



Englewood Apartments Kansas City, MO

Multifamily Section 8 Project-Based Rental Assistance

**Office of Audit, Region 7
Kansas City, KS**

**Audit Report Number: 2020-KC-1001
June 8, 2020**



To: Mary Walsh, Southwest Region Director, Multifamily Housing, 6AHMLA
Craig Clemmensen, Director, HUD Departmental Enforcement Center, CACB

//signed//

From: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

Subject: Englewood Apartments, Kansas City, MO Did Not Comply With Tenant Eligibility and Recertification Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Englewood Apartments' Section 8 Project-Based Rental Assistance program.

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, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

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



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Englewood Apartments Did Not Comply With Tenant Eligibility and Recertification Requirements

Highlights

What We Audited and Why

We audited Englewood Apartments' Project-Based Section 8 Rental Assistance program based on a request from the U.S. Department of Housing and Urban Development's (HUD) Region 7 Office of Multifamily Housing Programs. HUD conducted a management and occupancy review in January 2018 to assess the overall quality of management and services provided in accordance with HUD guidelines and instructions. Overall, Englewood Apartments received a "below average" rating. HUD also conducted a tenant file audit and found that the tenant files were noncompliant. Our audit objective was to determine whether the Englewood Apartments' ownership and staff managed its Project-Based Section 8 Rental Assistance program in accordance with applicable requirements.

What We Found

Englewood Apartments did not comply with tenant eligibility and recertification requirements when it did not review Enterprise Income Verification system reports at recertification, perform physical inspections of units, conduct 90-day income reviews for zero-income tenants, or properly calculate household incomes. In addition, it did not always have proof of birth and Social Security cards or the Enterprise Income Verification Summary Report in the tenant file, charge tenants the minimum total tenant payment, give tenants applicable deductions, and properly apply rent schedules. Further, Englewood claimed a subsidy payment for an unidentified individual, did not always properly verify and document participant assets, authorized tenants additional bedrooms in the unit without adequate support, processed paperwork with a deceased tenant's signature, and did not always maintain tenant files or support documents. As a result, the owner collected a projected amount of more than \$377,000 and \$24,295 in ineligible and unsupported housing assistance payments respectively.

What We Recommend

We recommend that HUD require Englewood Apartments to (1) repay the projected \$377,108 in housing assistance payments for tenants who were not eligible for assistance; (2) support or repay \$24,295 in unsupported housing assistance payments; and (3) implement appropriate controls, including a formalized process, to use when conducting initial certifications and interim and annual recertifications. We also recommend that the Director of the HUD Departmental Enforcement Center consider whether administrative action against the owner is warranted.

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Background and Objective

Englewood Apartments is located at 5432 Northwest Waukomis Drive, Kansas City, MO. The 152-unit multifamily project receives housing assistance payments from the U.S. Department of Housing and Urban Development (HUD) under Section 8 of the Housing Act of 1937; however, the property does not have a HUD-insured mortgage.



Congress authorized the Section 8 Project-Based Rental Assistance program in 1974 to provide rental subsidies for eligible tenant families residing in specific multifamily rental properties. Under the program, HUD enters into long-term housing assistance payments contracts with project owners to provide housing units to eligible tenants.

Englewood Apartments MO, LLC, acquired the property in 2015, and Millennia Housing Management, Ltd. has managed the operations at Englewood Apartments since May of 2015. The president of Englewood Apartments MO, LLC, is also the chief executive officer of The Millennia Companies (the parent company of Millennia Housing Management, Ltd.), which makes the relationship an identity of interest. Englewood Apartments Investment, LLC, is the managing member of Englewood Apartments. A majority of the property's day-to-day activities are managed at the property, while most of the financial operations are managed at the management agent's home office in Cleveland, OH.



HUD subsidized rent for the 152 units through an annual housing assistance payments contract with the owner. The contract summarized the terms and conditions for subsidy payments. Based on the tenant's income, the owner determined how much rent each tenant was responsible for and submitted monthly claims to HUD for the difference between the tenant's portion of the rent and the total approved rent for an adequate housing unit. Between November 2016 and November 2018, HUD paid the owner more than \$2.2 million in tenant subsidies. The property has experienced a high management turnover within the past years.

Our audit objective was to determine whether the Englewood Apartments' ownership and staff managed its Project-Based Section 8 Rental Assistance program in accordance with applicable requirements.

Results of Audit

Finding 1: Englewood Apartments Did Not Comply With Tenant Eligibility and Recertification Requirements

Englewood Apartments did not comply with tenant eligibility and recertification requirements. This condition occurred because the owner and its identity-of-interest management agent, Millennia Housing Management, did not provide the necessary oversight and establish adequate controls. Also, there was high personnel turnover, and personnel did not receive proper training. As a result, the owner collected a projected amount of more than \$377,000 in housing assistance payments to which it was not entitled. Also, the owner and its identity-of-interest management agent could not adequately support \$24,295 in housing assistance payments.

Englewood Did Not Comply With Tenant Eligibility and Recertification Requirements

Of the 60 subsidy payments reviewed, Millennia Housing Management

- did not review the Enterprise Income Verification (EIV) system reports at certification for 44 subsidy payments;
- did not always perform unit inspections for 40 subsidy payments;
- did not conduct 90-day income reviews for zero-income tenants for 22 subsidy payments;
- did not properly calculate household income for 17 subsidy payments;
- did not have proof of birth for 5 subsidy payments;
- did not have Social Security cards or the EIV Summary Report that had an acceptable Identity Verification Status for 3 subsidy payments;
- did not charge tenants the minimum total tenant payment for 9 subsidy payments;
- did not always give tenants applicable deductions (medical expense, elderly, and disability), authorized ineligible deductions, or did not support a child care deduction for 9 subsidy payments;
- misapplied unapproved rent schedule for 3 subsidy payments;
- claimed a subsidy for an unidentified individual;
- did not properly verify household assets for 9 subsidy payments;
- authorized tenants additional bedrooms without adequate support for 8 subsidy payments;
- did not have the head of household and every household member 18 years of age or older sign the forms HUD-9887 and HUD-9887-A at certification for 6 subsidy payments;
- did not have all current tenants sign the local sexual offender annual monitoring form at certification for 4 subsidy payments;
- processed paperwork with a deceased tenant's signature; and
- was missing 1 entire tenant file and support documents for 2 subsidy payments.

Many of the subsidy payments had multiple deficiencies. (See appendix C.)

EIV System Reports Were Not Always Run or Reviewed

Englewood did not always run and review the EIV system reports at certification for 44 of 60 subsidy payments reviewed. HUD required owners to use three reports at the time of recertification: the summary report, income report, and the income discrepancy report. The summary report is a summary of information taken from the current, active certifications contained in the Tenant Rental Assistance Certification System (TRACS) file at the time of the income match and also provides the Identity Verification Status for each household member. The income report provides employment and income information reported in the National Directory of New Hires (NDNH) and Social Security Administration (SSA) databases for all household members who passed the SSA identity test and identifies household members who may be receiving multiple subsidies. The income discrepancy report identifies households in which there is a difference of \$2,400 or more annually in the wages, unemployment compensation, or Social Security benefit income that NDNH and SSA reported versus what the property reported for the tenant in TRACS for the same period. It identifies tenants whose income may have been underreported or overreported. HUD required the use of the EIV system for verification of employment and tenant income and for reducing administrative and subsidy errors and required third-party verification of the income. We detailed other EIV reports that Englewood did not review in finding 2.

Englewood did not always run and review EIV system reports for the tenants at certification. For example, Englewood produced an EIV report for a tenant at recertification and the income discrepancy report listed the amount of the annual income discrepancy. However, we could not find documentation to show the Englewood investigated the income discrepancies on the report. According to HUD Handbook 4350.3, paragraph 9-11(C)(1), the owner must investigate all discrepancies identified to determine whether they are valid. By not running and reviewing EIV reports at certification, Englewood's owner and staff could not guarantee that the tenants were eligible for the subsidy amount claimed. In addition, the owner billed HUD for tenants whose income it did not verify.

Physical Inspections Were Not Always Performed

Englewood did not always perform quarterly or annual unit inspections as its policies required for 40 of 60 subsidy payments reviewed.

Quarterly Unit Inspections

According to Englewood's tenant selection plan, dated April 2016, Englewood was to perform quarterly inspections to ensure that the units were in a decent, safe, and sanitary condition. Quarterly inspections were required in 29 of 60 subsidy payments reviewed; however, the management agent either did not conduct the inspections or conducted only one inspection throughout the year.

Annual Unit Inspections

Englewood revised its tenant selection plan in October 2017 to require only annual inspections on the units, which was in line with HUD's requirement for annual

inspections. However, the property did not conduct annual inspections as required in 11 of 60 subsidy payments reviewed.

HUD required the owner to complete annual inspections to ensure that the units it was billing for assistance were decent, safe, sanitary, and occupied or available for occupancy. The owner also certified to this every month on form HUD-52670 (Housing Owner's Certification and Application for Housing Assistance Payments) to obtain subsidy payments for the units. However, the owner would not know the condition of the units without having conducted inspections as required. Regardless, the Englewood owner billed HUD and received payment for uninspected units. Further, in two instances, Englewood conducted inspections; determined that the units were not in a decent, safe, and sanitary condition; and claimed a subsidy on the unit anyway.

Quarterly Income Reviews Were Not Performed

Englewood did not conduct quarterly income reviews for tenants who reported zero income on their form HUD-50059 at certification for 22 of 60 subsidy payments reviewed. The households reported zero income at either the initial certification or annual recertification. However, Englewood did not conduct required quarterly income reviews. HUD Handbook 4350.3, paragraph 9-11(D)(1)(a) recommends that owners have a policy to reverify the status at least quarterly of tenants who report zero income. In addition, it states that the owner may require the tenant to reverify zero income status at least every 90 days. Millennia Housing Management, Ltd.'s policy, entitled "Using HUD's Enterprise Income Verification System," revised July 2015, states, "...all households claiming zero income will be required to report to the owner/agent every 90 days in order to participate in an income review with reviews conducted in March, June, September, and December." The management agent did not follow the required policies for households reporting zero income at certification. Therefore, Englewood could not provide assurance that the subsidies claimed for those households were accurate.

Income Were Not Properly Calculated

Englewood did not properly calculate income for program participants for 17 of 60 subsidy payments reviewed. Englewood claimed a subsidy for three tenants whom it reported as zero-income tenants on the form HUD-50059. However, these households had income documentation, which Englewood should have applied at certification. Specifically, one of the tenants had an anticipated annual income of \$24,457 based on the income verification documentation in the file, while another tenant had an income of \$8,820 from Supplemental Security Income (SSI). Also, Englewood did not review the income of all adult members in another household. Besides the head of household, there were three other adult members in the household whose income Englewood did not document or review.

