



Louisville-Jefferson County Metropolitan Government, Louisville, KY

HOME Investment Partnerships and Continuum of Care Programs

**Office of Audit, Region 4
Atlanta, GA**

**Audit Report Number: 2019-AT-1002
March 18, 2019**



To: Renee Ryles, Acting Director, Louisville Office of Community Planning and Development, DOF

//Signed//

From: Nikita N. Irons, Regional Inspector General for Audit, 4AGA

Subject: Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of the Louisville-Jefferson County Metropolitan Government's tenant-based rental assistance (TBRA) activity in its HOME Investment Partnerships and Continuum of Care (CoC) programs.

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 404-331-3369.



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Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements

Highlights

What We Audited and Why

We audited the Louisville-Jefferson County Metropolitan Government's tenant-based rental assistance (TBRA) activity in its HOME Investment Partnerships and Continuum of Care (CoC) programs, based on a hotline complaint alleging inappropriate administration of TBRA. In addition, we selected Louisville Metro for review in accordance with the Office of Inspector General's annual audit plan. Our audit objective was to determine whether Louisville Metro administered the TBRA activity in its HOME and CoC programs in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements for participants' recertifications and calculations of housing assistance payments.

What We Found

Louisville Metro did not (1) complete the annual recertifications in a timely manner with a signed housing assistance payments contract before providing housing assistance for 12 and 41 participants and (2) correctly calculate housing assistance payments for 13 and 16 households of the 34 and 68 HOME and CoC participants reviewed, respectively. This condition occurred because Louisville Metro did not enforce its policy and its staff had not been trained on calculating housing assistance payments. As a result, it (1) overpaid more than \$123,000 in housing assistance for its HOME and CoC programs; (2) underpaid more than \$720 in housing assistance for HOME and CoC participants; and (3) lacked documentation to support nearly \$7,350 in CoC program funds used for housing assistance payments. In addition, Louisville Metro and HUD lacked assurance that the TBRA activity in the HOME and CoC programs was administered in accordance with HUD's and Louisville Metro's requirements.

What We Recommend

We recommend that the Acting Director for the Louisville, KY, Office of Community Planning and Development require Louisville Metro to (1) reimburse its programs more than \$123,000 and its program participants more than \$720, (2) support nearly \$7,350 or reimburse its CoC program from non-Federal funds, (3) enforce its policy or implement other methods to ensure that annual recertifications are completed in a timely manner before issuing housing assistance, and (4) correct its certification process to ensure that nearly \$385,700 in housing assistance payments is provided appropriately over the next year.

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Background and Objective

Louisville is the largest city in the State of Kentucky and the county seat of Jefferson County. On January 6, 2003, the city and county merged to form Louisville-Jefferson County Metropolitan Government, which is governed by an elected mayor and the Metro Council, composed of 26 council members from each of the 26 council districts. Louisville Metro's Office of Resilience and Community Services was responsible for administering the tenant-based rental assistance (TBRA) activity in the HOME Investment Partnerships and Continuum of Care (CoC) programs.

The HOME program provides formula grants to States and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities, including building, buying, or rehabilitating affordable housing for rent or home ownership or providing direct rental assistance to low-income individuals. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. HOME permits participating jurisdictions, such as Louisville Metro, to create flexible programs that provide assistance to individual households to help them afford the housing costs of market-rate units. These programs are known as tenant-based rental assistance or TBRA. HOME-TBRA differ from other types of HOME rental housing activities in three key ways:

- TBRA helps individual households, rather than subsidizing particular rental projects.
- TBRA moves with the participant. If the household no longer wishes to rent a particular unit, the household may take its TBRA and move to another rental property.
- The level of TBRA subsidy varies in that it is based upon the income of the household, the particular unit the household selects, and the participating jurisdiction's rent standard.

Louisville Metro designed its HOME-TBRA to use the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Choice Voucher Program as its model. Specifically, the participant's portion of the monthly rent is based on adjusted household income and the participant's ability to pay. During the period June 2017 through May 2018, Louisville Metro used \$260,540 in HOME program funds to provide housing assistance payments for its TBRA activity.

