The Authority's miscalculations and failure to comply with program requirements resulted in overfunded escrow accounts totaling \$22,961 and underfunded escrow accounts totaling \$13,307. Of the 71 files reviewed, 69 (97 percent) contained errors in the escrow account balance. These files included 62 participant files with overpayments and seven participant files with underpayments. The 69 participant files contained the following errors:

- Sixty-nine files had interest proration errors;
- Three participants inappropriately remained on the program although 30 percent of their monthly adjusted income equaled or exceeded the fair market rent;
- Two participants had the incorrect amount of earned income at program commencement used in the escrow credit calculation; and
- Two participants had the incorrect amount of current earned income in the escrow credit calculation.

The Authority made incorrect escrow disbursements to 22 of its Family Self-Sufficiency program graduates. This amount was minor and totaled \$5,526 in overpayments. The 22 participant files contained the following errors:

- Twenty-two files contained interest proration errors;

- Two participants inappropriately remained on the program although 30 percent of their monthly adjusted income equaled or exceeded the fair market rent; and
- One graduate received an escrow credit after her graduation date.

### **Other Deficiencies in the Authority's Family Self-Sufficiency Program**

The Authority used the incorrect effective date on the contracts of participation for 40 of the 93 Family Self-Sufficiency program participants and graduates reviewed. For example, the contract was signed by one participant and the Authority on October 20, 2008. However, the effective date of the contract was October 1, 2008. Therefore, the Authority made the family's participation in the Family Self-Sufficiency program effective before the contract was executed. HUD's regulations at 24 CFR 984.103 and the instructions for completing the contract of participation state that the effective date of the contract means the first day of the month following the month in which the family and the Authority signed or entered into the contract.

The Authority failed to include interim goals to assist in measuring the family's progress in fulfilling its obligations under the contract of participation for 58 of the 93 participants and graduates reviewed during the audit period. These goals are required by 24 CFR 984.303(b)(2).

For 19 of the 71 participants reviewed, the examination used to establish the baseline figures indicated on the contract of participation were more than 120 days old. The contract states that if it has been more than 120 days, the Authority must conduct a reexamination or interim redetermination for the income and rent numbers on the form.

In addition, the Authority did not provide its participants with all of the supportive services that were identified in its action plan. For instance, it failed to maintain documentation showing that it met quarterly with any of the 71 participants reviewed. The family self-sufficiency coordinator indicated that in lieu of meeting quarterly with the participants, the Authority obtained their telephone numbers and email addresses to provide support and encouragement. The participants' status in meeting their goals was also determined during their annual recertification appointments for the Housing Choice Voucher program. The Authority also failed to maintain assessments for 68 of the 71 participants. As a result, we could not determine whether the individual training and services plans identified the needs of the participants.

The Authority received \$90,058 from HUD to operate its fiscal years 2009 and 2010 Family Self-Sufficiency program. It failed to appropriately administer its program or implement local strategies to coordinate the use of its program with

public and private resources to enable eligible households to achieve economic self-sufficiency.

### **The Authority's Procedures and Controls Had Weaknesses**

The Authority failed to maintain the required documentation and overfunded and underfunded the escrow accounts of Family Self-Sufficiency program participants because it lacked adequate procedures and controls to ensure that HUD's regulations, its program administrative plan, its action plan, and Family Self-Sufficiency program procedures were followed.

The cause of the majority of the errors regarding documentation was the staff's unfamiliarity with the requirement to include the goal to seek and maintain suitable employment as a final goal on the participants' individual training and services plan. The Authority did maintain documentation in the participants' files that indicated awareness of this goal, such as their Family Self-Sufficiency program participant statement of employment form. However, this goal was not generally included on the individual training and services plan as required by the contract of participation.

Further, the Authority failed to perform quality control reviews to ensure that required documentation was maintained for Family Self-Sufficiency program participants during the entire audit period. The Authority's client services department and its internal auditor performed quality control reviews of documentation for the participants' annual recertifications in the Housing Choice Voucher program. However, these reviews did not ensure that the required documentation for the Family Self-Sufficiency program was maintained. The Authority began performing these reviews in approximately January 2010, although written documentation of these reviews was not kept.

The cause of the majority of the errors in the escrow credits and escrow account balances was the incorrect proration of interest earned on the Family Self-Sufficiency program escrow account. The program's budget department used a two percent annual interest rate although this interest rate did not match the interest rates reflected on the Family Self-Sufficiency program escrow bank statements. The budget manager indicated that that the two percent interest rate had been used for a while although he was not certain how this percentage was determined. The Authority took actions to correct these errors. It was using the interest rate for each month, as indicated on the bank statements, to recalculate the participants' interest income. The revisions were to be incorporated in the Authority's 2011 year-end escrow statements that are mailed to the participants. Additionally, starting with the April 2011 interest posting, the Authority had revised its procedures to use the interest rate indicated on each month's bank statement.

The Authority generally had adequate quality control procedures for maintaining accurate escrow account balances and making accurate escrow disbursements. Before sending out the participants' annual escrow statements, the budget department reviewed the participants' escrow account balances. Further, it recalculated the participant's entire escrow account before the participant graduated to ensure an accurate disbursement. Because of these quality reviews, it identified and corrected several escrow credit errors before our review.

The Authority's program coordinating committee was only comprised of its own staff and one program participant. While not required to do this by HUD's regulations, the committee could have included outside agencies to assist in helping participants achieve self-sufficiency. Further, the Authority could not provide documentation indicating that the committee met throughout the entire audit period to assist the Family Self-Sufficiency program participants in achieving self-sufficiency. We only received and reviewed the meeting minutes from November 2010.

The housing choice voucher director indicated that the Authority made adjustments in its Family Self-Sufficiency program over the past two years after noting deficiencies on its own. For the participants who were admitted to the program during the 2010 calendar year, the Authority generally maintained assessments of their status, and it generally maintained notes regarding the participants' status or the supportive services that were provided since approximately September 2010. Further, the client services manager indicated in March 2011 that the Authority was seeking to contract with local agencies to provide additional supportive services to its participants to assist them in achieving their goals. In April 2011, the Authority developed a written quality control form to ensure that required documentation was being maintained for its Family Self-Sufficiency program participants.

## Conclusion

The Authority improperly used funds from its Family Self-Sufficiency program when it failed to comply with HUD's and its requirements. The Authority's failure to maintain sufficient documentation made it difficult to determine whether the program was meeting its goal of enabling households to become economically self-sufficient and increased the likelihood of inappropriate households receiving payments. It also reduced the Authority's ability to monitor and measure the effectiveness of the family self-sufficiency program.

As a result of the weaknesses in its procedures and controls, the Authority (1) funded or disbursed \$458,596 in escrow payments for 64 program participants and 22 program graduates without supporting documentation, (2) misused \$90,058 in Family Self-Sufficiency program grant funds, (3) overpaid \$22,961 and underpaid \$13,307 in program participants' escrow accounts, and (4) overpaid \$5,526 in escrow disbursements to program graduates.

## Recommendations

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

- 2A. Provide supporting documentation or reimburse its program \$292,768 for the unsupported escrow balances cited in this finding, of which \$123,922 remains to be supported or should be reimbursed from non-Federal funds.
- 2B. Provide supporting documentation or reimburse its program \$165,828 in escrow disbursements from non-Federal funds for the unsupported disbursements cited in this finding.
- 2C. Provide documentation to support its allocation of time spent correctly administering its Family Self-Sufficiency program and reimburse its program undesignated fund balance for administration account from non-Federal funds the appropriate portion of the \$90,058 in Family Self-Sufficiency program funds received for fiscal years 2009 and 2010 that were incorrectly administered.
- 2D. Adjust the appropriate Family Self-Sufficiency program participants' escrow accounts for the overfunding of the cited in this finding and reimburse its program \$22,961.
- 2E. Reimburse the appropriate Family Self-Sufficiency program participants' escrow accounts \$13,307 from program funds for the underpayments cited in this finding, of which \$146 remains to be reimbursed from program funds.
- 2F. Reimburse its program \$5,526 from non-Federal funds for the overfunding of the Family Self-Sufficiency program graduates' escrow disbursements cited in this finding.
- 2G. Ensure that its staff responsible for administering its Family Self-Sufficiency program is knowledgeable of both the Housing Choice Voucher program and the Family Self-Sufficiency program, including HUD's and its Family Self-Sufficiency program policies and procedures.
- 2H. Ensure that its staff responsible for performing quality control reviews includes reviews that ensure that the required documentation is maintained for the Family Self-Sufficiency program.

## SCOPE AND METHODOLOGY

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To accomplish our objective, we reviewed

- Applicable laws, HUD's program requirements at 24 CFR Parts 982 and 984, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's program administrative plan, from 2009 and 2010; HUD approved Family Self-Sufficiency program action plan; accounting records; annual audited financial statements for 2008 and 2009; program household files; computerized databases; policies and procedures; board meeting minutes for 2007, 2008, and 2009; organizational chart; and program annual contributions contract.
- HUD's files for the Authority.

We also interviewed the Authority's employees, HUD staff, and program households.

### **Finding 1**

Using data mining software, we statistically selected 66 of the Authority's program units to inspect from the 2,604 units that passed annual inspections or reinspections between November 1 and December 31, 2010. The 66 units were selected to determine whether the Authority's program units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

Our sampling results determined that 45 of the 66 units (68 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those units that met one or more of the following criteria: (1) one or more emergency health and safety violations that predated the Authority's inspection, (2) multiple violations that predated the Authority's inspection, or (3) violations identified by the Authority and not corrected. All units were ranked, and we used auditors' judgment to determine the material cutoff point.

The Authority's October 2010 housing assistance disbursements listing showed that the average monthly housing assistance payment was \$518 for the 16,638 units in the population. Projecting our sampling results of the 45 units that materially failed to meet HUD's housing quality standards to the population indicates that 1,776 units, or 68.18 percent, of the population contained the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error is plus or minus nine percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 58.87 and 77.49 percent of the population. This equates to an occurrence of between 1,533 and 2,017 units of the 2,604 units in the population.