In addition, Englewood miscalculated the household income for five subsidy payments. For example, the file contained income documentation from SSI of \$750 monthly for both the head of household and the cohead, which totaled \$18,000 in annual income for the household. However, Englewood reported the household income as \$0. Further, Englewood reported the household income of two tenants as \$629 and \$1,865 but did not have support documentation for the income. Lastly, the property continued to claim a subsidy for a tenant whose monthly

income had increased more than \$590. However, the property did not complete an interim recertification to review the tenant's income. HUD requires that owners process an interim recertification if a tenant reports an increase in a family's cumulative income of \$200 or more a month. The improper calculations of household income may have led to overcharging or undercharging tenant rent, as well as an overcharge or undercharge of HUD subsidies.

Proof of Birth and Social Security Cards Were Missing or Not Always Maintained

Englewood did not ensure that tenant files contained proof of birth for members of the household for 5 of 60 subsidy payments reviewed. In some cases, the head of household, as well as the cohead, were missing proof of birth. HUD requires owners to verify age to determine whether a family is entitled to certain allowances based upon the age of the head, spouse, cohead, or minor. In addition, the management agent's tenant selection plan required that applicants and residents provide proof of birth to be eligible for occupancy and housing assistance.

Englewood also did not ensure that tenant files contained Social Security cards or the EIV Summary Report that had the Identity Verification Status as verified for members of the household for 3 of 60 subsidy payments reviewed. HUD requires that applicants and tenants disclose and provide verification of the complete and accurate Social Security numbers assigned to each household member. Also, it states that failure to disclose and provide documentation and verification of Social Security numbers will result in a property's denying admission to an applicant or terminating a tenant household's tenancy. In addition, the tenant selection plan required that applicants and residents provide proof of Social Security numbers for all household members to be eligible for occupancy and housing assistance. Englewood should have terminated assistance to the households that did not provide the required proof of birth and Social Security cards.

Tenants Were Not Always Charged the Minimum Total Tenant Payment

Englewood did not charge tenants the minimum total tenant payment (TTP) for 9 of 60 subsidy payments reviewed. HUD requires that tenants in properties subsidized through the Section 8 program pay a minimum TTP of \$25.

Deductions Were Not Correctly Calculated

Englewood did not calculate deductions correctly for 9 of 60 subsidy payments reviewed. Specifically, Englewood did not always give deductions to tenants in six subsidy payments, it gave unauthorized deductions to tenants with missing proof of birth or Social Security cards in four of the subsidy payments, and it gave an unsupported child care expense deduction to a tenant in one subsidy payment reviewed. According to HUD Handbook 4350.3, paragraph 5-10(D)(1), a medical expense deduction is permitted only for families in which the head, spouse, or cohead is at least 62 years old or is a person with disabilities (elderly or disabled families). Each elderly or disabled family is allowed a \$400 family deduction. However, Englewood did not give the required medical, elderly, or disabled deductions, even when there was adequate documentation.

Misapplication of Unapproved Rent Schedules

Englewood misapplied unapproved rent schedules for 3 of 60 subsidy payments reviewed. Englewood is required to submit form HUD-92458 (Rent Schedule Low Income Housing) each year to HUD, which shows the actual rent the property intends to charge each year when requesting an adjustment to project rent. HUD has to approve the form before it goes into effect. In addition, exhibit A of the form requires the owner not to submit a gross rent change through TRACS until HUD has returned the fully executed form HUD-92458. The rent schedule Englewood prepared for the years 2015 through 2018 had an effective date of rent increase as May 1 each year. However, HUD had not approved the rent schedules for 2016 and 2017 until 2018. Therefore, the rent change for 2016 and 2017 could not take effect until 2018 when HUD approved the rent schedule. For three subsidy payments, HUD had not yet approved the rent schedule applied by Englewood so Englewood should not have used it. By applying the unapproved rent schedule, Englewood overcharged HUD and its tenants.

Subsidy Was Claimed for An Unidentified Individual

Englewood claimed a subsidy for an unidentified individual for 1 of 60 subsidy payments reviewed. The name listed on the forms HUD-50059 and HUD-52670 (Housing Owner's Certification and Application for Housing Assistance Payment) was different from the name listed on the identification documents in the tenant file. However, Englewood, the owner, and its identity-of-interest management agent certified on the form HUD-52670 that "all the facts and data on which this request for payment is based are true and correct" and claimed the subsidy for an unidentified individual.

Household Assets Were Not Always Verified

Englewood did not always properly verify the household assets during certification for 9 of 60 subsidy payments reviewed. In five instances, the file contained no documentation to verify the asset amount that was listed on the form HUD-50059. For cash held in checking accounts, HUD requires the property to use the average balance for the last 6 months as the net family asset. In four other instances, Englewood listed assets incorrectly or did not list them on the form HUD-50059. However, a bank statement and asset verification documentation showed that the tenants had a checking account with an average 6-month balance.

Authorization of Inappropriate Bedrooms or Unit Size

Englewood authorized the tenants more bedrooms at certification than the family was entitled to for 8 of 60 subsidy payments reviewed. At recertification, the households occupied units with a number of bedrooms larger than the allowed occupancy standards. According to HUD Handbook 4350.3, owners must develop and follow occupancy standards that take into account the size and number of bedrooms needed based on the number of people in the family. It requires that owners assign a family to a unit of appropriate size, taking into consideration all persons residing in the household. Englewood's authorization of an improper number of bedrooms for the households resulted in the underutilization of the units and an inefficient use of the housing assistance.

Forms HUD 9887 and 9887-A Were Not Always Signed

Englewood did not ensure that the head of household and cohead signed the forms HUD 9887 (Notice and Consent for the Release of Information) and 9887-A (Tenant's/Applicant's Consent for the Release of Information) at certification for 6 of 60 subsidy payments reviewed. HUD required that each family member who was at least 18 years of age and the head, spouse, or cohead, regardless of age, sign the forms at move-in, initial certification, and each annual recertification. In addition, HUD requires that the owner deny or terminate assistance if an applicant or tenant refuses to sign the forms. Englewood should have terminated assistance to the households that did not sign the forms.

Sexual Offender Annual Monitoring Form Was Not Always Signed

Englewood did not ensure that the head of household and cohead signed the sexual offender annual monitoring form for 4 of 60 subsidy payments reviewed. According to Millennia Housing Management, Ltd.'s tenant selection plan, dated April 2016 and revised October 2017, all applicants and current tenants are required to self-certify if they or any member of their household is subject to a lifetime State sex offender registration program in any State. However, Englewood did not follow this policy.

Deceased Tenant Signed Forms

Englewood processed paperwork with a deceased tenant's signature for 1 of 60 subsidy payments reviewed. The tenant file contained a death notice showing that the tenant died on September 27, 2018. However, the tenant supposedly signed a lease amendment, as well as the annual recertification initial notice, on November 9, 2018. Further, the signatures differed from the tenant's original signatures.

Missing Tenant File and All Supporting Documents

Englewood Apartments was unable to provide the tenant file for 1 of 60 subsidy payments reviewed. According to Englewood staff members, there were flooding issues in a storage room and they had to destroy several tenant files due to mildew issues. Also, Englewood was unable to provide the required support for 2 of 60 subsidy payments reviewed. We requested the form HUD-50059 and other required documents, such as the pay stubs, child support documentation, asset verification, inspection forms, etc., that related to the sample subsidy payment for these households. However, Englewood was unable to provide the documents. As a result, we were unable to determine whether these tenants met HUD and local tenant eligibility requirements.

Lack of Necessary Oversight and Controls, High Personnel Turnover and Lack of Training

The owner and its identity-of-interest management agent did not provide the necessary oversight and establish adequate controls. The management agent's corporate and regional staff did not adequately ensure that the onsite personnel conducted Englewood's day-to-day operations in line with the applicable requirements. According to Millennia Housing Management staff, the compliance department was required to review all move-ins before admission. However, the staff members in charge of oversight did not perform their duties effectively, which led to various administrative errors and other deficiencies noted above. In addition, Englewood did not have a formalized process when conducting initial certifications and interim and annual recertifications to ensure that tenants were eligible, housing assistance payments were accurate,

and tenant files contained all required documentation to comply with HUD's and its own requirements.

Further, the owner and its identity-of-interest management agent took over Englewood's operations in May 2015, and there had been a number of different property managers, assistant property managers, and regional managers between November 2016 and October 2018. In addition, the management agent's staff members attributed most of the deficiencies to a lack of training.

Ineligible and Unsupported Housing Assistance Payments

The owner collected a projected amount of \$188,554 annually in housing assistance payments to which it was not entitled because Englewood should have deemed the tenants ineligible and terminated their assistance. Therefore, over the course of our 2-year audit period, HUD made more than \$377,000 in housing assistance payments for tenants whose eligibility the owner and its identity-of-interest management agent could not prove. Also, the owner and its identity-of-interest management agent could not adequately support \$24,295 in housing assistance payments based on the subsidy payments reviewed. However, when projected this would result in \$536,714 annually in unsupported housing assistance payment. We estimated the ineligible amount by extrapolating the 30 instances of ineligible payments to the universe of 3,181 monthly subsidy payments, resulting in an estimated \$15,713 monthly and 1,272 monthly subsidy payments during our 24-month sampling period. The monthly total of \$15,713 equates to \$188,554 in annual ineligible subsidy payments. Additionally, we estimated the unsupported amounts by extrapolating the 40 instances of unsupported subsidies to the universe, resulting in an estimated \$44,726 monthly and 1,803 monthly subsidy payments during our sample period. The monthly total of \$44,726 equates to \$536,714 annually.

Conclusion

Englewood Apartments through its identity-of-interest management agent Millennia Housing Management did not comply with tenant eligibility and recertification requirements. Englewood collected a projected amount of \$188,554 annually in ineligible housing assistance payments and more than \$377,000 during our 24 month audit period. In addition, Englewood could not adequately support \$24,295 in housing assistance payments based on the subsidy payments we reviewed. This amount when projected would result in \$536,714 annually but we are only requesting the project to support or repay \$24,295. This occurred because it did not provide the necessary oversight and establish adequate controls. Also, there was high personnel turnover and inadequate training.

Recommendations

We recommend that the Director of HUD's Southwest Region, Office of Multifamily Housing Programs

- 1A. Require the Englewood Apartments' owner to repay HUD from non-project funds the projected \$377,108 in housing assistance payments for tenants who were not eligible for assistance.

- 1B. Require Englewood Apartments to support that \$24,295 in unsupported housing assistance payments was eligible and accurate. Englewood Apartments' owner should repay any subsidy overpayments to HUD from non-project sources. Further, the owner should reimburse tenants for overcharged rents or enter into a repayment agreement with tenants who were undercharged due to nondisclosure of income.
- 1C. Require the Englewood Apartments' owner to implement appropriate controls, including a formalized process, to use when conducting initial certifications and interim and annual recertifications to ensure that tenants are eligible, housing assistance payments are accurate, and tenant files contain all required documentation to comply with HUD's and its own requirements. In addition, the updated controls should ensure a layer of management oversight to review all certifications before final approval until such time as onsite management is trained and has been proven to follow HUD's and its own requirements.
- 1D. Ensure that the owner, management agent, and staff complete training to ensure that they understand their duties, including HUD's and local tenant eligibility and certification requirements.
- 1E. Monitor Englewood Apartments to ensure that its staff properly maintains tenant files and completes required certifications in accordance with HUD's and its own requirements.
- 1F. Ensure that Englewood Apartments' owner and its identity-of-interest management agent provide necessary oversight to its onsite staff.

