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TO: Thomas Marshall, Director of Public Housing Hub, 5DPH

FROM: Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Housing Authority of the City of Fort Wayne, Indiana, Needs to Improve Its Section 8 Housing Choice Voucher Program Administration

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Fort Wayne's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2007 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 the U.S. Department of Housing and Urban Development's (HUD) requirements.

What We Found

The Authority's program administration regarding housing assistance payment calculations, documentation to support households' eligibility for housing assistance, monitoring of reported zero-income households, administration of the Family Self-Sufficiency Program, and voucher utilization were inadequate. The Authority incorrectly calculated households' payments resulting in more than $73,000 in overpayments and nearly $7,000 in underpayments for the period July 2005 through June 2007. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than $1 million in housing assistance and utility allowances.

The Authority also did not ensure that its households' files contained the required documentation to support its housing assistance and utility allowances. Of the 67 files statistically selected for review, 30 did not contain documentation required by HUD and the Authority's program administrative plan to support nearly $195,000 in housing assistance and utility allowances. Further, the Authority did not perform periodic reviews to determine that reported zero-income households had unreported income resulting in more than $28,000 in improper housing assistance and utility allowances.

The Authority failed to administer its Family Self-Sufficiency Program according to federal requirements. As a result, it overfunded and underfunded participants' escrow accounts by more than $8,000 and nearly $4,000, respectively, had nearly $15,000 in escrow funds that should have been reimbursed to the program, could not support more than $151,000 in Housing Choice Voucher - Family Self-Sufficiency/Homeownership Coordinator funds, and failed to support nearly $890,000 that it determined was to be forfeited from escrow accounts.

Although the Authority had nearly $6.2 million in program funds which could be used to house additional eligible households, its program was significantly under leased. As a result, eligible participants were denied the opportunity to seek decent, safe, and sanitary housing under the program.

What We Recommend

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to reimburse the applicable program from nonfederal funds for the improper use of more than $135,000 in funds, provide documentation or reimburse the applicable program nearly $1.3 million from nonfederal funds for the unsupported payments cited in this audit report, and implement adequate procedures and controls to address the findings cited in this audit report to prevent more than $1 million in program funds from being spent on excessive housing assistance and utility allowances and more than $3 million from not being used to provide decent, safe, and sanitary housing to eligible households.

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 or directives issued because of the audit.

Auditee's Response

We provided our file review results and supporting schedules to the Coordinator of HUD's Indianapolis Public Housing Program Center and the Authority's executive director during the audit. We also provided our discussion draft audit report to the Authority's executive director, its board chairperson, and HUD's staff during the audit. We held an exit conference with the executive director on April 3, 2008.

We asked the executive director to provide comments on our discussion draft audit report by April 11, 2008. The executive director provided written comments, dated April 11, 2008. The Authority generally agreed with our findings. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report except for 66 pages of documentation that was not necessary for understanding the Authority's comments. A complete copy of the Authority's comments plus the documentation was provided to the Director of HUD's Cleveland Office of Public Housing.

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BACKGROUND AND OBJECTIVE

The Housing Authority of the City of Fort Wayne (Authority) is a nonprofit governmental entity created by the City of Fort Wayne, Indiana (City), on February 8, 1938, to provide decent, safe, and sanitary housing. A seven-member board of commissioners governs the Authority. The Authority's executive director is appointed by the board of commissioners and is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). It provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of December 31, 2007, the Authority had 2,182 units under contract with annual housing assistance payments totaling more than $11 million in program funds. It also received Housing Choice Voucher - Family Self-Sufficiency/Homeownership Coordinator (Coordinator) grant funds to pay the salary and fringe benefits of its Family Self-Sufficiency Program coordinator.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements to include determining whether the Authority (1) accurately calculated housing assistance and utility allowance payments, (2) maintained required documentation to support households' eligibility, (3) appropriately verified whether reported zero-income households had income, (4) complied with HUD's requirements regarding the administration of its Family Self-Sufficiency Program, and (5) utilized its program funds to HUD's expected lease-up thresholds.

RESULTS OF AUDIT

Finding 1: Controls over Housing Assistance Payments Were Inadequate

The Authority failed to always compute housing assistance and utility allowance payments accurately. It incorrectly calculated housing assistance and utility allowances and lacked documentation to support housing assistance and utility allowances to program landlords and households, respectively, because it lacked adequate procedures and controls to ensure that HUD's regulations and its program administrative plan were appropriately followed. As a result, it overpaid more than $73,000 and underpaid nearly $7,000 in housing assistance and utility allowances and was unable to support nearly $195,000 in housing assistance and utility allowances paid. Based upon our statistical sample, we estimate that over the next year, the Authority will overpay more than $1 million in housing assistance and utility allowances.

The Authority Paid Incorrect Housing Assistance and Utility Allowances

From the Authority's 2,247 active program households as of June 30, 2007, we statistically selected 66 households' files by using data mining software. The 66 households' files were reviewed to determine whether the Authority accurately verified and calculated the income information received from the households for their housing assistance and utility allowances for the period July 1, 2005, through June 30, 2007. Our review was limited to the information maintained by the Authority in its households' files.

According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c), public housing authorities must verify the accuracy of the income information received from program households and change the amount of the total tenant payment, tenant rent or program housing assistance payment or terminate assistance, as appropriate, based on such information.

The Authority's miscalculations resulted in overpayments of $73,531 and underpayments of $6,853 in housing assistance and utility allowances. The Authority incorrectly calculated housing assistance and utility allowances for 49 (74 percent) households in one or more of the certifications. The 49 files contained miscalculations of the households' annual income, use of the incorrect utility reimbursement schedule, use of the incorrect payment standard, and miscalculations of income deductions and reimbursements.

Of the $73,531 in overpaid housing assistance and utility allowances, $43,631 (33 households) was a result of the Authority's calculation errors, and $29,900 (14 households) was a result of households' underreporting their income to the

Authority. The $6,853 in underpaid housing assistance and utility allowances was also a result of the Authority's calculation errors.

The 49 files contained the following errors:

- 31 had annual income calculation errors by the Authority for one or more certifications,
- 20 had incorrect payment standards for one or more certifications,
- 18 had incorrect utility reimbursement calculations for one or more certifications,
- 14 had unreported income by the household for one or more certifications,
- 12 had incorrect calculations of reimbursements from annual income for one or more certifications,
- Seven had an inaccurate voucher size for one or more certifications, and
- One did not use the Authority's minimum rent for one certification.

Household Files Lacked Eligibility Documentation

The Authority lacked documentation to support housing assistance and utility allowances totaling $194,694 for the period July 1, 2005, through June 30, 2007. Of the 66 household files statistically selected for review, 30 files (45 percent) were missing or had incomplete documents as follows:

- 21 were missing HUD Form 9886, Authorization for the Release of Information and Privacy Act Notice,
- Nine were missing proof of a criminal history check,
- Five were missing signed U.S. citizenship certifications,
- Five were missing proof of Social Security numbers,
- Four were missing birth certificates,
- One was missing a housing assistance payment contract, and
- One was missing a current lease agreement.

The 30 files did not include documentation required by HUD's regulations and the Authority's program administrative plan.

The Authority's Procedures and Controls Had Weaknesses

The weaknesses regarding incorrect calculations, inappropriate payments, and missing documentation occurred because the Authority lacked adequate procedures and controls to ensure that it appropriately followed HUD's regulations and its program administrative plan. It did not ensure that it fully implemented HUD's regulations and its administrative plan and standardized household certifications and file management procedures.

Conclusion

The Authority overpaid $73,531 in housing assistance and utility allowances, 59 percent ($43,631) of which was due to the Authority's calculation errors, and underpaid $6,853 in housing assistance and utility allowances, also due to the Authority's calculation errors. If the Authority implements adequate procedures and controls over its housing asistance and utility allowances to ensure compliance with HUD's regulations and its program administrative plan, we estimate that more than $1 million in payments will be accurately spent over the next year based on the error rate found in our sample. 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. Reimburse its program $43,631 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.

1B. Pursue collection from the 14 households cited in this finding to reimburse the Authority's program $29,900 for the overpaid housing assistance and utility allowances due to the underreporting their income or reimburse its program the applicable amount from nonfederal funds.

1C. Reimburse the appropriate households $6,853 for the underpayment of housing assistance and utility allowances cited in this finding.

1D. Provide supporting documentation or reimburse its program $214,157 ($194,694 in housing assistance and utility allowances plus $19,463 in related administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees related to the 30 households cited in this finding.

1E. Implement adequate procedures and controls over its housing assistance and utility allowance processes to ensure that it complies with HUD's requirements and the Authority's program administrative plan. By implementing adequate procedures and controls, the Authority should help to ensure that $1,086,442 in program funds is appropriately used for future payments.

Finding 2: The Authority's Zero-Income Households Had Unreported Income

The Authority did not perform periodic reviews to determine that reported zero-income households had unreported income. Of the 151 households reviewed, 24 had unreported income that affected their housing assistance and utility allowance payments. This condition occurred because the Authority lacked adequate controls to ensure that it performed periodic reviews. As a result, it unnecessarily paid housing assistance and utility allowances totaling more than $62,000 for households that were able to meet their rental obligations.

