



PK Management, LLC, Birmingham, AL

Office of Multifamily Housing



Issue Date: September 22, 2014

Audit Report Number: 2014-AT-1011

TO: Donna Crane, Director, Birmingham Multifamily Program Center, 4CHMLAT
Craig Clemmensen, Director, Departmental Enforcement Center, CACB

//signed//
FROM: Nikita N. Irons, Regional Inspector General for Audit, Atlanta Region, 4AGA
SUBJECT: PK Management, LLC, Did Not Ensure Adequate Accountability and Administration of Its Multifamily Projects

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of PK Management's execution of its Multifamily Section 8 rental assistance.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 404-331-3369.



Date of Issuance: September 22, 2014

PK Management, LLC, Did Not Ensure Adequate Accountability and Administration of Its Multifamily Projects

Highlights

Audit Report 2014-AT-1011

What We Audited and Why

We audited PK Management, LLC, a management agent of four apartment complexes in the Birmingham, AL, metropolitan area. We initiated the review based on a request from the U.S. Department of Housing and Urban Development's (HUD) Birmingham Office of Multifamily Housing Programs. Our audit objective was to determine whether the Section 8 housing assistance payments made to PK Management for the four multifamily complexes were eligible and supported by properly executed HUD tenant eligibility forms.

What We Recommend

We recommend that the Director of HUD's Birmingham Office of Multifamily Housing Programs require PK Management to (1) reimburse \$216,749 in ineligible costs from non-Federal funds, (2) support or reimburse \$218,676 from non-Federal funds, and (3) develop and implement procedures and controls to ensure compliance with requirements. We also recommend that the Director of the Departmental Enforcement Center take appropriate administrative action against the PK Management officials.

What We Found

PK Management received inappropriate and unsupported housing assistance payments for tenants who lacked properly executed and documented tenant eligibility forms. Specifically, the tenant eligibility forms were not properly signed or dated by tenants or PK Management staff. Also, housing assistance payments were made for three unoccupied units, and tenant eligibility documents were missing from tenant files. These conditions occurred because PK Management did not (1) have adequate procedures and controls, (2) provide adequate oversight, and (3) adequately train its property managers to ensure that they properly prepared the required HUD forms and supported tenants' eligibility for housing assistance payments. As a result, HUD paid more than \$216,000 in inappropriate housing assistance and more than \$218,000 in unsupported housing assistance. Further, PK Management could not provide reasonable assurance that it used HUD funds effectively and efficiently or to fully benefit program participants.

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BACKGROUND AND OBJECTIVE

PK Management, LLC, was independently formed on January 1, 2008. PK Management operates nationally as a management agent for other HUD multifamily properties and is headquartered in Greenville, SC. The mission of the company is to provide safe, decent, and sanitary housing for the poorest and most vulnerable in our society. PK Management is a management agent for the owners of four apartment complexes in the Birmingham, AL, metropolitan area. The four properties managed by PK Management are Forest Hills Village, Summit Ridge, Talladega Downs, and Valley Brook Apartments.

PK Management receives Section 8 rental subsidies from HUD's multifamily project-based Section 8 program. This program provides subsidies for eligible families and single persons residing in the apartment complexes under a housing assistance payments contract. All of the complexes are 100 percent project-based Section 8 properties except Valley Brook, which has 213 of its 240 units assisted by Section 8.

HUD paid nearly \$17 million in housing assistance to PK Management from November 2009 to November 2013 for the four properties as stated below.

Apartment project	Housing assistance payment received	Number of assisted units
Forest Hills Village	\$3,663,543	152
Summit Ridge	\$5,456,722	200
Talladega Downs	\$1,412,353	100
Valley Brook	<u>\$6,425,250</u>	<u>213</u>
Totals	<u>\$16,957,868</u>	<u>665</u>

The audit objective was to determine whether the Section 8 housing assistance payments made to PK Management for the four multifamily complexes were eligible and supported by properly executed HUD tenant eligibility forms.