- The lower limit is 58.87 percent times 2,604 units equals 1,533 units that materially failed to meet HUD's housing quality standards.
- The point estimate is 68.18 percent times 2,604 units equals 1,776 units that materially failed to meet HUD's housing quality standards.

- The upper limit is 77.49 percent times 2,604 units equals 2,017 units that materially failed to meet HUD's housing quality standards.

Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimate that the Authority will annually spend \$9,529,128 (1,533 units times \$518 average payment times 12 months) for units that materially fail to meet HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that will be correctly paid over the next year on decent, safe, and sanitary housing if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

Using data mining software, we statistically selected 17 of the Authority's program units to inspect from the 22 units that passed quality control inspections between November 1 and December 31, 2010. The 17 units were selected to determine whether the Authority's program units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent. We determined that one of the sample units was not on the Section 8 Housing Choice Voucher program therefore our sample results were reduced by one to 16 units sampled.

Our sampling results determined that 5 of the 16 units (31 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those units that met one or more of the following criteria: (1) one or more emergency health and safety violations that predated the Authority's inspection, (2) multiple violations that predated the Authority's inspection, or (3) violations identified by the Authority and not corrected. All units were ranked, and we used auditors' judgment to determine the material cutoff point.

The Authority's October 2010 housing assistance disbursements listing showed that the average monthly housing assistance payment was \$518 for the 16,638 units in the population. Projecting our sampling results of the 5 units that materially failed to meet HUD's housing quality standards to the population indicates that 5 units or 20.75 percent of the population contains the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error is plus or minus 9.95 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies at 31.25 percent of the population. This equates to an occurrence of between five and nine units of the 22 units in the population.

- The lower limit is 21.30 percent times 22 units equals five units that materially failed to meet HUD's housing quality standards.
- The point estimate is 31.25 percent times 22 units equals seven units that materially failed to meet HUD's housing quality standards.
- The upper limit is 41.20 percent times 22 units equals nine units that materially failed to meet HUD's housing quality standards.

Using the limit of the estimate of the number of units and the average housing assistance payment, we estimate that the Authority will annually spend \$31,080 (five units times \$518 average payment times 12 months) for units that materially fail to meet HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that will be correctly paid over the next year on decent, safe, and sanitary housing if the Authority implements



our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

## **Finding 2**

We performed a 100 percent review of the 71 Family Self-Sufficiency program participants with an escrow account balance as of December 31, 2010. We also performed a 100 percent review of the 22 Family Self-Sufficiency program graduates with an escrow disbursement between January 1, 2009 and December 31, 2010. The 93 files were reviewed to determine whether the Authority (1) maintained the required documentation in the participants' files, (2) correctly maintained the participants' escrow account balances or (3) made the correct escrow disbursement, and provided applicable services to assist the families in becoming self-sufficient. The review was performed for the audit period of January 1, 2009 through December 31, 2010, expanded as necessary. Our review was limited to the information maintained by the Authority in its participants' files and in HUD's Public and Indian Housing Information Center (PIC) system.

We performed our on-site audit work between October 2010 and April 2011 at the Authority's office located at 3400 Hamilton Avenue, Cleveland, OH. The audit covered the period January 1, 2009, through September 30, 2010, but was expanded when necessary to include other periods.

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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# 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 objective:

- Effectiveness and efficiency of operations – Policies and procedures that the audited entity has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Reliability of financial reporting – Policies and procedures that management has implemented to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

## Significant Deficiencies

Based on our review, we believe that the following items are a significant deficiencies:

- The Authority lacked adequate procedures and controls to ensure compliance with HUD's requirements and its program administrative plan regarding housing quality standards inspections (see finding 1).
- The Authority lacked adequate procedures and controls over the administration of its Family Self-Sufficiency program (see finding 2).

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	\$71,907		
1D			\$9,560,208
2A		\$292,768	
2B		165,828	
2C		<u>90,058</u>	
2D	22,961		
2E			<u>13,307</u>
2F	<u>5,526</u>		
2G			
Totals	<u>\$100,394</u>	<u>\$548,654</u>	<u>\$9,573,515</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendation, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds in accordance with HUD's requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

EXECUTIVE OFFICE



8120 Kinsman Road T - 216-348-5911  
Cleveland, OH 44104 F - 216-348-4925

June 24, 2011

Mr. Ronald Farrell, Assistant Regional Inspector General for Audit  
Office of Inspector General  
U.S. Department of Housing and Urban Development  
200 North High Street, Suite 334  
Columbus, OH 43215

Subject: Audit 2011-CH-10xx  
Phase I Draft

Dear Mr. Farrell:

This letter and the accompanying attachments serve as the Cuyahoga Metropolitan Housing Authority's (CMHA) response to the discussion draft for Phase I of the Office of Inspector General's audit of the CMHA Section 8 Housing Choice Voucher Program (HCVP).

On behalf of our staff, I want to thank you for the professionalism with which the members of the audit staff have conducted themselves. We appreciate the insights which they have shared and the opportunity to make improvements to our operations that will ultimately position our Voucher Program and the Housing Authority to better serve the low income residents of Cuyahoga County.

We believe that the response to the audit findings and the attachments included demonstrate that the amounts cited for reimbursement in the report warrant recalculation. In addition, the staff of the HCVP will continue to work to gather additional information demonstrating that the figures be further modified. We ask that your office consider that this to be an initial response with more information to come, and that the amount due for reimbursement be modified at that time to reflect the updated information.

If you have any questions regarding this response, please contact me at (216) 348-5031 or Priscilla Pointer-Hicks, HCVP Director, at (216) 271-2593.

Sincerely,

Jeffery K. Patterson  
Acting Chief Executive Officer

Attachments

cc: Ronald V. Johnson, Chairman CMHA Board of Commissioners  
Priscilla Pointer-Hicks

**Auditee Comments and OIG's Evaluation**

**FINDING 1: Controls Over Housing Unit Inspections Were Inadequate**

(Page 14)

**The Authority's Management did not protect HUD's Interest**

**CMHA's Response:**

The Cuyahoga Metropolitan Housing Authority Housing Choice Voucher Program's (HCVP) designation for the last six years as a High Performer through SEMAP and the Authority's unqualified independent audit opinions for the last ten years demonstrate that the Authority's Management has supported HUD's interest in operating the HCVP effectively, efficiently, and with integrity.

The Authority lacked procedures and controls to ensure that its Section 8 units met HUD's housing quality standards. It also failed to exercise proper supervision and oversight of its inspections. The Authority's supervisors and inspectors neglected to report violations that existed at the units when they performed their inspections. Due to the lack of proper supervision the Authority's inspectors were confused on how to conduct a proper housing quality inspection and were not consistent with applying HUD requirements and the Authority's administrative plan.

**CMHA's Response:**

CMHA does have procedures and controls in place to ensure that its HCVP units meet HUD's housing quality standards by execution of comprehensive quality control procedures. 91 quality control inspections were required by HUD according to 2010 SEMAP. The Inspections department conducts more than twice the amount required by HUD to provide adequate internal feedback to its HQS Inspectors on discrepancies noted. A total of 287 quality control inspections were conducted in calendar year 2010. Quality control inspections are conducted by a seasoned certified HQS Team Leader. This process is audited monthly by the internal auditor and every other year by the Housing Authority's independent auditor as well as certified annually by the local HUD field office for SEMAP purposes. All deficiencies are documented and reported monthly to the HCVP management staff. As a result, all SEMAP requirements were met for Indicator #5 Quality Control Inspections April 2010 through April 2011.

**Comment 1**

**Comment 2**

CMHA's HQS Inspectors were not confused on how to conduct proper housing quality inspections due to lack of proper supervision. All HQS Inspectors, including the Team Leaders/Supervisors were trained and certified on HUD's housing quality standards and visual lead assessment through a third-party vendor. The existing training program consists of on-going weekly and monthly training of housing quality standards and yearly training of CMHA's Administrative Plan (see Attachment A). Our training methods have been revised to include training from different municipalities and fire departments (see Attachment B). Training objectives include air quality, emergency health and safety violations, electrical hazards, fire hazards, lead-based paint and sanitary conditions. In addition, the Inspections department has since reorganized by eliminating the Team Lead positions and creating Supervisor and Coordinator positions to further enhance the effectiveness of the Inspections department. The

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 3**

Inspections department is now organized as follows: Manager, Supervisor, Coordinator and Operations Specialist.

Effective November 1, 2010, CMHA discontinued the practice of using its own comprehensive checklist (see Attachments C & D) and is now using the HUD inspection form 52580. This change took place prior to the HUD OIG's on-site field work where they inspected units originally inspected by CMHA between November 1 and December 31, 2010. It should be noted that our processing system always used the HUD form 52580, which is what we use to submit to PIC.

**Comment 4**

Furthermore, HUD requirements do not specifically state which deficiencies should be considered emergency health and safety violations. CMHA has taken the necessary steps to revise its emergency health and safety procedure to include missing and inoperable smoke detectors and inoperable gas stoves and ranges as emergency health and safety violations (see Attachment E). It should be noted that CMHA always failed the units with inoperable smoke detectors and stoves. During the HUD field work, it was recommended by the OIG to cite these issues as emergencies. CMHA concurred and immediately implemented this procedure.

**(Page 15)**

The Authority developed its own inspection form instead of using the required HUD inspection form, which did not comply with HUD'S housing quality standards or its administrative plan. Some examples that were used on the Authority's form that were not housing quality standards or listed in its administrative plan were: did the unit have a mailbox, parked vehicle without a current registration tag; baseboards missing; sink with no caulking; tub missing caulking; garage door not weather tight; no electric in garage; third floor missing a fire ladder; county violations present; and city violations present. Some areas not addressed in the Authorities inspection form which are required under the housing quality standards are: space for storage, preparation and serving of food; security of unit; manufactured home tie downs; adequacy of heating equipment; sewer connections; elevators; and interior air quality.

