



Columbia Housing Authority Columbia, MO

Rental Assistance Demonstration Program

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

**Audit Report Number: 2019-KC-1001
April 11, 2019**



To: Craig Dobson
Director, Office of Public Housing, 7EPHO

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

Subject: The Columbia Housing Authority, Columbia, MO, Did Not Maintain Written
Records of Resident Relocation Incentive Payment Consultations or Properly Pay
Business Relocation Incentives

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Columbia Housing Authority's Rental Assistance Demonstration 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, section 8M, requires that OIG post its publicly available reports on the OIG Website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

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



Audit Report Number: 2019-KC-1001

Date: April 11, 2019

The Columbia Housing Authority, Columbia, MO, Did Not Maintain Written Records of Resident Relocation Incentive Payment Consultations or Properly Pay Business Relocation Incentives

Highlights

What We Audited and Why

We audited the Columbia Housing Authority's relocation incentives offered to tenants and a business owner as part of its Rental Assistance Demonstration Program (RAD) in Columbia, MO. We selected the Authority for review because it was the only public housing agency in the State of Missouri that had converted units under the U.S. Department of Housing and Urban Development's (HUD) RAD. Our objectives were to determine whether the Authority maintained auditable written records of resident relocation incentive payment consultations and properly paid business relocation incentive payments.

What We Found

The Authority did not maintain the required written records of resident relocation incentive payment consultations. This condition occurred because the Authority did not establish adequate controls, such as record-keeping requirements; defined processes, such as checklists; or supervisory reviews that ensured compliance with requirements. As a result, the Authority was unable to demonstrate that \$126,824 in incentive payments were fair and consistent. In addition, the Authority risked an appearance of favoritism.

Additionally, the Authority paid \$9,608 for a business owner's relocation costs and financial losses without calculating the previous 2 years of average annual net earnings. This condition occurred because the Authority disregarded the rules. As a result, HUD lacked assurance that the Authority properly paid a displaced business in lieu of payments for actual moving and related expenses.

What We Recommend

We recommend that the Director of HUD's St. Louis, MO, Office of Public Housing require the Authority to support \$126,824 in incentive payments and develop and implement controls over its incentives program, including record-keeping requirements; defined processes, such as a detailed checklist of available incentives, including monetary limits; and supervisory review requirements. Additionally, we recommend that HUD take appropriate administrative action and require the Authority to support the \$9,608 payment with the required 2 years of average annual net earnings.

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Background and Objective

Columbia Housing Authority

Columbia is a city in Missouri and the county seat of Boone County. Founded in 1821, it is home to the University of Missouri. It is Missouri's fourth most populous and fastest growing city, with an estimated 121,717 residents in 2017. The Columbia, MO, Housing Authority was formally established in 1956. A Federal urban renewal grant provided money to replace dangerous and unsanitary residences in Columbia's central city with safe and clean dwellings at rents that low-income persons could afford. While the Authority is legally independent of local government, the cooperation agreement between the Authority and the City of Columbia serves as a legal foundation for the relationship between the two entities.

The Authority provides housing assistance to more than 1,900 families in Columbia and Boone County, MO. It established the Columbia Housing Authority Low-Income Services, Inc., a 501(c)(3) nonprofit corporation, to increase and diversify funding sources for the expansion of its Resident Services programs and to promote family self-sufficiency and independent living for its residents. Additionally, the mayor appoints five commissioners to serve staggered 4-year terms. The board of commissioners generally meets monthly at the Authority with the Columbia Housing Authority Low-Income Services, Inc., meeting afterward.

The Authority also established a resident advisory board, which provides its residents a forum for sharing information about the Authority's annual plan. The resident advisory board is comprised of individuals who reflect and represent the residents the Authority assists. It reads and comments on changes to Authority policies; reviews and comments on annual budgets, annual plans, and 5-year plans; and makes other recommendations to the board of commissioners as necessary.