RESULTS OF AUDIT

Finding: PK Management Received Inappropriate and Unsupported Housing Assistance Payments

PK Management received inappropriate and unsupported housing assistance payments for tenants who lacked properly executed and documented tenant eligibility forms. Specifically, the tenant eligibility forms were not properly signed or dated by tenants or PK Management staff. Also, housing assistance payments were made for three unoccupied units, and tenant eligibility documents were missing from tenant files. These conditions occurred because PK Management did not (1) have adequate procedures and controls, (2) provide adequate oversight, and (3) adequately train its property managers to ensure that they properly prepared the required HUD forms and supported tenants' eligibility for housing assistance payments. As a result, HUD paid more than \$216,000 in inappropriate housing assistance and more than \$218,000 in unsupported housing assistance. Further, PK Management could not provide reasonable assurance that it used HUD funds effectively and efficiently or to fully benefit program participants.

PK Management Did Not Properly Execute and Document Eligibility Forms

We reviewed a statistical sample of 80 tenants to determine whether PK Management properly executed and documented the HUD tenant eligibility forms. The review revealed exceptions for 57¹ of the 80 tenants in the sample. PK Management received

- More than \$216,000 in inappropriate housing assistance payments for 37 of the 80 tenants due to improperly signed or dated HUD forms and housing assistance payments for unoccupied units (see appendix C).
- More than \$218,000 in unsupported housing assistance payments for another 37 of the 80 tenants because it did not maintain the required HUD forms in the tenant files (see appendix D).

PK Management failed to ensure that signatures were properly obtained on the Notice and Consent for the Release of Information (form HUD-9887), Owner's Certification of Compliance with HUD's Tenant Eligibility and Rent Procedures (form HUD-50059), and Owner's Certification of Compliance with HUD's

¹ The 57 tenant files with exceptions included 37 with inappropriate payments and 37 with unsupported payments. However, 17 tenant files were included in both the inappropriate and unsupported category. This occurred because the HUD forms were required annually and sometimes at other intermittent points during the year. During particular time intervals, the 17 tenants' HUD forms were signed and dated improperly resulting in inappropriate payments. During other time intervals, HUD forms were missing from the 17 tenants' files resulting in unsupported payments.

Tenant Eligibility and Rent Procedures-Partial Certification (form HUD-50059-A) before submitting the tenant data to the contract administrator or HUD as required by HUD Handbook 4350.3, REV-1, CHG-3.²

Of the 80 tenant files, 28 had improper signatures on the HUD forms. We interviewed 80 tenants and showed them their signed and dated forms HUD-9887, -50059, and -50059-A from the tenant files. We asked them to verify their signatures and dates on these forms. Twenty tenants confirmed that the signatures on the forms were not their signatures. In addition, 13³ of the 80 tenant files contained HUD forms with PK Management property manager signatures that were not their own. In one instance, a property manager's signature and date on the HUD forms predated the individual's employment with PK Management.

Of the 80 tenants 14 confirmed that the HUD forms in the tenant files were improperly dated. The date was either not the date on which the tenant signed the document, or the date on which the tenant signed was written over by someone else to show an earlier date or had been altered to show an earlier date.

Eleven tenants stated that the PK Management property managers instructed them to sign documents that were already dated with an earlier date or write in a date earlier than the actual signing date. However, only nine tenants were able to confirm the improper dating by identifying the particular documents that were improperly dated. Two tenants stated that they were instructed to sign the HUD forms and leave the dates blank. Three tenant files contained HUD forms with dates that were altered to show an earlier date.

PK Management also received housing assistance payments for three units that were not occupied by the tenants when it received the payments. For example, one tenant moved out of her unit in October 2012 and returned in December 2013. The tenant stated that she moved out because her ceiling fell in and PK Management would not complete the necessary repairs. PK Management was made aware of the collapsed ceiling and continued to receive more than \$7,000 in housing assistance payments while the unit was unoccupied.

