



Office of Public and Indian Housing, Washington, DC

Monitoring of the Community Service and Self- Sufficiency Requirement



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From: //signed//
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Subject: HUD Subsidized More Than 106,000 Noncompliant Households

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's monitoring of the community service and self-sufficiency requirement.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



Audit Report Number: 2015-KC-0001

Date: February 13, 2015

HUD Subsidized More Than 106,000 Noncompliant Households

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) monitoring of the community service and self-sufficiency requirement (CSSR). We initiated this audit based on several media reports of housing authorities not enforcing CSSR or only recently stressing its enforcement. This audit report is a follow-up to the audit report we issued in 2008, showing that HUD did not have adequate controls to ensure that housing authorities properly administered CSSR. Our audit objective was to determine the extent to which HUD subsidized units occupied by noncompliant tenants and housing for tenants whose CSSR status was misreported.

What We Found

HUD subsidized housing for 106,000 units occupied by noncompliant tenants, out of nearly 550,000 potentially CSSR-eligible units nationwide. Out of the nearly 740,000 adult tenants living in these units, HUD's system contained incorrect CSSR status codes for 201,000 tenants. This deficiency occurred because HUD did not have adequate controls to monitor compliance with CSSR. As a result, HUD paid more than \$37 million in monthly subsidies for public housing units occupied by noncompliant tenants that otherwise could have housed compliant households.

What We Recommend

We recommend that HUD develop and implement a written monitoring policy for CSSR to ensure that public housing authorities comply with the Quality Housing and Work Responsibility Act of 1998 so that more than \$448.5 million in public housing operating subsidies will be put to better use over the next year. We also recommend that HUD (1) create clarifying guidance for housing authorities, (2) develop training, (3) apply penalties or sanctions against housing authorities that house ineligible households, (4) produce improved monitoring reports for field offices, and (5) fix the error codes resulting from Form HUD-50058 submissions.

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Background and Objective

The U.S. Department of Housing and Urban Development (HUD) established its public housing program to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. There are approximately 1.2 million households living in public housing units, managed by approximately 3,300 public housing authorities. HUD's Public Housing Operating Fund program provides operating subsidies to public housing authorities to assist in funding their operating and maintenance expenses.

The Quality Housing and Work Responsibility Act of 1998, which amended Section 12 of the U.S. Housing Act of 1937, established the community service and self-sufficiency requirement (CSSR). It is intended to assist adult public housing residents in improving their own economic and social well-being and give these residents a greater stake in their communities. The requirement allows residents an opportunity to "give something back" to their communities and facilitates upward mobility.

Regulations for the requirement are provided in 24 CFR (Code of Federal Regulations) 960.600-609. In addition, HUD's Office of Public and Indian Housing (PIH) Notice PIH-2009-48, issued November 25, 2009, helps public housing authorities understand and administer CSSR in response to an audit report issued by the Office of Inspector General (OIG) on March 24, 2008. This Notice was extended by Notice PIH-2011-11 and Notice PIH-2012-13 indefinitely until amended, superseded, or rescinded and without substantial change.

CSSR states that every nonexempt adult resident of public housing must contribute 8 hours of community service each month or participate in an economic self-sufficiency program. Community service is the performance of voluntary work or duties that are a public benefit and serve to improve the quality of life, enhance resident self-sufficiency, or increase resident self-responsibility in the community. Self-sufficiency programs include programs for job training, employment counseling, work placement, basic skills training, and education.

Residents exempt from the requirement are those who are

- 62 years of age or older;
- Blind or disabled and who certify that because of this disability, they are unable to comply with the service provisions or primary caretakers of such individuals;
- Engaged in eligible work activities;
- Exempt from having to engage in a work activity under the State program funded under the Social Security Act or a State-administered welfare-to-work program; or
- Members of a family receiving welfare assistance, benefits, or service under a State welfare program.

At lease execution or reexamination, all adult members (age 18 or older) of a public housing resident's household must provide documentation showing that they qualify for an exemption if they claim to be exempt from CSSR. At each annual reexamination, nonexempt tenants must

present documentation of activities performed over the previous 12 months. Documentation will include signatures of supervisors, instructors, or counselors certifying the number of hours contributed. If during reexamination a tenant is found to be noncompliant, the member and head of household will sign an agreement with the public housing authority to make up the deficient hours over the next 12-month period, or the lease will be terminated.