Rental Assistance Demonstration Program

Congress authorized the Rental Assistance Demonstration Program (RAD), administered by the Office of Public Housing, in fiscal year 2012 to preserve and improve public housing properties and address a \$26 billion nationwide backlog of deferred maintenance. RAD allows housing agencies to convert public housing and other U.S. Department of Housing and Urban Development (HUD)-assisted properties into long-term, project-based Section 8 rental assistance units. Converting the properties gives the housing agencies access to private debt and equity to address immediate and long-term capital needs.

RAD has two components. The first component allows the conversion of public housing and moderate rehabilitation properties to properties with long-term, project-based Section 8 rental assistance contracts. The second component allows rent supplement, rental assistance payment, and moderate rehabilitation properties to convert tenant protection vouchers to project-based assistance at the end of the contract.

Converted Projects

The Authority converted 597 units across 5 different projects from public housing projects to project-based Section 8 rental assistance properties under RAD. It conducted more than \$35.1 million in renovations at the five projects as part of the conversion and used low-income housing tax credits to assist in the conversion. See the table below.

Columbia Housing Authority converted projects

Project name	Number of units converted	Conversion date	Construction cost
Jessie Wrench (Stuart Parker and Paquin Tower)	284	December 29, 2015	\$12,951,747
Bear Creek	76	May 30, 2016	4,140,877
Oak Towers	147	December 19, 2016	8,508,095
Bryant Walkway I	54	November 30, 2017	7,437,993
Bryant Walkway II	36	November 30, 2017	2,904,639
Totals	597		35,943,351

Tenants had to meet income requirements in order for the Authority to retain the tax credit for the converted unit. The Authority offered incentives to tenants who did not meet the low-income housing tax credit requirement in exchange for their waiver of their right to return to the converted unit.

The Authority formed a limited partnership for each of the five projects to acquire the land and apartment complexes and to develop, finance, construct, rehabilitate, own, maintain, operate, and obtain tax benefits consisting of tax credits. The five partnerships have a limited partner, a general partner, special partner, and a State limited partner. The Authority fulfills the role of management agent and collects a management agent fee. The partnership takes ownership of the sources of financing when the RAD conversion commitment is executed among HUD, the limited partnership, and the Authority. Additionally, the execution of the RAD conversion commitment binds the limited partnership, as the owner of the project, to all applicable HUD rules and regulations. The limited partner is required by the partnership agreement to establish various accounts, such as the reserve for replacement and operating reserve accounts.

Our objectives were to determine whether the Authority maintained auditable written records of resident relocation incentive payment consultations and properly calculated paid relocation incentive payments.

Results of Audit

Finding 1: The Authority Did Not Maintain The Required Written Records of Resident Relocation Incentive Payment Consultations

The Authority did not maintain the required written records of resident relocation incentive payment consultations. This condition occurred because the Authority did not establish adequate controls, such as record-keeping requirements; defined processes, such as checklists; or supervisory reviews that ensured compliance with requirements. As a result, the Authority was unable to demonstrate that \$126,824 in incentive payments were fair and consistent. In addition, it risked an appearance of favoritism.

The Authority Did Not Maintain Required Documentation

The Authority did not maintain the required written record of resident relocation incentive payment consultations. The Authority was unable to provide the auditable documentation, which is required by HUD's Office of Public and Indian Housing (PIH) Notice PIH 2014-17.

During our review, we selected a sample of 22 tenant families that moved out of their units on a permanent basis during the 6 months before or 6 months after the date on which the property converted to a RAD property. Of those 22 tenants, the Authority identified 16 as potentially being over the area low-income housing tax credit limit by the end of the year in which their unit was converted. If the tenant had remained in the unit while being over the income limit, the Authority would have been forced to forfeit a tax credit for that unit.

The Authority decided to offer incentives to the 16 families in exchange for waiving their right to return to the converted units. Although each of the families had the right to return to the converted units, each family accepted the incentives and chose to relocate to housing not supported by a tax credit. The incentive payments ranged from \$2,659 to \$16,597 per family. The Authority expended a total of \$126,824 for all incentives offered to the 16 families. The incentive payments were separate from the relocation fees the Authority paid on the tenants' behalf.