In addition, PK Management did not properly document the tenant forms HUD-9887, -50059, and -50059-A as required by HUD Handbook 4350.3, REV-1, CHG-3.⁴ The HUD forms required to establish the eligibility of the tenant for assistance were missing from 37 of the 80 tenant files (see appendix D).

² HUD Handbook 4350.3, REV-1, CHG-3, paragraph 5-23(A); Handbook 4350.3, REV-1, CHG-3, section 9-5A, paragraphs 4b and 4c; HUD Handbook 4350.3 REV-1, CHG-3, paragraph 7-17(F)

³ Five of the thirteen also had improper tenant signatures.

⁴ HUD Handbook 4350.3, REV-1, CHG-3, paragraph 5-23(B); HUD Handbook 4350.3, REV-1, CHG-3, section 9-2, paragraph 4b; HUD Handbook 4350.3, REV-1, CHG-3, paragraph 7-17(E)

PK Management Lacked Adequate Administration of Property Managers

PK Management lacked adequate procedures and controls and did not provide adequate oversight or adequately train its property managers to ensure that they properly prepared and maintained the HUD forms required to support the eligibility of tenants whose rent was subsidized by housing assistance payments. Property managers that worked for PK Management while the audit was ongoing attributed the inappropriate signatures, dates, and missing documents to PK Management's inconsistent approach to managing the properties and its lack of adequate training and policies and procedures. A former property manager stated that the regional vice president, the regional compliance director, and compliance reviewers instructed her to sign documents and date them with earlier dates to make it appear that the documents had been executed in a timely manner, even if the dates she wrote preceded her employment at PK Management. The former property manager also stated that they instructed her to have tenants sign documents with dates earlier than the date of the actual signing when documents were missing.

The property managers did not have access to PK Management's policies and procedures. PK Management's attorney stated that the property managers could access the procedures online. However, the property managers were unable to provide the procedures when requested. One property manager said that she was not aware of any policies or procedures to ensure that the tenants are living in the units.

PK Management performed an internal review of its Summit Ridge apartments and submitted its results to HUD's Birmingham Office of Multifamily Housing Programs on December 13, 2012. The internal review identified annual questionnaires, verifications, and forms that were not completely filled out, not initialed when required, not signed, and not dated. PK Management also found that forms were missing from tenant files and identified housing assistance payments for periods when tenants did not occupy the units.

PK Management's attorney stated that PK Management did not exercise oversight to ensure that it had taken proper corrective actions. The attorney also stated that PK Management had frequent turnover of its property managers and often used temporary employees until it could hire full-time property managers. The problems identified by PK Management's internal review generally remained uncorrected due to its use of the temporary employees and the newly hired property managers, coupled with a lack of both management oversight and training necessary for its property managers to perform their jobs. As a result, the tenant records were not maintained as required and temporary employees and property managers created and executed documents by signing the tenant signatures and improperly dating forms.

During the audit, PK Management began efforts to review and revise its policies and procedures and provide training to property managers but did not complete them before the end of our site visit. Therefore, we could not verify the procedures or training provided to the property managers.

Future Savings Were Projected

In projecting results, we estimated that inappropriate housing assistance payments of approximately \$175,000 could be used more efficiently if the deficiencies identified by the audit are addressed and our recommendations are implemented.⁵

Conclusion

As a result of PK Management's procedural and control weaknesses, HUD paid \$216,749 in inappropriate housing assistance and \$218,676 in unsupported housing assistance for 57 of 80 tenants reviewed. Therefore, PK Management could not provide HUD with reasonable assurance that it used program funds effectively and efficiently or to fully benefit program participants. A projection of the sample results determined that HUD has the opportunity to better use \$174,995 in housing assistance payments over the next 12 months for other eligible activities consistent with multifamily requirements if our audit recommendations are implemented.