We also recommend that the Director of the HUD Departmental Enforcement Center

- 1G. Take appropriate administrative action, up to and including debarment, against the owner for the violations cited in this report including, amongst others, failure to perform the required inspections to ensure that the units the owner were billing for assistance were decent, safe, and sanitary.

Finding 2: Englewood Apartments Did Not Properly Run and Review Enterprise Income Verification System Reports

Englewood Apartments did not properly run and review EIV system reports for any month from November 2016 through October 2018. This condition occurred because Millennia Housing Management (management agent) did not provide the necessary oversight and establish adequate controls for its program. Also, there was a high personnel turnover rate, and personnel did not receive proper training. As a result, the property was not able to properly verify tenant employment and income during tenant certifications. Also, it was not able to reduce administrative and housing assistance payment errors.

EIV System Reports Not Properly Run and Reviewed

The EIV system is a web-based application that provides owners with employment, wage, unemployment compensation, and Social Security benefit information for tenants participating in HUD's assisted housing programs. Owners use the information in the EIV system to verify employment and income at the time of certification and to reduce errors in subsidy payments. We reviewed HUD's and Millennia Housing Management, Ltd.'s guidance (Using HUD's Enterprise Income Verification (EIV) System, revised July 2015) regarding the EIV system to determine which required EIV reports the Englewood Apartments staff did not run during our audit period (November 1, 2016, through October 31, 2018).

HUD requires that owners use the EIV system. Also, it requires that the owner use the EIV income report as a third-party source to verify a tenant's employment and income during mandatory certifications (annual and interim) of a family's composition and income. Besides the EIV reports that staff is required to run for the individual tenant (income, summary, and income discrepancy reports), there are additional monthly and quarterly EIV reports required to identify issues or discrepancies, which may impact a family's assistance, and to further reduce subsidy payment errors. These reports include the new hires report (quarterly), multiple subsidy report (quarterly), deceased tenants report (quarterly), existing tenant search (required when a tenant submits an application), failed EIV prescreening (monthly), failed verification report (monthly), no income reported on 50059 (used with zero-income tenants), and No Income Reported by Department of Health and Human Services (HHS) and Social Security Administration (SSA) (used with zero income tenants). From our review, we determined staff did not run

- The quarterly New Hires report or Multiple Subsidy report in November or December 2016, January through March 2017, or October through December 2017.
- The quarterly Deceased Tenant report in November or December 2016, January through March 2017, October through December 2017, or April through June 2018.
- The monthly Failed EIV Pre-screening report or Failed Verification Report (Failed the SSA Identity Test) in November or December 2016, January through March 2017, May 2017, September 2017, November or December 2017, February through July 2018, or September 2018.

- The quarterly No Income Reported on 50059 report or No Income Reported by HHS and SSA report in November or December 2016, January through March 2017, July through December 2017, or January through September 2018.

The table in appendix D lists the required EIV reports, which Englewood Apartments staff should have run, and identifies whether staff ran the required EIV reports during our audit period. Also, we listed whether the EIV reports were required monthly or quarterly.

Lack of Oversight and Training, Inadequate Controls, and High Personnel Turnover

The owner and identity-of-interest management agent did not provide the necessary oversight and establish adequate controls for its program. Millennia Housing Management, Ltd. had staff in charge of the properties within the region and had the responsibility of providing oversight and adequate controls. According to the staff members of Millennia Housing Management, Ltd., their duty was to conduct spot checks on tenant files, review the files for accuracy, and train onsite personnel on required EIV reports to run, as well as when to run the reports. However, the supervisory officials did not perform these functions.

The property had also experienced a high personnel turnover rate, which, in turn, affected the level of training the Englewood Apartments personnel received. The owner and its identity-of-interest management agent took over the operations at Englewood Apartments in May 2015. However, there were five past property managers, three past assistant managers, two past regional managers, and one past vice president between November 2016 and October 2018.

Administrative and Housing Assistance Payment Errors

As a result of the issues described above, Englewood Apartments was not able to reduce administrative and housing assistance payment errors. For example, in our review of 60 subsidy payments, we found 22 subsidy payments for tenants who reported zero income at certification. Besides the EIV reports that were not run for 18 of these tenants at certification, Englewood Apartments did not run the new hires report, no income reported on 50059, and no income reported by HHS or SSA quarterly for any of them. In addition, we found two reported zero-income tenants who had income and had documentation of the income in their tenant files. However, Englewood Apartments staff did not document the income on form HUD-50059. By not reviewing the income of the reported zero-income tenants quarterly and accurately reporting the household incomes, Englewood Apartment could not guarantee that it calculated the housing assistance payments accurately.

Recommendations

We recommend that the Director of HUD's Southwest Region, Office of Multifamily Housing Programs

- 2A. Require Englewood Apartments' owner to further develop a formalized process to use when running and reviewing EIV reports.

- 2B. Require Englewood Apartments' owner to ensure that the management agent and staff complete EIV training to ensure that staff members understand their duties and both HUD's and Englewood Apartments' own requirements.
- 2C. Monitor Englewood Apartments to ensure that it properly runs and reviews the EIV reports.
- 2D. Ensure that Englewood Apartments' owner and its identity-of-interest management agent provide necessary oversight to its onsite staff.

Scope and Methodology

Our audit covered the period November 1, 2016, through October 31, 2018. We performed our fieldwork from February through September 2019 at Englewood Apartments located at 5432 Northwest Waukomis Drive, Kansas City, MO.

To accomplish our objective, we reviewed

- applicable regulations and HUD guidance;
- Millennia Housing Management, Ltd. and Englewood Apartments' policies and procedures;
- HUD's management and occupancy review;
- Real Estate Assessment Center physical inspection reports;
- Englewood Apartments owner's certification and application for housing assistance payments;
- the project owner's management agent's certifications;
- EIV reports;
- rent schedules;
- Kansas City, MO income limits;
- Englewood Apartments' regulatory and use agreements;
- Englewood Apartments' audited financial statements; and
- Englewood Apartments' records, including rent registers, tenant files, and other supporting documentation.

Additionally, we interviewed employees of Millennia Housing Management, Ltd. in charge of the operations at Englewood Apartments, tenants of the project, and HUD's Office of Multifamily Programs staff in Kansas City, KS.

We selected a representative statistical sample of 60 subsidy payments totaling more than \$34,000 from a universe of 3,181 monthly subsidy payments to program participants totaling more than \$1.8 million from November 2016 through October 2018. We chose a statistical sample so we could draw conclusions about the universe without performing 100 percent testing. The universe was derived using data for monthly rent rolls extracted from OneSite Leasing and Rents, the software Millennia Housing Management, Ltd. (management agent) used to record tenant information. In compiling the universe, we excluded the nonoccupied units and the units with missing or zero subsidy payments. We derived the total payment amount associated with each apartment unit by summing all payments for a given month for each apartment unit that received a subsidy in our universe.

We ordered sampling units by total housing assistance payment amount and selected a systematic random sample of 60 records for auditing using the Statistical Analysis System (SAS) proc survey procedure. To answer the question of eligibility documentation or unsupported

funds, we applied bootstrapping (a nonparametric statistical method that applies the procedure of resampling with replacement from the selected audit sample to construct an empirical distribution for the universe of interest) and projection methods using SAS, based on audit review results of 60 records with known error status and error amount. Specifically, we took 100,000 samples (with 60 records in each sample), with replacement, from the selected audit sample, which contains 60 records with known error status and exact error amount for each single record from auditing. We then ordered these 100,000 bootstrapped error rates and error amounts, respectively, to empirically approximate the unknown distributions of the universe error rates and universe error amounts under auditing.

We concluded, based on a one-sided 95-percent confidence level, that an estimated 1,803 tenant monthly payments (57 percent) during the above-mentioned timeframe did not have enough support documents, resulting in projected unsupported housing assistance payments of \$44,726 monthly, which is equivalent to \$536,714 yearly. In addition, an estimated 1,272 tenant monthly payments (40 percent) during the above-mentioned timeframe were ineligible, resulting in projected ineligible housing assistance payments of \$15,713 monthly, which is equivalent to \$188,554 yearly.

We relied, in part, on data provided by Englewood Apartments. Although we did not perform a detailed assessment of the reliability of the data, we determined that the computer-processed data were sufficiently reliable to be used in meeting our objective because the data in the sampled items were corroborated by documentary evidence Englewood Apartments supplied. We did not rely on the data as the sole support for our audit conclusions.

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:

- Policies and procedures to ensure that the owner and identity-of-interest management agent administered the Section 8 Project-Based Rental Assistance program in accordance with HUD requirements.
- Internal control structures to provide adequate oversight of the program.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The owner and its identity-of-interest management agent did not provide the necessary oversight and establish adequate controls (findings 1 and 2).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$377,108	
1B		\$24,295
Totals	377,108	24,295

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

Auditee Comments and OIG's Evaluation

Auditee Comments



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January 22, 2020

████████████████████
Mr. Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General, Denver Region
UMB Plaza, 23rd Floor
1670 Broadway
Denver, CO 80202

RE: Response to January 7, 2020 Discussion Draft Audit Report regarding Englewood Apartments MO, LLC (Report No. 2020-KC-XXXX)

Dear Mr. Hosking:

Thank you for providing us with the U.S. Department of Housing and Urban Development Office of Inspector General's ("HUD OIG") draft report (the "**Draft Report**") dated January 7, 2020, concerning HUD OIG's audit (the "**Audit**") of Englewood Apartments (the "**Property**"), owned by Englewood Apartments MO, LLC ("**Owner**") and managed by Millennium Housing Management, Ltd. ("**Management Agent**"). We appreciate the opportunity that the Owner and Management Agent were given to cooperate with HUD OIG's audit. On behalf of the Owner and Management Agent, we respond to the Draft Report. At the outset, we note that the Owner and the Management Agent cooperated extensively with HUD OIG's audit, including hosting the HUD OIG team at the Property for a significant duration of time and responding to all inquiries from the HUD OIG team promptly. Our goal in this response is to continue cooperating with the HUD OIG and ultimately resolve all issues.

The Draft Report recommends that the U.S. Department of Housing and Urban Development ("**HUD**") seek further documentation to support tenant eligibility and compliance relating to subsidy payments, or if not provided, reimbursement of \$24,295 in housing assistance payments made on behalf of those residents. Additionally, the Draft Report recommends that HUD seek reimbursement of \$377,108 in housing assistance payments relating to ineligible housing assistance payments.

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Comment 1

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On May 28, 2015, the Owner acquired the Property, which at the time was a troubled affordable housing development. The Owner sought to address the difficult file and site conditions, but the conditions were worse than initially anticipated, and the delay in being able to raise preservation capital limited resources and hurt the ability to attract and retain quality site staff.