Households Had Unreported Income

We reviewed all 151 households listed as zero income by the Authority as of June 30, 2007, to determine whether it conducted periodic reviews of the zero-income households and whether the households had unreported income according to HUD's system for the period July 1, 2005, through June 30, 2007. The Authority's program administrative plan states that an interim reexamination will be scheduled for households with zero income every 90 days to review for changes in income. However, the Authority did not perform reexaminations every 90 days for the 151 household files.

Of the 151 households reviewed, 24 had unreported income totaling $171,801 resulting in the Authority providing $28,267 in excessive housing assistance and utility allowances. Our review was limited to the information maintained in HUD's Enterprise Income Verification system (system) and information included in the Authority's household files.

The following are examples of households with unreported income:

- Household t0003228 had income, according to HUD's system, totaling $22,327 from January 2006 through June 2007. Since the household had unreported income, the Authority overpaid a total of $4,971 in housing assistance and utility allowances from February 2006 to June 2007. There was no evidence in the household file that the Authority conducted periodic reviews every 90 days as stated in its administrative plan.

- Household t0002117 had income, according to HUD's system, totaling $10,288 from May 2006 through February 2007. Since the household had unreported income, the Authority overpaid a total of $1,790 in housing assistance and utility allowances from May 2006 to February 2007. There was no evidence in the household file that the Authority conducted periodic reviews every 90 days as stated in its administrative plan.

In addition to conducting periodic reviews every 90 days, the Authority's plan states that households claiming to have no income will be required to execute verification forms to determine that forms of income such as unemployment benefits, temporary assistance for needy families, and supplemental security income were not received by the households. Forms are required to be submitted on the first day of the month once every quarter. By conducting reviews and verifying income as required by its administrative plan, the Authority could have significantly increased its chances of detecting unreported income.

Underreported Income by Households

The Authority overpaid $12,505 in housing assistance and utility allowances for six households because they underreported their income. The households were not reported as being zero income during the period their housing assistance was overpaid, but according to HUD's system they underreported their household income. Examples of households with underreported income follow:

- Household t0000992 had income, according to HUD's system and documentation in the Authority's household file, totaling $12,610 from July 2005 through June 2006. The household was not reported as zero income because welfare income was being included during this time period. Since the household did not report their earned income, the Authority overpaid a total of $3,072 in housing assistance and utility allowances from July 2005 to June 2006.

- Household t0002438 had income, according to HUD's system, totaling $14,455 from August 2005 through July 2006. The household was not reported as zero income because earned income and welfare income was included during this time period. Since the household did not report its correct earned income, the Authority overpaid a total of $2,867 in housing assistance and utility allowances from August 2005 to July 2006.

The six households failed to report to the Authority that they had an increase in their income. As a result, the income that was used to determine their housing assistance was not accurate. HUD's system showed more income was earned by the households than what was reported to the Authority. If the Authority had effectively incorporated the use of HUD's system, it would have found the income information and been able verify the households' employment status by performing third party verifications.

Authority Did Not Act Timely with Income Information

For 12 of the households reviewed, the Authority overpaid $21,411 in housing assistance and utility allowances even though it had the necessary income information to adjust the housing assistance and utility allowances. The households reported their income to the Authority, but it never performed an interim reexamination or delayed the interim reexamination effective date, which was contrary to the Authority's program administrative plan.

The following are examples of households that reported income, but the Authority did not act timely:

- Household t0000142 had income, according to HUD's system and the Authority's household file, totaling $21,895 from July 2005 through March 2006. The household reported the income to the Authority in November 2004, but the Authority failed to perform third-party income verification and failed to include it at the interim reexamination effective in January 2005. Since the Authority did not act in a timely manner regarding the income information, a total of $4,288 in housing assistance and utility allowances was overpaid from July 2005 through February 2006.

- Household t0001863 reported its earned income increase to the Authority in June 2006 and the Authority received a third-party income verification form in July 2006. Contrary to the Authority's administrative plan, the Authority failed to make the interim reexamination effective August 1, 2006, and it was not made effective until January 2007. The Authority's delay resulted in an overpayment of $1,985 in housing assistance and utility allowances from August through December 2006.

The Authority reported these households as having zero income. As previously mentioned, if the Authority had conducted periodic reviews every 90 days as required by its program administrative plan, it would have identified the income information and been able to verify the households' employment status by performing third-party verifications. Its plan also requires households who report zero income to complete a written certification every 90 days and an interim reexamination will be scheduled for families with zero and/or unstable income every 90 days.

We identified unreported income through HUD's system. This is available to all housing authorities. The Authority did not effectively use this system despite having access. By using HUD's system in addition to the verification procedures already in its administrative plan, the Authority could further increase its ability to detect unreported income.

Conclusion

As a result of the Authority's failure to properly verify household income for its zero-income households and identity unreported income, it improperly paid $28,267 in housing assistance and utility allowances for households that were able to meet their rental obligations. If the Authority does not implement adequate controls over its zero-income households, we estimate that it could pay more than

$32,000 in excessive housing assistance and utility allowances over the next year based on the error rate found during our review. 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

2A. Pursue collection from the applicable households or reimburse its program $28,267 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.

2B. Pursue collection from the applicable households or reimburse its program $12,505 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding related to the underreporting of income.

2C. Reimburse its program $21,411 from nonfederal funds for the overpayment of housing assistance and utility allowances due to not including household reported income.

2D. Implement adequate controls to ensure that it follows its administrative plan to minimize the chance that it will overpay housing assistance and utility allowances. These controls should help to ensure that an estimated $32,655 in housing assistance and utility allowances is not overpaid during the next year.

Finding 3: The Authority Failed to Operate Its Family Self-Sufficiency Program According to Federal Requirements

The Authority failed to operate its Family Self-Sufficiency Program according to the *United States Code*, HUD's requirements, and the Authority's family self-sufficiency action plan. This condition occurred because the Authority failed to exercise proper supervision and oversight of its Family Self-Sufficiency Program and lacked adequate procedures and controls to ensure that federal requirements were appropriately followed. As a result, the Authority had more than $900,000 in questioned costs and participants did not receive the needed support to achieve economic independence and self-sufficiency.

The Authority Failed to Adequately Operate Its Family Self-Sufficiency Program

The Authority inappropriately administered its Family Self-Sufficiency Program by failing to ensure that participants' escrow account balances were accurate and escrow funds were not credited to participants whose contracts of participation had expired and had not been extended according to HUD's requirements, communicate regularly with participating households to check progress and ensure continued participation, establish and maintain an effective program coordinating committee and program coordinator, maintain the minimum Family Self-Sufficiency Program size, provide family self-sufficiency account statements to participants at least annually, and ensure that the amount of escrow accounts forfeited was accurate and supported.

Escrow Account Balances Were Inaccurate

The Authority did not correctly calculate the escrow balances for its participating households. After reviewing 25 randomly selected files of the Authority's 102 participants' files and their respective program household files, we determined that 16 participants had incorrect escrow account balances. The Authority overfunded seven participants' escrow accounts by $8,437 plus interest and underfunded nine participants' escrow accounts by $3,808 plus interest between July 1, 2005, and November 30, 2007. The following table details the overfunded and underfunded escrow accounts for the 16 households.

Incorrect escrow account balances		
Household number	**Overfunded**	**Underfunded**
t0003414		$798
t0002655		189
t0002407	$1,059	
t0001514		58
t0001232	1,503	
t0002376	346	
t0007465		158
t0001152	819	
t0001254		8
t0002030		171
t0002037		387
t0002955	50	
t0001980	4,104	
t0003229		252
t0001531		1,787
t0000390	556	
Totals	**$8,437**	**$3,808**

For example, the escrow account for household number t0003414 was underfunded by $798 plus applicable interest because the Authority did not use third-party income verification in a timely manner. The Authority verified that the participant was employed in December 2005 and should have made the income change effective February 1, 2006, in accordance with its administrative plan. Instead, the Authority made the income change effective April 1, 2006. This error resulted in the participant's escrow account being underfunded by $399 for February and March 2006, a total of $798.

These errors occurred because the annual income was miscalculated by the Authority's staff, tenant-supplied income documentation or third-party income verifications were not used correctly or in a timely manner by the staff, and escrow credits were not accurately calculated or updated. The Authority's former family self-sufficiency coordinator relied on the income included on HUD Forms 50058 to calculate the escrow credits. If the income was miscalculated or certification was not effective in a timely manner on the form, the escrow credits were also miscalculated and not calculated in a timely manner.

There was also a lack of communication among the Authority's program staff, family self-sufficiency coordinators, and the accounting department. When changes to the participants' rent amounts were made by the program staff, the family self-sufficiency coordinators were not notified in a timely manner causing the participants to receive incorrect escrow credits. In turn, the family self-sufficiency coordinators did not communicate with the accounting department and the participants' escrow account balances were not updated correctly. The Authority lacked procedures and controls to ensure that escrow credits were properly calculated and credited to the escrow account. Additionally, the Authority had no quality control measures in place for its Family Self-Sufficiency Program.