One employee at the Authority handled all of the processing once Authority staff established an incentive plan for each of the tenants. When a tenant was identified as being potentially over the low-income housing tax credit limit, Authority staff told us they reached out to the tenant to schedule a meeting to describe the incentive program. During the meeting, Authority staff said they would explain that the tenant had a right to remain in the unit but would also describe the Authority's desire to retain the tax credit. The Authority would then discuss the incentive program, in person, with each tenant to determine the tenant's needs. The Authority did not maintain an auditable written record of these meetings, including the incentives offered, the amount offered for the incentives, or the incentives that the Authority agreed to provide. Appendix C details the types of incentives each family received.

Section 5 of Notice PIH 2014-17 required the Authority to properly brief residents on their housing and relocation options and keep auditable written records of such consultation and decisions. Of the 16 low-income housing tax credit overincome tenant families receiving incentives, 10 signed a waiver of their right to return while the requirements of Notice PIH 2014-17 were in effect.

HUD issued an updated notice (PIH 2016-17) on November 10, 2016. Section 6.10 of the notice states that under the RAD notice, “involuntary permanent relocation” is prohibited and each resident must be able to exercise his or her right of return to the covered project. A public housing agency or project owner is permitted to offer a resident alternative housing options when a resident is considering his or her future housing plans, provided that at all times before the resident’s decision, the public housing agency and project owner preserve the resident’s ability to exercise his or her right of return to the covered project. Section 6.10(c) further states that a public housing agency or a project owner may include a monetary element in an alternative housing option package, provided that any monetary element associated with the alternative housing option other than required relocation payments is the same amount offered to all similarly situated households. Section 6.10(d) does not require public housing agencies to submit documentation of alternative housing options offered to residents, but the agencies must keep auditable written records of such consultation and decisions. Of the 16 low-income housing tax credit overincome tenants that received incentives, 6 signed a waiver of their right to return after the requirements of Notice PIH 2016-17 took effect.

The Authority Did Not Establish Adequate Controls

The Authority did not establish adequate controls, such as record-keeping requirements; defined processes, such as checklists; or supervisory reviews that ensured compliance with requirements.

HUD Could Not Be Assured That Tenants Were Treated Fairly and Consistently

As a result of the conditions described above, the Authority was unable to demonstrate that the \$126,824 in incentive payments were fair and consistent, as required by 49 CFR (Code of Federal Regulations) 24.1(b) (see appendix D for additional details). In addition, the Authority risked an appearance of favoritism.

Recommendations

We recommend that the Director of HUD’s St. Louis, MO, Office of Public Housing require the Authority to

- 1A. Support the \$126,824 in total incentive payments. For any amount it cannot support, HUD should require the project development group, LP, to pay the equivalent, from any of its reserves other than reserve for replacement, toward the project mortgage principle.
- 1B. Develop and implement controls over its incentives program, including record-keeping requirements; defined processes, such as a detailed checklist of available incentives, including monetary limits; and supervisory review requirements.

Finding 2: The Authority Improperly Paid a Business Owner \$9,608 for Relocation

The Authority paid \$9,608 for a business owner's relocation costs and financial losses without calculating the previous 2 years of average annual net earnings. This condition occurred because the Authority disregarded the rules. As a result, HUD lacked assurance that the Authority properly paid a displaced business in lieu of payments for actual moving and related expenses.

The Authority Improperly Paid a Business Owner \$9,608 for Relocation

A nonresident business owner operated a salon in a day room in the Oak Tower project. When the Authority converted the project under RAD, the day room needed to be absorbed into the adjacent unit to make the unit compliant with Americans with Disabilities Act requirements. The Authority wanted to continue to allow the salon to operate, but the elimination of the day rooms meant that there was no longer space for the business. The business was the only one the Authority had operating in any of its projects.

The Authority and business owner agreed on a \$9,608 payment to the business owner in lieu of payments for actual moving and related expenses without calculating the previous 2 years of average annual net earnings. The amount paid to the business owner represented the outstanding balance on three of the business owner's credit cards. The salon owner stated that the balances were due to the disruption in her business. The Authority stated that it attempted to work with the salon owner to obtain financial records but the salon owner was unable to produce them. Additionally, the Authority agreed to hold all of the salon furniture and supplies and deliver them to a new salon location once the proprietor identified a new location.