Based on Notice PIH-2009-48, HUD sends field offices a monthly community service monitoring report generated by the PIH Information Center (PIC) system. This report alerts field offices to potential issues of noncompliance with the requirement. Field offices contact and advise those public housing authorities showing noncompliant public housing residents. This remote monitoring provides information for onsite reviews and identifies potential issues, problems, concerns, and negative trends regarding compliance with CSSR.

Section 6 of the U.S. Housing Act of 1937 provides sanctions against any public housing authority failing to comply substantially with any provision of the Act relating to the public housing program. Sanctions include but are not limited to terminating, withholding, or reducing assistance payments.

We issued audit report 2008-KC-0002, HUD Did Not Ensure That Housing Authorities Properly Administered the Community Service and Self-Sufficiency Requirement, on March 24, 2008. In that audit, we found that HUD did not have adequate controls to ensure that housing authorities properly administered CSSR. Specifically, HUD did not have sufficient guidelines, adequate data collection and reporting systems, or effective enforcement mechanisms. Of 68 statistically selected households, 44 did not comply with CSSR and were, therefore, ineligible for continued occupancy. Based on these results, we estimated that housing authorities improperly renewed or extended the leases of at least 85,000 ineligible households, costing an estimated \$21.5 million in monthly operating subsidies.

In the 2008 report, we recommended that HUD improve controls to ensure that housing authorities properly administer CSSR, resulting in more than \$257 million put to better use annually. We also recommended that HUD require housing authorities to take corrective action against the 44 ineligible households identified as part of our statistical sample review. All recommendations for that report are closed.

The audit objective for this current audit was to determine the extent to which HUD subsidized units occupied by noncompliant tenants and housing for tenants whose CSSR status was misreported.

Results of Audit

Finding: HUD Subsidized More Than 106,000 Noncompliant Households

HUD subsidized housing for 106,000 units occupied by noncompliant tenants, out of nearly 550,000 potentially CSSR-eligible units nationwide. Out of the nearly 740,000 adult tenants living in these units, HUD's system contained incorrect CSSR status codes for 201,000 tenants. This deficiency occurred because HUD did not have adequate controls to monitor compliance with CSSR. As a result, HUD paid more than \$37 million in monthly subsidies for public housing units occupied by noncompliant tenants that otherwise could have housed compliant households.

HUD Subsidized Housing for Improperly Reported and Noncompliant Tenants

We selected a nationwide statistical sample of 80 households made up of 154 tenants within the age range that requires compliance with CSSR. We reviewed housing authority records for each of the sample items to determine (1) whether the unit included a tenant allowed to remain in the unit despite noncompliance with CSSR and (2) whether the CSSR status of the tenant was properly reported. A tenant could be counted as an exception in our sample for either question or both questions.

Noncompliant Tenants

HUD subsidized 23 households from our sample for which housing authorities improperly renewed or extended the leases of noncompliant tenants without entering into a workout agreement. Notice PIH-2009-48 requires housing authorities to enter into a written workout agreement with noncompliant tenants (see appendix D).

In one example, HUD subsidized a household from our sample which was made up of tenants who were improperly coded as "exempt" because the housing authority implemented its own CSSR exemptions that were not provided in HUD's regulations. The housing authority stated that the whole household was exempt because a tenant received food stamps, when the receipt of food stamps by a tenant does not automatically exempt an entire household.

Based on the noncompliant households identified in our sample of 80, we projected the results and estimated that housing authorities renewed or extended the leases of at least 106,000 ineligible households.

Improperly Reported Tenants

HUD received incorrect tenant information from public housing authorities about tenant compliance with CSSR. Housing authorities continued to code tenants as "pending" when the proper code at annual reexamination was "compliant," "noncompliant," or "exempt." In addition, housing authorities sometimes coded tenants as "noncompliant" when they had adequate employment documentation on file to support an "exempt" code. Further, housing authorities coded tenants enrolled in college as "exempt" when the correct code for higher

education is “compliant.” Lastly, noncompliant tenants were sometimes incorrectly coded as “exempt.” Therefore, the tenants’ codes did not comply with CSSR in Notice PIH-2009-48 (see appendix D). Based on 70 tenants within the sampled households whose CSSR status was improperly reported, we projected the results and estimated that 201,000 tenants nationwide were improperly reported to HUD. Some of these improperly reported noncompliant tenants are also included in the 106,000 units discussed above.