**Comment 3**

**CMHA's Response:**

Effective November 1, 2010, CMHA discontinued the practice of using this checklist (see Attachments C & D) and is now using the HUD inspection form 52580. This change took place prior to the HUD OIG's on-site field work where they inspected units originally inspected by CMHA between November 1 and December 31, 2010. It should be noted that our processing system always used the HUD form 52580, which is what we use to submit to PIC.

The inspectors stated that they did not know all of the city codes. They also stated they did not physically check windows and other areas of the inspection process but conducted a visual inspection. The inspectors received appropriate training and they received on-the-job training as new inspectors. We questioned inspectors in an attempt to determine how they conducted their respective inspections. We asked each inspector what length of grass would fail an inspection. The answers ranged from never failing a unit for the length of grass to just over their shoe to 5 feet high. Some inspectors moved furniture to inspect areas in the unit and others would not

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 5**

touch furniture in the unit. None of the inspectors identified frayed, cracked, exposed wires in the unit. The inspectors only checked the electrical wiring in the control panel, lights, plug outlets and switch plates. The Authority required screens and storms windows in all windows and storm doors on all doors into the dwelling unit but many windows and doors were missing these items. Units selected from quality control inspections were in better condition than the majority of the units selected from the regular inspections.

**CMHA's Response:**

HQS does not require the inspector to inspect to city codes. Per housing quality standards, inspectors are required to inspect windows according to HQS guidebook (pg. 10-6): *"Dwelling units that are accessible from the outside must be lockable"* and *"Windows designed to open must not be painted or nailed shut."* Additionally, although the Administrative Plan states "screens and storms are required on all windows", the CMHA inspectors and the landlord fully understand screens and storm windows are required on all exterior windows that are *"designed to be opened..."* and that this requirement would not be feasible for windows not designed to be opened. Furthermore, window screens, storm windows and doors are often displaced by the residents making it difficult to determine if the window screen, storm window and door deficiencies were "pre-existing" conditions.

**Comment 6**

To ensure consistency, all inspectors are required to inspect units according to HQS guidelines by utilizing the HUD inspection checklist. Inspectors will be re-trained to inspect for frayed, cracked, and exposed wires, particularly in basements, and which items should be considered deficiencies under the General Health and Safety category of the HUD inspection checklist (i.e. overgrown grass).

**(Page 16)**

**Recommendations**

We recommend that HUD's Director of Public Housing Hub, Cleveland Area Office, require the Authority to

- 1A. Certify that the applicable housing quality standards violations have been corrected for the 76 units (62 non-quality control plus 14 quality control unit inspections) cited in this finding.

**CMHA's Response:**

The HCVP will notify the landlords and tenants for the 76 units cited with violations by the OIG (see CD File "Inspections with Violations Cited by HUD," Tab1, "Inspection Results Analysis and Tab 3, "QC Inspection Analysis"). HCVP will perform follow-up inspections on all 76 units to ensure that all deficiencies are corrected or appropriate action is taken to abate payment. Upon completion, HCVP will provide support, HUD Form 52580, showing that the appropriate action was taken for each of the 76 units cited as having deficiencies. The forms will be certified and sent to the local HUD field office. The 51 units cited for emergency health and safety violations were certified to the HUD Local office April 1, 2011 (see CD File, "Emergency Inspections Cited by HUD").



**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 7**

1B. Reimburse its program \$71,907 comprised of \$61,805 (\$52,203 plus \$9,602) for housing assistance payments and \$10,102 (\$7,960 plus \$2,142) in associated administrative fees for the 50 units (45 plus 5 units) that materially failed to meet HUD's housing quality standards.

**CMHA's Response:**

CMHA requests that the OIG modify the amount of the reimbursement cited in the report after giving consideration to reducing the total number of material non-compliant units based on the following:

The results of the HUD OIG audit findings were based on tenant interviews and the HUD Inspector's judgment. The time lapse between the CMHA inspection and the HUD inspection averaged 93 days, which is a large gap to conclude conditions were "pre-existing" and does not comply with 24 CFR 985.3 *"The PHA supervisor's re-inspected sample is to be drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding re-inspection...)"*

**Comment 8**

**Window Screens, Storm Windows and Storm Doors:** CMHA would like for the OIG to reconsider categorizing the window screens, storm windows and storm door violations as material non-compliant and "pre-existing" conditions. Window screens, storm windows and storm doors are often displaced by the residents making it difficult to determine if the window screens, storm windows and storm door deficiencies were "pre-existing" conditions.

These items should not be a contributing factor when determining a unit to be materially non-compliant as they do not pose harm to the participants residing in the unit, and in many cases, the windows were not designed to have screens and storm windows. CMHA updated its Administrative Plan to include the following language:

- *"Units with windows that are designed to be opened and operable must have screens and storms on all exterior windows of the unit, unless the unit is located in a building that has a total HVAC system and does not require windows that can be opened for fresh air. On a case by case basis we will consider units that may not meet these criteria."*
- *"The dwelling unit must have storm doors on exterior entrance doors to the unit. Exceptions may be made for multi-family units, historical preservations and reasonable accommodations. (Contracts effective after 1/2003)"*

**Air Infiltration:** The HUD guidebook (pg. 10-9) states the following: *"The PHA must examine each of the elements listed in the acceptability criteria to determine that each is structurally sound, will not collapse, and does not present danger to residents through falling or missing parts, or tripping hazards. The PHA must determine that the unit is free from water, excessive air, and vermin infiltration."*

The inspections conducted by our own HQS Inspectors determined the units to not have excessive air.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 9**

**Missing/Dirty Air Filter:** The HUD Guidebook (pg. 10-11) states *“Tenants may determine whether windows and door screens, filters, fans, or other devices, for proper ventilation are adequate to meet personal needs.”*

Missing and/or dirty air filters is not an HQS violation, but a tenant preference.

**Comment 4**

**Emergency Health and Safety Violations:** HUD requirements do not specifically state which deficiencies should be considered emergency health and safety violations. CMHA has taken the necessary steps to revise its emergency health and safety procedure to include missing and inoperable smoke detectors and inoperable gas stoves and ranges as emergency health and safety violations (see Attachment E). It should be noted that CMHA always failed the units with inoperable smoke detectors and stoves. During the HUD field work, it was recommended by the OIG to cite these issues as emergencies. CMHA concurred and immediately implemented this procedure.

1C. Implement procedures and controls to ensure that quality control inspections are completed using HUD’s housing quality standards and its requirements.

**Comment 1**

**CMHA’s Response:**

CMHA does have procedures and controls in place to ensure that its HCVP units meet HUD’s housing quality standards by execution of comprehensive quality control procedures. 91 quality control inspections were required by HUD according to 2010 SEMAP. The Inspections department conducts more than twice the amount required by HUD to provide adequate internal feedback to its HQS Inspectors on discrepancies noted. A total of 287 quality control inspections were conducted in calendar year 2010. Quality control inspections are conducted by a seasoned certified HQS Team Leader. This process is audited monthly by the internal auditor and every other year by the Housing Authority’s independent auditor as well as certified annually by the local HUD field office for SEMAP purposes. All deficiencies are documented and reported monthly to the HCVP management staff. As a result, all SEMAP requirements were met for Indicator #5 Quality Control Inspections April 2010 through April 2011.

The existing quality control procedure has been revised to include a review by the supervisor of no less than 3% of the units inspected by the Inspections Coordinator (Quality Control Inspector).

1D. Implement adequate procedures and controls to ensure that all program units meet HUD’s housing quality standards to prevent \$9,560,208 (\$9,529,128 non-quality control plus \$31,080) in program funds from being spent over the next year on units that are in material noncompliance with the standards.

**Comment 1**

**CMHA’s Response:**

CMHA does have procedures and controls in place to ensure that its HCVP units meet HUD’s housing quality standards by execution of comprehensive quality control procedures. 91 quality control inspections were required by HUD according to 2010 SEMAP. The Inspections

**Comment 2**

department conducts more than twice the amount required by HUD to provide adequate internal feedback to its HQS Inspectors on discrepancies noted. A total of 287 quality control inspections were conducted in calendar year 2010. Quality control inspections are conducted by a seasoned certified HQS Team Leader. This process is audited monthly by the internal auditor and every other year by the Housing Authority's independent auditor as well as certified annually by the local HUD field office for SEMAP purposes. All deficiencies are documented and reported monthly to the HCVP management staff. As a result, all SEMAP requirements were met for Indicator #5 Quality Control Inspections April 2010 through April 2011.

CMHA's HQS Inspectors were not confused on how to conduct proper housing quality inspections due to lack of proper supervision. All HQS Inspectors, including the Team Leaders/Supervisors were trained and certified on HUD's housing quality standards and visual lead assessment through a third-party vendor. The existing training program consists of on-going weekly and monthly training of housing quality standards and yearly training of CMHA's Administrative Plan (see attachment A). Our training methods have been revised to include training from different municipalities and fire departments (see Attachment B). Training objectives include air quality, emergency health and safety violations, electrical hazards, fire hazards, lead-based paint and sanitary conditions. In addition, the Inspections department has since reorganized by eliminating the Team Lead positions and creating Supervisor and Coordinator positions to further enhance the effectiveness of the Inspections department. The Inspections department is now organized as follows: Manager, Supervisor, Coordinator and Operations Specialist.

Effective November 1, 2010, CMHA discontinued the practice of using its own comprehensive checklist (see Attachments C & D) and is now using the HUD inspection form 52580. This change took place prior to the HUD OIG's on-site field work where they inspected units originally inspected by CMHA between November 1 and December 31, 2010. It should be noted that our processing system always used the HUD form 52580, which is what we use to submit to PIC.