Escrow Accounts Contained Funds from Expired Contracts of Participation

The Authority's escrow accounts contained funds from participants whose contracts of participation had expired and had not been extended in accordance with HUD's regulations. According to 24 CFR [*Code of Federal Regulations*] 984.303(c), the contract of participation shall provide that all family self-sufficiency participants are required to fulfill those obligations to which they have committed themselves under the contract of participation, no later than five years after the effective date of the contract. Paragraph (d) states that the 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 participant who requests in writing a contract extension provided that the Authority finds that good cause exists for granting the extension. The participant's written request for an extension must include a description of the need for the extension.

There were six family self-sufficiency participants in our sample of 25 whose file contained a contract of participation that was extended for two years by the Authority because their contract expired between July 1, 2005, and November 30, 2007. The files contained no written requests for a contract extension from the participant and no documentation from the Authority stating that good cause existed and that an extension was needed. As a result, the contracts should not have been extended for the two years beyond the expiration dates. The amounts credited to the escrow accounts for these six participants from the time the contract expired through November 30, 2007, are included in the overfunded amounts previously mentioned. As a result, $14,928 should have been forfeited and reimbursed to the program because the contracts of participation were not extended in accordance with HUD's requirements for these six escrow accounts. This amount does not include the overfunded amounts previously mentioned.

Of the remaining 77 participant files that we did not review, 20 contained contracts of participation that expired between July 1, 2005, and November 30, 2007. As previously mentioned, we determined that six files in our sample of 25 contained contracts of participation that had expired with no written request for an extension or a granted extension by the Authority. Based upon our sample results, we would expect the same results if we reviewed the remaining 20 files with expired contracts of participation. The 20 files had escrow account balances totaling $54,196, according to the Authority's records, as of November 30, 2007.

The Authority Failed to Support the Forfeiture Amount

The Authority forfeited $889,209 from its family self-sufficiency escrow in June 2007 as a result of a comprehensive review performed by the Authority's former family self-sufficiency coordinator. The former coordinator reviewed all of the Authority's Family Self-Sufficiency Program participants' files. According to the former coordinator, she used the participants' income listed on HUD Form 50058 as her basis to adjust the escrow accounts. She did not use the income documentation in the participants' files. We determined that the income included on the HUD Forms 50058 were not always accurate (see finding 1).

The forfeited amount is in question because the Authority could not provide documentation showing how the amount was determined. The executive director said that the large amount of escrow forfeited was a result of inadequate administration by the Authority since its Family Self-Sufficiency Program began in 1998.

The Authority Did Not Communicate with Its Family Self-Sufficiency Participants

For the period July 1, 2005, to November 30, 2007, the contracts of participation were effective for a combined 626 months for the 25 participant files in our sample. During these 626 months, the Authority reported that the participants had no earned income for a combined 284 months, or 45 percent of the time. The participants may have had earned income, but the Authority did not report it on the Form 50058 that was effective and used to generate the escrow credits. According to 24 CFR [*Code of Federal Regulations*] 984.303(b)(4)(i), the head of the family self-sufficiency household shall be required under its contract of participation to seek and maintain suitable employment during the term of the contract and any extension thereof. Although other members of the family may seek and maintain employment during the term of the contract, only the head of the family is required to seek and maintain suitable employment. Paragraph (ii) states that the obligation to seek employment means that the head of the family self-sufficiency household has applied for employment, attended job interviews, and otherwise followed through on employment opportunities. Paragraph (iii) states that a determination of suitable employment shall be made by the authority based on the skills, education, and job training of the individual that has been designated the head of the family self-sufficiency household, and based on the available job opportunities within the jurisdiction served by the authority.

As previously mentioned, for the 25 participants in our sample, the heads of household had no earned income for nearly half of the time period reviewed according to the Authority's files. This fact may only indicate that suitable employment was not maintained, but the participant could have been seeking employment. However, the Authority's Family Self-Sufficiency Program files contained no documentation or correspondence between the Authority and the participants on their progress toward meeting the goals in the contracts of participation including seeking and maintaining employment.

The Authority did not provide annual escrow account statements to participants at anytime from July 2005 through November 2007 contrary to HUD's requirements. The executive director said that the Authority had not sent annual escrow account statements to participants because the escrow balances were incorrect. According to 24 CFR [*Code of Federal Regulations*] 984.305(a)(3), each authority will be required to make a report, at least once annually, to each family self-sufficiency family on the status of the family's family self-sufficiency account. At a minimum, the report will include the balance at the beginning of the reporting period, the amount of the family's rent payment that was credited to the family self-sufficiency account during the reporting period, any deductions made from the account for amounts due the authority before interest is distributed, the amount of interest earned on the account during the year, and the total in the account at the end of the reporting period.

The Authority was unable to determine whether participants were employed, seeking employment, or acquiring the skills necessary for future employment due to its lack of communication with its family self-sufficiency participants. It failed to administer its Family Self-Sufficiency Program properly because it did not communicate with participants. Frequent communication between the Authority and participants is essential for the Family Self-Sufficiency Program and its participants to be successful.

The Authority Failed to Maintain the Minimum Program Size

The Authority did not maintain the minimum Family Self-Sufficiency Program size. As of August 10, 2007, the minimum required program size according to the Authority was 271 participants. As of November 30, 2007, there were 102 participants in its Family Self-Sufficiency Program according to the Authority. As previously mentioned, six participants should not have been in the program on November 30, 2007, because their contracts of participation were inappropriately extended and up to 20 more family self-sufficiency participant files that were not reviewed may also have contained contracts that were inappropriately extended. The Authority's Family Self-Sufficiency Program size should be 96 (102 minus 6) as of November 30, 2007, and may be as low as 76 (96 minus 20) if no documentation exists to support the contract extensions for the 20 participants.

The Authority had not received approvals from HUD to operate a smaller Family Self-Sufficiency Program than the required minimum program size as of February 2008.

The Authority Failed to Establish and Maintain an Effective Committee and Earn Coordinator Funds Received

The Authority did not have an established program coordinating committee (committee) for its Family Self-Sufficiency Program and had not maintained an effective committee in accordance with HUD's regulations and its family self-sufficiency action plan. According to 24 CFR [*Code of Federal Regulations*] 984.202(a), each participating authority must establish a program coordinating committee, the functions of which will be to assist the authority in securing commitments of public and private resources for the operation of the Family Self-Sufficiency Program within the authority's jurisdiction, including assistance in developing the action plan and in program implementation. The Authority's executive director provided us lists of past and current committee members and said that the committee had not existed since September 2006. However, the Authority could not provide documentation to support that the committee was established and effectively functioning from July 2005 through June 2007.

The Authority received $151,661 in Coordinator grant funds from HUD between January 2005 and February 2007 to operate its Family Self-Sufficiency Program. These funds were made available to pay the salary and fringe benefit of a coordinator under the stipulation that the Authority administer the Family Self-Sufficiency Program in accordance with federal regulations and HUD's requirements. The executive director acknowledged that the family self-sufficiency coordinators did not adequately perform the duties of the position. Given that the Authority and the coordinator failed to maintain an effective program and implement its action plan to establish and maintain a structured program for family self-sufficiency participants, the Authority may not have properly used the $151,661 in Coordinator funds.

The Authority Needs to Implement Adequate Procedures and Controls

The Authority did not establish adequate procedures and controls for the administration of its Family Self-Sufficiency Program. It failed to exercise proper supervision and oversight of the Family Self-Sufficiency Program and lacked adequate procedures and controls to ensure that federal requirements and its action plan were appropriately followed.

According to the executive director, the Authority advertised the program as a way to receive a large sum of money rather than as a way to help participants become economically self-sufficient, thereby, causing participants to join the program who had no intention of becoming self-sufficient but, rather, were primarily interested in receiving money. Participants who were truly interested in becoming self-sufficient did not receive the benefits that the program was intended to offer and had no assurance that their escrow accounts were correct.

Conclusion

The Authority improperly used funds for the Family Self-Sufficiency Program when it failed to comply with federal requirements. Its failure to maintain sufficient documentation made it difficult to determine whether its Family Self-Sufficiency Program was meeting its goal of enabling households to become economically self-sufficient and increased the likelihood that participants were not complying with the contracts of participation, and participants were receiving incorrect escrow credits. Additionally, it hindered the Authority's ability to monitor and measure the effectiveness of its Family Self-Sufficiency Program.

As a result of its noncompliance, the Authority overfunded participants' escrow accounts by $8,437 and underfunded participants' escrow accounts by $3,808, had nearly $15,000 in escrow funds that should have been reimbursed to the program, failed to support nearly $890,000 that it determined was to be forfeited from escrow accounts, and could not support more than $151,000 in Coordinator funds.

Recommendations

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

3A. Reimburse its program $8,437 plus the applicable earned interest for the seven Family Self-Sufficiency Program participants' escrow accounts cited in this finding that were overfunded.

3B. Reimburse its nine Family Self-Sufficiency Program participants' escrow accounts $3,808 plus the applicable earned interest cited in this finding that were overfunded.

3C. Provide documentation to support its use of funds for the six Family Self-Sufficiency Program participants whose contracts were extended contrary to HUD's requirements or reimburse its program $14,928 from nonfederal funds.