According to 49 CFR 24.305(a), a displaced business may be eligible to choose a fixed payment in lieu of payments for actual moving-related expenses and actual reasonable reestablishment expenses, and the fixed payment must equal the average annual net earnings of the business but not less than \$1,000 or more than \$20,000 if it meets certain conditions. The conditions are described in 49 CFR 24.305(e), which states that the average annual net earnings of a business are one-half of its net earnings before Federal, State, and local income taxes during the 2 taxable years immediately before the taxable year in which it was displaced. The regulation further requires the displaced person to furnish proof through income tax returns, certified financial statements, or other reasonable evidence.

The Authority Disregarded the Rules

The Authority stated that it could have not offered the owner a payment until she produced the required support but it chose to pay the credit card balances instead. In a letter to the Missouri Housing Development Commission, the Authority stated that it was unable to obtain financial documents from the salon owner and settled on paying the amount of three outstanding credit cards.

HUD Lacked Assurance That the Authority Properly Paid a \$9,608 Fixed Payment

Because the Authority did not collect the required financial support for the payment, it could not assure HUD that the payment was for business-related expenses. The credit card statements that

the Authority used to calculate the payment to the salon owner did not contain transactional detail, which it could attribute to the salon. The statements detailed only the balance on the accounts as of the dates on which the business owner provided them to the Authority.

Recommendations

We recommend that the Director of HUD's St. Louis, MO, Office of Public Housing

- 2A. Require the Authority to support the \$9,608 payment with the required 2 years of average annual net earnings. For any amount that cannot be supported, HUD should require the Oak Towers Housing Development Group, LP, to pay the equivalent, from any of its reserves other than reserve for replacement, toward the Oak Towers mortgage principle.
- 2B. Take appropriate administrative actions against Authority staff for noncompliance.

Scope and Methodology

We performed our audit work between June and November 2018. We performed our onsite work at the Authority offices located at 201 Switzler Street, Columbia, MO. Our audit period was January 1, 2015, through May 31, 2018.

To accomplish our objective, we reviewed

- applicable HUD requirements;
- RAD conversion commitments, general information notices, relocation plans, and relocation notices;
- limited partnership agreements;
- total tenant payments before and after conversion;
- tenant rent rolls before and after conversion;
- tenant incentives and moving expenses;
- the annual contributions contract and amendments; and
- Authority financial statements, board of commissioners meeting agendas, Authority board resolutions, the Authority's admission and continued occupancy policy, and each project's housing management and maintenance plan.

Additionally, we interviewed Authority and HUD staff.

The Authority converted 597 units at 5 different projects. (See the table in the Background and Objective section). We obtained the rent rolls for each of the converted projects for the 6 months before conversion and the 6 months following conversion. Using Audit Command Language software, we identified 114 tenants or families that permanently moved out of their units during the 6 months before or after the project conversion date. See the table below.

Permanent move outs at the Authority

Project name	Permanent move outs	Percentage of total
Stuart Parker	29	25.44%
Paquin Towers	46	40.35%
Bear Creek	15	13.16%
Oak Towers	19	16.67%
Bryant Walkway I and II	5	4.39%
Totals	114	

We selected a sample of heads of household based on the percentage of move outs from each of the projects to ensure that we selected a fair number of tenants from each project. Our intent was to review at least 10 percent of the 114 move outs, or 11.4 tenant families. Due to rounding, we

selected a target of 12 tenant families to use in our calculations. Again, due to rounding, we ultimately selected a nonstatistical sample of 13 tenant families that moved out of their unit on a permanent basis during the 6 months before or 6 months after the conversion of the project. The table below shows how we arrived at our sample size.