HUD Had Inadequate Monitoring Controls

HUD did not have adequate controls for monitoring compliance with CSSR. Specifically, it did not have sufficient monitoring guidelines, adequate reporting systems, or effective sanction enforcement procedures.

Inufficient Monitoring Guidelines

HUD did not have written monitoring policies and procedures in place regarding CSSR. HUD conducted a risk assessment each year to determine monitoring at the highest risk housing authorities; however, CSSR did not factor into this risk assessment. In addition, HUD sent out a letter each year to the field offices, communicating monitoring priorities, but CSSR compliance was not included in the priorities.

HUD headquarters allowed the field offices the flexibility to choose how they monitored CSSR. Of the 56 housing authorities reviewed, 11 indicated that HUD conducted reviews or monitoring of CSSR at their authority, while 42 indicated that HUD did not, and 3 did not answer or answered “unknown.”

Inadequate Reporting Systems

HUD did not have an adequate reporting system in place to track compliance and identify problems. We reported the same problem in HUD OIG Audit Report 2008-KC-0002, issued March 24, 2008, and as a result of that audit, HUD agreed to issue a monthly community service monitoring report as noted in Notice PIH-2009-48. However, these reports were last run and distributed in December 2012. A Real Estate Assessment Center contractor generated the reports, and when the contract expired, HUD decided not to dedicate resources to renew it.

The community service monitoring reports were not an effective tool for monitoring housing authorities’ compliance with CSSR. The purpose of the report was to alert field offices of potential CSSR noncompliance issues. However, the report did not include all CSSR-eligible tenants. For example, the report did not include tenants who received wages. Notice PIH-2009-48 encouraged housing authorities to use 30 hours per week as full time for the work exemption. Therefore, excluding all tenants who received wages made the report inaccurate. In addition, the report excluded welfare recipients, even though receiving food stamps does not qualify tenants for an exemption. The report also did not include disabled tenants. This exclusion conflicted with the Notice since disabled tenants must certify that because of their disability they are unable to perform community service and self-sufficiency activities.

HUD’s published fatal error codes relating to CSSR on Form HUD-50058 were not correct and did not result in accurate CSSR reporting. A Form HUD-50058 fatal error stops the submission process for that household. First, the fatal errors make a tenant exempt when the relationship code is equal to F = foster child or foster adult. HUD requirements do not exempt all foster

adults. Second, fatal errors make a tenant exempt when the tenant is listed as disabled. All disabled adults should not be coded as “exempt.” Only those whose disability makes them unable to perform community service and self-sufficiency activities are exempt. However, the fatal error codes require housing authorities to code all foster adults and all disabled adults as “exempt.” Otherwise, the Form HUD-50058 submission will not be accepted by the system.

Ineffective Sanction Enforcement

HUD did not apply sanctions against housing authorities that failed to enforce CSSR compliance. The U.S. Housing Act of 1937, as amended, indicates that HUD may terminate, withhold, or reduce assistance payments to housing authorities that fail to comply with its requirements. However, HUD noted that it usually issued sanctions only for more serious violations. HUD lists these sanctions in Notice PIH-2009-48 as penalties/sanctions against housing authorities housing ineligible households yet does not enforce them for CSSR noncompliance.

HUD also noted that some housing authorities wanted to take action, such as eviction, but certain jurisdictions made it difficult to evict anyone for noncompliance with CSSR. HUD stated this makes it very challenging for them to enforce the requirement. However, HUD must enforce the Act by supporting housing authorities that follow CSSR by not renewing the leases of noncompliant tenants.

HUD Subsidized Noncompliant Tenants

HUD paid more than \$37 million in monthly subsidies for public housing units occupied by noncompliant tenants that could have otherwise housed compliant tenants. Potential tenants were kept on waiting lists, while tenants who were noncompliant with CSSR continued to live in subsidized housing. Based on the ineligible 23 households in our sample, we projected the results and estimated that HUD provided subsidies of more than \$37 million per month for ineligible households. If HUD strengthens its controls over CSSR, we estimate that at least \$448 million will be better used to house compliant households over the next year.