Furthermore, HUD requirements do not specifically state which deficiencies should be considered emergency health and safety violations. CMHA has taken the necessary steps to revise its emergency health and safety procedure to include missing and inoperable smoke detectors and inoperable gas stoves and ranges as emergency health and safety violations (see Attachment E). It should be noted that CMHA always failed the units for issues with inoperable smoke detectors and stoves. During the HUD field work, it was recommended by the OIG to cite these issues as emergencies. CMHA concurred and immediately implemented this procedure.

- 1E. Ensure that all inspectors and supervisory control inspectors are familiar with housing quality standards, and can apply them appropriately.

**CMHA's Response:**

All HQS Inspectors, including the Team Leaders/Supervisors were trained and certified on HUD's housing quality standards and visual lead assessment through a third-party vendor. The

**Ref to OIG Evaluation**

**Auditee Comments**

existing training program consists of on-going weekly and monthly training of housing quality standards and yearly training of CMHA's Administrative Plan (see attachment A). Our training methods have been revised to include training from different municipalities and fire departments (see Attachment B). Training objectives include air quality, emergency health and safety violations, electrical hazards, fire hazards, lead-based paint and sanitary conditions. In addition, the Inspections department has since reorganized by eliminating the Team Lead positions and creating Supervisor and Coordinator positions to further enhance the effectiveness of the Inspections department. The Inspections department is now organized as follows: Manager, Supervisor, Coordinator and Operations Specialist.

**Comment 10**

**FINDING 2: The Authority Inappropriately Administered Its Family Self-Sufficiency Program**

**(Page 17)**

**The Authority Lacked Documentation to support More Than \$458,000 in Escrow Payments**

- The Authority failed to include the required goal to seek and maintain suitable employment on the individual training and services plans of 61 of 71 participants (86 percent) and 21 of the 22 graduates (95 percent). However, it did take corrective actions and obtained revised plans for 20 of the 61 participants with escrow balances.

**CMHA's Response:**

**CURRENT PARTICIPANTS:** All individual training and service plans (ITSP's) of active FSS participants currently include this goal. Although the Authority required employment as a condition of graduation, we recognized that not all ITSPs listed this as a final goal. In December 2010, all FSS participant files were reviewed to identify plans which did not include the final goal of seeking and maintaining employment and/or the interim goal of remaining welfare free for 12 consecutive months prior to completion of the contract. The Authority's efforts to correct this situation were provided to the OIG in detail (see Attachment F)

Refer to CD File, "CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)" for the 46 FSS clients listed for individual documentation regarding the final goal to seek and maintain suitable employment. (Corresponding attachments for the subsequent bullets are numbered in accordance with the Tab 2 Table and are provided in Attachment G). A summary is listed below:

- 33 FSS participants executed the addendum and it is part of the FSS participant file.
- Four FSS participants failed to execute the addendum and were withdrawn from the FSS program effective May 1, 2011 (corresponding attachments are provided). Forfeited escrow:
  - (#22) \$205.06
  - (#39) \$98.65
  - (#53) \$586.36
  - (#63) \$362.65
- One FSS participant (#64) requested to be withdrawn from the FSS program on February 1, 2011. No addendum was collected to add the final goal. Forfeited escrow: \$275.92.
- One FSS participant's (#58) contract expired February 28, 2011. No addendum was collected to add the final goal. Forfeited escrow: \$787.60.
- Five FSS participants (#18, #24, #69, #80 and #84) were listed as corrected/Yes on the spreadsheet.

**Comment 11**

- Two FSS participants (#47 and #82) were terminated from the HCVP program before the addendum could be signed.

**FSS GRADUATES:** Refer to CD File, “CMHA FSS Detailed Summary as of 6-13-11,” Tab 3, “CMHA FSS Graduates.” Corresponding documentation are numbered in accordance with this tab and are provided in Attachment H. The following FSS graduates had the goal of full-time employment listed as one of their final goals: #103, #104, #107, #111, #118, #119, and #121. The wording may not be exactly as written in the regulation but the goal is the same.

The following FSS graduates had the goal of full-time employment listed in the ITSP in either the interim goal or activities to achieve their final goal: #98, #106, #108, #110, #112, #114, #116, and #120. All graduates achieved full-time employment prior to graduation.

The goal of full-time employment was not listed on the following ITSP’s but the HCVP sent various correspondences or have signed documents informing the graduate that seeking and maintaining employment was a requirement of participation and graduation: #97, #100, #105, #113, #115, and #117. All graduates met this requirement prior to graduation.

**Comment 12**

Reaching self sufficiency is the main objective of the FSS program. The FSS program has fulfilled this objective fully for any participant that has attained self sufficiency. The following graduates attained self sufficiency and are no longer on the HCVP: #106, #113, and #114.

The following graduates reached 30% monthly adjusted income equal to or greater than fair market rent and reduced their economic dependency on federal programs: #105, #108, #112, #116, and #120.

- The Authority failed to maintain documentation showing that an extension was requested for 9 participants and 12 graduates:

**Comment 13**

**CMHA’s Response:**

As discussed in Attachment F, the HCVP employed three different FSS Coordinators during the period over which the audit was conducted. One coordinator’s style was hands-on, keeping in touch with the clients. She discussed during face-to-face interviews or via telephone the extension requests with participants. While the notes are not fully documented, the extension approvals were noted in the file (generally on the Contract of Participation). The first FSS Coordinator and the current FSS Coordinator documented contacts with clients and provides, in almost all instances, a paper trail. Where the approval of the extension is documented, a request –verbal or written—was made by the participant.

**CURRENT PARTICIPANTS:** Request for extension documented on spreadsheet and attached for the following participants: #14, #39, #55, #69, #84, and #88 (2<sup>nd</sup> request). See OIG Spreadsheet Responses (“CMHA FSS Detailed Summary as of 6-13-11,” Tab 2, “CMHA Current Participants (2)”) & Attachment G 14-1, 39-1, 55-1, 69-1, 84-1, 88-2.

**Comment 14**

Verbal requests made by participant to FSS Coordinator: #18, #75, #76, and #88 (1<sup>st</sup> request). Requests that were documented in client notes are attached. See OIG Spreadsheet Responses & Attachment G 75-2, 88-1.

**GRADUATES:** Documentation for requests for extension is attached for participants #98, #104, and #112. See Spreadsheet Responses (“CMHA FSS Detailed Summary as of 6-13-11,” Tab 3, “CMHA FSS Graduates.”) and Attachment H 98-1, 104-1, 112-1.

Verbal requests were made to the FSS Coordinator for participants #100, #106, #107, #110, #111, #115, #119, #120, and #121. While the notes are not fully documented, the extension was noted in the file (generally on the Contract of Participation). In each instance, approval of the extension was documented on the COP.

- The Authority failed to establish just cause for extensions for 13 participants and 15 graduates.

**CMHA’s Response:**

The CFR does not define “good” cause, only cites examples. It does state that the Authority may grant an extension if the PHA determines that good cause exists. Good cause includes circumstances beyond the control of the family and/or involuntary loss of employment. The PHA discusses and clarifies requests with participants prior to approving requests. The FSS Coordinator determined that these families had “good” cause and granted the extension. The PHA may extend the contract to allow the family time to meet its required interim goals to remain welfare free for 12 consecutive months.

**CURRENT PARTICIPANTS:** Documentation for just cause in approval of the extension is attached for #14, #39, #55, #69, #74, #75, #76, #80, and #84. See OIG Spreadsheet Responses (“CMHA FSS Detailed Summary as of 6-13-11,” Tab 2, “CMHA Current Participants (2)”) and Attachment G 14-1, 14-2, 39-1, 39-2, 55-1, 69-1, 75-1, 80-1, 80-2, 84-1.

Verbal justifications of requested extensions were made to the FSS Coordinator by the following participants: #1, #18, #24, and #88. These discussions were not documented by the FSS Coordinator in client notes.

**GRADUATES:** Documentation for just cause in approval of extension is attached for #97, #98, #107, #112, and #118 (1<sup>st</sup> request). See OIG Spreadsheet Responses (“CMHA FSS Detailed Summary as of 6-13-11,” Tab 3, “CMHA FSS Graduates.”) and Attachment H 97-1, 97-2, 98-1, 107-3, 112-2, 118-4.

Verbal justifications of requested extensions for just cause were made to the FSS Coordinator by the following graduates: #100, #103, #104, #106, #110, #111, #115, #118 (2<sup>nd</sup> request), #119, #120, and #121. See OIG Spreadsheet Responses (“CMHA FSS Detailed Summary as of 6-13-11,” Tab 3, “CMHA FSS Graduates.”) and Attachment H 103-1, 104-1, 110-1. Documentation of verbal was not documented for 100, 106, 111, 115, 118, or 119.

**Comment 15**

- The Authority failed to maintain written approval for extensions for 12 participants and 12 graduates.

**CMHA's Response:**

**CURRENT PARTICIPANTS:** Only 5 participants were identified on the OIG spreadsheet (See "CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)") as not having written approval.

Written documentation of approval for extensions is attached for the following participants: #14, #39, #55, #74, and #88. See OIG Spreadsheet Responses ("CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)") & Attachment G 14-1, 39-2, 55-1, 74-2, 88-3.

Participant #75 - verbal approval by FSS Coordinator; not documented in client notes.

**GRADUATES:** Written documentation of approval for extensions is attached for the following graduates: #100, #103, #104, #106, #107, #110, #112, #115, #118, #119, #120, and #121. See OIG Spreadsheet Responses ("CMHA FSS Detailed Summary as of 6-13-11," Tab 3, "CMHA FSS Graduates.") and Attachment H 100-1, 103-2, 104-1, 104-2, 106-1, 107-1, 110-2, 112-1, 115-1, 118-1, 119-1, 120-1, 121-1.

- The Authority failed to maintain certification that no family member received welfare assistance for 3 graduates, it failed to maintain documentation regarding this status for 13 graduates.