3D. Review the files for the 20 participants whose contracts of participation expired between July 1, 2005, and June 30, 2007, to support its use of program funds for the escrow accounts, or reimburse its program the applicable amount from nonfederal funds.

3E. Provide documentation to support the forfeiture of the $889,209 from its Family Self-Sufficiency Program escrow accounts to its program. If documentation cannot be provided, the Authority should contract with an independent third-party to reconcile all of its Family Self-Sufficiency Program participants' escrow accounts from the inception of the program to ensure that the $889,209 is the correct amount of funds forfeited to its program.

3F. Establish and maintain a committee in accordance with HUD's requirements and its family self-sufficiency action plan.

3G. Provide documentation to support its allocation of time spent correctly administering its Family Self-Sufficiency Program or reimburse its program's undesignated fund balance for administration account from nonfederal funds the appropriate portion of the $151,661 in Coordinator funds received for fiscal years 2004 and 2005 that were incorrectly administered.

3H. Implement adequate procedures and controls over its Family Self-Sufficiency Program to ensure that it follows federal requirements and its HUD-approved action plan.

Finding 4: The Authority Significantly Underleased Its Program

The Authority's program was significantly underleased despite having sufficient funds available to house eligible households. These conditions occurred because the Authority did not comply with HUD's requirements. Its failure to meet HUD's lease-up thresholds resulted in approximately 577 households in fiscal year 2007 and 447 households in fiscal year 2006 not being housed. Overall, the Authority's failure to meet HUD's lease-up requirements resulted in nearly $6.2 million in program funds not being used. As a result, it failed to maximize the benefits of HUD's program funding to provide assistance to low- and moderate-income households seeking decent, safe, and sanitary housing.

Housing Choice Voucher Leasing Threshold Not Met

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 985.3(n)(3)(ii) require that public housing authorities lease at least 95 percent of their allocated yearly vouchers to eligible participants. HUD uses this requirement as part of its review and scoring of the Authority's program. The Authority's failure to meet HUD's lease-up thresholds resulted in approximately 577 households in fiscal year 2007 and 447 households in fiscal year 2006 not being served.

From July 1, 2005, through June 30, 2007, HUD provided $29.4 million in program funding to the Authority to provide housing assistance for eligible households. The Authority spent $23.2 million (79 percent) of its funding for housing assistance payments as reported in HUD's Voucher Management system. It had more than $2.7 million in excess program funds from its fiscal year 2006 program ending June 30, 2006, and accumulated more than $3.4 million from its fiscal year 2007 program ending June 30, 2007. Contrary to HUD's requirements, the Authority maintained its excess program funds in two separate bank accounts neither of which was an interest-bearing account.

Authority Acknowledged Low Utilization

The Authority's management acknowledged that low voucher utilization was a problem that needed to be addressed. Previously, the Authority's management did not consider voucher utilization to be a priority and focused its resources elsewhere. Since utilization rates are a Section 8 Management Assessment Program indicator that the Authority reports to HUD annually, HUD was aware that the Authority had not leased to full utilization or even standard performance levels of 95 percent. The Authority's management had tracked program turnover but not the voucher success rate. These two statistics combined, along with the number of waiting list applicants that were issued vouchers, are necessary to project future utilization rates and effectively budget resources to increase utilization to target levels.

Ineffective Voucher Management

The Authority's management did not effectively monitor the voucher issuance process. The Authority was unable to determine how many applications it needed to accept and maintain on its waiting list to fully utilize the vouchers and whether it effectively used its resources. Management had kept track of program turnover, the number of participants terminated each month, and was attempting to increase its utilization rate. However, it was not tracking the success rate, the percent of households that received housing choice vouchers that succeeded in finding suitable units and become program participants. Collecting and monitoring success rates are essential program administration activities.

Conclusion

The Authority's program was significantly underleased despite having excess program funds totaling $6,178,124 from July 1, 2005, through June 30, 2007. As a result, it was not providing voucher assistance to as many households in its jurisdiction that it was able to. HUD also has the ability to recapture a portion of the unused program funds as provided for in HUD's 2008 Appropriations Act. Further, if the Authority does not improve its voucher utilization, future housing assistance funded to the Authority to provide for households will be permanently reduced. By implementing adequate procedures and controls over its program voucher utilization, we estimate that $3,005,593 of excess program funds could be put to better use 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

4A. Implement adequate procedures and controls to ensure its program funds are fully utilized to provide $3,005,593 in housing assistance to the maximum number of eligible households.

4B. Implement adequate procedures and controls to ensure compliance with HUD's investment requirements for excess funds.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; and HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 982, 984, and 985; HUD's Public and Indian Housing Notices 2005-9 and 2006-3; *United States Code*, Title 42, chapter 8, subchapter I, subsection 1437u; HUD notices for fiscal years 2004 and 2005 of funding available for the Coordinators, dated May 14, 2004, and March 21, 2005; and HUD's Housing Choice Voucher Guidebook 7420.10G.

- The Authority's accounting records, annual audited financial statements for the fiscal year ending June 30, 2006, general ledgers, bank statements and cancelled checks, program household files, family self-sufficiency participant files and action plan, board meeting minutes from July 2005 through May 2007, organizational chart, program annual contributions contract with HUD, and program administrative plans effective February 2005 and July 2006.

- HUD's reports and files for the Authority's program.

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

From the Authority's 2,247 active program participant households as of June 30, 2007, we statistically selected 66 households' program files for review by using the United States Army Statistical Sampling program and ACL Services Limited Software. The Authority incorrectly calculated payments for the period July 1, 2005, through June 30, 2007, for 49 of the 66 files reviewed. Our sampling criteria used an expected error rate of 50 percent, a precision of 10 percent, and a confidence level of 90 percent.

Unless the Authority improves its housing assistance payment calculation process, we estimate that it could make $1,086,442 in future excessive housing assistance and utility reimbursement payments. We determined this amount by multiplying 9.7 percent (the percentage of the total housing assistance and utility reimbursement for the 66 households' program files in the sample that received excessive payments) by $11,200,442 (the total payments for the population of households served). We determined the 9.7 percent by annualizing the net excessive payments of $66,678 ($73,531 in overpayments minus $6,853 in underpayments) for our sample of 66 households divided by the $343,748 in housing assistance and utility reimbursement payments for one year.

The Authority originally provided a list of 157 zero-income households as of June 30, 2007. However, six of these households were included in our sample of 66 for the housing assistance payment calculations so we removed them, leaving 151 zero-income household files, which we reviewed. Included in the 151 households reviewed were 14 for which housing assistance payments were not changed to reflect the reporting of zero income until July 2007 or later and eight that had not been reported as zero income as of June 2007. By removing these 22 households from our population, we were left with 129 households that had reported zero income as of June 30, 2007. The 129 households that had reported zero income as of June 30, 2007, were used to determine the estimated future housing assistance overpayments.

We determined that an estimate of $32,655 in housing assistance overpayments would be made due during the next 12 months due to the underreporting of income by zero-income households. To make this determination, we applied a 3.78 percent error rate found during our review of 129 zero-income households' files to the estimated average annual housing assistance payments of $863,892 disbursed by the Authority for all 129 zero-income households as of June 30, 2007. We determined this error rate by dividing the overpaid housing assistance payments ($28,267) by the total housing assistance payments made for the 129 households in our sample ($748,616) from July 1, 2005, through June 30, 2007, during the period in which they reported zero income. We calculated the Authority's average annual housing assistance expense by annualizing the total payments made to the 129 zero-income households in our population as of June 2007 ($71,991 times 12).

According to the Authority, there were 102 active participants in the Family Self-Sufficiency Program as of November 30, 2007. Due to the variance of the escrow account balances and small population, we decided to conduct a 100 percent review. However, due to the time it took the Authority to provide its files, we only reviewed 25 of the 102 family self-sufficiency files for participants active in the program as of November 30, 2007. These were the first 25 that were randomly selected. The 25 participants were selected to determine whether the Authority had supporting documentation for participation, correctly calculated escrow account balances, properly executed contracts of participation with individual training and services plans, and had documentation to support contract extensions.

The annual average housing assistance payment per unit was determined by taking the voucher management system's expenses for fiscal year 2007, which were $11,200,442, and dividing by the average number of housing choice voucher units for fiscal year 2007 of 2,150, giving an average annual voucher payment of $5,209 for fiscal year 2007. The Authority was required to lease up to 95 percent of its contracted vouchers, which were 2,727 units (2,870 units authorized by HUD times 95 percent) for fiscal year 2007. It only leased an average of 2,150 vouchers. The Authority needed to lease an additional 577 vouchers to meet its lease-up threshold of 95 percent or 2,727 vouchers for fiscal year 2007. Using the average annual voucher payment of $5,209 times the number of vouchers that were needed to meet the required 95 percent (577) of leased vouchers, we estimate that the Authority will have $3,005,593 in excess program funds that could be put to better use. This estimate is solely to demonstrate the annual amount of program funds that could be put to better use if the Authority implements our recommendation. We were conservative in our approach since the Authority had not appropriately issued vouchers and had declined in leased vouchers between 2006 and 2007 from 82 percent to 76 percent, respectively.