Conclusion

HUD spent an estimated \$37 million each month subsidizing at least 106,000 ineligible households. In addition, HUD subsidized housing for 201,000 tenants whose CSSR status was improperly reported. The Quality Housing and Work Responsibility Act of 1998, which amended Section 12 of the U.S. Housing Act of 1937, established CSSR. It is intended to assist adult public housing residents in improving their own economic and social well-being and give these residents a greater stake in their communities. This congressionally mandated requirement allows residents an opportunity to “give something back” to their communities and facilitates upward mobility. If HUD does not strengthen its controls, it will pay at least \$448 million over the next year in subsidies for public housing units occupied by noncompliant tenants that otherwise could house compliant households.

Recommendations

We recommend that the Deputy Assistant Secretary for Field Operations

- 1A. Develop and implement a written monitoring policy for CSSR to ensure that public housing authorities comply with the Quality Housing and Work Responsibility Act

of 1998 so that \$448,580,654 in public housing operating subsidies will be put to better use.

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs

- 1B. Create clarifying guidance for housing authorities to follow-up with noncompliant tenants to address the projected 106,000 ineligible households receiving subsidies from HUD and on proper CSSR coding to address the projected 201,000 tenants improperly reported to HUD.
- 1C. Develop training to assist housing authorities in understanding and administering CSSR.
- 1D. Apply penalties or sanctions established by the Act against housing authorities that house ineligible households.

We recommend that the Deputy Assistant Secretary for the Real Estate Assessment Center

- 1E. Produce the monitoring reports again to assist field offices in monitoring CSSR eligibility updating them to include all CSSR-eligible tenants.
- 1F. Fix the fatal error codes resulting from the housing authority submissions of Form HUD-50058 to allow accurate reporting of foster and disabled adults.

Scope and Methodology

We performed our audit work between April and December 2014 at our office in St. Louis, MO. Our audit period covered July 2012 through June 2014.

To accomplish our objective, we

- Reviewed relevant laws, regulations, and HUD guidance;
- Reviewed HUD monitoring reports and reviews;
- Interviewed HUD staff to gain an understanding of relevant monitoring controls;
- Selected and reviewed a statistical sample of households to determine their compliance, noncompliance, or exemption from CSSR; and
- Reviewed CSSR policies for the housing authorities included in our sample.

We relied in part on data maintained by HUD in its PIC system. Specifically, we relied on the system to identify households occupying public housing units during our audit period. Although we did not perform a detailed assessment of the reliability of the data, we determined that the computer-processed data were sufficiently reliable for our purposes because we corroborated the data with documentation provided by housing authorities in our sample.

Using data from PIC, we identified 547,711 households nationwide that had lived in public housing for more than a year and had at least 1 tenant between 19 and 61 years of age as of June 30, 2014. These households were made up of 739,194 tenants within the age range that requires compliance with CSSR.

We also relied on HUD's Central Accounting and Program System (HUDCAPS), another database maintained by HUD, to assess the impact on Federal dollars. Although we did not perform a detailed assessment of the reliability of the data, we did review prior audits and assessments from which we determined that the computer-processed data were sufficiently reliable for our purposes. In HUDCAPS, we identified the amount of Federal dollars paid to each housing authority between July 1, 2013, and June 30, 2014. We identified the number of low-rent units at a housing authority by the greater of either the number of active low-rent units listed in HUD's housing authority reports as of August 31, 2014, or the total number of active household records reported in HUDCAPS. With this information, we were able to compute the amount of the Federal operating subsidy spent per unit per year by each housing authority.

The projected amount is a conservative estimate due not only to deducting a margin of error, but also excluding several housing authorities with atypical data or unusual levels of expense. We excluded 5 housing authorities containing 339 units because they had no units listed or HUD did not fully fund them. We also did not include housing authorities with atypical funding streams and administration. We omitted 142 housing authorities from the audit universe as outliers because the Federal subsidy per unit from standard operating funds was unusually low at less than \$1,000 per year or unusually high at greater than \$6,000. These limitations left a total of

2,903 housing authorities, of which 2,883 had households in our audit universe because they contained tenants who had to comply with CSSR.

To accurately project both the number of households and number of tenants affected by CSSR, we used a household as a base sampling unit. We stratified households into six groups according to the amount of Federal subsidy and four subgroups according to the number of tenants who may be required to perform community service based on their age. First, we ranked households by subsidy amount and broke them up into six groups according to where their subsidy amount fell within the percentile ranking of the universe. Because one housing authority owned 20.7 percent of the rental units and 27.6 percent of the dollars in this national universe, we needed to assign it a separate cost grouping to control statistical variance and avoid unexpected overestimates in the statistical projections. Within each cost grouping, we subdivided households into four subgroups based on having one, two, three, or multiple (four or more) tenants having to comply with CSSR. These two dimensions combine to create 24 total strata (6 × 4) shown in the sample design table in appendix C.