Recommendations

We recommend that the Director of HUD's Birmingham Office of Multifamily Housing Programs require PK Management to

- 1A. Reimburse its project \$216,749 from non-project funds for the ineligible housing assistance payments.
- 1B. Support or reimburse its project \$218,676 from non-project funds for housing assistance payments that lacked supporting documentation.
- 1C. Develop and implement procedures and controls to ensure compliance with requirements, to include but not be limited to procedures and controls to ensure that (1) housing assistance payments are eligible and supported, (2) appropriate documentation is obtained and maintained, and (3) property managers are adequately trained on the program requirements. By doing so, we estimate an annual savings of \$174,995 in housing assistance payments.

⁵ Our methodology for this estimate is explained in the Scope and Methodology section of this report.

- 1D. Develop and implement policies to monitor its property managers to ensure adequate administration of the program.
- 1E. Provide adequate training to its property managers on the program requirements to ensure that housing assistance payments are eligible and supported.

We also recommend that the Director of the Departmental Enforcement Center

- 1F. Take appropriate administrative actions against PK Management's senior managers for directing property managers to sign and date documents improperly.

SCOPE AND METHODOLOGY

We performed the audit from November 2013 through June 2014 at four PK Management properties located in the Birmingham, AL, metropolitan area. The four properties were Forest Hills Village, Summit Ridge, Talladega Downs, and Valley Brook Apartments. The audit generally covered the period November 1, 2009, through January 31, 2014. We adjusted the period when necessary.

To accomplish our audit objective, we

- Reviewed applicable laws, HUD regulations, and other HUD program requirements and monitoring reports relating to the use of Section 8 housing assistance payments;
- Reviewed applicable PK Management controls and policies and procedures used to administer the Section 8 housing assistance program;
- Interviewed HUD officials, PK Management personnel, and 80 sample tenants at the 4 apartment projects;
- Interviewed personnel and reviewed records from Navigate, a HUD contractor that provides Section 8 contract administration services for the four properties; and
- Reviewed tenant program files for the 80 sample tenants.

We developed a stratified random sample of 80 randomly selected multifamily Section 8 tenants who had received nearly \$1.5 million in housing assistance payments as of January 31, 2014. We selected the random sample from a universe of 625 active tenants residing in all four apartment projects as of January 31, 2014, who received more than \$10 million in housing assistance payments. We found a highly stratified sample size of 80 to be the best size for providing meaningful audit results.

The audit evaluated the payment history records for the 80 tenants, whose timeframes for payment histories varied based on when each tenant started to receive housing assistance. There were three cases in which the tenant was not available to the audit team, and a randomly selected spare record was used. Each spare came from the properly designated stratum. Hence, the sampling weights did not change. Because of the unique nature of the audit questions posed, all record payment history amounts were audited for both inappropriate and unsupported amounts for each tenant. Complete payment histories were audited to account for potential irregularities in initial eligibility certification, annual recertification requirements, and potential overpayments at beginning and ending periods for each tenant receiving housing assistance.

Based on these results, a monthly average of inappropriate payments was calculated by dividing (as applicable) the total amount of ineligibly disbursed funds by the number of months in which a tenant in the audit universe received housing assistance. This process was completed to

calculate an annualized future amount of \$174,995⁶ in funds to be put to better use if the audit deficiencies are addressed by PK Management.

We estimated the average monthly amount of inappropriate payments by tenant disbursed to be \$184. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can say, with a one-sided confidence interval of 95 percent, that the average amount per tenant is \$23. Extrapolating this amount to the 625 audit universe and extending it for 1 year and after deducting for the margin of error, we can say that if the deficiencies by the audit are addressed, at least \$174,994 in inappropriate housing assistance payments could be put to better use.

We relied in part on data maintained in HUD's system and on data maintained by Navigate, HUD's Section 8 contract administrator. Although we did not perform detailed assessments of the data, we performed minimal levels of testing and found the data to be adequately reliable for our purposes. Testing for reliability included comparison of the computer-processed data to housing assistance payment vouchers requesting payment. We also confirmed the computer-processed data for active tenants by conducting interviews with those tenants.