The CoC program is designed to assist individuals (including unaccompanied youth) and families experiencing homelessness and to provide the services needed to help such individuals move into transitional and permanent housing, with the goal of long-term stability. More broadly, the CoC program is designed to (1) promote communitywide planning and strategic use of resources to address homelessness, (2) improve coordination and integration with mainstream resources and other programs targeted to people experiencing homelessness, (3) improve data collection and performance measurement, and (4) allow each community to tailor its programs to the particular strengths and challenges in assisting homeless individuals and

families within that community. CoC-TBRA participants select any appropriate-size unit within CoC's geographic area, although recipients or subrecipients may restrict the location under certain circumstances to ensure the availability of the appropriate supportive services. Except for victims of domestic violence, program participants may not retain their rental assistance if they relocate to a unit outside CoC's geographic area.

Louisville Metro built its CoC program on the premise that housing and services need to be connected to ensure the stability of housing for homeless persons with disabilities that are expected to be of indefinite duration, such as serious physical illness, mental illness, emotional impairment, chronic substance abuse, or AIDS and related diseases. During the period June 2017 through May 2018, Louisville Metro used more than \$1.8 million in CoC program funds to provide housing assistance payments for its TBRA activity.

We initiated the audit based on a hotline complaint alleging inappropriate administration of TBRA. We assessed the complaint and confirmed some of the allegations such as staff lacking training for proper administration of the programs. We refined our objective after the preliminary assessment. Specifically, our audit objective was to determine whether Louisville Metro administered the TBRA activity in its HOME and CoC programs in accordance with HUD's and its own requirements for participants' recertifications and calculations of housing assistance payments.

Results of Audit

Finding: Louisville Metro Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With HUD's and Its Own Requirements

Louisville Metro did not always administer the TBRA activity in its HOME and CoC programs in accordance with HUD's and its own requirements for (1) performing annual recertifications in a timely manner and (2) correctly calculating the housing assistance payments. Of the 34 HOME and 68 CoC program participants reviewed, Louisville Metro did not complete the annual recertifications in a timely manner with a signed housing assistance payments contract before providing housing assistance for 12 and 41 participants, respectively. Louisville Metro also miscalculated housing assistance payments for 13 and 16 households in the HOME and CoC programs and lacked adequate documentation to support housing assistance payments for 2 CoC participants. These conditions occurred because Louisville Metro failed to enforce its policy for participants to provide documentation in a timely manner and staff responsible for calculating housing assistance payments was not trained on how to calculate the payments. As a result, considering both programs, more than \$123,000 was overpaid, more than \$720 was underpaid, and nearly \$7,350 lacked adequate documentation to support the housing assistance payments. In addition, HUD and Louisville Metro lacked assurance that the TBRA activity was administered in accordance with HUD's and Louisville Metro's requirements. If Louisville Metro does not correct its certification process for its CoC program,¹ it could overpay nearly \$385,700 in housing assistance over the next year.

Annual Recertifications Not Completed in a Timely Manner

Louisville Metro did not always perform annual recertifications in a timely manner. Specifically, at 24 CFR (Codes of Federal Regulations) 92.209(c)(1), HUD required program participants' eligibility to be determined annually and before providing housing assistance. In addition, Louisville Metro's policies for the HOME program stated that participants were required to complete the annual recertification process to continue to be eligible for HOME assistance and that the annual recertification process would begin a minimum of 120 days before the current lease end date. However, based on a review of all 34 HOME program participants as of May 2018,² we determined that 27 households' housing assistance payments contracts were not executed by Louisville Metro before the recertification effective date. The contracts were executed late, ranging from 1 to 172 days after the households' recertification effective date.

¹ We reviewed 100 percent of the HOME program participants but reviewed a sample of the CoC program participants; therefore, we projected our review results to the universe of the CoC program participants. The methodology for our projection is explained in the Scope and Methodology section of this audit report.

² Our methodology for the sample selection is explained in the Scope and Methodology section of this audit report.

Further, Louisville Metro provided \$8,797 in housing assistance, while a housing assistance payments contract was not executed for 12 of the 27 HOME program participants.

In addition, at 24 CFR 582.310(b)(2), HUD required CoC program participants' income to be examined initially and at least annually thereafter to determine the amount of rent payable by the participant. In addition, Louisville Metro's CoC program policies stated that rental assistance would not be provided on units without a signed housing assistance payments contract. However, based on a review of 68 statistically selected CoC program participants as of May 2018,³ we determined that 64 of the households' housing assistance payments contracts were not executed by Louisville Metro before the recertification effective date. The contracts were executed late, ranging from 2 to 232 days after the households' recertification effective date. Further, Louisville Metro provided \$109,259 in housing assistance, while a housing assistance payments contract was not executed for 41 of the 64 CoC program participants. Extending our review results to the universe of 265 CoC households, based on the statistical sampling model, we estimate that Louisville Metro did not perform annual recertifications in a timely manner for at least 237 participants.⁴ The results of our review are summarized in appendix C of this report by program.