Using this stratification scheme, we tested the performance of several counts and sample designs using replicated sampling. We selected a statistical sample of 80 households from these strata, using the `surveysselect` procedure in SAS[®]. We then used these households for two separate types of projections: (1) dollars going to noncompliant households and the number of households affected and (2) total number of tenants who were incorrectly coded in PIC for CSSR.

We contacted the 56 housing authorities where the 80 households lived to obtain documentation related to the tenants within the age range that requires compliance with CSSR. When applicable, we asked for specific details about household circumstances and any enforcement actions taken against the noncompliant households. We evaluated the compliance, exemption, or noncompliance of all adult household tenants for the most recent annual recertification during our audit period. We also requested each sampled housing authority's CSSR policies and asked whether HUD provided support or monitoring of the policy.

We projected the sample results of 23 units occupied by noncompliant tenants and 70 miscoded tenants. For the first projection, we treated the sample of 80 households as a traditional, stratified sample for projecting proportions and counts and for projecting the mean dollars spent on households that should have contributed community service. For the second projection, we took the 154 tenants within the age range that requires compliance with CSSR and treated this larger group as a cluster sample, with each household being a separate cluster. Using these clusters, we projected the total number of improperly classified tenants. Because the stratification system groups households according to how many tenants are eligible, the differing numbers of tenants had no bias. Also, because we reviewed all of the tenants within the age range that requires compliance with CSSR, the variance within each cluster was zero, thereby allowing for a tight margin of error in a cluster sample of this size.

We statistically estimated that HUD subsidized housing for 201,000 tenants whose CSSR status was improperly reported and 106,000 units occupied by noncompliant tenants. As a result, HUD paid more than \$37 million in improper operating subsidy payments each month, or more than \$448 million annually. This estimate does not include offsetting costs for HUD to implement

our recommendations to strengthen monitoring controls because we were not able to reasonably estimate these costs.

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

Internal Controls

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

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

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

Relevant Internal Controls

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

- Controls over monitoring compliance with CSSR.

We assessed the relevant controls identified above.

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

Significant Deficiencies

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

- HUD did not have written CSSR monitoring policies and procedures in place.
- HUD did not have adequate reporting systems in place to track CSSR compliance and identify problems.
- HUD did not have effective sanction enforcement procedures to ensure that housing authorities enforced CSSR.

Appendixes

Appendix A

Schedule of Funds to Be Put to Better Use

Recommendation number	Funds to be put to better use 1/
1A	448,580,654
Totals	448,580,654

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified.

In this instance, if HUD implements our recommendations, it will ensure that tenants who do not perform the required community service are not permitted to continue to reside in public housing. Housing authorities will no longer spend HUD's operating subsidies for noncompliant households but will instead spend those funds to house compliant households. Our estimate reflects only the initial year of this benefit. These amounts do not include potential offsetting costs incurred by HUD to implement our recommendations to strengthen monitoring controls.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000
OFFICE OF PUBLIC AND INDIAN HOUSING

MEMORANDUM FOR Ronald J. Hosking, Regional Inspector General for Audit, AGA
FROM: DJ Lavoy, Deputy Assistant Secretary, Office of Real Estate Assessment Center, PX
Milan M. Ozdincec, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE
Unabyrd L. Wadhams, Deputy Assistant Secretary, Office of Field Operations, PQ

SUBJECT: Office of Public and Indian Housing Responses to *Discussion Draft Report – HUD Subsidized More Than 106,000 Noncompliant Households*

This memo provides responses to the OIG Audit Report on the Community Service and Self-Sufficiency Requirement deficiencies within the Office of Public and Indian Housing.

General Comments

Page 5 – The estimates of 106,000 units occupied by noncompliant tenants and 201,000 tenants whose CSSR status was improperly reported is misleading. This is because OIG is using two different categories – units and tenants – to describe the perceived problem. While it may be true that there are families residing in 106,000 units that have a noncompliant family member, and that there may be a total of 201,000 tenants whose CSSR is improperly reported, the numbers can be read to overstate the number of families that are noncompliant due to families that are counted in both categories. PIH/OPHVP recommends that OIG clarify the distinction between units and tenants in this report, and add an estimate of the number of families that are noncompliant, and the number of families that were just improperly coded. For example, on page 5, OIG discusses that a PHA improperly coded a family as exempt because the PHA misunderstood HUD's exemptions, which resulted in a noncompliant family being subsidized. However, this same family is also listed in the improperly reported tenants section, which leads to the perception that the issue is more significant than is actually the case.