Improvement measures over the past two years have already addressed many of the conditions cited during the earlier audit period. With regard to repayment and to additional administrative sanctions, the HUD OIG's recommendation is an all or nothing approach, with which we respectfully disagree. Housing payments were clearly earned, housing was provided, and documentation the residents were low income persons were clearly established. We appreciate the OIG's position that process improvements must occur, and that some repayment is warranted. But we submit the draft Audit is flawed where it fails to recognize or distinguish a threshold for material compliance.

I. The History of the Owner and its Affiliates' Preservation Efforts

The Owner and its affiliates have for over two decades, preserved affordable housing developments across a geographic span of twenty-six (26) states. The Owner and its affiliates have a strong mission-content to their work and in the course of acquiring, rehabilitating, stabilizing and preserving this much needed affordable housing have also brought meaningful supportive service programs to residents.

The Owner and its affiliates have preserved both senior and family developments, and have also completed acquisitions of developments which provide housing to special needs populations. The Owner and its affiliates have thirty-five (35) service coordinators and provides resident programs at across the portfolio that they own and operate.

The rehabilitations, stabilizations and transformations have involved many highly distressed apartment developments. This is what the Owner and its affiliates have done and that was the goal and objective of acquiring the Property. Indeed, construction, rehabilitation, and stabilization is now underway at the Property. Rehabilitation construction at the Property, along with the completion of a new-construction community center will be complete by year-end 2020.

II. The History of the Property

On May 28, 2015, the Owner acquired the Property intending to utilize the state and federal Low-Income Housing Tax Credit ("LIHTC") programs to complete a long-overdue renovation. Since purchasing the Property, Owner has run into several obstacles.

In 2016, the Owner submitted its first tax credit application to the Missouri Housing Development Commission ("MHDC"), but did not receive the award. This materially set back improvement plans and operational resources. A further application was submitted in early 2017, relying in part on the state housing credit program, before it became apparent that the new

governor of the State of Missouri intended to cancel Missouri's State-sponsored LIHTC Program. The Missouri Governor's decision to cancel the state credit program rendered the redevelopment proposal infeasible and forced the Owner to investigate other financing avenues. The Owner submitted its third funding application, which was funded in early 2019, together with private funds, for a \$10,485,374 upgrade of structure and systems. The Owner also secured temporary, private funds to support project operations in February 2019. All of the preservation financing elements were assembled for a closing on June 14, 2019.

Purchasing a distressed asset, like the Property, brings additional challenges beyond just physical repairs. These financing limitations created material stress on local staff and, together with difficulty locating qualified candidates in the local labor market, meant that there was high turnover at the site. The many adverse conditions contributed to the problems and it took the Management Agent significant time and resources to bring the Property operations to levels that are acceptable to both HUD and the Owner.

III. The Current State of Construction at the Property

The Owner and the Management Agent are committed to stabilizing the Property and have already made significant steps towards doing so. Since closing on the preservation transaction in June 2019, the Owner began a full rehabilitation of the Property. This includes, but is not limited to the following:

- New kitchens
- New bathrooms
- New HVAC equipment
- New windows
- Interior wall surface refinishing and painting
- New entry doors
- New flooring
- New interior doors
- New building entry doors, security and exterior lighting
- Construction of a new community center
- Additional infrastructure repairs

To date, construction is complete on three buildings at the Property. The Owner has also stabilized the staffing and implemented additional controls to ensure that the Property is operating in compliance with HUD program requirements. The Management Agent has hired a new Vice President of Operations who is Missouri-based and a frequent visitor to the Property. The Management Agent has also hired a new Regional Manager who is Kansas City based. Both have exceptional affordable housing backgrounds.

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Comment 3

Comment 4

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The Owner has increase administrative oversight at the Property and the Management Agent's Compliance Department complete an additional review of each file before final processing. In addition, the Management Agent has implemented a Quality Assurance Manager who monitors EIV utilization, recertification and who trains site staff. The Owner believes this holistic approach with new site staff, new supervisory staff, and heightened home-office oversight now has the Property on the appropriate path to continued administrative success. Coupled with the major construction rehabilitation, heightened security program, and improved resident relations, the Owner and the Management Agent are now successfully meeting HUD standards.

IV. The Findings

The Owner respectfully asks the HUD OIG to consider the following additional clarification and responses.

A. Owner's General Response to the Tenant Eligibility, Recertification, and Enterprise Income Verification Allegations

The Draft Report recommends that HUD seek reimbursement of \$377,108 in housing assistance payments made on behalf of allegedly ineligible tenants and an additional \$24,295 in housing assistance payments that are unsupported by the tenant files. The Owner believes that certain files contained the required information or equivalent information.

B. Unit Inspections Were Performed During Audit Period Despite the OIG's Finding That the Units Were Not Inspected

The Draft Report found that forty (40) of the sixty (60) tenant files inspected during the audit contained discrepancies in the certification of decent, safe, and sanitary condition of the units. As a result, the OIG determined that the Management Agent failed to act in accordance with its policies. We believe the audit does not adequately reflect that, as to various inspections, the Owner and the Management Agent provided information that those inspections were performed.

The Property underwent numerous inspections by both Kansas City and the local HUD Program Office officials who, in partnership with the Owner, ensured deficiencies were addressed. In addition, the Property participated in two REAC inspections during the audit period. As a standard practice in preparation for any REAC inspection, the Management Agent performs a 100% unit inspections, which is completed by both local and corporate staff. The Owner disagrees with the HUD OIG's finding that the Management Agent did not perform unit inspections in accordance with its policies. Rather, the Owner and the Management Agent assert that, oftentimes, the performed inspections were in excess of the requirements outlined in the policies.

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The Owner and Management Agent also dispute the HUD OIG's assertion that a signed inspection form with a certification that a unit is decent safe and sanitary is required every time a unit is inspected and that the lack of such certification is equivalent to a failure to certify. HUD requires the Owner to certify annually that each unit is in decent, safe and sanitary condition. Throughout much of the audit period, the Owner's Tenant Selection Plan required quarterly inspections. The Owner does not believe that every inspection, beyond the annual inspection, must include a certification signed by both the resident and the Management Agent that a unit is decent, safe and sanitary. The Management Agent performs regular inspections for a variety of reasons. Indeed, a response to a service request will result in additional repairs based on management's observations while responding to the original request. During any such inspection, management lists any deficiencies observed in the unit. Furthermore, residents are not required to be present for unit inspections, making it impossible to receive the resident's signature for each inspection. HUD requires inspections to ensure that residents receive decent, safe and sanitary living conditions. The Owner contends that it regularly inspected units and addressed deficiencies as they arose, albeit not always on HUD's preferred forms, which complies with the spirit of the requirement.

C. Certain Files Did Contain Required Verification Despite the HUD OIG's Findings

The HUD OIG determined that there were several files that did not contain Social Security cards. However, this is not necessarily dispositive. Indeed, once each member of the household's social security number has been verified on the EIV Summary Report, owners may remove verification documentation previously submitted by the resident. *See* HUD Handbook 4350.3: Occupancy Requirements of Subsidized Multifamily Housing Programs, Paragraph 9-11(A).

Comment 7

D. Rent Schedules Were Applied with HUD's Prior Approval Despite HUD OIG's Finding that Englewood Misapplied the Rent Schedules

The HUD OIG concluded that the Management Agent misapproved three (3) rent schedules because they used an effective date prior to the HUD's approval. The Owner contends that it implemented each rent schedule appropriately. We believe the Project files to a material degree support the Owner's position that rent increases were appropriately implemented or were implemented after the fact, and were done so with HUD approval.

Comment 8

E. Owner and Management Agent Self-Identified and Corrected Several Findings Prior to the Audit

In several instances, an issue with a tenant file that was raised by the Draft Report was previously addressed by the Management Agent prior to the Audit. In some of these instances, the Owner and/or the Management Agent provided this evidence during the Audit and that information should be included in the Draft Report.

Comment 1

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F. Owner and Management Agent Have Already Implemented Controls to Improve Compliance

The Owner and the Management Agent have already increased their oversight of the Property's housing assistance payments program and its compliance with HUD requirements.

- The Owner and its affiliates recently created a new Manager of Quality Assurance, who will ensure that all properties in the portfolio comply with HUD's EIV requirements.
- The Management Agent implemented an administrative overview at the Property, which requires all tenant files to be reviewed by the Management Agent's Compliance Department.
- The Management Agent developed additional training to ensure compliance with HUD's project-based Section 8 program. All property management staff will receive ongoing training by the Management Agent's corporate staff.
- The Management Agent has assigned an operations specialist from their home office to monitor the resident ledgers and information on the OneSite RealPage system to ensure operational integrity. This same person provides this quality assurance role to other properties as well.
- In addition to these compliance measures, representatives from the HUD Southwest Region Office regularly visit the Property. Also, the general contractor provides a construction update to that same HUD office every two weeks.

G. The HUD OIG Did Not Disclose Important Details Regarding Its Methodology to Which Owner Can Respond

The Owner would like to raise several questions with regards to the statistical sampling used to select the sample units as well as the estimated deficient payments. In a typical audit with 3,500 units, SAS standards require a sample size of 346 to achieve a 95% confidence level. While bootstrapping, as defined in the Draft Report, allows a higher confidence level to be attained through a smaller sample size, the HUD OIG did not include information such as the number of replacements used, if any payments were selected multiple times and if resampling occurred. Indeed, there is a general controversy about bootstrapping methodologies and its accuracy. The Owner also seeks clarification with regards to the calculation of deficiency payments. In the Draft Report, the HUD OIG does not address how they handled multiple deficiencies for a single payment or situations where a single deficiency resulted in deficiencies for two payments for the same resident. The Owner raises such questions as it feels it cannot adequately evaluate the validity of the recommended repayment amounts based on the information provided.

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H. The Owner Denies the Improper Presumption of Liability

The Owner respectfully disputes the general presumption underlying the Draft Report that a current owner and/or management agent can be held responsible for the past failure of unrelated parties to maintain proper documentation. We do not believe HUD regulations may be interpreted to impose such a liability on *bona fide* purchasers for value of properties that receive project-based Section 8 rental assistance payments.

The Owner also disputes the presumption that a file cannot be materially complete and effective for subsidy claims if a document is missing. Indeed, many HUD forms and procedures are duplicative and contain overlapping information. HUD's record-keeping requirements must be interpreted in accordance with their purpose, which is to verify that quality affordable housing is available to qualified low-income residents. *See, e.g., Yeboah v. United States DOJ*, 223 F. Supp. 2d 650, 655 (E.D. Pa. 2002) (agency action must be "rationally related to the purposes to be served") (quoting *Hondros v. U.S. Civil Service Com'n*, 720 F.2d 278, 295-96 (3rd Cir. 1983)).

In aid of addressing the concerns raised, the Owner and the Management Agent disagree with the recommended repayment amounts, but will work with the HUD Program Office to address any repayment of funds. The Owner and the Management Agent take these findings very seriously, but argue that taking on a struggling asset such as the Property created unique challenges that took time to address.