**CMHA's Response:**

**GRADUATES: Welfare Free Certification**

Prior to graduation, a third-party verification is sent to the Department of Human Services to verify that the FSS participant has been welfare free for 12 consecutive months prior to graduation and/or at the time of graduation. These forms were maintained in the red client file folders, with all other certification information. These files are currently not in HCVP possession and the forms cannot be pulled at this time to attach. In addition, a certification form is signed by the participant declaring they meet this condition to graduating. The Escrow Request Form is the document used by the HCVP for the family to certify they are welfare free. A new electronic system has been developed by the HCVP and Department of Human Services so that these verifications can be submitted and verified within a 48-hour period. A copy of the actual DHS verification can be viewed for participant #105. Attachments correspond with the OIG spreadsheet ("CMHA FSS Detailed Summary as of 6-13-11," Tab 3, "CMHA FSS Graduates."); see Attachment G.

See responses on the OIG spreadsheet "Did the Head of Household certify that no family member has received welfare assistance for the previous 12 months" for the following: #97, #98, #100, #103, #104, #105, #106, #108, #109, #110, #112, #116, #118, and #119. See Attachment G for corresponding attachment. The certifications documented for these participants

**Comment 16**



**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 17**

are the same documentation used with the participants that OIG deemed to have certified to being welfare free.

Third-party verifications are maintained in the red tenant file for graduates #113 and #114. These files are not currently in the possession of the HCVP and the verifications cannot be attached.

- The form HUD-52650, Family Self Sufficiency Program Contract of Participation (contract) was not maintained for three participants, but the Authority took corrective actions and recovered this document for two of the participants.

**CMHA's Response:**

The OIG spreadsheet listed two participants where contracts were not in the file and one which had been recovered. COP is attached for participants #72 and #84. See OIG Spreadsheet Responses ("CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)" & Attachment G 72-1, 84-2.

- The Authority failed to maintain documentation showing that the required goal to seek and maintain suitable employment was met by two graduates.

**Comment 18**

**CMHA's Response:**

See OIG Spreadsheet Responses "CMHA FSS Detailed Summary as of 6-13-11," Tab 3, "CMHA FSS Graduates" and 50058 attached showing documentation of income for graduates #98 and #115.

- The Individual training and services plan was not maintained for one participant, but the Authority took corrective actions and recovered this document.

**CMHA's Response:**

No action required.

- One participant was not given an annual report of her escrow account balance 2009 and 2010 calendar years.

**Comment 19**

**CMHA's Response:**

The account balance statement for 2009 was not sent to the participant because the account was frozen due to program rules regarding income and fair market rent. See Attachment G, 2-2.

The account balance statement for 2010 was sent to the participant. See Attachment G, 2-3.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 20**

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**The Authority Made Inaccurate Escrow Calculations**

- Sixty-nine files had interest proration errors.

**CMHA's Response:**

Interest proration was based on a 2% annual rate which was the rate that had been in effect for over a decade. This practice has been changed to use the actual rate reflected on each month's bank statement. Interest on FSS escrow account balances for 2009 and 2010 has also been recalculated using monthly rates current at the time.

- Three participants inappropriately remained on the program although 30 percent of their monthly adjusted income equaled or exceeded the fair market rent.

**Comment 21**

**CMHA's Response:**

One family was retroactively graduated as of June 30, 2009 and the balance in their escrow account as of that date was paid (see Attachment I). The second family was retroactively graduated effective September 1, 2009 and no escrow or interest was paid (see Attachment J). We have reviewed the history of the third family that is still on the FSS program and do not find that 30 percent of their adjusted monthly income has ever exceeded the applicable fair market rent (Attachment K).

- Two participants had the incorrect amount of earned income at program commencement used in the escrow credit calculation.

**Comment 22**

**CMHA's Response:**

For one family their beginning earned income was overstated and that has now been corrected (see Attachment L). For the second family their beginning income consisted of unemployment benefits and their beginning earned income was correctly stated as \$0 (see Attachment M).

- Two participants had the incorrect amount of current earned income in the escrow credit calculation.

**Comment 23**

**CMHA's Response:**

For one family employment income from July 2009 through March 2011 was incorrectly coded as unemployment benefits. This has been corrected and the family's escrow worksheet has been updated accordingly (see Attachment N). For the other family wages for part-time work were recorded as Other Non-wage Sources. This has been corrected (see Attachment L).

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 24**

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- Twenty-two files contained interest proration errors.

**CMHA's Response:**

Interest proration was based on a 2 percent annual rate which was the rate that had been in effect for over a decade. This practice has been changed to use the actual rate reflected on each month's bank statement.

- Two participants inappropriately remained on the program although 30 percent of their monthly adjusted income equaled or exceeded the fair market rent.

**CMHA's Response:**

Staff has received training regarding this regulation and will monitor the situation much more closely.

- One graduate received an escrow credit after her graduation date.

**Comment 25**

**CMHA's Response:**

The graduate in question did receive an escrow credit for March 2009 and although her contract was ended effective February 28, 2009 the file is not clear as to the exact graduation date.

**Other Deficiencies in the Authority's Family Self-Sufficiency Program**

The Authority used the incorrect effective date on the contracts of participation for 40 of the 93 Family Self-Sufficiency program participants and graduates reviewed. For example, the contract was signed by one participant and the Authority on October 20, 2008. However, the effective date of the contract was October 1, 2008. Therefore, the Authority made the family's participation in the Family Self-Sufficiency program effective before the contract was executed. HUD's regulations at 24 CFR 984.103 and the instructions for completing the contract of participation state that the effective date of the contract means the first day of the month following the month in which the family and the Authority signed or entered into the contract.

**Comment 26**

**CMHA's Response:**

In a majority of the cases found, the FSS Coordinator timed the effective date of the contract with the effective date of the next certification. Training has been provided to staff responsible for administering the FSS program. Attached find certificates of completion (See Attachment O).

The Authority has revised its Quality Control Review Form to monitor and review effective dates on all new Contracts of Participation (COP). This review will ensure that COP dates correspond with signing dates and are effective the month following the signing of the contract (see Attachment P).

The Authority failed to include interim goals to assist in measuring the family's progress in fulfilling its obligations under the contract of participation for 58 of the 93 participants and graduates reviewed during the audit period. These goals are required by 24 CFR 984.303(b)(2).

**CMHA's Response:**

Additional training has been provided to the FSS Coordinator regarding ITSP requirements and interim goals. (This area is still under review and an individualized participant response will be forthcoming.)

For 19 of the 71 participants reviewed, the examination used to establish the baseline figures indicated on the contract of participation were more than 120 days old. The contract states that if it has been more than 120 days, the Authority must conduct a reexamination or interim redetermination for the income and rent numbers on the form.

**CMHA's Response:**

See attached chart (see Attachment Q) – 15 participants were identified on the spreadsheet:

- In two cases (#25, #74), at the time contract signing the recertification used to determine baseline figures was less than 120 days old.
- The following participants' certifications used to determine baseline figures were less than 120 days old: #38, #42, #45, #46, #47, and #56.
- In seven cases, the certifications used to determine baseline figures were older than 120 days old.

The Authority has revised its Quality Control Review form (see Attachment P) to monitor each new FSS Contract of Participation to determine if the baseline recertification is less than 60 days old. Supervisory QC is being conducted on all new Contracts of Participation.

In addition, the Authority did not provide its participants with the supportive services that were identified in its action plan. For instance, it failed to maintain documentation showing that it met quarterly with any of the 71 participants reviewed. The family self-sufficiency coordinator indicated that in lieu of meeting quarterly with the participants, the Authority obtained their telephone numbers and email addresses to provide support and encouragement. The participants' status in meeting their goals was also determined during their annual recertification appointments for the Housing Choice Voucher Program. The Authority also failed to maintain assessments for 68 of the 71 participants. As a result, we could not determine whether the individual training and services plans identified the needs of the participants.

**CMHA's Response:**

Participants of the FSS program have always been referred to the Employment Connection Partners. This program assists individuals with limited opportunities to gain self-sufficiency through employment. Since 2006, the Authority has had a Memorandum of Understanding in conjunction with the City of Cleveland, the Cuyahoga Board of County Commissioners, and the Cleveland/Cuyahoga Workforce Investment Board (see Attachment R). While the MOU

**Comment 27**

**Comment 28**

**Ref to OIG Evaluation**

**Auditee Comments**

specifically states “public housing”, the HCVP FSS participants have been referred to this agency for many years.

The Employment Connection provides the following services free of charge to FSS participants (see Attachment S):

- Job Placement Assistance
- Job Search Workshops
- Literacy Services
- Employment Assistance for Seniors
- Employment Assistance for Ex-Offenders
- Employment Assistance for Veterans
- Computer Enhancement Workshops
- GED Classes

We recently developed a referral form to track referrals and the type of service requested for the participant. A copy of our most recent referrals is attached (see Attachment T). In most instances, the FSS Coordinator schedules the appointment with Employment Connection and the information is furnished to the participant. Services available to referrals include:

- CMHA has partnered with Cleveland Housing Network since 2011 (we are in 2011, since what month?) to work with FSS participants to manage and grow personal finances, enhance employment skills and prepare families to become homeowners.
- The Community Training Center (CTC) is a HUD-approved counseling center operating with 7 housing counselors (including a social worker) certified in homeownership and foreclosure prevention counseling.

The CTC provides counseling and education free of charge to FSS participants in the areas of:

- Homeownership (pre/post)
- Personal Finance Management
- Digital Literacy & Broadband Access
- GED Preparation (a Tri-C site)
- Computer classes

The Authority received \$90,058 from HUD to operate its fiscal years 2009 and 2010 Family Self-Sufficiency program. It failed to appropriately administer its program or implement local strategies to coordinate the use of its program with public and private resources to enable eligible households to achieve economic self-sufficiency.