Pro rata selection of files to review

Project name	Calculation	Files to review
Stuart Parker	25.44% * 12	3
Paquin Towers	40.35% * 12	4.8 rounded to 5
Bear Creek	13.16% * 12	1.58 rounded to 2
Oak Towers	16.67% * 12	2
Bryant Walkway I and II	4.39% * 12	.527 rounded to 1
Totals		13

After we identified the reason why each tenant relocated, we grouped the tenants by that reason for each of the projects, keeping the tenants listed in the order received from the Authority. Then we organized the groups in a spreadsheet, starting with the highest priority and continuing through the lowest level of priority, as follows:

1. low-income housing tax credit overincome
2. took Section 8 voucher
3. under age (elderly project)
4. took self off program
5. tenant voluntarily moved
6. moved to nursing home
7. transferred to another public housing agency
8. termination (eviction)
9. unit abandoned
10. tenant passed away

We first selected from the list of low-income housing tax credit overincome tenants at the project. If we had tenants left to select or the project did not have any such overincome tenants, we started with the first person in the next highest priority category. We did not want to select all the tenants from the same group, so once we selected the first tenant from a category, we moved to the next available category and selected the first tenant.

We emphasized reasons that provided more audit interest. For instance, we emphasized someone who moved to Section 8 over someone who abandoned his or her unit because someone who abandoned a unit would not have completed some of the required documentation, such as a waiver to return to a converted unit. Our highest priority was selecting tenants that were over the low-income housing tax credit limit because those tenants received incentives in exchange for waiving their right to return to their unit. See the table below.

Tenants selected for initial review

Project name	Tenants selected
Stuart Parker	1 to Section 8 1 left the public housing program 1 voluntarily moved
Paquin Towers	3 over income limit 1 to Section 8 1 left the public housing program
Bear Creek	2 over income limit
Oak Towers	1 over income limit 1 moved to Paquin Tower
Bryant Walkway I and II	1 over income limit
Totals	13 tenants

After our initial review of the 13 tenant families, we reviewed the remaining 9 tenant families that were over the low-income housing tax credit income limits, all of which received incentives in exchange for waiving the right to return to their unit. In all, we reviewed 22 tenant families, 16 of which were over the income limit and received incentives in exchange for waiving the right to return to their units. The remaining six tenant families were not over the income limit.

In addition to the 22 tenant families reviewed, we reviewed the relocation of a non-tenant-run business in Oak Tower. The business owner was operating a hair salon in one of the Oak Tower day rooms. When the project went through the RAD conversion, the day room space needed to be absorbed into the adjacent unit to fulfill Americans with Disabilities Act requirements. We selected the relocation of the salon for review because it represented the only business using Authority space.

The results apply only to the items selected and cannot be projected to the universe. We did not rely on computer-processed data to support our audit conclusion. We used computer-processed data as background information, and we based our conclusions on our review of the source documentation the Authority and HUD provided.

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

Internal Controls

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

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

- Controls to ensure that the Authority complied with relocation incentive payment requirements during its RAD conversion of five of its projects.

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 Authority did not have a RAD policy or procedures that addressed HUD's RAD relocation incentive payment requirements. It did not maintain records when meeting with tenants to discuss the incentive program, establish defined processes for ensuring that it offered each tenant the same incentive opportunity and amount, or conduct supervisory reviews that ensured compliance with requirements (finding 1).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Unsupported 1/
1A	\$126,824
2A	9,608
Totals	136,432

- 1/ 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

Ref to OIG Evaluation

Auditee Comments

Comment 1



Housing Authority of the City of Columbia, Missouri

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March 20, 2019

Mr. Ronald J. Hosking
Regional Inspector General for Audit
Office of Audit Region 7
400 State Office, Suite 501
Kansas City, KS 66101

RE: Audit Report Number: 2019-KC-10XX
Columbia Housing Authority, Columbia, MO – Rental Assistance Demonstration Program

Dear Mr. Hosking:

Please incorporate the following comments into the HUD RAD OIG Audit Report Number 2019-KC-10XX.

Finding 1: The Authority Did Not Maintain the Required Written Records of Resident Relocation Incentive Payment Consultants.

Over a three-year period, we performed substantial renovations of 597 public housing units that entailed temporarily relocating all occupied households (488 households with a total of 900+ moves). Many residents were relocated to other CHA housing units and then moved back to the property. Some were unavoidably moved three times. Others moved just once from their current unit into a newly renovated unit. We remained extremely cognizant of the stresses of relocation and all our residents were treated with a high level of care and respect while accommodating all of their relocation requests. These relocations were handled flawlessly and with no complaints.