Page 6 – OIG suggests that the exclusion of families with wages from the monitoring reports resulted in an understatement of potentially noncompliant tenants from the report. As evidence, OIG references PIH 2009-48 where HUD recommends, but does not require, PHAs to use an average 30-hour work week as the standard for the work exemption. However, HUD's

Comment 1

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

regulations and the CSSR statute do not mandate that 30 hour standard; therefore, a PHA could adopt a policy that any qualifying work activity, regardless of how many hours per week, could exempt a family from the CSSR requirement. PIH/OPHVP recognizes that excluding all families with wages from the report may understate the number of families that are potentially noncompliant, however, where PHAs have discretion to set policy for HUD to run automated reports that would not overstate the potential number of noncompliant families. Thus, a report that includes any family with wages would potentially result in additional, unnecessary investigation by HUD and PHAs. PIH/OPHVP continues to believe that any new iteration of the monitoring report needs to consider some wage parameters. Further, PIH/OPHVP recommends that OIG clarify the language in the audit report regarding the deficiency of the monitoring report to acknowledge the discretionary authority of PHAs to adopt a work hour standard that is different than the 30 hour standard recommended by HUD potentially reducing their estimate of funds that could be put to better use. Through guidance, the Department will reiterate the requirement that PHAs must review the monitoring local report that relies on wages against their policy for hours worked to be considered exempt.

Comment 3

Responses to Recommendations

OIG Recommendation 1A: Develop and implement a written monitoring policy for CSSR to ensure that public housing authorities comply with the Quality Housing and Work Responsibility Act of 1998 so that \$448,580,654 in public housing operating subsidies will be put to better use.

Agree. PIH will distribute the CSSR monthly monitoring reports provided by REAC. In addition, using the guidance developed by PIH/OPHVP for housing agencies to administer the Community Service and Self-Sufficiency Requirements (CSSR) PIH/OFO will develop a risk-based monitoring protocol, and will assist with the training of housing agencies.

Target completion date: For recommendation 1D, REAC has indicated that the reports will resume by June 30, 2015. PIH/OFO will issue reports within 5 work days of receipt from REAC.

OIG Recommendation 1B: Create clarifying guidance for housing authorities to follow-up with noncompliant tenants to address the projected 106,000 ineligible households receiving subsidies from HUD and on proper CSSR coding to address the projected 201,000 tenants improperly reported to HUD.

Agree. PIH/OPHVP agrees to review and revise Notice 2009-48 as necessary to provide clarifications for PHAs about their responsibilities to ensure resident compliance with CSSR.

Target completion date: PIH/OPHVP expects to provide updated guidance to PHAs by June 30, 2015 on administration of the CSSR requirement and coding based on the current

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Ref to OIG Evaluation

Auditee Comments

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system. However, updated guidance on proper coding will also need to follow any updates that PIH generates pursuant to Recommendation 1E.

OIG Recommendation 1C: Develop training to assist housing authorities in understanding and administering CSSR.

Agree. PIH/OPHVP agrees to develop trainings jointly with PIH/OFO to assist PHAs in understanding and administering the CSSR requirement.

Target completion date: PIH/OPHVP expects to complete training development by October 1, 2015.

OIG Recommendation 1D: Produce the monitoring reports again to assist field offices in monitoring CSSR eligibility updating them to include all CSSR-eligible tenants. Agree. PIH/REAC agrees with the recommendation. As noted in the report, the loss of the contracted reporting team following the decision to not renew their contract ended the generation of the CSSR report in December 2012. A new contractor has been hired and this team will take the existing report logic, meet with the HUD business office to ensure that the reporting requirements are properly defined, and start preparing the report on a regular, reoccurring basis.

Target completion date: PIH/REAC expects the updated reports will be available by June 30, 2015.

OIG Recommendation 1E: Fix the fatal error codes resulting from the housing authority submissions of Form HUD-50058 to allow accurate reporting of foster and disabled adults.

Agree. PIH/REAC agrees with the recommendation.