**CMHA’s Response:**

The Authority appropriately operated its FSS Program in 2009 and 2010 and met the requirements of grant funding. Numerous activities took place to support, counsel, and facilitate

**Comment 29**

services to participants. During this period, the FSS program successfully graduated participants and recruited new participants. The FSS program, over the past two years, implemented revised procedures and policies in administering the program. Some of our annual activities are listed below:

- The FSS coordinator met with all active participants for their mandatory HCVP annual re-exams.
- FSS coordinator met and reviewed goals, completed contract updates, provided extensions and financial management counseling.
- FSS coordinator mailed correspondences of upcoming employment, job fairs and other employment resources to participants.
- Meeting held with FSS participants as well as Program Coordinating Committee (PCC) members regarding proposed revisions to the HCVP Administrative Plan.

Description of Effectiveness in Coordinating Resources

The FSS program at present has 7 members in its Program Coordinating Committee:

- 2 CMHA HCVP employees
- 1 CMHA public housing employee
- 1 non-CMHA public merchant
- 2 Homeownership employees
- 1 FSS Coordinator

The FSS coordinator is continuously working on establishing relationships with outside business throughout the communities to provide the FSS participants with resources (listed below) in aiding them to become self- sufficient:

- Resume Building - Computer Trainings
- Employment - Job Fairs
- Education - Scholarships – Grants
- HCVP Homeownership - WECO for credit counseling- Individual Accounts
- Entrepreneurship Programs - Cleveland Foundation Center

Recruitment is made through annual appointments, HQS inspections, mover sessions and the Homeownership program. Recruitment is an ongoing process until our maximum program size of 200 is met.

The FSS Program primarily refers clients to Employment Connection since we have the MOU and a long standing history of partnering to serve our participants (see services provided above).

The Cuyahoga Metropolitan Housing Authority (CMHA) and the Parma Public Housing Agency (PPHA) have been working closely since March 2011 to establish a joint Program Coordinating Committee to assist with securing commitments of public and private resources for operation of the Family Self Sufficiency program.

**Ref to OIG Evaluation**

**Auditee Comments**

Both CMHA and PPHA decided it would be more practical and beneficial to create a shared PCC since the majority of the social service programs are administered by the same social service agencies. This would help reduce the duplication of meetings and would allow for group problem solving since both agencies would be addressing the same issues.

Both agencies have made a list of potential PCC members and the next step is to meet with local authorities to discuss the FSS program and the needs to the FSS participants to become economically self sufficient.

**(Page 22)  
Recommendations**

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

- 2A. Provide supporting documentation or reimburse its program \$292,768 for the unsupported escrow balances cited in this finding, of which \$226,960 remains to be supported or should be reimbursed from non-Federal funds.

**CMHA's Response:**

Supporting documentation is provided via written response documented on the OIG Spreadsheet ("CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)" and Tab 3, "CMHA FSS Graduates") and Attachments G & H.

- 2B. Provide supporting documentation or reimburse its program \$165,828 in escrow disbursements from non-Federal funds for the unsupported disbursements cited in this finding.

**CMHA's Response:**

Supporting documentation is provided via written response documented on the OIG Spreadsheet ("CMHA FSS Detailed Summary as of 6-13-11," Tab 2, "CMHA Current Participants (2)" and "Tab 3, "CMHA FSS Graduates" and Attachments G & H.

- 2C. Provide documentation to support its allocation of time spent correctly administering its Family Self-Sufficiency program and reimburse its program undesignated fund balance for administration account from non-Federal funds the appropriate portion of the \$90,058 in Family Self-sufficiency program funds received for fiscal years 2009 and 2010 that were incorrectly administered.

**CMHA's Response:**

The Authority appropriately operated its FSS Program in 2009 and 2010 and met the requirements of grant funding. The 2009 & 2010 Annual Reports submitted to HUD are attached (see Attachments U and V). Numerous activities took place to support, counsel, and

**Comment 30**

**Comment 27**

**Comment 31**

facilitate services to participants. During this period, the FSS program successfully graduated participants and recruited new participants. The FSS program, over the past two years, implemented revised procedures and policies in administering the program. Some of our annual activities are listed below:

- The FSS coordinator met with all active participants for their mandatory HCVP annual re-exams.
- FSS coordinator met and reviewed goals, completed contract updates, provided extensions and financial management counseling.
- FSS coordinator mailed correspondences of upcoming employment, job fairs and other employment resources to participants.
- Meeting held with FSS participants as well as Program Coordinating Committee (PCC) members regarding proposed revisions to the HCVP Administrative Plan.

*Description of Effectiveness in Coordinating Resources*

The FSS program at present has 7 members in its Program Coordinating Committee:

- 2 CMHA-HCVP employees
- 1 CMHA public housing employee
- 1 non CHMA public merchant
- 2 Homeownership employees
- 1 FSS Coordinator

The FSS coordinator is continuously working on establishing relationships with outside business throughout the communities to provide the FSS participants with resources (listed below) in aiding them to become self- sufficient:

- Resume Building - Computer Trainings
- Employment - Job Fairs
- Education - Scholarships – Grants
- HCVP Homeownership - WECO for credit counseling- Individual Accounts
- Entrepreneurship Programs - Cleveland Foundation Center

Recruitment is made through annual appointments, HQS inspections, mover sessions and the Homeownership program. Recruitment is an ongoing process until our maximum program size of 200 is met.

The FSS Program primarily refers clients to Employment Connection since we have the MOU and a long standing history of partnering to serve our participants. (See services provided above).

The Cuyahoga Metropolitan Housing Authority (CMHA) and the Parma Public Housing Agency (PPHA) have been working closely since March 2011 to establish a joint Program Coordinating Committee to assist with securing commitments of public and private resources for operation of the Family Self Sufficiency program.



**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 32**

Both CMHA and PPHA decided it would be more practical and beneficial to create a shared PCC since the majority of the social service programs are administered by the same social service agencies. This would help reduce the duplication of meetings and would allow for group problem solving since both agencies would be addressing the same issues.

Both agencies have made a list of potential PCC members and the next step is to meet with local authorities to discuss the FSS program and the needs to the FSS participants to become economically self sufficient.

2D. Adjust the appropriate Family Self-sufficiency program participants' escrow accounts for the overfunding cited in the finding and reimburse its program \$22,961.

**CMHA's Response:**

Refer to CD File, "Budget FSS Response to 2D, 2E, 2F throughout this response. \$6,044 in interest reductions (see Attachment W) were applied to participants' escrow accounts for 2009 and 2010 bringing the accrued interest into agreement with the interest rate reported on the FSS escrow account bank statements.

One client was found to be overfunded by \$17,000 (see Attachment K) because of failure to graduate her after 30% of her monthly adjusted income exceeded the 4-bedroom fair market rent for which the family was eligible. Our review of that client's file indicates that 30% of her adjusted monthly income never exceeded the 4-bedroom fair market rent and that no overfunding occurred. Therefore, this program participant's escrow balance was not adjusted.

One client was found to be overfunded by \$2,117 (see Attachment M) because the incorrect earned income was used at FSS start. Our review of that client's file indicates that at FSS start the family's sole source of income was unemployment benefits and their earned income was \$0, and that no overfunding occurred. Therefore, this program participant's escrow balance was not adjusted.

The narrative finding specifies reimbursement of \$22,961 and the supporting spreadsheet we received specifies \$23,718 in reimbursement. We believe that the \$6,044 in interest reductions sufficiently address this finding and that no further action is required as noted in the issues above. In conclusion, based on the dollar amount of \$22,961 as reported above would be reduced to \$6,044 based on our research.

2E. Reimburse the appropriate Family Self-sufficiency program participants' escrow accounts \$13,307 from program funds for the underpayments cited in this finding.

**CMHA's Response:**

Refer to CD File, "Budget FSS Response to 2D, 2E, 2F throughout this response. One family's beginning earned income was overstated. That has been corrected and \$5,438 has been added to their account (see Attachment L)

**Comment 33**

**Ref to OIG Evaluation**

**Auditee Comments**

For one family, food stamps should not have been included in their beginning income. This has been corrected and \$1,078 has been added to their account (see Attachment X).

We do not normally prorate escrow for new contracts and one client moved into a new unit during February 2010. The OIG has pointed out that HAP for the entire month of February was paid to this client's former landlord as she was in residence in that unit on the first of the month. We have added an escrow deposit of \$383 to her account for the month of February (see Attachment Y).

One family's employment income from July 1, 2009 onward was incorrectly coded as unemployment benefits. This has been corrected and missed escrow payments of \$6,630 have been deposited into the family's account (see Attachment N).

For one family the beginning TTP was calculated at \$6 when it should have been \$0. This has been corrected and \$72 has been added to their escrow account to cover the underpayments (see Attachment Z)

Two families were found to be underfunded at \$315 (see Attachment AA) and \$146 (see Attachment BB). Our review indicated that not to be the case and we have not made the recommended adjustments.

The adjustments that we have made in keeping with this Recommendation total \$13,601. The narrative finding specifies \$13,307 and the supporting spreadsheet we received indicates \$14,064 in adjustments. In conclusion, we feel that our adjustments of \$13,601 should satisfy this recommendation.

2F. Reimburse its program \$5,526 from non-federal funds for the overfunding of the Family Self-Sufficiency program graduates' escrow disbursements cited in this finding.

**CMHA's Response:**

Refer to CD File, "Budget FSS Response to 2D, 2E, 2F throughout this response. The \$5,526 reimbursement in Recommendation 2F is also included in the \$165,828 reimbursement in Recommendation 2B. Therefore, Recommendation 2F is an unnecessary duplicate reimbursement.

2G. Ensure that its staff responsible for administering its Family Self-Sufficiency program is knowledgeable of both the Housing Choice Voucher program and the Family Self-Sufficiency program, including HUD's and its Family Self-Sufficiency program policies and procedures.

**Comment 34**

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 35**

**CMHA's Response:**

In a majority of the cases found, the FSS Coordinator timed the effective date of the contract with the effective date of the next certification. Training has been provided to both the operational and financial staff responsible for administering the FSS program. Attached find certificates of completion (see Attachment O).

2H. Ensure that its staff responsible for performing quality control reviews includes reviews that ensure that the required documentation is maintained for the Family Self-Sufficiency program.