We performed our on-site audit work from July 2007 through February 2008 at the Authority's program office, located at 7315 South Hanna Street, Fort Wayne, Indiana. The audit covered the period July 1, 2005, through June 30, 2007, but was expanded as necessary to accomplish our objectives.

We performed our audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

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

- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

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

- The Authority lacked adequate procedures and controls to ensure compliance with federal requirements regarding households' admission and selection, calculations of households' housing assistance and utility reimbursement payments, income verification for reported zero-income households, administration of its Family Self-Sufficiency Program, and HUD's expected threshold for issuing available vouchers to eligible participants (see findings 1, 2, 3, and 4).

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	$43,631		
1B	29,900		
1C			$6,853
1D		$214,157	
1E			1,086,442
2A	28,267		
2B	12,505		
2C	21,411		
2D			32,655
3A			8,437
3B			3,808
3C		14,928	
3E		889,209	
3G		151,661	
4A			3,005,593
Totals	$135,714	$1,269,955	$4,143,788

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 audit. Unsupported costs required 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. This includes reduction in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In these instances, if the Authority implements Recommendation 1C it will ensure that program funds are used to benefit eligible households as intended by federal requirements. For Recommendations 1E and 2B, if the

Authority implements our recommendations, it will ensure that program funds are spent according to federal requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. For Recommendations 3A and 3B, if the Authority implements our recommendations, it will cease to incur program costs for improper Family Self-Sufficiency Program participants' escrow accounts. Our estimate reflects only the initial year of this benefit. For Recommendation 4A, by implementing adequate procedures and controls to ensure that the Authority meets HUD's expected leasing thresholds in issuing available vouchers, it can provide more housing assistance to eligible households. 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**

HUD AUDIT RESPONSE & REQUEST

from the
FORT WAYNE HOUSING AUTHORITY, INC.

April 11, 2008

Maynard Scales
Executive Director
7315 S Hanna Street
Fort Wayne, IN 46806
t: 260-449-7811
f: 260-449-7817
mscales@fwha.org
www.fwha.org

RESPONSE OUTLINE

EQUAL HOUSING OPPORTUNITY

Ref to OIG Evaluation **Auditee Comments**

Management Response Summary

In reviewing the Audit Briefing (full text can be found in Attachment A), the Board and Management of the Fort Wayne Housing Authority ("FWHA") maintains the following positions:

1. The FWHA agrees that a periodic audit should be a regular facet of its ongoing mission to improve operations and provide the best possible service to its clients.
2. The FWHA finds no serious disagreement with most of the Audit Briefing Findings.
3. However, the FWHA contends that all Findings should be observed in their proper context, that is, the historical root cause of problems (see pages 4-5 and Attachment B).

Comment 1

4. The FWHA also contends that the organization was already aggressively addressing all of the issues represented by the Findings well before the OIG Audit Period via a Corrective Action Plan (see Attachment B).
5. The FWHA had no experience dealing with a disaster of the magnitude of the flood and the resulting damage to the HCVP operations. Given the unpredictable set of circumstances further complicating flood recovery, such as computer challenges, excessive staff turnover and retraining, we feel the waiver period granted by HUD should be extended through FYE 2008.

Comment 2

6. Therefore the FWHA respectively requests the opportunity to reduce or eliminate some recommendations during the negations period of the OIG Audit.

EQUAL HOUSING OPPORTUNITY

FWHA TIMELINE OF OBSTACLES RELEVANT TO RESPONSE

The FWHA experienced numerous historic obstacles starting in 2002 that contributed in large part to many of the Findings of the Office of Inspector General Audit ("OIG Audit"). Before addressing any of the Findings during the audit period, a listing of the major factors contributing to organizational deficiencies, as well as a listing of our action plan to address and correct these needs well before the recent audit, is warranted at this time.

Below is a list of these major occurrences and their ramifications on the operations of the FWHA Housing Choice Voucher Program ("HCVP"). Had any one of these major factors occurred during any other operating period, the FWHA estimates that the damage would have been minimal; however, their occurrence in near tandem with a natural disaster in 2002 initiated a chain reaction that the organization is only recently fully recovered from.

I. Flood of 2002
   A. The FWHA experienced a catastrophic flood in June, 2002 (see Attachment C) at its previous headquarters, the kind of disaster that has not occurred in that specific area in memorable history (referred to as a "100 year flood"). This unexpected, and therefore unplanned, catastrophic event destroyed the entire lower level and much of the first floor of the FWHA offices, and hence destroyed all HCVP paper records.
   B. This flood destroyed source documents, computer hardware, files, office furniture, vehicles, etc. The FWHA had to therefore completely rebuild its files and seriously delay any and all federal reports, inspections, audits, etc.
   C. Not only did the FWHA spend several months establishing temporary offices in 2002, but a permanent headquarters was not established until July, 2003.
   D. It is estimated that the FWHA sustained nearly $1 million in expenses due to this flood, not including the opportunity cost of lost time, unrecoverable history, etc.

The FWHA still disputes the reneging by our property insurance carrier suggesting that the loss was flood related even though our property was not in a flood zone.

II. Antiquated Computer System
   A. As late as 1999-2000, the computer system utilized by the FWHA was still DOS-based and therefore obsolete (Term 43).
   B. Before the Flood of 2002, the FWHA initiated a major, $40,000+ transition to a new computer software system (Master Software by Nan McKay Associates). Unfortunately, this system was seriously flawed in its ability to handle all aspects of FWHA business operations as promised. And, the owner of this

Ref to OIG Evaluation **Auditee Comments**

proprietary system subsequently closed its computer software operations and sold its database to Yardi Systems in 2006.

C. Yardi systems disclaimed any responsibility for the flawed software and only issued a price discount for its proprietary software. Legal delays in the purchase and implementation further set back program recovery and efficiency expected from the computer investment.

D. With the conversion from the DOS system to the Nan McKay system, staff ran both systems parallel for 6 months. From the conversion from the Nan McKay system to the Yardi system, staff also experienced additional difficulty in the actual data conversion, requiring manual data entry and parallel running delays for over 6 months.

E. Therefore, not only did the organization lose money and staff time upgrading to the flawed system, but additional money and time was needed to continue the upgrade from the DOS system to the new system, as well as converting the data already converted to the flawed system to the new system. Currently, those problems have been largely resolved.

III. Staffing Issues

A. Following the Flood of 2002, the long-time director of the HCVP resigned to take a position with the Indianapolis Housing Authority in August, 2003. Not only was his departure a loss for the department, but also a loss of experience and link to the past for the organization. The departure of a HCVP Director seriously setback the flood recovery efforts. The staff member brought in to replace this administrator had been away from the HCVP for over 6 years and therefore needed to re-learn the position, causing yet another program recovery setback. (see Attachment G)

B. Also, an endemic staffing problem was discovered within the HCVP, including a culture of uncommitted attitudes and a general resistance to change brought in by new management.

C. Therefore, it was determined that nearly the entire department must be either re-trained or replaced to improve overall program performance.

D. The HCVP experienced significant employee turnover, including 45 staff turnovers within the Housing Choice Voucher Program from 2003-2007.

E. The FSS department had its own level of turnover issues, primarily due to poor supervision that was corrected in January, 2005. Other corrections included replacing ineffective staff, the termination of two FSS coordinators, and discontinuation of staff deployment at the TANF building, etc. Other staffing issues related to turnover included the FWHA's relatively low wages.

F. The executive director retired in January, 2004.

G. These staff turnovers resulted in an enormous loss of institutional knowledge and a correlative need for training resources (a.k.a. "the learning curve") for the subsequent new hires.

H. These staff issues, coupled with the computer turmoil and the Flood, lead to increased error rates and therefore led new management to address these issues in 2004-2007.

IV. Policies

A. There was a general lack of well-defined written policies and procedures, both with the senior and line staff.

B. This lack of written policies and procedures also greatly hampered the program recovery. The Policy and Procedure RFPs were completed in March, 2008. Training on newly implemented Policies and Procedures will began in April 2008.

V. Request for Relief

A. In 2002 the FWHA requested, and received, a 2 year waiver from HUD from required audits, SEMAP, etc. to allow for adequate time to rebuild the organization.

B. Due to the severity of the damage and loss of information, in conjunction with the computer problems, unusual staff turnover, and mixed direction from HUD regarding expected reductions in funding affecting leasing activities, (see Attachment D PIH Notice 2005-1 HA) the extra-ordinary operational needs discovered warranted a 5 year waiver, instead of the 2 year waiver. The estimation of the recovery time needed is the result of inexperience with this extreme level of program damage.

CORRECTIVE ACTION PLAN SUMMARY

In 2005 the FWHA formally submitted a Corrective Action Plan ("CAP") to address operational, staff and other deficiencies found during a self-assessment period after Maynard Scales was hired as executive director.

The FWHA was motivated by a sense of responsibility to HUD and its clients and therefore initiated this CAP to create the best possible organization for its clients, including a high level of efficiency and program performance well before the OIG Audit was initiated.