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

⁶ At least \$174,994.92 in housing assistance payments could be put to better use over the next 12 months if our recommendations are implemented.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with 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 Deficiency

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

- PK Management lacked adequate procedures and controls, oversight, and training to ensure that housing assistance payments were eligible and supported (see finding).

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/
1A	\$216,749		
1B		\$218,676	
1C			<u>\$174,995</u>
Total	<u>\$216,749</u>	<u>\$218,676</u>	<u>\$174,995</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 case, the \$174,995 represents the housing assistance payments that would not be made over the next year if HUD implements recommendation 1C.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

 NIXON PEABODY	NIXON PEABODY LLP ATTORNEYS AT LAW NIXONPEABODY.COM @NIXONPEABODYLLP	Richard Michael Price <i>Partner</i> T 202-585-8716 rprice@nixonpeabody.com
401 9th Street NW Suite 900 Washington, DC 20004-2128 202-585-8000		
September 4, 2014		
Ms. Nikita N. Irons Regional Inspector General for Audit U.S. Department of Housing and Urban Development Office of Inspector General 75 Spring Street SW Room 330 Atlanta, GA 30303		
Re: <u>PK Management LLC Draft Audit</u>		
Dear Ms. Irons:		
This letter responds to your August 21, 2014 letter and the Draft Audit (“Draft”) of PK Management, LLC (“PK”). While audits are always time consuming and sometimes difficult they also provide information and are a necessary part of HUD’s programs. We appreciate the time and professionalism shown by the OIG staff.		
The Draft seeks reimbursement of \$216,749. PK will work with the program office to provide a satisfactory repayment plan. However, PK would like the opportunity to review the files in question. As discussed below, PK stopped its ongoing review of the files in light of the OIG’s audit as both reviews necessitated looking at the same files in some cases. The Draft also seeks support or reimbursement of \$218,676. Again, we will be able to respond more specifically once we are able to review those files and we are hopeful of providing additional support. If we are not able to provide support, then we will work with the program office to provide a satisfactory reimbursement plan.		
The Draft comments about current practices and policies. PK values its working relationship with HUD and has a long and positive history working in HUD multifamily programs. We believe that PK typically provides appropriate oversight and has appropriate procedures in place.		
However, PK recognizes oversight and training were not performed with former staff at these four properties during at least a portion of this time period, and PK was in the early stages of addressing the issue when the OIG audit began. Many of the issues identified in the Draft can be traced back to two high level managers who were employed during the audit time period and		
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Comment 1

who oversaw the four properties at issue. One of these managers reported to the other, which unfortunately hampered PK's ability to detect problems when they arose. These two managers had a positive record until certain personal matters appeared to have arisen. In or about Spring 2013 problems with the two employees became apparent. At that time, the Company learned of instances where the two managers acted outside the scope of their authority, which ultimately led to their termination, the termination of the Southern Division structure and subsequently a more direct supervision of the properties in question.

As the Draft notes, the properties have experienced high employee turnover. We believe part of this was due to the actions of the two former managers, which made continuity and training more difficult. Further, as described above, replacing some staff was necessary to move forward in this situation. Now that the Company has more stable regional supervisors, adding new site staff and increasing direct supervision has created a more stable group of site managers.

Comment 2

The Draft states that certain employees instructed a site manager to sign and date documents in other than the correct manner. Any such allegation is of great concern and importance to PK. We are not fully privy to the statements and would appreciate the opportunity to review those statements. PK seeks to be pro-active about addressing any such matter.

Comment 1

As for statements attributable to residents, while we appreciate that these statements are very useful in identifying problems, and while we appreciate tenant candor to OIG, we have experienced one or more incidents that evidence self-contradiction or fact invention by some residents. Therefore, we would appreciate the opportunity to review the files directly now that we have the Draft.