**Comment 36**

**CMHA's Response:**

The Authority has revised its Quality Control Review Form to monitor and review effective dates on all new Contracts of Participation (COP). This review will ensure that COP dates correspond with signing dates and are effective the month following the signing of the contract (see Attachment P).

The Authority also has in place a number of quality control procedures to ensure accurate FSS escrow account balances and disbursements. Among them are 1) every escrow account is reviewed in detail before the annual statements are mailed out, and 2) the entire escrow account is recalculated before a disbursement is made.

## OIG Evaluation of Auditee Comments

- Comment 1** We commend the Authority for exceeding the required amount of quality control inspections. However, its Team Leader failed to identify 96 housing quality standards violations in 14 units that were inspected by our appraiser. The purpose and value of quality control inspections should not be measured only by the number of quality control inspections conducted. SEMAP is a self certification by the Authority to HUD and this certification undergoes an assessment by HUD which does not require a review of the quality control inspection process.
- Comment 2** The inspectors stated during interviews we conducted that they were confused on what was expected of them during inspections. Numerous changes in inspection processes left the inspectors confused on what is expected of them. We never considered that the inspectors did not receive training. With the proper communication, training, and written procedures and controls, the inspectors should be clear on what is expected.
- Comment 3** The Authority began using HUD's inspection form when we informed it of HUD's requirement to use the form in October 2010. We agree that this occurred before our appraiser performed the inspections.
- Comment 4** We commend the Authority for instituting the changes for identifying missing and inoperable smoke detectors and inoperable gas stoves and ranges as emergency health and safety violations.
- Comment 5** The checklist for inspection developed by the Authority required its inspectors to identify violations to city codes. The Authority's inspectors were also required to identify and fail units if a car in the driveway did not have current registration. We did not use missing screen windows, storm windows, and screen doors as a reason for materially failing a unit during our inspections.
- Comment 6** We commend the Authority for taking steps to improve its inspection process.
- Comment 7** The amounts stated in recommendation 1B will not be adjusted. Our results were determined by more than our interviews with tenants and our appraiser's results. We utilized a conservative approach in determining whether a unit failed an inspection and was identified for monetary reimbursement. For monetary reimbursement, the unit must have met one or more of the following: (1) one or more emergency health and safety violations that predated the Authority's inspection, (2) multiple violations that predated the Authority's inspection, or (3) violations identified by the Authority and not corrected. All units were then ranked, and we used auditors' judgment to determine the material cutoff point.
- Comment 8** We commend the Authority for updating its administrative plan. We agree that screens on windows, storm windows, and storm doors do not pose harm to a tenant if they are not there. Additionally, we did not use missing window screens,

storm windows, and screen doors as a reason for materially failing a unit during our inspections unless it posed a health risk for the tenant. A broken or unsecured storm window can cause harm. Therefore no changes in the recommendation are needed.

- Comment 9** 24 CFR Part 982.401(iv)(h)(2)(i) states that the acceptable criteria for air quality is that the dwelling unit must be free from dangerous levels of air pollution from dust and other harmful pollutants. Page 10-10 of HUD's Housing Choice Voucher program Guidebook states that the dwelling unit must be free from dangerous air pollution levels from carbon monoxide, sewer gas, fuel gas, dust, and other harmful pollutants. There must be adequate air circulation in the dwelling unit. Missing or dirty air filters contribute to unacceptable levels of dust.
- Comment 2** As previously stated in Comment 2, the inspectors stated during interviews we conducted that they were confused on what was expected of them during inspections. Numerous changes in inspection processes left the inspectors confused on what is expected of them. The Authority's changes should improve its inspection process provided that they are fully implemented.
- Comment 10** We reviewed the documentation submitted by the Authority and adjusted the report accordingly. The Authority did not provide sufficient documentation to support that participants were withdrawn from the program and funds were forfeited.
- Comment 11** We acknowledge that there were goals of full-time employment, maintain employment, or that the final goal was listed as an activity or as an interim goal. We also acknowledge that the majority of the Authority's graduates met this requirement prior to graduation, but not all. However, the contract of participation states that the final goal listed on the individual training and services plan of the head of the family **must** include getting and maintaining suitable employment specific to that individual's skills, education, job training, and the available job opportunities in the area. Therefore the Authority failed to appropriately abide by the contracts of participation.
- Comment 12** We do not dispute these results. In fact, we presented the results to the Authority. However, the Authority did not always follow HUD's requirements for the administration of the family self-sufficiency program.
- Comment 13** We adjusted the finding based upon the supporting documentation provided by the Authority. We determined that the Authority failed to maintain documentation showing that an extension was requested for five participants and eleven graduates. Without the written request from the family, which must include a description for the need of the extension, the Authority failed to support the family's continuation in the program or their escrow account balance.

- Comment 14** We reviewed the supporting documentation provided by the Authority and adjusted the finding accordingly. We did not fully agree with the Authority on the justification for extension of the contract of participation. HUD's regulations at 24 CFR 984.303(d) states that the public housing authority shall, in writing, extend the term of the contract of participation for a period not to exceed two years for any family self-sufficiency family that requests, in writing, an extension of the contract, provided the authority finds that good cause exists for granting the extension. The family's written request for an extension must include a description of the need for the extension. The regulations define good cause as circumstances beyond the control of the family self-sufficiency family, as determined by the authority, such as a serious illness or involuntary loss of employment. Extension of the contract of participation will entitle the family to continue to have amounts credited to its escrow account. We concluded that a restatement of the purpose of the family self-sufficiency program was not just cause for granting a participant's extension of their contract.
- Comment 15** The Authority provided sufficient documentation that it correctly extended the contract expiration date for eight current participants and 11 graduates. Based upon the supporting documentation, the report was revised to indicate that the Authority failed to maintain written approval for extensions for four participants and one graduate.
- Comment 16** The Authority did not provide sufficient evidence to support that it maintained certifications that no family member received welfare assistance for 3 graduates, or that it maintained documentation regarding this status for 13 graduates.
- Comment 17** We agree with the corrections made by the Authority. The report was adjusted to state that the form HUD-52650, Family Self-Sufficiency Contract of Participation, was not maintained for three participants, but the Authority took corrective actions and recovered these documents.
- Comment 18** We revised the report based upon the supporting documentation provided by the Authority. The audit report was revised for one graduate, however, the Authority failed to provide documentation that indicated that the other graduate was employed at the time her 7-year contract expired in November 2009. The Authority allowed the participant to continue in the program ten months after the contract expiration date.
- Comment 19** We reviewed the supporting documentation provided by the Authority and agreed that the 2010 annual statement was sent to the participant and the 2009 annual statement was not.
- Comment 20** We commend the Authority for revising the interest rates for the escrow accounts to the actual rate as stated on the monthly bank statements. HUD will need to verify that the corrective action taken was appropriate.

- Comment 21** We made no adjustments because the Authority did not provide adequate supporting documentation.
- Comment 22** We reviewed the supporting documentation provided by the Authority and determined that the documentation was insufficient to clear the errors identified.
- Comment 23** We commend the Authority for making the corrections to the earned income and escrow accounts for the two families.
- Comment 24** We commend the Authority for making the corrections in interest proration errors.
- Comment 25** We disagree with the Authority. According to the supporting documentation provided by the Authority which identified graduates and their respective graduation dates, the participant graduated from the program on March 28, 2009. This graduation date agreed with the November 1, 2008, HUD-50058 report updated in Public and Indian Information Center (PIC) on March 13, 2009. Since the participant's graduation date was effective February 28, 2009, the participant should not have received an escrow credit for March 2009 as indicated in the subsidiary ledger. Therefore, the participant was overpaid \$231 in escrow credits for March 2009.
- Comment 26** We reviewed the supporting documentation provided by the Authority and disagree with the Authority. The training certificates provided by the Authority occurred in 2009. However, the deficiencies noted with the Authority's practice of timing the effective date of the contract with the effective date of the next certification occurred prior to and following the training received by the Authority's staff. Specifically, the instructions for completing Form HUD-52650, Contract of Participation, which state that the effective date is the first day of the month following the date the contract was signed by the family and the Authority's representative. We commend the Authority for implementing a quality control process. HUD will need to ensure that the implementation of the quality control process is adequate.
- Comment 27** The Authority failed to provide sufficient documentation; therefore, we did not make any changes to the finding.
- Comment 28** We reviewed the supporting documentation provided by the Authority and we disagree with the Authority. In the audit report and the detailed summary spreadsheet provided to the Authority, we acknowledge that the Authority did provide some supportive services to its participants. However, the Authority's family self-sufficiency action plan specifically stated that it would meet quarterly with its participants and maintain assessments of its participants. We could not determine, nor did the Authority provide documentation to support, that these particular supportive services were accomplished by the Authority.

- Comment 29** The documentation provided by the Authority was not adequate to support its stance. We acknowledge that the Authority has spent a portion of its time administering its family self-sufficiency program in accordance with HUD regulations and its action plan. The report also stated the Authority had missing or incomplete documents for 92 percent of the current participants or graduates reviewed, 97 percent of the current participants had an incorrect escrow balance and all 22 of its graduates had an incorrect escrow disbursement, and the Authority did not provide its participants with supportive services or maintain assessments as indicated in its action plan, which are indications of a lack of proper administration.
- Comment 30** The Authority's documentation supported a \$103,038 revision to recommendation 2A.
- Comment 31** The supporting documentation provided by the Authority did not support any revision to the finding. Although we acknowledge that the Authority spent a portion of its time administering the family self-sufficiency program in accordance with HUD regulations and its action plan, the report also stated it had missing or incomplete documents for 92 percent of the current participants or graduates reviewed. This is an indication of a lack of proper administration of the program. In addition, 97 percent of the current participants had an incorrect escrow balance and all 22 of its graduates had an incorrect escrow disbursement. These are also indications of a lack of proper administration. Furthermore, the Authority did not provide its participants with supportive services or maintain assessments as indicated in its action plan, which is another indication of a lack of proper administration.
- Comment 32** No changes were made to the finding or recommendations. The Authority did not provide the participants' subsidiary ledgers to enable us to confirm whether or not interest was appropriately prorated to their escrow accounts. In addition, no documentation was provided to refute the other cited overpayments or to indicate that the overpayments were corrected.
- Comment 33** The Authority provided sufficient documentation that they reimbursed \$13,161 of the escrow funds that were underpaid. Recommendation 2E was revised to reflect the Authority's actions.
- Comment 34** We disagree with the Authority. The costs are not included in Recommendation 2B. Recommendation 2F is for the overfunded escrow accounts.
- Comment 35** The training certificates provided are not adequate to address the recommendation. HUD will need to ensure that the application of training information is effective in the administration of the Authority's family self-sufficiency program.