Louisville Metro stated that the recertifications were not completed in a timely manner because it had trouble receiving the required documentation from the participants to complete the recertifications. Louisville Metro had a policy for terminating participation for those that violated program requirements; however, it did not enforce its policy. Specifically, although Louisville Metro sent notices of termination to participants that did not provide required documentation on time, it did not follow through and fully enforce the policy, fearing a backlash from the mayor and its city-county government if it made the participants homeless by terminating their participation in the programs.

Miscalculated Housing Assistance Payments

Louisville Metro did not always calculate the housing assistance payments correctly for participants on its HOME⁵ and CoC⁶ programs. Of the 34 HOME program files reviewed,⁷ Louisville Metro failed to ensure that housing assistance payments for 13 households were accurately calculated. Similarly, it did not ensure that the housing assistance payments were properly calculated for 16 of 68 statistically selected CoC program participants reviewed.⁸ The miscalculation of housing assistance resulted in overpayment and underpayment of the rental subsidy. In addition, Louisville Metro did not use adequate documentation to support the housing assistance payments for two CoC program participants. Specifically, both of these residents' income documentation was outdated or not obtained within 90 days of the residents'

³ See footnote 2.

⁴ See footnote 1.

⁵ Regulations at 24 CFR 92.209(h)(1) state that the amount of the monthly assistance may not exceed the difference between a rent standard for the unit size and 30 percent of the family's monthly adjusted income.

⁶ Regulations at 24 CFR 582.310(b)(2) state that recipients must examine a participant's income initially and at least annually thereafter to determine the amount of rent payable by the participant.

⁷ See footnote 2.

⁸ See footnote 2.

recertification.⁹ Further, in three instances, the housing assistance amount paid did not match the calculated amount of housing assistance. The 13 HOME and 16 CoC participants' housing assistance payment calculations contained 1 or more of the following deficiencies, which are detailed in appendix C of this report by program:

- 11 had an incorrect utility allowance,
- 9 had incorrect income calculations,
- 5 had incorrect payment standards, and
- 1 had an incorrect amount entered as the unit's rent.

The miscalculations discussed above occurred because Louisville Metro's staff had not been trained on how to calculate housing assistance payments in accordance with HUD's and its own policies and procedures. During interviews with program staff and supervisors, we were told that no one in the department had received training due to budget constraints. While the Louisville Metro policies and procedures reference the documents that housing specialists should collect to determine a participant's income, Louisville Metro staff stated that the training of program staff was not a priority for the previous administration. However, the current management was dedicated and willing to train its staff.

Conclusion

For the HOME program, Louisville Metro overpaid \$8,797 in housing assistance without an executed housing assistance payments contract in place for 12 participants, and due to miscalculation errors, it overpaid \$1,592 in housing assistance for 9 participants and underpaid \$468 for 4 participants. For the CoC program, Louisville Metro overpaid \$109,259 in housing assistance without an executed housing assistance payments contract in place for 41 participants, and due to miscalculation errors, it (1) overpaid \$3,568 in housing assistance for 13 participants, (2) underpaid \$260 for 3 participants, and (3) lacked adequate documentation to support \$7,309 in housing assistance payments for 2 participants. The weaknesses described above occurred because Louisville Metro failed to enforce its policy for participants to provide documentation in a timely manner and staff responsible for calculating housing assistance payments was not trained on how to calculate the payments. If Louisville Metro does not correct its certification process, it could overpay \$385,660 in housing assistance over the next year for the CoC program. These funds could be put to better use if proper implementation of existing policy or alternate procedures are put into place to ensure that recertifications are completed in a timely manner.

Recommendations

We recommend that the Acting Director of the Louisville Office of Community Planning and Development require Louisville Metro to

⁹ Louisville Metro's standard operating procedures for calculating participants' household income stated that the Social Security income information should be for the current year and the earned income information should be for the most recent 90 days.