The Owner and the Management Agent have taken steps to correct the operational and physical deficiencies that existed prior to the Owner's acquisition. Ongoing actions at the Property and a history of success across the county substantiate that the Owner, the Management Agent, and their affiliates are responsible and reliable participants in the HUD programs. Both the Owner and the Management Agent have developed a positive working relationship with the HUD Program Office as they all work towards bringing the Property to the operational and physical standards upheld by the Owner, the Management Agent, and HUD.

The Owner further objects to the recommendation on administrative actions, which will frustrate and unduly impair the Owner's ability to further rehabilitate the Property which needs it rehabilitation to be completed and where the Management Agent of today faces disciplinary actions for actions taken by many people no longer with the Management Agent. Administrative sanctions, such as debarment, are based on an assessment of the current risk to the government of doing business with the participant, *Shane Meat Corp. v. U.S. Dept. of Defense*, 800 F.2d 334, 338 (3rd Cir. 1986), which can be based on past acts (*Agan v. Pierce*, 576 F.Supp. 257 (N.D. Ga. 1983); *Schlesinger v. Gates*, 249 F.2d 111 (D.C. Cir. 1957), *cert. denied* 355 U.S. 939 (1958)). Responsibility is a term of art, encompassing integrity, honesty and the general ability to conduct business lawfully. *Gonzalez v. Freeman*, 334 F.2d 570, 573 n.4, 576-77 (D.C. Cir. 1964). Clearly, the adverse conditions of this property does not speak to the overall integrity, honesty and general ability of the Owner and the Management Agent.

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We appreciate the opportunity to provide this response. As previously stated, the Owner and Management Agent remain committed to cooperating with the HUD OIG and resolving any issues.

Sincerely,



Richard Michael Price

OIG Evaluation of Auditee Comments

- Comment 1 Englewood did not provide any “improvement measures over the past two years” for us to review that were outside of our audit scope of November 1, 2016, through October, 31, 2018. However, we provided our findings to Englewood during the audit, and it could not provide adequate documentation to mitigate or resolve the findings in the report. Also, we constantly communicated with Englewood on the progress of the audit. The nature and number of the deficiencies cited for each subsidy payment is material enough to show that although housing was provided, Englewood did not clearly establish that it provided housing to eligible low income persons and that it properly claimed the questioned housing payments. During the audit resolution process, Englewood will have the opportunity to work with HUD to determine if any adjustment in costs to be repaid is warranted.
- Comment 2 We acknowledge that Englewood is taking steps to correct issues found and prevent future deficiencies. These additional controls and monitoring will help ensure that Englewood complies with HUD requirements on its project-based section 8 rental assistance program. However, we recommend that HUD work with Englewood during the audit resolution process to ensure that the changes meet HUD requirements.
- Comment 3 In cases where we did not find support documents, we requested additional documentation through the appropriate communication channels that the management agent established. Englewood provided support documents for some noted deficiencies, and we cleared those items and did not include those in the report. However, the deficiencies documented in this report were not adequately supported.
- Comment 4 While HUD required that annual unit inspections be performed, Englewood’s tenant selection plan, dated April 2016, required quarterly unit inspections. However, Englewood could not provide documentation to prove that it performed quarterly inspections related to 29 of the subsidy payments reviewed. In October 2017, Englewood revised its tenant selection plan to require only annual inspections. However, it could not provide documentation to show that it performed an annual unit inspection for the year applicable to 11 of the subsidy payments reviewed.
- Comment 5 Although Englewood went through two HUD Real Estate Assessment Center (REAC) inspections in 2018 (an inspection conducted to ensure that HUD assisted properties provide safe and sanitary housing for tenants), only one was conducted within our audit period (November 2016 through October 2018). The first was in August, with a score of 33c* and the other in November, with a score of 62c*. A passing score for a REAC physical inspection is 60 or above, while a

letter grade of c* signifies that one or more exigent/fire safety (calling for immediate attention or remedy) health and safety deficiencies were observed, and the asterisk indicates that at least some of the deficiencies related to smoke detectors. This means that the property failed the first REAC inspection and passed the second inspection. Although Englewood stated that its management agent performs a 100 percent unit inspection in preparation for a REAC inspection, we found that for six of the subsidy payments reviewed for 2018, it did not conduct annual unit inspections. The management agent also stated that the units undergo multiple types of inspections; however, for the period in which Englewood's policies required quarterly inspections, it could not provide documentation to support that quarterly inspections were always conducted.

- Comment 6 We did not state that a signed inspection form with a certification that a unit is decent, safe, and sanitary is required every time a unit is inspected, and we did not count the lack of certification as an inspection deficiency. HUD Handbook 4350 does not require the owner to certify that the units are in decent, safe, and sanitary condition. Instead, form HUD 52670 (Housing Owner's Certification and Application for Housing Assistance Payments) requires the owner to certify each month through its management agent that the units for which it is billing for assistance are decent, safe, and sanitary. In order to certify the monthly billing, the management agent must be inspecting the units as required to know the condition of the units for which it is billing. For 40 of the 60 subsidy payments in our audit sample, Englewood could not provide any record of an annual inspection for the year required, nor could it provide documented inspections, or it provided only one inspection when its own policies required quarterly inspections. We revised the report to clarify the issue.
- Comment 7 We agree that HUD Handbook 4350.3 allows, in lieu of Social Security cards, the use of an EIV Summary Report demonstrating that the Identity Verification Status of each member of the household was verified. Therefore, we revised the report accordingly.
- Comment 8 During our review, we discussed this finding with HUD, and HUD agreed with our finding. HUD confirmed that a rent schedule has to be approved before it goes into effect, after which, the owner and management agent can retroactively collect the difference in subsidy payments. This process could have been achieved using a gross rent change form. However, we did not find a gross rent change form to support the applied rent schedule.
- Comment 9 We acknowledge that Englewood is taking steps at improving compliance with HUD rules and regulations. However, we recommend that HUD work with Englewood during the audit resolution process to ensure that the changes meet HUD requirements.

Comment 10 Unlike a traditional normality-based method, bootstrapping is a nonparametric statistical method which empirically approximates the ‘true’ data distribution through resampling, which is possible thanks to computer advancements. In other words, bootstrapping is more appropriate than the traditional normality-based method for skewed data or any data with unknown shape of distribution. Asymptotically, bootstrap produces more accurate statistical intervals than those obtained using the sample variance and assumptions of normality.

On pages 17 and 18, we detailed how the universe (3,181 monthly subsidy payments) was derived and how the sample of 60 was selected to represent the universe. As for the estimated ineligible and unsupported subsidy payments, we applied the procedure of resampling with replacement from the selected audit sample to construct an empirical distribution for the respective deficient payments. However, we did not use any replacements in our sample, payments were not selected multiple times, and we did not perform any resampling during the audit.

With respect to the ineligible and unsupported subsidy payments, we counted a subsidy payment as ineligible if: proof of birth of the head of household or cohead was not in the file; tenants’ Social Security card documentation or EIV Summary Report with an Identity Verification Status of verified was not on file; forms HUD-9887 and 9887-A were not signed; tenants did not pay the minimum total tenant payment (the \$25 portion of the subsidy payment claimed by the owner from HUD was counted as ineligible); the unit was certified as not in decent, safe, and sanitary condition; household income was not properly calculated (the portion of subsidy overpaid after recalculation was counted as ineligible); an unapproved rent schedule was applied (the portion of subsidy overpaid after recalculation was counted as ineligible); or support documents associated with the subsidy payment were missing. We counted a subsidy payment as unsupported if: EIV system reports were not produced and reviewed during recertification, physical inspections were not performed on the units as required by HUD and Englewood Apartment’s policies, or 90-day income reviews were not conducted for zero income tenants. If the subsidy payment had both ineligible and unsupported deficiencies, the whole subsidy payment was counted as ineligible unless otherwise stated above that a portion of the payment was counted as ineligible. In addition, if the subsidy payment was selected for different dates and both had the same deficiencies, the same criteria applies to each payment.

Comment 11 The owner and management agent of Englewood took over the operations in 2015 and should have worked to ensure that the units for which they collected subsidies were in decent, safe, and sanitary condition and the tenant files were up to date. HUD conducted a management occupancy review in January 2018 and Englewood received a below average rating. HUD also conducted a tenant file audit in August 2018 and found the files to be noncompliant. Most of the findings in our report were pointed out to Englewood in prior HUD reports and should

have been corrected. However, we found that the tenant files were still noncompliant with HUD requirements and we also uncovered additional issues with the files, resulting in questioned subsidy payments. Therefore, we maintain that the exceptions cited in this report are their responsibility.

Appendix C

Finding 1: Table of Deficiencies in Tenant Files

Sample #	EIV system reports	Quarterly & annual inspections	90-day income review	Income discrepancies	Proof of birth	Social Security card	Minimum total tenant payment	Deductions	Rent schedule	Wrong name on HUD-50059 or other docs	Assets	Improper number of bedrooms	HUD-9887 and 9887-A	Sexual offender annual monitoring form	Fraudulent signature	Missing tenant file or all support documentation	No discrepancy
1	X	X		X		X		X									
2	X	X		X							X						
3																	X
4	X	X			X												
5																X	
6		X							X								
7	X																
8	X	X															
9	X																
10											X		X				
11		X															
12	X	X		X		X		X									
13	X	X						X									
14	X	X	X		X		X	X									
15	X	X										X					
16	X			X													
17											X		X				
18	X	X		X	X			X			X	X					
19		X	X														
20	X	X	X														
21	X	X		X				X		X	X						
22	X	X															
23	X	X		X													
24		X															
25	X	X		X				X	X		X	X					
26	X	X	X				X										
27	X	X	X				X				X	X					
28	X	X	X														
29	X	X															
30	X	X	X														

Sample #	EIV system reports	Quarterly & annual inspections	90-day income review	Income discrepancies	Proof of birth	Social Security card	Minimum total tenant payment	Deductions	Rent schedule	Wrong name on HUD-50059 or other docs	Assets	Improper number of bedrooms	HUD-9887 and 9887-A	Sexual offender annual monitoring form	Fraudulent signature	Missing tenant file or all support documentation	No discrepancy
31		X	X														
32	X		X				X										
33	X	X	X				X										
34	X	X	X														
35	X	X	X														
36	X	X	X														
37																X	
38	X								X								
39	X	X	X										X	X			
40	X	X					X										
41	X	X		X							X		X	X			
42	X	X															
43	X	X															
44	X	X	X	X	X	X	X										
45	X	X		X								X					
46	X	X	X	X			X										
47	X	X	X				X	X					X	X			
48				X													
49	X			X								X					
50			X	X				X					X	X			
51	X	X	X														
52	X																
53	X		X									X					
54		X									X	X			X		
55		X	X	X													
56	X																
57	X			X	X												
58			X														
59																X	
60	X																
Total	44	40	22	17	5	3	9	9	3	1	9	8	6	4	1	3	1

[Auditor note: X signifies a deficiency. In addition, we did not include the two sample subsidy payments with missing support documents and the one missing tenant file in the total of each individual discrepancy.]