**Comment 36** We commend the Authority for revising its quality control procedures. HUD will need to ensure that the implementation of the quality control procedures is adequate.

## Appendix C

# FEDERAL REQUIREMENTS AND THE AUTHORITY'S ADMINISTRATIVE PLAN

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### Finding 1

In accordance with 24 CFR 982.152(d), HUD may reduce or offset any administrative fee to a public housing authority in the amount determined by HUD if the public housing authority fails to perform its administrative responsibilities correctly or adequately under the program.

HUD's regulations at 24 CFR 982.162(a) state the public housing authority must use program contracts and other forms required by HUD headquarters. Part (b) requires program contracts and other forms must be word for word in the form required by HUD headquarters.

HUD's regulations at 24 CFR 982.305(a) state that the public housing authority may not give approval for the family of the assisted tenancy or approve a housing assistance contract until the authority has determined that the following meet program requirements: (1) the unit is eligible, (2) the unit has been inspected by the housing authority and passes HUD's housing quality standards, and (3) the rent to the owner is reasonable.

HUD's regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the tenancy.

HUD's regulations at 24 CFR 982.401(a)(4)(ii) state that HUD may approve acceptability criteria variations for variations which apply standards in local housing codes or other codes adopted by the public housing authority.

HUD's regulations at 24 CFR 982.404(a) state that the owner must maintain the unit in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the authority must take prompt and vigorous action to enforce the owner's obligations. Remedies for such breach of the housing quality standards include termination, suspension, or reduction of housing assistance payments and the termination of the housing assistance payments contract. The authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours.

HUD's regulations at 24 CFR 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to a family before the term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

HUD's Housing Choice Voucher Guidebook, 7420.10G, Chapter 10, states that in order to meet all housing quality standards requirements, inspections must be conducted and recorded using form HUD 52580-A or HUD 52580.

### **Authority's Administrative Plan**

Housing Quality Standards and Inspections, Chapter 10, Section F, Acceptability Criteria and Exceptions to Housing Quality Standards, PHA Requirements: deadbolts on all main doors. The dwelling unit must have screens in all windows. The dwelling unit must have storm windows. The dwelling unit must have clothes dryer vented to the outside. The dwelling unit must have downspouts. The dwelling unit must have storm doors (unless part of historical preservation).

### **Finding 2**

HUD's regulations at 24 CFR 984.102 state that under the family self-sufficiency program, low-income households are provided opportunities for education, job training, counseling, and other forms of social service assistance so they may obtain the education, employment, and business and social skills necessary to achieve self-sufficiency.

HUD's regulations at 24 CFR 984.103 state that the contract of participation includes all individual training and service plans entered into between the public housing authority and all members of the household who will participate in the family self-sufficiency program, and which plans are attached to the contract of participation as exhibits.

HUD regulations at 24 CFR 984.201 state that the authority must have a HUD-approved action plan that complies with the requirements of this section before the authority implements a family self-sufficiency program, whether the program is a mandatory or voluntary program.

HUD's regulations at 24 CFR 984.303(b)(2) state that the individual training and services plan, incorporated in the contract of participation, shall establish specific interim and final goals by which the public housing authority, and the family, may measure the family's progress toward fulfilling its obligations under the contract of participation, and becoming self-sufficient. For each participating family self-sufficiency family that is a recipient of welfare assistance, the public housing authority must establish as an interim goal that the family become independent from welfare assistance and remain independent from welfare assistance at least one year before the expiration of the term of the contract of participation, including any extension thereof.

HUD's regulations at 24 CFR 984.305(b) state that for purposes of determining the family self-sufficiency credit, "family rent" is: for the rental voucher program, 30 percent of adjusted monthly income. The family self-sufficiency credit shall be computed as follows: For family self-sufficiency families who are very low-income families, the family self-sufficiency program credit shall be the amount which is the lesser of: Thirty percent of current monthly adjusted income less the family rent, which is obtained by disregarding any increases in earned income (as defined in Sec. 984.103) from the effective date of the contract of participation; or The current family rent less the family rent at the time of the effective date of the contract of participation. For family self-sufficiency program families who are low-income families but not

very low-income families, the credit shall be the amount determined according to paragraph (b)(1)(i) of this section, but which shall not exceed the amount computed for 50 percent of median income. Family self-sufficiency program families who are not low-income families shall not be entitled to any credit. The public housing authority shall not make any additional credits to the family self-sufficiency program family's account when the family self-sufficiency program family has completed the contract of participation, as defined in Sec. 984.303(g), or when the contract of participation is terminated or otherwise nullified.

HUD's regulations at 24 CFR 984.303(b)(4) state the head of the family self-sufficiency program family shall be required under the contract of participation to seek and maintain suitable employment during the term of the contract and any extension thereof.

HUD's regulations at 24 CFR 984.303(f) state that modifications to the contract of participation may be modified in writing with respect to the training and service plans, and 24 CFR 984.303(c)(1) requires that no member of the family self-sufficiency program household be a recipient of welfare assistance.

HUD's regulations at 24 CFR 984.305(c)(2) state that to issue disbursements before completion of the program, the authority must determine that the family self-sufficiency program household has fulfilled certain interim goals established in the contract of participation and needs a portion of the family self-sufficiency program account for purposes consistent with the contract of participation.

*United States Code*, Title 42, chapter 8, subchapter I, subsection 1437u(a) states the purpose of the family self-sufficiency program established under this section is to promote the development of local strategies to coordinate use of public housing and assistance under the certificate and voucher programs under section 1437f of this title with public and private resources to enable eligible households to achieve economic and self-sufficiency.

HUD's Family Self-Sufficiency program Contract of Participation (contract), Family Self Sufficiency program Escrow Account, states the public housing authority will establish an escrow account for the family. A portion of the increases in the family's rent because of increases in earned income will be credited to the family self-sufficiency escrow account in accordance with HUD requirements. The family's annual income, earned income, and family rent when the family begins the family self-sufficiency program will be used to determine the amount credited to the family's family self-sufficiency escrow account because of future increases in earned income.

The contract, Housing Authority Responsibilities, states to establish an family self-sufficiency escrow account for the family, invest the escrow account funds, and give the family a report on the amount in the family self-sufficiency escrow account at least once a year. Determine which, if any, interim goals must be completed before any family self-sufficiency escrow funds may be paid to the family; and pay a portion of the family self-sufficiency escrow account to the family if the public housing authority determines that the family has met these specific interim goals and needs the funds from the family self-sufficiency escrow account to complete the contract. Determine if the family has completed this contract. Pay the family the amount in its family self-

sufficiency escrow account, if the family has completed the contract and the head of the family has provided written certification that no member of the family is receiving welfare assistance.

The contract, Completion of the Contract of Participation, states the completion of the contract occurs when the public housing authority determines that: the family has fulfilled all of its responsibilities under the contract; or 30 percent of the family's monthly adjusted income equals or is greater than the fair market rent amount for the unit size for which the family qualifies.

The contract, Housing Authority Instructions for Executing the Family Self Sufficiency Contract of Participation, Term of Contract, states the effective date is the first day of the month following the date the contract was signed by the family and the housing authority's representative.

The contract, Housing Authority Instructions for Executing the Family Self-Sufficiency Contract of Participation, Family Self Sufficiency Escrow Account, states the income and rent numbers to be inserted on page one may be taken from the amounts on the last reexamination or interim determination before the family's initial participation in the family self-sufficiency program, unless more than 120 days will pass between the effective date of the reexamination and the effective date of the contract of participation. If it has been more than 120 days, the public housing authority must conduct a new reexamination or interim redetermination. If a family moves under housing choice voucher portability procedures and is going to participate in the receiving public housing authority's family self-sufficiency program, the receiving housing authority must use the amounts listed for annual income, earned income, and family rent on page one of the contract between the initial public housing authority and the family.

The contract, Housing Authority Instructions for Executing the Family Self-Sufficiency Contract of Participation, Individual Training and Services Plan, states the contract must include an individual training and services plan for the head of the family. One of the interim goals for families receiving welfare assistance is to become independent of welfare assistance for at least twelve consecutive months before the end of the contract. Any family that is receiving welfare assistance must have this included as an interim goal in the head of the family's individual training and services plan. The final goal listed on the individual training and services plan of the head of the family must include getting and maintaining suitable employment specific to that individual's skills, education, job training, and the available job opportunities in the area.

HUD's Housing Choice Voucher Guidebook, 7420.10G, Chapter 23, Section 23.5, state the amount of the escrow credit is based on increases in the family's total tenant payment resulting from increases in the family's earned income during the term of the family self-sufficiency program contract. As a family's income increases, the public housing authority calculates rent and the family pays increased rent, as does any other subsidized tenant. The public housing authority then makes deposits to an escrow account in the appropriate amount. The public housing authority must compute escrow credit at any time it conducts an annual or interim reexamination of income for a family self-sufficiency program family during the term of the contract of participation. Investment income must be credited periodically, but no less than annually, to each participating family's ledger account based on the balance in each account at the end of the period for which the investment income is prorated. If the public housing

authority has information that the family owes the owner for unpaid rent or other amounts due, the amount credited to the family's account should be reduced by the amount owed.