Although we did not maintain proper written records for the 16 over-income households that were incentivized for voluntary permanent relocation, we ensured that all 16 were treated fairly, equitably, and consistently; although, that did not necessarily translate into monetary equivalence. Had the auditors from the Office of the Inspector General interviewed any of the over-income households we believe they would have found that each household felt they were treated fairly and equitably.

Three of these households were already desiring to leave subsidized housing for homeownership, but two of the three were not able to obtain financing due to outstanding debt. If we would have maintained our customary range of incentives for these two residents, they would not have been able to satisfy their debt in the foreseeable future and would have been forced to indefinitely continue their dependency on subsidized housing. Instead, we now have three very satisfied home owners, which also created vacancies for three new deserving families from our waiting lists. 11 of these 16 incentivized households remained in public housing as their incomes were not quite at a level that we collectively felt would sustain long-term success without housing assistance. Two of these 11 have since successfully transitioned into non-subsidized housing.

Auditee Comments

Ref to OIG Evaluation

Comment 2

We interviewed every over-income household independently to discover their needs and desires and allowed each to design their personalized incentive package. These personalized packages included variations of furniture; debt reduction payments/payoffs; medical bill payments/payoffs; assistance for public housing or private rentals – security deposits, first month's rent, satisfying delinquent past utility accounts, etc., and; home purchase assistance – down payment, inspection, closing costs, etc. Every household was thoroughly informed and understood their "right to return" and that accepting an incentive package resulted in waiving this right.

With these over-income incentive offerings, our internal goal has always been to ensure that we place no household in a position in which their quality of life would be degraded in the foreseeable future by accepting incentives in exchange for their "right to return" to the property.

Comment 3

We acknowledge we should have better documented the application of incentives for voluntary permanent relocation. We have now implemented procedures to prevent future deficiencies including the development of an appendix titled, "Guide for Processing Voluntary Permanent Relocation / Incentives for Assisted Housing Options as Alternatives" that is inserted in our internal "HUD RAD Relocation Handbook".

Finding 2: The Authority Improperly Paid a Business Owner \$9,608 for Relocation.

We contend that we did not "disregard the rules" or make improper payments, as we unsuccessfully made every attempt to obtain "income tax returns" and "certified financial statements" from the business owner. However, we have on file "other reasonable evidence" in the form of years of monthly reports submitted by the business owner that accounted for the number of clients served and revenue earned. The most recent two-years of these monthly reports calculated to an average revenue of \$5,499 per year. We presented these reports to the OIG auditors, but the auditors would not accept this as adequate "other reasonable evidence." The auditors did not provide any rationale for not accepting this evidence of the average annual revenue for the business owner at the Oak Towers site. Our intent in this settlement was to fairly compensate this business owner for the financial impact of the inability to continue the business at the Oak Towers location post conversion. Considering the loss of income and any relocation expenses incurred, when we were presented the three credit cards, we felt the \$9,608 total was a reasonable and fair settlement. The credit cards were insignificant as proof of loss but served as a negotiable commodity.

Sincerely,



Phil Steinhaus
Chief Executive Officer
(573) 554-7000

Comment 4

OIG Evaluation of Auditee Comments

- Comment 1 Notice PIH 2014-17 and Notice PIH 2016-17 do not require tenants to receive the same dollar amount in incentives. However, both notices require auditable written records be maintained for any resident consultations. Since the Authority failed to keep the required auditable written records, HUD can't be sure that tenants were offered an opportunity to receive the same incentive types.
- Comment 2 The Authority did not maintain an auditable written record of their consultations with each resident. Since there is no record of the consultations, HUD can't be assured that each resident was presented with the same incentive types.
- Comment 3 HUD needs to review the new procedures during the audit resolution period to verify the recommendations are implemented.
- Comment 4 49 CFR 24.305(e) requires the business owner to support the average annual net earnings of their business for the two taxable years immediately prior to the taxable year in which it was displaced. The average annual net earnings of a business are one-half of its net earnings before federal, state, and local income taxes. The CFR states that the displaced business shall furnish proof of net earnings through income tax returns, certified financial statements, or other reasonable evidence, which the Agency determines is satisfactory.