Comment 3

The Draft report also recommends PK develop and implement policies to monitor property managers, provide adequate training of property managers, and develop and implement procedures and controls to assure compliance. We appreciated receiving the feedback from OIG throughout this process, and PK has updated its training materials. We will gladly provide and review these materials with the program office for any additional improvements.

Comment 3

Training has always existed at PK and that training has focused on correctly completing tenant income certifications the first time. Lack of oversight by the former managers discussed above contributed to a training issue for former staff at these properties. We have addressed this problem, as described in more detail below, by providing increased and targeted training to personnel at these properties and by increasing supervision and review.

As we shared with OIG during the Audit, PK has updated its training materials earlier this year to contain a "Proper Corrections" policy to provide specific steps for completing or correcting information in the files so each step is clear and specifically discussed in a transparent and appropriate manner. We have instituted a regime of weekly training. Other policies covered during training sessions include the proper use of Employment Income Verification ("EIV"), proper move in/move-out procedures, proper file contents and order, internal self-audit procedures, and proper procedures for any clarifications requested to the tenant file. PK has also hired an auditor, formerly with a local county government, to audit files.

Ms. Nikita N. Irons
September 4, 2014
Page 3

Comment 3

As for the four properties audited in the Draft, they are now integrated into the regular review and audit cycles for other properties. Further, management is working with the site employees to instruct them on the problems that have happened in the past and the correct way to do things (accurate data, obtaining current information and signatures, maintenance of waitlists, no backdating or signatures that are not tenants, and proper auditing and correction methods). In short, the properties have much better management now. As mentioned, PK has provided new training to site employees. PK is also committed to providing training to new employees as it hires them. Further, PK has worked with site employees to make sure that they know about their access to company policies and can actually access them.

The Draft makes several recommendations. We understand that after the Audit is final we will have a period of time after which we will receive a further letter from the program office and then a further time period to provide a correction plan including a repayment plan.

Sincerely,



Richard Michael Price

RMP:bg

cc: Mr. Grayson Yeargin

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OIG Evaluation of Auditee Comments

- Comment 1** PK Management stated that it will work with the program office to provide a satisfactory reimbursement plan if the auditee is not able to provide support for the questioned costs. PK Management also stated that it would like the opportunity to review the tenant files in question and then it would be able to respond more specifically and hopefully provide additional support. On August 28, 2014, we provided PK Management's Regional Vice President the identity of each tenant file we reviewed that had improper and missing HUD forms and the deficiencies cited.
- Comment 2** PK Management stated it would appreciate the opportunity to review statements made to us during the audit that senior managers at PK Management had instructed property managers to improperly sign and date documents. We will work with PK Management to provide this information.
- Comment 3** We acknowledge that PK Management began efforts to review and revise its policies and procedures and provided training to property managers during the audit. PK Management stated it has updated training materials to contain a "Proper Corrections" policy and provided new training to site employees and will gladly provide and review these materials with the program office for any additional improvements. Since, it did not complete the policies before the end of our site visit, the HUD Birmingham Office of Multifamily Housing will be responsible for verifying whether PK Management's efforts address the recommendation sufficiently.