The following are highlights from the CAP; please see the attached copy of the CAP created in August, 2005, and updated in April, 2008:

- Starting in 2005, the CAP included contracting out inspections recovery;
- Nelrod-Assistance with re-certifications recovery; implemented;
- On-site training by national trainer on all aspects of the HCVP;
- HQS Inspector Training;
- Diamond RIM-quality control tools implemented 2006;
- Wage and Salary Upgrades in 2003 and 2007;
- FSS program overhaul, including new staff, new supervision and improved software in 2006/2007, HUD amended 50058 form direct upload to PIC;
- FSS Training in 2006 & 2007;
- Written policy and procedure creation and implementation in 2008;
- Mobility Counselor hired to improve utilization and de-concentration of poverty issues in 2008;
- Created the <www.fortwaynehousingnow.org> website for clients to find available housing in Fort Wayne to improve both the de-concentration of poverty and utilization indicators;
- Initiated Landlord Fairs for recruitment of new landlords;
- And the redesign and update manuals and handbooks for HCVP.

Please see Attachment B for more detail on these and the other facets of the CAP.

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Ref to OIG Evaluation **Auditee Comments**

BOARD AND MANAGEMENT RESPONSE TO FINDING 1:
CONTROLS OVER HOUSING ASSISTANCE PAYMENTS INADEQUATE

Comment 3

The FWHA has already successfully achieved the following:

1. Utilization Schedules and Procedure checklists were revised and were required to be included in all files.
2. Trained staff and committed increased training resources on an ongoing basis.
3. Quality control procedures were redefined and strengthened; staff error weaknesses identified and corrected. Ongoing areas needing improvement being monitored by management.
4. Improved procedure implementation, including file organization, file content checklists, voucher issuance certification tools, etc.
5. EIV System usage required to higher degree to ensure that errors due to fraud are detected. Zero income policy implemented.
6. Computer conversion problems identified to reduce and eliminate computer generated weaknesses.

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Ref to OIG Evaluation | **Auditee Comments**

BOARD AND MANAGEMENT RESPONSE TO FINDING 2:
THE AUTHORITY'S ZERO-INCOME HOUSEHOLDS HAD UNREPORTED INCOME

Comment 4

The FWHA has already successfully achieved the following:

1. Created management reports to identify zero and near-zero families.
2. Implemented written policies and performed zero income evaluations, both annual and interim, per the Zero Income Policy.
3. Zero Income households reviewed not less than every 90 days.
4. Recommended zero income families to FSS for participation.
5. Please see Attachment E Zero Income Checklist.

EQUAL HOUSING OPPORTUNITY

Ref to OIG Evaluation

Auditee Comments

BOARD AND MANAGEMENT RESPONSE TO FINDING 3:
THE AUTHORITY FAILED TO ADMINISTER ITS FAMILY SELF-SUFFICIENCY PROGRAM ACCORDING TO FEDERAL REQUIREMENTS

Comment 5

The FWHA has already successfully achieved the following:

1. Staff members were replaced.
2. Effective management assigned to program in 2006.
3. Staff trained and ongoing resources committed.
4. Revised annual escrow statements issued to participants.
5. Correct escrow balances as of 2006-2007 with nearly $890,000 forfeited from escrow accounts to proper housing assistance accounts.
6. Audit of escrow balance (#5 above) by independent CPA firm planned for May, 2008.
7. New FSS staff meets with all participants periodically, quarterly or more often as needed.
8. All contracts of participation updated and extensions executed where needed.
9. Recruitment in progress to increase program size to program maximum. As of March, 2008, there are 92 participants, maximum 271.
10. Revised Program Coordinator Committee (PCC) work plan and reconstituted membership to include variety of public sector agencies (see Attachment F).
11. Computer software problems resolved to eliminate accounting and PIC transmission problems.

The FWHA therefore considers the $151,661 usage fees are well-supported as these improvements occurred before and during the audit period.

EQUAL HOUSING OPPORTUNITY

Ref to OIG Evaluation **Auditee Comments**

Comment 6

BOARD AND MANAGEMENT RESPONSE TO FINDING 4:
THE AUTHORITY SIGNIFICANTLY UNDER-LEASED ITS PROGRAM

The FWHA has already successfully achieved the following:

1. Currently there are 2621 vouchers under lease.
2. The maximum allowed by HUD regulations is 2870.
3. To address the difference of 249, there are 121 active vouchers on the street as of April 7, 2008.
4. The utilization rate is currently 91.3%. If all 121 vouchers currently in search status are leased, the new utilization rate would exceed the minimum standard set by HUD of 95%. With additional voucher briefings scheduled for the period April to June, 2008, we will reach the FWHA goal of 98% by the end of our FYE 2008.
5. FWHA administration was confused by HUD PIH Notice 2005-1 (see Attachment D) in that it gave us the impression that Congress had reduced its funding, and the organization therefore was allowing under-utilization so as to not become over-utilized when a funding reduction occurred.
6. Improve Program Marketing. (See Tools Attachment H)

EQUAL HOUSING OPPORTUNITY

Ref to OIG Evaluation	Auditee Comments

Resolution 2008-08

RESOLUTION OF THE BOARD OF THE HOUSING AUTHORITY OF THE CITY OF FORT WAYNE

Be it Resolved:
Therefore, the Board and Management of the FWHA position is as follows:

Given that the root cause of the OIG findings are directly related to the flood disaster of 2002 where FWHA last essentially all operating ability;

and **given** that the FWHA had already identified areas needing improvement before the initiation of the OIG Audit;

and **given** that the FWHA has successfully addressed most of the Findings listed in the OIG Briefing Report ("OIG Report");

and **given** that with the exception of Finding 4, solutions were in place prior to the Audit Period;

and **given** that the organization has demonstrated vast operational improvement in the last 12 months that would erase any of the Findings if the Audit Period had occurred in FYE 2008;

Comment 7 — and **given** that the FWHA considers the sanctions as listed in the OIG Report to be overly harsh and punitive, and would greatly hinder the ability of the FWHA to provide needed affordable housing to Fort Wayne residents;

and **given** that the FWHA considers the severity of the punishment to not be commensurate to the technical nature of some of the Findings (for example, the 9886 expirations: in most cases, the delayed re-certifications were the reason for the expiration). Further, in many of the findings, the technical finding, if eliminated would not change the outcome of the recertification or other outcome.

Comment 8 — **Therefore**, be it resolved that the FWHA respectfully requests a reduction or elimination of the penalties listed in the OIG Report during the HUD negotiations period.

Judy Macon, Chairperson

Maynard J. Scales, Executive Director
Approved April 8, 2008

FWHA Response, Page 12 of 16

OIG Evaluation of Auditee Comments

Comment 1 We acknowledge the Authority's efforts in conducting a self-assessment and creating a corrective action plan (plan) to address its program weaknesses. We agree that the Authority identified the issues cited in this report with the exception of the underutilized program funds (see finding 4). According to its plan, the Authority initiated many of its corrective actions beginning in September 2005 and many are ongoing actions. However, as evidenced by the findings in this report, the Authority's identified weaknesses have not been fully corrected. For example, the Authority lists revising its verification practices as a subtask for correcting inaccurate rent calculations. This effort is listed as beginning on January 1, 2006, and completed as of January 31, 2006. We cited the Authority's lack of verifying household income in findings 1, 2, and 3. The Authority also identified its utilization of housing assistance payments as a weakness in September 2005. Its efforts in making the necessary corrective actions have not been completed as noted in finding 4.

Comment 2 The Authority was provided the draft finding outlines and supporting schedules for findings 1 and 2 on December 6, 2007, and for findings 3 and 4 on March 4, 2008. No documentation to support any of the questioned costs was provided by the Authority prior to and including its comments on the discussion draft audit report. As a result, no adjustments to the recommendations were necessary.

Comment 3 The Authority's progress in correcting its program weaknesses is commendable. However, it listed the correction of inaccurate rent calculations as a recommended corrective action. We identified that the Authority incorrectly calculated housing assistance and utility allowances for 49 (74 percent) of 66 households we reviewed in one or more of the certifications. The 49 files contained miscalculations of the households' annual income, use of the incorrect utility reimbursement schedule, use of the incorrect payment standard, and miscalculations of income deductions and reimbursements. The Authority still needs to improve its quality control procedures to identify staff errors. More extensive use of HUD's system should also assist in recognizing unreported income from households.

Comment 4 The Authority did not provide documentation to support that it successfully achieved its evaluation and review of zero income households as required by its program administrative plan. Its plan states that an interim reexamination will be scheduled for households with zero income every 90 days to review for changes in income. The Authority did not perform reexaminations every 90 days for the 151 household files we reviewed (see finding 2).

Comment 5 The Authority did not provide documentation to support that it successfully achieved its revision of annual escrow statements issued to participants, corrected escrow balances, planned an audit of its escrow balance by an independent third party, met with all participants periodically, and that all contracts of participation were updated and extensions executed where needed. Additionally, the planned audit of its escrow balance by an independent third party is in response to

Recommendation 3E in this report and also included in the discussion draft audit report provided to the Authority on March 19, 2008. The Authority did not provide any documentation to support the appropriate use of $151,661 in Coordinator funds received for fiscal years 2004 and 2005.