The Authority was unable to obtain tax returns or certified financial statements from the business owner. The Authority agreed to pay the outstanding balance on three of the business owners' credit cards. The outstanding balances did not represent the average net earnings of the business for the two taxable years immediately prior to the year in which it was displaced.

The Authority did provide us with a monthly record of clients served and revenue collected; however, the record was just a monthly count of clients served and total revenue. The documentation was not supported with receipts and did not document services provided or how much each of those services cost, despite the criteria requiring the business owner to provide support for net earnings before federal, state, and local income taxes. Therefore, a document showing total revenue only would not be considered other reasonable evidence. Furthermore, the documentation did not cover the two taxable years immediately prior to the taxable year in which it was displaced.

Appendix C

Columbia Housing Authority Tenant Incentives

Category and type		Low-income housing tax credit overincome tenant															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Household items	Furniture	X	X	X	X	X		X	X	X	X		X	X	X	X	X
	Electronics & appliances					X				X				X		X	
	Gas, electricity, cable TV, & telephone			X	X	X							X	X	X		
Home ownership	Home ownership assistance		X		X	X		X									
	Rent payment or security deposit						X	X					X	X	X	X	X
Debt assistance	Personal debt				X	X	X					X					
	School debt				X												
	Car loan													X			
	Medical bills & debt			X		X	X										
Automotive assistance	Automotive registration				X												
	Automotive repair							X									
Miscellaneous items	Groceries							X							X		
	Meals		X	X									X		X		
	Storage facility							X									
Total incentives received		1	3	4	6	6	3	6	1	2	1	1	4	5	5	3	2

Appendix D

Criteria

49 CFR 24.1

The purpose of this part is to promulgate rules to implement the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, in accordance with the following objectives:

(b) To ensure that persons displaced as a direct result of Federal or federally assisted projects are treated fairly, consistently, and equitably so that such displaced persons will not suffer disproportionate injuries as a result of projects designed for the benefit of the public as a whole.

Notice PIH 2014-17

Section 5 – Residents Right To Return

Public Housing Authorities must keep documentation of such information provided to residents and such consent by residents. While HUD does not require Public Housing Authorities to submit documentation of obtaining this consent, Public Housing Authorities and participants must properly brief residents on their housing and relocation options and must keep auditable written records of such consultation and decisions. HUD may request this documentation during a review of the Fair Housing and Equal Opportunity Relocation and Accessibility Checklist or if relocation concerns arise.

Notice PIH 2016-17

Section 6.10 – Alternative Housing Options

- (a) All residents who are similarly situated must be given the same offer of alternative housing options. If the Public Housing Authority or Project Owner seeks to limit the number of households that accept the offer of alternative housing options, the Public Housing Authority or Project Owner shall determine a fair and reasonable method for selection among similarly situated residents.
- (c) A Public Housing Authority or Project Owner may include a monetary element in an alternative housing option, provided that:
 - Any monetary element associated with the alternative housing option shall be completely distinct from and in addition to any required RAD, or Uniform Relocation Act or Section 104(d) relocation payments and benefits for which the residents are eligible.
 - No funds administered by HUD may be used to pay for any monetary element associated with the alternative housing option other than Required Relocation Payments.

- Any monetary element associated with the alternative housing option other than Required Relocation Payments must be the same amount offered to all similarly situated households.
- Any alternative housing option package must comply fully with the disclosure and agreement provisions of this notice.

Footnote 93

For example, if the RAD conversion is financed by LIHTC [low-income housing tax credits] and a few residents would not meet LIHTC program requirements, the Public Housing Authority and Project Owner may want to offer these household alternative voluntary permanent relocation options. However, they must offer the same alternative housing options to all such households.

49 CFR 24.305 (e)

The average annual net earnings of a business or farm operation are one-half of its net earnings before Federal, State, and local income taxes during the 2 taxable years immediately prior to the taxable year in which it was displaced. The displaced person shall furnish the Agency proof of net earnings through income tax returns, certified financial statements, or other reasonable evidence, which the Agency determines is satisfactory.