Appendix D

Finding 2: Summary of Review of Required EIV Reports

Date	Failed EIV prescreening (monthly)	Failed verification report-failed the SSA identity test (monthly)	New hires report (quarterly)	Multiple subsidy report (quarterly)	Deceased tenants report (quarterly)	No income reported on 50059 (quarterly)	No income reported by HHS & SSA (quarterly)
2016							
November	N	N	N	N	N	N	N
December	N	N	N	N	N	N	N
2017							
January	N	N	N	N	N	N	N
February	N	N	N	N	N	N	N
March	N	N	N	N	N	N	N
April	Y	Y	Y	Y	Y	N	N
May	N	N	Y	Y	Y	N	N
June	Y	Y	Y	Y	N	Y	Y
July	Y	Y	Y	N	Y	N	N
August	Y	Y	Y	Y	Y	N	N
September	N	N	Y	Y	Y	N	N
October	Y	Y	N	N	N	Y	N
November	N	N	N	N	N	N	N
December	N	N	N	N	N	N	N
2018							
January	Y	Y	Y	Y	Y	N	N
February	N	N	N	N	N	N	N
March	N	N	N	N	N	N	N
April	N	N	Y	Y	N	N	N
May	N	N	N	N	N	N	N
June	N	N	N	N	N	N	N
July	N	N	N	N	N	N	N
August	Y	Y	Y	Y	Y	N	N
September	N	N	Y	Y	Y	N	N
October	Y	Y	N	N	Y	N	N

Auditor Note: N signifies that the auditee did not run/review the required reports during applicable timeframes and Y signifies otherwise. Also, we did not include the income report, summary report, income discrepancy report, and existing tenant search in this spreadsheet because they apply only to the individual tenant. See finding 2.]

Appendix E

Criteria

Provision From the Housing Assistance Payments Contract, May 1991

The amount of housing assistance payment payable on behalf of a family and the amount of the rent payable by the family shall be subject to change by reason of changes in family income, family composition, extent of exceptional medical or other unusual expenses or program rules in accordance with the HUD-established schedules and criteria; or by reason of a change in any applicable utility allowance approved or required by the Contract Administrator (CA). Any such change shall be effective as of the date stated in a notification of the change to the family, which need not be at the end of the lease term.

The Owner agrees to maintain and operate the contract units, unassisted units, if any, and related facilities to provide decent, safe and sanitary housing.

Provision From the Housing Assistance Payments Basic Renewal Contract, May 2012

Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements.

Housing Owner's Certification and Application for Housing Assistance Payments, Form HUD-52670

Part V – Owner's Certification

I certify that:

- (1) Each tenant's eligibility and assistance payment was computed in accordance with HUD's regulations, administrative procedures, and the Contract, and are payable under the Contract;
- (2) All required inspections have been completed;
- (3) The units for which assistance is billed are decent, safe, sanitary, and occupied or available for occupancy;
- (4) No amount included on this bill has been previously billed or paid;
- (5) All the facts and data on which this request for payment is based are true and correct; and
- (6) I have not received and will not receive any payments or other consideration from the tenant or any public or private source for the unit beyond that authorized in the assistance contract or lease, except as permitted by HUD.

Upon request by the Department of Housing and Urban Development, its duly authorized representative, or the Comptroller General of the United States, I will make available for audit all books, records and documents related to tenants' eligibility for, and the amount of, assistance payments. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. [United States Code] Sections 1001, 1010, 1012; 31 U.S.C. Sections 3729, 3802).

HUD Handbook 4350.3 - Occupancy Requirements of Subsidized Multifamily Housing Programs

3-9 Disclosure of Social Security Numbers

All applicant and tenant household members must disclose and provide verification of the complete and accurate SSN [Social Security number] assigned to them except for those individuals who do not contend eligible immigration status or tenants who were age 62 or older as of January 31, 2010, and whose initial determination of eligibility was begun before January 31, 2010. This paragraph explains the requirements and responsibilities of applicants or tenants to supply owners with this information, the responsibility of owners to obtain this information, and the consequences for failure to provide the information.

A. Key Requirements

1. Applicants and tenants must disclose and provide verification of the complete and accurate SSN assigned to each household member. Failure to disclose and provide documentation and verification of SSNs will result in an applicant not being admitted or a tenant household's tenancy being terminated.

3-11 Consent and Verification Forms

A. Key Requirements

Adult members of a family must sign consent forms and, as necessary, verification documents, so that the owner can verify sources of family income and family size. The owner must consider a family ineligible if the adult members refuse to sign applicable consent and verification forms.

B. Who Must Sign Consent and Verification Forms

Consent forms must be signed by:

1. The head of household (regardless of age);
2. The spouse or co-head of household (regardless of age); and
3. Any other family member who is 18 years old or older.

C. Provisions for Refusal to Sign

If the applicant or tenant, or any adult member of the applicant's or tenant's family, does not sign and submit the consent form as required in 24 CFR [Code of Federal Regulations] 5.230, the following statements apply:

1. The owner must deny assistance and admission to the applicant; or
2. The owner must terminate assistance to the "family." (See Paragraph 8-5 regarding terminations).

3-23 Occupancy Standards

E. General Occupancy Standards

Owners have discretion in developing occupancy policies that meet the needs of the specific property. HUD does not prescribe specific policies owners must implement but provides guidelines owners must follow when developing written occupancy standards.

3-28 Verification of Family Type and Individual Status

C. Age

Owners may need to verify age for several reasons: to determine eligibility for a property restricted to elderly persons or families or to determine whether a person is old enough to sign a legally binding contract. Owners may also need to verify age to determine whether a family is entitled to certain allowances based upon the age of the head, spouse, co-head, or minor. Verification of age may be obtained using any of the documents listed in Appendix 3 of HUD handbook 4350.3.

3-31 Verification of Social Security Numbers

- A. Applicants and tenants, excluding individuals who do not contend eligible immigration status and tenants age 62 or older as of January 31, 2010, whose initial determination of eligibility was begun before January 31, 2010, must disclose and provide verification of the complete and accurate SSN assigned to each household member. (See Paragraph 3-9 for more information on SSN requirements.)
- B. Adequate documentation to verify the SSN of an individual is a social security card issued by the SSA, an original document issued by a federal or state government agency which contains the name and SSN of the individual along with identifying information of the individual, or other acceptable evidence of the SSN listed in Appendix 3 of HUD handbook 4350.3.
- C. Owners may reject documentation of the SSN provided by the applicant or tenant that:
 - 1. Is not an original document; or
 - 2. Is the original document but it has been altered, mutilated, is not legible; or
 - 3. Appears to be a forged document (e.g., does not appear to be authentic).

Exhibit 5-2: Assets

A. Net Family Assets include the following:

- 1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.

5-5 Methods for Projecting and Calculating Annual Income

- A. The requirements for determining whether a family is eligible for assistance, and the amount of rent the family will pay, require the owner to project or estimate the annual

income that the family expects to receive. There are several ways to make this projection. The following are acceptable methods for calculating the annual income anticipated for the coming year:

1. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing current income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to change the family's rent.
2. If information is available on changes expected to occur during the year, use that information to determine the total anticipated income from all known sources during the year.
3. Using EIV:
 - a. The owner must not use the quarterly wage income reported on the EIV Income Report for calculating the tenant's annual income from employment. The owner must confirm with the tenant that the information in EIV is correct. If the tenant agrees that the employment information reported in EIV is correct, the owner must:
 - 1) Use the Income Report as third party verification of the tenant's employment, and
 - 2) Use tenant provided documents for calculating the tenant's annual income, e.g. 4-6 current, consecutive check stubs.
 - b. The owner must not use the quarterly unemployment compensation benefits reported on the EIV Income Report for calculating the tenant's annual income from unemployment. The owner must confirm with the tenant that the unemployment information in EIV is correct. If the tenant agrees that he/she is receiving unemployment compensation benefits as reported in EIV, the owner must:
 - 1) Use the Income Report as third party verification that the tenant is receiving unemployment, and
 - 2) Use tenant provided documents for calculating annual income, e.g. unemployment monetary benefit notice.
 - c. If the tenant agrees with the social security benefit information on the EIV Income Report, the owner must use the EIV Income Report as third party verification, receiving social security benefits and also for calculating the tenant's annual income.
 - d. If the tenant disputes the employment and income information in EIV, the owner must obtain third party verification from the source.

5-6 Calculating Income – Elements of Annual Income

A. Income of Adults and Dependents

1. Figure 5-2 summarizes whose income is counted.
2. Adults. Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

Note: If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

3. Dependents. A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student

The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.

- a. Earned income of minors (family members under 18) is not counted.
- b. Benefits or other unearned income of minors is counted.

Members	Employment Income	Other Income (Including Income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult (Including foster adult)	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
Nonmembers		
Live-in aide	No	No

NOTE: The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds \$480.

- c. When more than one family shares custody of a child, and both families live in assisted housing, only one family at a time can claim the

dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.

- d. For full-time students, who are 18 years of age or older and are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family; spouse or co-head. If the earned income is less than \$480 annually, count all of the income. If the earned income exceeds \$480 annually, count \$480 and exclude the amount that exceeds \$480.
- e. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.
- f. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.
- g. Payments received by the family for the care of foster children or foster adults are not counted. This rule applies only to payments made through the official foster care relationships with local welfare agencies.
- h. Adoption assistance payments in excess of \$480 are not counted.

I. Periodic Social Security Payments

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support.

5-10 Calculating Adjusted Income

D. Medical Expense Deduction

- 1. The medical expense deduction is permitted only for families in which the head, spouse, or co-head is at least 62 years old or is a person with disabilities (elderly or disabled families).
- 2. If the family is eligible for a medical expense deduction, owners must include the unreimbursed medical expenses of all family members, including the expenses of nonelderly adults or children living in the family.
- 3. Medical expenses include all expenses the family anticipates to incur during the 12 months following certification/recertification that are not reimbursed by an outside source, such as insurance.

4. The owner may use the ongoing expenses the family paid in the 12 months preceding the certification/recertification to estimate anticipated medical expenses.
5. The medical expense deduction is that portion of total medical expenses that exceeds 3% of annual income.

5-15 Required Verification and Consent Forms

B. HUD-Required Consent and Release Forms

Applicants and tenants must sign two HUD-required consent forms.

1. Form HUD-9887, Notice and Consent to the Release of Information to HUD and to a PHA. Each adult member must sign the form regardless of whether he or she has income. Each family member who is at least 18 years of age and the head, spouse or co-head, regardless of age, must sign this form at move-in, initial and at each annual recertification. The form must also be signed when a new adult member joins the household. The form is valid for 15 months from the date of signature. The consent allows HUD or a public housing agency to verify information with the Internal Revenue Service (IRS), the Social Security Administration (SSA), the Department of Health and Human Services (HHS) National Directory of New Hires (NDNH), and with state agencies that maintain wage and unemployment claim information (SWICAs). Owners must keep the original signed form in the tenant's file and provide a copy to the family. Exhibit 5-5 contains a copy of form HUD-9887.
2. Form HUD-9887-A, Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance. Owners and the head of household, spouse, co-head, regardless of age, and each family member who is at least 18 years of age must sign a HUD-9887-A form at move-in and at each annual recertification. Each adult member must sign a form regardless of whether he or she has income. The consent allows owners to request and receive information from third-party sources about the applicant or tenant. Owners keep the original form in the tenant's file and provide a copy to the family. Exhibit 5-6 contains a copy of form HUD-9887-A.