PIC currently has the following fatal errors pertaining to the Meeting Community Service Requirement field:

- If valued, must equal '1', '2', '3' or '4'
- MCSR must be valued for all family members when program type is 'P' and Type of Action is '2' or '12'
- MCSR must be 4 when effective date minus date of birth is less than 18 years for a youth
- MCSR must be 4 when effective date minus date of birth is greater than or equal to 62 years for an adult
- MCSR must be 4 when relationship code is equal to 'F','Y', 'E' or 'L'
- MCSR must be 4 when disability indicator is 'Y'

We propose to add three items to our master requirements list:

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Auditee Comments

- Modify the existing error code pertaining to relationship code so code 'F' - foster member, is excluded from this edit
- Create a new warning edit that checks age of any member that is type 'F' against the 50058 effective date, and if over 18 years old require a response of '1', '2', '3', '4'
- Modify the disability error code to a warning, edit the validation so that a member coded as Disabled = Yes and meeting requirement = '4', to include language that states "the resident is coded as Disabled = Yes and Exempt, ensure tenant has certified that his/her disability excludes them from meeting the CSSR requirement"

Target Completion Date: These modifications are subject to the availability of limited resources to make the changes in the system. Any system changes are also subject to the timing of established system release schedules. Subject to the availability of funds, PIH/REAC expects the modifications will be completed by May 31, 2016.

OIG Recommendation 1F: Apply penalties or sanctions established by the Act against housing authorities that house ineligible households.

Agree. HUD will develop policies and protocols regarding the application of penalties and/or sanctions against housing authorities that house ineligible households.

Target completion date: PIH/OPHVP and PIH/OFO expect to develop such policies and protocols by October 1, 2015.

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OIG Evaluation of Auditee Comments

- Comment 1 The two different numbers presented in the report represent two separate, but sometimes overlapping problems. The first problem is noncompliance, resulting in ineligibility to continue living in the unit. Units included in this count may or may not have been coded as noncompliant. The second problem is coding errors, which is an information issue for HUD and the housing authorities who cannot process tenants correctly if they make incorrect compliance determinations. Not all of the noncompliant households we found during our audit are also part of the improperly reported tenants. We added clarifying language in the audit report.
- Comment 2 We used the local CSSR policies of the sampled public housing authorities when we reviewed for employment exemptions, so we did not overstate the degree of noncompliance by applying a more rigorous standard. There is a contradiction as to whether the CSSR Monitoring Report lists eligible tenants or eligible households. In the comments above HUD says “if we provide a report that includes any family with wages...” yet the CSSR Monitoring Report says “Residents in column G who do not have wages or welfare income listed in Section 7 of the Form HUD-50058.” It would not be appropriate to exclude an entire household due to wages as each adult must be evaluated for compliance individually. In addition, each adult should be evaluated for the 12 month period leading up to the reexamination date, whereas the wages listed on the form are prospective. Over 40 percent of the noncompliant units we reviewed would have been excluded from CSSR monitoring reports because the noncompliant tenants had wages or welfare listed on the 50058. These tenants were not exempt because some were not employed for enough hours to be exempt under the housing authority’s policy, some were currently employed but during the preceding year the tenant was not employed, and some received only food stamps which does not exempt a tenant from completing community service. Excluding all households with wages or welfare from the CSSR monitoring report is not going to be useful as it does not show a true picture of the noncompliance regarding CSSR.
- Comment 3 We will work with HUD to reach a management decision as the current response does not state when it will fully implement each recommendation. We have renumbered our recommendations for the final report. The recommendations referred to as 1D, 1E, and 1F in the Auditee Comments have been renumbered to 1E, 1F, and 1D, respectively, for the final report.