Comment 6 As previously stated, the Authority did not provide documentation to support that it successfully achieved the leasing of 2,621 program vouchers or its current utilization rate. Its latest information submitted to HUD's Voucher Management System was for the last quarter of calendar year 2007. At that time, the Authority reported that it had 2,255 program vouchers leased. With regards to its confusion over HUD's Public and Indian Housing Notice 2005-1, the Authority could have easily obtained a better understanding of the program funding for fiscal year 2005 by contacting HUD's Indianapolis Public Housing Program Center or the Cleveland Office of Public Housing Hub.

Comment 7 The findings cited in this report constitute violations of the Authority's consolidated annual contributions contract (contract) with HUD. The contract allows for HUD to declare a default of the contract if the Authority fails to comply with any obligations under its contract. We did not make a recommendation to HUD's Director of Cleveland Office of Public Housing to issue a notice to the Authority as permitted by Section 15 of the contract. The recommendations in this report are not overly harsh or punitive, but seek to improve the Authority's administration of its program. Additionally, our recommendations are consistent with prior audits we conducted of other housing authorities' programs.

Comment 8 The Authority can provide HUD with documentation to address the findings and recommendations cited in this audit report.

Appendix C

FEDERAL REQUIREMENTS AND AUTHORITY'S PROGRAM ADMINISTRATIVE PLAN

Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.216(a) state that each assistance applicant must submit the complete and accurate Social Security number assigned to the applicant and to each member of the household who is at least six years of age. The documentation necessary to verify the Social Security number of an individual is a valid Social Security number issued by the Social Security Administration or such other evidence of the Social Security number as HUD and, where applicable, the authority may prescribe in administrative instructions.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.230(a) require each member of the family of an assistance applicant or participant who is at least 18 years of age and each family head and spouse regardless of age to sign one or more consent forms.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.508(b) require each family member, regardless of age, to submit the following evidence to the responsible entity:

(1) For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality. The responsible entity may request verification of the declaration by requiring presentation of a U.S. passport or other appropriate documentation, as specified in HUD guidance.

(2) For noncitizens who are 62 years of age or older or who will be 62 years of age or older and receiving assistance under a Section 214-covered program on September 30, 1996, or applying for assistance on or after that date, the evidence consists of a signed declaration of eligible immigration status and proof of age document.

(3) For all other noncitizens, the evidence consists of a signed declaration of eligible immigration status, one of the documents referred to in 5.510, and a signed verification consent form.

(c) Declaration: (1) For each family member who contends that he or she is a U.S. citizen or a noncitizen with eligible immigration status, the family must submit to the responsible entity a written declaration, signed under penalty of perjury, by which the family member declares whether he or she is a U.S. citizen or a noncitizen with eligible immigration status. (i) For each adult, the declaration must be signed by the adult. (ii) For each child, the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.901(a) include requirements that apply to criminal conviction background checks by public housing authorities that administer Section 8 and public housing programs when they obtain criminal conviction records, under the authority of section 6(q) of the 1937 Act (*United States Code* 42.1437d(q)), from a law enforcement agency to prevent admission of criminals to public housing and Section 8 housing and to assist in lease enforcement and eviction.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.153 state that the public housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and its program administrative plan.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that the public housing authority must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit. The authority must prepare a unit inspection report. During the term of each assisted lease and for at least three years thereafter, the authority must keep (1) a copy of the executed lease, (2) the housing assistance payment contract, and (3) the application from the family. The authority must keep the following records for at least three years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; unit inspection reports; lead-based paint records as required by part 35, subpart B of this title; records to document the basis for authority determination that rent to owner is a reasonable rent (initially and during the term of a contract); and other records specified by HUD.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.162(a)(3) state that the authority must use program contracts and other forms required by HUD headquarters including the tenancy addendum required by HUD.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.305(d) state that after receiving the family’s request for approval of the assisted tenancy, the housing authority must promptly notify the family and owner of whether the assisted tenancy is approved.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.311(d) state that if the family moves out of the unit, the authority may not make any housing assistance payment to the owner for any month after the month when the family moves out. The owner may keep the housing assistance payment for the month when the family moves out of the unit.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.4 state that the voucher is the document issued by the authority to a family selected for admission to the voucher program. This document describes the program and procedures for the authority’s approval of a unit selected by the family. The voucher also states obligations of the family under the program.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.505(B)(4) state that if the payment standard amount is increased during the term of the contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family’s first regular reexamination on or after the effective date of the increase in the payment standard amount.

HUD’s regulations at 24 CFR [*Code of Federal Regulations*] 982.516(a)(1) require the authority to conduct a reexamination of family income and composition at least annually. The authority must obtain and document in the client file third-party verification of the following factors or must document in the client file why third-party verification was not available: (i) reported family annual income, (ii) the value of assets, (iii) expenses related to deductions from annual income, and (iv) other factors that affect the determination of adjusted income. At any time, the authority may conduct an interim reexamination of family income and composition. Interim examinations must be conducted in accordance with policies in the authority's administrative plan. As a condition of admission to or continued assistance under the program, the authority shall require the family head and such other family members as the authority designates to execute a HUD-approved release and consent form (including any release and consent as required under 5.230 of this title) authorizing any depository or private source of income or any federal, state, or local agency to furnish or release to the authority or HUD such information as the public housing authority or HUD determines to be necessary. The authority and HUD must limit the use or disclosure of information obtained from a family or from another source pursuant to this release and consent to purposes directly in connection with administration of the program.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.517(a) state that the authority must maintain a utility reimbursement schedule for all client-paid utilities, for cost of client-supplied refrigerators and ranges, and for other client-paid housing services.

Chapter 2, Section E, of the Authority's administrative plan states the Authority will apply the following criteria, in addition to the HUD eligibility criteria, as grounds for denial of admission to the program. The Authority will check criminal history for all adults in the household to determine whether any member of the family has violated any of the prohibited behaviors as referenced in Chapter 15, Section B. At no time will an applicant be admitted to the Authority Section 8 program if the applicant or any member of the applicant household has ever engaged in the sale, manufacture and/or distribution of any controlled illegal substances. The Authority also submits a computer matching check to the State of Indiana Department of Work Force Development. The check provides a detailed summary of the applicants work/benefit history. This check is conducted prior to determining final eligibility and at least once each year at annual reexamination.

Chapter 12, Section C, of the Authority's administrative plan states program participants must report all changes in household composition and income to the Fort Wayne Housing Authority between annual reexaminations. This includes additions due to birth, adoption, foster care placement and court-awarded custody. The family must obtain Fort Wayne Housing Authority approval prior to all other additions to the household. The head of household is required to report in writing within ten (10) working days any member of the assisted household who moves from the unit.

1. A new total tenant payment will be calculated if the income increased following zero income; or
2. If the participants had an interim recertification resulting in a lower tenant rent.

<u>Decreases in Income</u>
Participants <u>may</u> report a decrease in income and other changes which would reduce the amount of tenant rent, such as an increase in reimbursements or deductions. The Authority must calculate the change if a decrease in income is reported.

<u>Housing Authority Errors</u>
If the Fort Wayne Housing Authority makes a calculation error at admission to the program or at an annual reexamination, an interim reexamination will be conducted, if necessary, to correct the error, but the family will not be charged retroactively. Families will be given decreases, when

applicable, retroactive to when the decrease for the change would have been effective if calculated correctly.

Chapter 12, Section E, of its plan states
Procedures when the Change is Reported in a Timely Manner
The Fort Wayne Housing Authority will notify the family and the owner of any change in the Housing Assistance Payment to be effective according to the following guidelines:

Increases in the Tenant Rent are effective on the first of the month following at least thirty days' notice.

Decreases in the Tenant Rent are effective the first of the month following that in which the change is reported. However, no rent reductions will be processed until all the facts have been verified, even if a retroactive adjustment results.

The change may be implemented based on documentation provided by the family, when third-party written verification is not possible.

Procedures when the Change is not Reported by the Tenant in a Timely Manner
If the family does not report the change as described under Timely Reporting, the family will have caused an unreasonable delay in the interim reexamination processing and the following guidelines will apply:

Increase in Tenant Rent will be effective retroactive to the date it would have been effective had it been reported on a timely basis. The family will be liable for any overpaid housing assistance and may be required to sign a Repayment Agreement in accordance with Chapter 18 of this administrative plan.

Decrease in Tenant Rent will be effective on the first of the month following the month that the change was reported.

Procedures when the Change is Not Processed by the Housing Authority in a Timely Manner
"Processed in a timely manner" means that the change goes into effect on the date it should when the family reports the change in a timely manner. If the change cannot be made effective on that date, the change is not processed by the Fort Wayne Housing Authority in a timely manner.

In this case, an increase will be effective after the required thirty days' notice prior to the first of the month after completion of processing by the Fort Wayne Housing Authority.

If the change resulted in a decrease, the overpayment by the family will be calculated retroactively to the date that it should have been effective, and the family will be credited for the amount.

Chapter 15, Section B, of the Authority’s administrative plan states under the family obligations listed at 24 CFR 982.551, the members of the household must not engage in drug-related criminal activity or violent criminal activity or other criminal activity that threatens the health, safety or right to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises. HUD regulations at 24 CFR 982.553(b) requires the Authority to establish standards for termination of assistance when this family obligation is violated.