5-26 Procedures for Determining Tenant Contribution for Section 8, PAC [project assistance contracts], PRAC [project rental assistance contract], RAP [rental assistance payment], and Rent Supplement Properties

C. Utility Reimbursement

When the TTP is less than the utility allowance, the tenant receives a utility reimbursement to assist in meeting utility costs. The tenant will pay no tenant rent. The utility reimbursement is calculated by subtracting the TTP from the utility allowance.

D. Section 8 Minimum Rent

Tenants in properties subsidized through the Section 8 program must pay a minimum TTP of \$25.

NOTE: Minimum rent does not apply to Section 202 PAC, Section 202 PRAC, Section 811 PRAC, RAP, Rent Supplement, Section 221(d)(3) BMIR [below market interest rate] or Section 236 programs.

7-11 Owner Responsibilities

- A. Owners must process an interim recertification if a tenant reports:
1. A change in family composition;
 2. An increase in a family's cumulative income of \$200 or more a month;
 3. An increase in allowances (e.g., number of dependents, a new disability assistance expense);
 4. Most decreases in income except in the circumstances described in subparagraph D below; or
 5. A change in citizenship or eligible immigration status of any family members.

8-5 Key Requirements: When Assistance Must Be Terminated

An owner must terminate a tenant's assistance in the following circumstances:

- A. A tenant fails to provide required information at the time of recertification, including changes in family composition, or changes in income or social security numbers for new household members.
- B. A tenant fails to sign/submit required consent and verification forms (form HUD-9887 and form HUD-9887-A).
- a. Form HUD-9887, Notice and Consent for the Release of Information to HUD and to a PHA permits HUD to obtain wage and claim information from State Wage Information Collection Agencies (SWICAs), current tax information from the Internal Revenue Service (IRS), and wages and unemployment compensation information from the Social Security Administration (SSA) and the Department of Health and Human Services' (HSS') National Directory of New Hires (NDNH).
 - b. Form HUD-9887-A, Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance allows an owner to obtain and verify information about income, assets, and allowances for items such as child care and medical expenses, which is needed to determine the amount of rent a tenant must pay.

9-8 Using EIV Reports

A. Owners must:

1. Use the Existing Tenant Search in EIV as part of their screening criteria for new tenants and must include written policies for using the search in their Tenant Selection Plan.
2. Develop policies and procedures for staff to follow for using the EIV Income reports and remaining Verification Reports.
3. Have current, signed consent forms HUD-9887 on file before accessing the employment and income information in EIV for a tenant. (See Paragraph 3-11 for a discussion on the requirements on consent forms.)

9-11 EIV Income Reports

When selecting the Income Report for an individual tenant, either from the list of tenants for a particular project and/or contract or by querying by the head of household's SSN, there are three reports that the owner must use at the time of recertification. The reports can be accessed by clicking on the tab for a particular report.

A. Summary Report

This report is a summary of information taken from the current, active certifications contained in the TRACS file at the time of the income match. It also provides the Identity Verification Status for each household member.

B. Income Report

Owners must use the Income Report at the time of recertification (annual and interim) of family composition and income and at other times as indicated in their policies and procedures.

C. Income Discrepancy Report

The Income Discrepancy Report identifies households where there is a difference of \$2,400 or more annually in the wages, unemployment compensation and/or Social Security benefit income reported by NDNH and SSA and the wages, unemployment compensation and/or Social Security benefit income reported in TRACS for the period of income (POI) used for the discrepancy analysis.

D. Additional Income Reports

There are three additional income reports that owner must use: the No Income Reported on 50059, the No Income Reported by HHS or SSA, and the New Hires Report. These reports are accessed from the Monthly Summary Report when querying by project number and/or contract number. Additionally, the New Hires Report can be found in the EIV system as a Verification Report. If the report is underlined, this indicates that the report is an active link. Just click on the report name to obtain data about households identified where no income was reported or where a household member is reported as having new employment.

Millennia Housing Management, Ltd. Tenant Selection Plan, April 2016

Citizenship Eligibility and Immigration Status

Section 214 of the Housing and Community Development Act of 1980, as amended, prohibits the Secretary of HUD from making financial assistance available to persons other than U.S. citizens or nationals, or certain categories of eligible non-citizens, in the following HUD programs: Section 8 Housing Assistance Payments programs Section 236 of the National Housing Act including Rental Assistance Payment (RAP).

Section 101/Rent Supplement Program

Applicants are required to declare U.S. Citizenship or submit evidence of eligible immigration status for each of their family members for whom they are seeking housing assistance and must do the following:

- Complete a Family Summary Sheet to list all family members who will reside in the assisted unit.
- Each family member (including you) listed on the Family Summary Sheet must complete a Declaration.
- Submit the Family Summary Sheet, the Declarations, and any other forms and/or evidence with the completed, signed application.

Documentation of Citizenship

All applicants, regardless of age, applying for assistance must submit evidence of citizenship or eligible immigration status at the time of application. All family members regardless of age must declare their citizenship or immigration status.

- For U.S. Citizens

All family members that are U.S. Citizens must submit an original birth certificate.

- For Eligible Non-Citizens

Non-citizens must submit original documentation of their status that was given to them when entering the U.S. All eligible non-citizens are subject to screening with Homeland Security to verify immigration status. If you have any questions or difficulty in completing the described items or determining the type of documentation required, the property manager can help you.

If you are unable to provide the required documentation in the timeframe described above, you should immediately notify the property manager and request an extension. Failure to provide this information or establish eligible status will be reason to deny your application for assistance and/or tenancy.

Eligible, non-citizen family includes

- A mixed family - a family with one or more ineligible family members and one or more eligible family members may receive prorated assistance.

A Section 214 review will be completed before the verification of other aspects of eligibility for assistance.

Inspections

All apartments must undergo a move-in inspection by the property manager. These inspections include not only interior but also exterior inspections. The move-in inspection is an opportunity to familiarize the resident with the property and the unit, as well as to document its current condition.

Move Out Inspection:

Upon the unit being vacated by the resident, the property manager will perform a move-out inspection to ensure there are no damages to the unit. The property manager will list the damages on the move-out inspection form and compare it with the move-in inspection form to determine if the damage is reasonable wear and tear or excessive damage. The resident will be given prior notice of the move-out inspection and be allowed to accompany the property manager if the resident chooses.

Quarterly Inspection:

In addition, the property manager will conduct unit inspections to determine that appliances and equipment are in good working order. Service requests will be made for anything requiring repair. Also the unit inspection ensures that the resident is keeping the unit in a clean and sanitary condition.

HUD or its authorized contractor(s) has the right to inspect the unit and the entire property.

These inspections assure HUD that the owners are fulfilling their obligations under the regulatory agreements and/or subsidy contract and that residents are provided with decent, safe and sanitary housing.

Occupancy Standards

Occupancy standards serve to prevent the over or underutilization of units that can result in an inefficient use of housing assistance. Occupancy standards also ensure that residents are treated fairly and consistently and receive adequate housing space.

It is the policy of Millennia Housing Management, Ltd. in HUD assisted housing that at move in, no more than two people may share a bedroom. Also at move in it is our policy that applicant families are qualified for and may be housed so that a child does not have to share a bedroom with their parent and that children of opposite sex may have separate bedrooms.

Number of Bedrooms	Min. # Household Members	Max. # of Household Members
1	1	2
2	2	4
3	3	6
4	4	8

Applicants that qualify for more than one unit size are given the opportunity to choose the unit size they prefer when added to the waiting list.

Screening Criminal History

Criminal history reports will be investigated for each applicant household member 18 years of age or older. Screening for criminal offenses will be subject to denial, if they are related to SEXUAL OFFENSES, DRUGS, and VIOLENCE. HUD has established standards that prohibit admission of:

- Evicted for Drugs: Any household containing a member(s) who was evicted in the last three years from federally assisted housing for drug-related criminal activity.
- Use of Illegal Drugs: A household in which any member is currently engaged in illegal use of drugs or for which the owner/agent has reasonable cause to believe that a member's illegal use or pattern of illegal use of a drug may interfere with the health, safety, and right to peaceful enjoyment of the property by other residents.
- Sexual Offender: Any household member who is subject to any state sexual offender registration requirement will be denied admission. (See Sex Offender Zero Tolerance Policy.)
- Violence & Violent Crime: You or any member of your household that have a history of violence against other persons. Or if at any time, you or any member of your household has been convicted of a crime using a weapon against another individual.
- Alcoholism Behavior: Any household member's behavior, from alcoholism abuse that may have led to violent or offensive behavior and/or crime that will interfere with the health, safety, and right to peaceful enjoyment by other residents. The screening standards must be based on alcoholism behavior, not a medically diagnosed condition of alcoholism or alcohol abuse.
- Felony Conviction: If in the last seven years, you or any member of your household have a felony conviction for any type of crime that is less than 7 years old will be subject to denial.
- Misdemeanor Conviction: if you or any member of your household has a misdemeanor conviction or are a habitual offender with misdemeanor convictions that relate to sexual offenses, drugs or violence, you will be subject to denial. *Example but not limited to: public intoxication, disorderly conduct, menacing, soliciting prostitution, vandalism.*
- Criminal Offense against Employees & Property: If at any time, you have committed other criminal activity that would threaten the health, safety of the owner, or any employee, contractor, subcontractor or agent of the owner who is involved in housing operations or the vandalism and destruction of property.

Sexual Offender “Zero Tolerance Policy”

In accordance with HUD regulations a zero tolerance policy is in effect to prevent lifetime sex offenders from receiving federal housing assistance. Current regulatory requirements include the screening of new applicants and existing tenants for any sexual offenses and lifetime registration of any state sex offender list.

- **Property Management:** will conduct criminal background screening with MHM [Millennia Housing Management] credit/criminal background screening system that retrieves data directly from the Dru Sjodin National Sex Offender database. They will confirm any sexual offense violations and enforce our policy. Termination of tenancy will be aggressively pursued to ensure the highest level of public safety in federally assisted housing.
- **Current Tenants:** At annual recertification’s all current tenants will be required to self-certify if they or any of their household members is subject to a lifetime state sex offender registration program in any state. Tenants will be informed at recertification that screenings of sexual offender registration lists will be conducted according to HUD regulations.
- **Applicants:** applicants will self-certify on their application if they or any of their household members is subject to a lifetime state sex offender registration program in any state. Any applicant and their household members who is a registered sex offender will be denied housing and their application rejected.