Appendix C

SCHEDULE OF TENANTS WITH INAPPROPRIATELY DATED AND SIGNED HUD FORMS AND TENANTS WHO WERE NOT IN THE UNIT⁷

Tenant number	Apartment project	Improperly dated HUD forms	Improperly signed HUD forms	Improperly paid for tenant not in unit	Ineligible
1	Summit Ridge	x	x		\$ 3,978
8	Summit Ridge		x		\$ 2,545
9	Summit Ridge	x	x		\$ 3,970
10	Summit Ridge	x	x		\$ 11,168
18	Summit Ridge		x		\$ 7,308
24	Summit Ridge	x	x		\$ 3,316
25	Summit Ridge		x		\$ 9,150
27	Valley Brook		x		\$ 8,800
36	Summit Ridge			x	\$ 7,513
38	Valley Brook	x		x	\$ 392
45	Summit Ridge		x		\$ 7,388
50	Valley Brook		x		\$ 15,636
51	Forest Hills		x		\$ 3,466
52	Forest Hills		x		\$ 751
53	Forest Hills		x		\$ 3,339
54	Forest Hills		x		\$ 2,842
55	Forest Hills		x		\$ 5,553
56	Forest Hills		x		\$ 1,208
58	Forest Hills		x		\$ 2,120
61	Forest Hills		x		\$ 9,288
62	Forest Hills	x	x		\$ 9,568
63	Forest Hills	x	x	x	\$ 2,484
64	Forest Hills		x		\$ 4,980
65	Forest Hills		x		\$ 3,795
66	Forest Hills		x		\$ 2,475
67	Forest Hills		x		\$ 25,477
68	Forest Hills		x		\$ 5,810
70	Talladega Downs	x			\$ 797
72	Talladega Downs	x			\$ 4,382
73	Talladega Downs	x			\$ 3,600
74	Talladega Downs	x			\$ 1,230
75	Talladega Downs	x			\$ 5,904
76	Talladega Downs		x		\$ 5,223
77	Talladega Downs		x		\$ 7,425
78	Talladega Downs		x		\$ 10,735
79	Talladega Downs	x			\$ 4,218
80	Talladega Downs	x			\$ 8,915
Totals	37	14	28	3	\$216,749

⁷ This table represents the 37 tenants in the sample who had inappropriate forms and housing assistance paid for vacant units.

Appendix D

SCHEDULE OF TENANTS WITH MISSING HUD FORMS⁸

Tenant number	Apartment project	Missing form HUD-9887	Missing form HUD-50059	Missing form HUD-50059A	Unsupported costs
6	Summit Ridge		x		\$ 2,399
9	Summit Ridge		x		\$ 4,518
10	Summit Ridge		x		\$ 588
12	Summit Ridge		x		\$ 2,586
13	Summit Ridge		x		\$ 8,350
14	Summit Ridge		x		\$ 3,774
15	Summit Ridge		x		\$ 1,839
16	Summit Ridge		x		\$ 3,510
17	Summit Ridge		x		\$ 10,002
19	Summit Ridge		x		\$ 8,609
23	Summit Ridge		x		\$ 728
29	Valley Brook	x			\$ 6,875
40	Valley Brook	x			\$ 7,902
41	Valley Brook	x	x	x	\$ 13,057
43	Valley Brook	x			\$ 6,930
45	Summit Ridge	x	x	x	\$ 7,884
47	Valley Brook	x		x	\$ 8,133
48	Valley Brook	x	x	x	\$ 15,408
49	Valley Brook	x	x	x	\$ 15,582
54	Forest Hills	x	x		\$ 1,845
57	Forest Hills		x		\$ 5,472
58	Forest Hills	x			\$ 3,778
59	Forest Hills	x	x	x	\$ 11,418
62	Forest Hills	x			\$ 5,292
63	Forest Hills	x	x		\$ 6,468
65	Forest Hills	x			\$ 3,320
66	Forest Hills	x	x		\$ 3,188
69	Talladega Downs	x			\$ 1,208
70	Talladega Downs	x			\$ 6,995
71	Talladega Downs	x			\$ 4,627
72	Talladega Downs	x			\$ 1,745
74	Talladega Downs	x	x		\$ 5,933
76	Talladega Downs	x	x	x	\$ 7,795
77	Talladega Downs	x	x		\$ 5,516
78	Talladega Downs	x			\$ 4,018
79	Talladega Downs	x	x		\$ 5,584
80	Talladega Downs		x		\$ 5,800
<u>Totals</u>	<u>37</u>				<u>\$218,676</u>

⁸ This table represents the 37 tenants in the sample who had deficiencies regarding missing forms HUD-9887, -50059, and -50059A.