If the family violates the lease for drug-related or violent criminal activity, the Fort Wayne Housing Authority will terminate assistance.

Finding 2

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.54(a) require that the public housing authority must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The administrative plan and any revisions of the plan must be formally adopted by the authority's Board of Commissioners or other authorized authority officials. The administrative plan states authority policy on matters for which the authority has discretion to establish local policies. The authority must administer the program in accordance with its administrative plan.

Finding 3

The *United States Code*, title 42, chapter 8, subchapter I, subsection 1437u(c)(3), states each family participating in a local program shall be required to fulfill its obligations under the contract of participation not later than 5 years after entering into the contract. The public housing agency shall extend the term of the contract for any family that requests an extension, upon a finding of the agency of good cause. Subsection 1437u(c)(4), states the contract of participation shall require the head of the participating family to seek suitable employment during the term of the contract. Subsection 1437u(f)(1), states each public housing agency carrying out a local program under this section shall, in consultation with the chief executive officer of the unit of general local government, develop an action plan, carry out activities under the local program, and secure commitments of public and private resources through a program coordinating committee established by the public housing agency under this subsection.

HUD issued notices for fiscal years 2004 and 2005 of funding available for the housing choice voucher family self-sufficiency program coordinators dated May 14, 2004, and March 21, 2005, which stated the purpose of the program Family Self-Sufficiency program is to promote the development of local strategies to coordinate the use of assistance under the program with public and private resources to enable participating families to achieve economic independence and self-sufficiency. The Family Self-Sufficiency program and this Family Self-Sufficiency notice of funding available support HUD's strategic goals of increasing homeownership activities and helping HUD-assisted renters make progress toward self-sufficiency. The Family Self-Sufficiency program provides critical tools that can be used by communities to support welfare reform and help families develop new skills that will lead to economic self-sufficiency. A Family Self-Sufficiency program coordinator assures that program participants are linked to the supportive services they need to achieve self sufficiency. Those authorities who apply for the funding must administer the Family Self-Sufficiency program in accordance with HUD regulations and requirements in 24 CFR [*Code of Federal Regulations*] 984, which govern the Family Self-Sufficiency program, and must comply with existing program requirements, notices, and guidebooks.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.102 state the objective of the Family Self-Sufficiency program is to reduce the dependency of low-income families on welfare assistance and on Section 8, public, or any Federal, State, or local rent or homeownership subsidies. Under the Family Self-Sufficiency program, low-income families are provided opportunities for education, job training, counseling, and other forms of social service assistance, while living in assisted housing, so that they may obtain the education, employment, and business and social skills necessary to achieve self-sufficiency.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.103(b) state self-sufficiency means that a Family Self-Sufficiency family is no longer receiving Section 8, public or Indian housing assistance, or any Federal, State, or local rent or homeownership subsidies or welfare assistance. Achievement of self-sufficiency, although a Family Self-Sufficiency program objective, is not a condition for receipt of the Family Self-Sufficiency account funds.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.105(a)(1) state a Public Housing Authority must operate a Family Self-Sufficiency program of the minimum program size determined in accordance with paragraph (b) of this section. Section 984.105(b)(3) state the minimum program size for an Authority's public housing or Section 8 Family Self-Sufficiency program is reduced by one slot for each family that graduates from the Family Self-Sufficiency program by fulfilling its Family Self-Sufficiency contract of participation on or after October 21, 1998. If a Family Self-Sufficiency slot is vacated by a family that has not completed its Family Self-Sufficiency contract of participation obligations, the slot must be filled by a replacement family which has been selected in accordance with the Family Self-Sufficiency family selection procedures. Section 984.105(d) state upon approval by HUD, a Public Housing Authority may be permitted to operate a public housing or a Section 8 Family Self-Sufficiency program that is smaller than the minimum program size if the Public Housing Authority provides to HUD a certification that the operation of a Family Self-Sufficiency program of the minimum program size is not feasible because of local circumstances.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(b)(1) state the contract of participation, which incorporates the individual training and services plan(s), shall be in the form prescribed by HUD, and shall set forth the principal terms and conditions governing participation in the Family Self-Sufficiency program, including the rights and responsibilities of the Family Self-Sufficiency family and of the authority, the services to be provided to, and the activities to be completed by, the head of the Family Self-Sufficiency family and each adult member of the family who elects to participate in the program. (2) 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 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. Section 984.303(g) state the contract of participation is considered to be completed, and a family's participation in the Family Self-Sufficiency program is considered to be concluded when one of the following occurs:

(1) The Family Self-Sufficiency family has fulfilled all of its obligations under the contract of participation on or before the expiration of the contract term, including any extension thereof; or (2) 30 percent of the monthly adjusted income of the Family Self-Sufficiency family equals or exceeds the published existing housing fair market rent for the size of the unit for which the Family Self-Sufficiency family qualifies based on the authority's occupancy standards. The contract of participation will be considered completed and the family's participation in the Family Self-Sufficiency program concluded on this basis even though the contract term, including any extension thereof, has not expired, and the family members who have individual training and services plans have not completed all the activities set forth in their plans.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(b)(3) state the authority shall not make any additional credits to the Family Self-Sufficiency family's Family Self-Sufficiency account when the Family Self-Sufficiency 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. Section 984.305(f)(2)(ii) state Family Self-Sufficiency account funds forfeited by the Family Self-Sufficiency family will be treated as program receipts for payment of program expenses under the authority budget for the applicable Section 8 program, and shall be used in accordance with HUD requirements governing the use of program receipts.

Chapter 23.4 of HUD's Housing Choice Voucher Program Guidebook 7420.10G states the initial term of the contract of participation is five years. The authority may grant an extension of no more than two years in response to a written request from the family explaining the need for the extension, if the authority determines that there is good cause for granting the extension. "Good cause" includes circumstances beyond the control of the family such as:

- Serious illness, or
- Involuntary loss of employment.

Chapter 23.4 of HUD's Guidebook requires that every Family Self-Sufficiency contract must include a training and service plan for the head of the family that commits the family head to seek and maintain suitable employment. The training plan should include clearly stated goals with specific deadlines. Other family members can also have individual training and service plans. For families currently receiving welfare assistance, the interim goals must include independence from welfare assistance for at least 12 consecutive months before the expiration of the contract of participation. Although the head of the family is required to seek and maintain employment during the term of the contract, it is permissible for the head to attend school full-time prior to the search for employment. There is no minimum employment period. Prior to execution of the contract of participation, the authority must determine if employment goals proposed for inclusion in the individual training and services plans are appropriate goals considering the participant's skills, interests, education, and the jobs available in the local market. Family Self-Sufficiency employment objectives should generally include jobs with growth potential. Training and service plans should be reviewed regularly with the family and changed as necessary to reflect new interests and circumstances.

Chapter 23.5 of HUD's Guidebook states 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 contract. The authority must compute escrow credit at any time it conducts an annual or interim reexamination of income for a Family Self-Sufficiency family during the term of the contract of participation.

The Authority's Housing Choice Voucher Program and Public Housing Family Self-Sufficiency Action Plan, Effective July 2005, states the Program Coordinating Committee is comprised of community leaders from the public and private sector, Authority personnel, program participants, and others in the community. An integral part of the program, the Program Coordinating Committee's responsibilities include:
1. Assisting in the development and expansion of Family Self-Sufficiency services and training as defined as each Individual Training and Service plan;
2. Advisory Group for the Family Self-Sufficiency program;
3. Assisting in expanding and coordinating agreements between the Authority and potential service providers;
4. Recommending improvements and provision for delivery services;
5. Marketing the Family Self-Sufficiency Program to others in the community and providing additional incentives for participation;
6. Holding regular meetings to review and update its goals;
7. Participating in the determination of program extensions of individual participating families; and,
8. Assisting in the development annual updates to the Family Self-Sufficiency Action plan.

Finding 4

Chapter 24.1 of HUD's Guidebook states the failure of any Authority to use all of the funding contracted for the housing choice voucher program will always mean that a family in need of housing assistance is not being helped. HUD has a responsibility to Congress to ensure that the funds authorized for housing assistance are used to assist the maximum number of families.

Chapter 24.4 of HUD's Guidebook states often a low utilization rate is related to the tightness of the local housing market. Too often, however, the Authority staff assumes that a tight housing market establishes an insurmountable hurdle and fails to consider a leasing strategy to overcome specific tight market problems. To develop a good strategy, the Authority must collect and analyze information to determine the specific issues that contribute to low leasing rates.

The term "success rate" refers to the percent of families receiving housing choice vouchers that succeed in finding suitable units and become program participants. Collecting and monitoring success rates are essential program administration activities.

Chapter 20.2 of HUD's Guidebook states that when executing an annual contributions contract, a public housing agency agrees to comply with the following requirement: if funds on-hand exceeds current needs they will be invested in accordance with current HUD regulations.

Chapter 4 of HUD's Financial Management Handbook states that each public housing authority with a cash balance of $10,000 or more shall invest such funds in HUD-approved investments.