Social Security Number Disclosure

ALL household members, and any new household members added to a lease must provide the complete and accurate social security number assigned to each member or documentation from the Social Security Administration to prove that the social security number is accurate.

EXEMPT from Disclosure: For eligibility purposes, only the following are exempt from disclosing SSN if no number has been assigned:

- Adult member 62 yrs. or older as of Jan. 31, 2010 - household member 62 yrs. or older as of January 31, 2010 and eligibility determination started before January 31, 2010.
- Existing tenants as of January 31, 2010 who have previously disclosed their SSN and HUD has determined their SSN to be valid.
- Ineligible non-citizen- if household member is an ineligible non-citizen, this household member does not qualify for assistance therefore household assistance will be prorated.
- Children Under (6) years of age Temporarily Exempt: applicant’s with children under the age of (6) year old, that do not have a social security card at move-in are temporarily exempt from disclosure and have 90 days after move in to present a valid social security card or letter from Social Security Administration.

NON-EXEMPT from Disclosure:

- Applicants: all applicants current or on waiting list do not need to disclose or provide

verification of social security number for all household members at the time of application and for placement on the waiting list. However, applicants must disclose and provide verification of a SSN for all non-exempt household members before they can be housed.

- Tenants: ALL tenants and those individuals who do not contend eligible immigration status must disclose and provide verification of their social security number at the time of their next interim or annual recertification if they have not previously disclosed any social security number, previously disclosed a social security number that was invalid, or been issued a new social security number. Failure to provide a valid and verified social security number the household is subject to termination of tenancy.

90 Day Social Security Number Disclosure Rules:

- Applicants: applicants who have not disclosed verification of social security numbers for all household members have 90 days from the date they are offered an available unit to disclose. During this 90-day period the applicant may at its discretion retain its place on the waiting list. After 90 days if the applicant is unable to disclose and verify the social security numbers of all household members due to circumstances that are outside of control of the applicant, landlord must provide an additional 90 days extension. *Examples for an extension include but are not limited to: fire, death, natural disaster or delays with SSA.* Any child under (6) years old that does not have a social security number will be temporarily exempt from disclosure at move in and will be given 90 days after move-in to provide a valid social security card or letter from SSA. The child may be included as part of the household and will receive all of the benefits of the program in which the applicant/tenant is involved including dependent deduction. Continued failure to disclose and provide a valid Social Security Number, the owner/landlord must pursue termination of tenancy.
- Tenants: current households with social security numbers not previously disclosed, invalid social security number, assignment of new social security number, or adding an another member or child under the age of six, that do not have a social security number, will be given 90 days for disclosure. Failure to provide documentation of a social security number due to circumstances that are outside of control of the tenant, *owner must provide an additional 90 days as deferral for termination of tenancy.* Examples for an extension include but are not limited to: fire, death natural disaster or delays with SSA. During this time, the child is to be included as part of the household and will receive all of the benefits of the program in which the tenant is involved including dependent deduction. Continued failure to disclose and provide a valid SSN, the owner must pursue termination of tenancy.

SSNs and EIV: The Social Security Number provided will be compared to the information recorded in the Social Security Administration database (through HUD's Enterprise Income Verification System) to ensure that the Social Security Number, birth date and last name match. If EIV returns an error that cannot be explained or resolved, assistance and/or tenancy may be terminated, and any housing assistance paid in error must be returned to HUD.

SSN Fraud: If the applicant/resident deliberately provides an inaccurate Social Security Number, the owner/agent and/or HUD may pursue additional penalties due to attempted fraud.

Student Rule

Owners/agents must determine a student's eligibility for Section 8 assistance at move-in, annual recertification, initial certification (when an in-place tenant begins receiving Section 8) and at the time of an interim recertification if the family reports composition change is due to a household member enrolling into an institute of higher education.

Eligibility of Students Enrolled in an Institute of Higher Education Applying for Assistance under any Federally Assisted Housing Program:

A student enrolled in an Institute of Higher Education as defined by the Higher Education Act of 1965-Amended 1998 will be deemed eligible for assistance if the student meets all other eligibility requirements, passes screening criteria and is:

- Living with parents/guardian or
- 24 or older or
- A veteran of the United States armed services or
- Married or
- Has a dependent child or
- Can prove independence of parents including
 - ✓ The parents did not claim the student on the most recent tax return and
 - ✓ The student has lived independent of the parents for at least one year or meets the Department of Education's definition of an independent student
 - ✓ The student has lived independent of the parents for at least one year or meets the Department of Education's definition of an independent student
 - ✓ Can legally sign a lease
- Is disabled and was receiving assistance as of November 30, 2005 or
- Has parents who are income eligible for the Section 8 program

Any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 from private sources or an institution of higher education (as defined under the Higher Education Act of 1965) shall be considered income to that individual. There are two exceptions to this income calculation requirement. No financial assistance that an individual receives under the Higher Education Act of 1965 from private sources or an institution of higher education (as defined under the Higher Education Act of 1965) shall be considered income if the student is:

- Living with his/her parents/guardian or
- A person 24 year of age or older with dependent children

Verification with Enterprise Income Verification System (EIV)

In an effort to ensure the right assistance is provided to the right people, The Department of Housing and Urban Development (HUD) has provided property managers with access to a new verification database called the Enterprise Income Verification System (EIV).

EIV provides information about project-based and tenant-based HUD assistance recipients. This database is also used to verify certain types of reported income with records maintained in the Social Security Administration databases and the Department of Health and Human Service (HHS) National Database of New Hires. HHS provides information about current and past employment and unemployment insurance information.

By signing HUD Forms 9887 and 9887 A at move-in and annual certifications, all adult household members give consent to the release of this information. If HUD indicates that there is a discrepancy discovered by the EIV database, you will be contacted by my management so that we continue to assure that you are receiving all assistance for which you are eligible.

All applicants MUST disclose if they are currently receiving HUD housing assistance. The owner/agent will not knowingly assist applicants who will maintain a residence in addition to the HUD-assisted unit.

HUD provides the owner/agent with information about an applicant's current status as a HUD housing assistance recipient. The owner/agent will use the Existing Tenant Report, during the final eligibility review, to determine if the applicant or any member of the applicant household may be receiving HUD assistance.

Since the applicant is required to provide current landlord information on the application, the owner/agent should be aware of the housing assistance. Nothing prohibits a HUD housing assistance recipient from applying to this property. However, the applicant must move out of the current property and/or forfeit any HUD voucher before HUD assistance on this property will begin. Special consideration applies to minor children where both parents share 50% custody.

The report gives the owner/agent the ability to coordinate move-out and move-in dates with the resident and the PHA or owner/agent of the property at the other location. The owner/agent will follow-up with the respective PHA or owner/agent to confirm the individual's program participation status before admission.

If the applicant or any member of the applicant household fails to fully and accurately disclose rental history on the application, the applicant may be denied based on "misrepresentation" of information. If the owner/agent discovers a discrepancy, the applicant will be notified and will have 5 business days to respond to the inquiry.

Failure to respond to owner/agents requests for additional information and/or providing false or incomplete information will result in denial and removal from the waiting list in accordance with the property's current resident selection plan. Unintentional errors that do not cause preferential treatment will not be used as a basis to deny assistance.

EIV provides the following information:

- Monthly employer new hires
- Quarterly wages (including employer information), Federal wages are available

- Quarterly unemployment compensation
- Monthly social security (SS) and supplement security income (SSI) benefits

Benefits of the System

- Increases the efficiency and accuracy of income and rent determinations
- Reduces incidents of underreported and unreported household income
- Removes the barriers to verifying tenant-reported income
- Addresses material weaknesses in a PHA's [public housing agency] reexamination process and program operations
- Assures that more eligible families are able to participate in the program

Millennia Housing Management, Ltd. Tenant Selection Plan Revised October 2017

Inspections

Move In Inspection:

All apartments must undergo a move-in inspection by the property manager. These inspections include not only interior but also exterior inspections. The move-in inspection is an opportunity to familiarize the resident with the property and the unit, as well as to document its current condition.

Move Out Inspection:

Upon the unit being vacated by the resident, the property manager will perform a move-out inspection to ensure there are no damages to the unit. The property manager will list the damages on the move-out inspection form and compare it with the move-in inspection form to determine if the damage is reasonable wear and tear or excessive damage. The resident will be given prior notice of the move-out inspection and be allowed to accompany the property manager if the resident chooses.

Annual Inspection:

In addition, the property manager will conduct unit inspections to determine that appliances and equipment are in good working order. Service requests will be made for anything requiring repair. Also the unit inspection ensures that the resident is keeping the unit in a clean and sanitary condition.

HUD or its authorized contractor(s) has the right to inspect the unit and the entire property.

These inspections assure HUD that the owners are fulfilling their obligations under the regulatory agreements and/or subsidy contract and that residents are provided with decent, safe, and sanitary housing.

Millennia Housing Management, Ltd. Using HUD's Enterprise Income Verification System

Zero Income Households

All households (not necessarily individual residents) claiming zero income (except those with a known Hardship Exemption) will be required to report to the owner/agent every 90 days in order to participate in an income review. These income interviews will be conducted in the following months:

- March
- June
- September
- December

When an entire household claims zero income, each adult household member must complete the Zero Income Questionnaire.

Income Discrepancy Report

Income Discrepancy Reports will be printed and reviewed:

- At each annual certification
- At each interim certification

Investigating Income Discrepancies

The owner/agent will review and, if necessary, resolve any discrepancies in income reported on the Income Discrepancy Report. The owner/agent will follow the guidance in HUD Handbook 4350.3 Revision 1 and HUD Notices. The owner/agent will compare information in the resident file with information reported in EIV to determine whether or not there is a valid discrepancy.

The owner/agent will not suspend, terminate, reduce, or make a final denial of any financial assistance or payment under a federal benefit program against an individual, or take other adverse action against such individual, as a result of information produced by the EIV system without meeting with the resident and properly verifying the information and notifying the resident in writing of any adverse findings in the same manner as applies to other information and findings related to eligibility factors.

The owner/agent will obtain independent verification of EIV data such as that provided by SSA and HHS' NDNH, in accordance with 24 CFR 5.236. If a resident fails to report as required, the household will be provided with a notice, in accordance with HUD Handbook 4350.3 Revision 1.

Zero Tolerance Sex Offender Policy, Sexual Offender Annual Monitoring Form

Millennia Housing Management, Ltd. has adopted a Zero Tolerance Sex Offender policy for all properties owned/managed by MHM Ltd. The Policy in effect prevents lifetime sex offenders from living or visiting the property in accordance the HUD program regulations.

- **Screening at Move In:** residents are reminded that a sex offender screening was

completed for every adult member of their household at move-in via the Dru Sjodin National Sex Offender data base. Managers will enforce with residents our zero tolerance sex offender policy and aggressively pursue termination of tenancy of registered sex offenders to ensure the highest level of public safety.

- **Self-Certification at Annual Recertification:** Managers will monitor and confirm sex offense violations annually from all adult members of each household by instructing residents to self-certify YES or NO, if they or any member in their household is currently subject to a lifetime state sex offender registry program in any state.