Appendix C

Sample Design Table

Strata	Annual Federal subsidy	Sample households	Population count		Sampling weights
			Households	Members	
0-10pct_1_CSSR	79,065,590.31	4	43,900	43,900	10975.00
0-10pct_2_CSSR	20,908,042.88	2	11,494	22,988	5747.00
0-10pct_3_CSSR	2,828,858.35	2	1,546	4,638	773.00
0-10pct_Multi_CSSR	723,935.85	2	399	1,673	199.50
10-30pct_1_CSSR	222,244,938.52	9	83,752	83,752	9305.78
10-30pct_2_CSSR	60,968,348.65	2	23,037	46,074	11518.50
10-30pct_3_CSSR	10,574,911.15	2	3,963	11,889	1981.50
10-30pct_Multi_CSSR	2,790,300.93	2	1,038	4,396	519.00
30-50pct_1_CSSR	306,665,304.56	10	89,671	89,671	8967.10
30-50pct_2_CSSR	66,008,906.15	2	19,414	38,828	9707.00
30-50pct_3_CSSR	10,773,565.23	2	3,164	9,492	1582.00
30-50pct_Multi_CSSR	2,413,844.46	2	703	2,940	351.50
50-76pct_1_CSSR	424,478,158.07	12	100,996	100,996	8416.33
50-76pct_2_CSSR	105,624,445.95	2	25,232	50,464	12616.00
50-76pct_3_CSSR	22,122,541.57	2	5,281	15,843	2640.50
50-76pct_Multi_CSSR	5,542,912.70	2	1,322	5,550	661.00
94-100pct_1_CSSR	82,764,461.16	2	15,597	15,597	7798.50
94-100pct_2_CSSR	19,709,422.61	2	3,732	7,464	1866.00

Strata	Annual Federal subsidy	Sample households	Population count		Sampling weights
			Households	Members	
94-100pct_3_CSSR	3,952,175.77	2	752	2,256	376.00
94-100pct_Multi_CSSR	960,419.72	2	182	768	91.00
NYCHA_1_CSSR	316,711,059.80	7	64,480	64,480	9211.43
NYCHA_2_CSSR	163,620,949.51	2	33,312	66,624	16656.00
NYCHA_3_CSSR	54,171,933.60	2	11,029	33,087	5514.50
NYCHA_Multi_CSSR	18,247,233.05	2	3,715	15,824	1857.50
Totals	2,003,872,260.57	80	547,711	739,194	

Sample selection is explained in the Scope and Methodology section.

Appendix D

Criteria

HUD Notice PIH-2009-48

Community service volunteer work and economic self-sufficiency requirements mandate that each nonexempt adult household member (18 years or older) shall either contribute 8 hours per month of community service within his or her community, or participate in an economic self-sufficiency program for 8 hours per month. The requirements can also be met by a combination of 8 hours of community service and participation in an economic self-sufficiency program. At least 8 hours of activity must be performed each month. An individual may not skip a month and then double up the following month, unless special circumstances warrant it. The public housing authority will determine whether to permit a deviation from the schedule.

Housing authorities develop a local policy for administration of the CSSR for public housing residents within their Admissions and Continued Occupancy Policies (ACOP). Elements of the CSSR policy include, but are not limited to, the housing authority's responsibility to administer the requirement, eligible and non-eligible activities, exemptions from the requirement, and compliance review standards.

The ACOP presents how the housing authority determines if an individual is exempt from the CSSR and the documentation needed to support the exemption. Exemptions for adult residents unable to participate include persons who are 62 years or older; blind or disabled who certify that because of this disability, they are unable to comply with the service provisions or is a primary caretaker of such individual; engaged in work activities; able to meet requirements under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located; or a member of the family receiving assistance, benefits, or services under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located.

Authorities are encouraged to use 30 hours per week as the minimum number of hours for a work activity. Housing authorities must describe in its policy the process to determine which tenants are exempt from the requirement, as well as the process for determining any changes to the exempt status of the tenant. Housing authorities provide the household a copy of the policy at initial application and secure certification of receipt. The housing authority makes the final determination whether to grant an exemption from the CSSR.

At lease execution or reexamination, all adult members (18 or older) of a household must provide documentation that they qualify for an exemption if they claim to be exempt from the CSSR. Nonexempt members must present documentation of the community service and self-sufficiency activities performed over the previous year.

If during reexamination a tenant is found to be noncompliant, then a written notice from the housing authority to the tenant is provided. It states what the non-compliance with CSSR is, states that lease renewal is contingent upon compliance or execution of a written work-out agreement or that the noncompliant tenant must move out, that the tenant may request a grievance hearing on the housing authorities determination, and that the tenant may exercise any available judicial remedy. The tenant and the head of household sign a work-out agreement with the housing authority to make up the deficient hours over the next year or the lease will be terminated.

Section 6(j)(4)(A) of the United States Housing Act of 1937 provides sanctions against any housing authority failing to comply substantially with any provision of the Act relating to the public housing program. Sanctions include, but are not limited to, terminating, withholding, or reducing assistance payments. These sanctions are applicable to housing authorities failing to substantially comply with the CSSR requirement.