- 1A. Reimburse its HOME program \$10,389 (\$8,797 + \$1,592) from non-Federal funds for the overpayment of housing assistance due to inappropriate recertifications and calculations of housing assistance.
- 1B. Reimburse the four HOME program participants \$468 from program funds for the underpayment of housing assistance due to inappropriate calculations of housing assistance.
- 1C. Reimburse its CoC program \$112,827 (\$109,259 + \$3,568) from non-Federal funds for the overpayment of housing assistance due to inappropriate recertifications and calculations of housing assistance.
- 1D. Reimburse the three CoC program participants \$260 from program funds for the underpayment of housing assistance due to inappropriate calculations of housing assistance.
- 1E. Support or reimburse its CoC program \$7,309 from non-Federal funds for the unsupported housing assistance payments.
- 1F. Enforce its policy or implement an alternate method for the CoC program to ensure that annual recertifications are completed in a timely manner and that housing assistance is not issued before the recertification is completed to ensure that \$385,660 in program funds is appropriately used for future payments.
- 1G. Train its program staff on calculating housing assistance payments for the HOME and CoC programs to ensure that payments are appropriately calculated.

Scope and Methodology

We performed our audit work between May and October 2018 at Louisville Metro's office located at 701 West Ormsby Avenue, Suite 201, Louisville, KY, and at our office in Atlanta, GA. Our review covered the period June 1, 2017, through May 31, 2018.

To accomplish our objective, we interviewed HUD program staff and Louisville Metro's employees. In addition, we obtained and reviewed the following:

- Applicable laws and HUD's regulations at 24 CFR Parts 92 and 582.¹⁰
- Louisville Metro's policies, procedures, controls, and participant files.
- The individual households' annual housing assistance payments contract to determine whether recertifications were completed in a timely manner. In addition, using the support documentation maintained in the household file, we recalculated the monthly housing assistance payment amount to determine whether Louisville Metro calculated the payments correctly.

For the HOME program, we used the 35 current participants as of May 2018. However, at the time of our review, only 34 participants had received housing assistance for the audit period because 1 participant's admission into the program began in May 2018. Therefore, we reviewed 100 percent of the remaining 34 households to determine whether Louisville Metro completed the participants' most recent recertifications in a timely manner and accurately calculated the housing assistance payments amount with adequate supporting documentation. For the CoC program, from a universe of 265 current participants as of May 2018, we statistically selected a sample of 68 participants for review to determine whether Louisville Metro completed the participants' most recent recertifications in a timely manner and accurately calculated the housing assistance payment amount with adequate supporting documentation.

Based on the results of the 68 sampled participants, we projected the results to the universe of 265 participants, using a one-sided confidence interval of 95 percent and an average percentage of error or deficiency identified in our review. Specifically, our review of 68 participants determined that annual recertifications were not completed in a timely manner for 64 participants. Therefore, we estimate that Louisville Metro did not perform annual recertifications in a timely manner for at least 237 participants in the universe of 265 participants. Further, our review determined that \$109,259 in housing assistance payments was inappropriately issued for 41 participants before the completion of their annual recertifications. Therefore, we estimate that Louisville Metro could overpay \$385,660 in housing assistance over the next year for the CoC program.

¹⁰ Part 582 of 24 CFR applies to both Shelter Plus Care (SPC) and CoC programs as SPC was rolled into CoC beginning 2012.

We relied in part on computer-processed data contained in Louisville Metro's system to achieve our audit objective. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. The tests for reliability included but were not limited to comparing computer-processed data to information in the sample contract files and other supporting documentation.

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:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to provide reasonable assurance that a program meets its objectives, while considering cost effectiveness and efficiency.
- Validity and reliability of information – Policies and procedures that management has implemented to reasonably ensure that valid and reliable information is obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program implementation is in accordance with laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- Louisville Metro failed to enforce its policy for participants to provide documentation in a timely manner, and staff responsible for calculating housing assistance payments was not trained on how to calculate the payments (finding).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$10,389		
1B			\$468
1C	112,827		
1D			260
1E		\$7,309	
1F			385,660
Totals	123,216	7,309	386,388

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if Louisville Metro implements our recommendations, it will ensure that housing assistance is provided properly after the completion of the annual recertifications.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

	
OFFICE OF RESILIENCE AND COMMUNITY SERVICES LOUISVILLE, KENTUCKY	
GREG FISCHER MAYOR	ERIC FRIEDLANDER CHIEF GENA L. REDMON DIRECTOR

February 8, 2019

Ms. Nikita N. Irons
Regional Inspector General for Audit
Office of Audit (Region 4)
75 Ted Turner Drive S.W., Room 330
Atlanta, GA 30303

RE: Response to the draft report from the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General review of Louisville-Jefferson County Metro Government's Tenant-Based Rental Assistance (TBRA) activity in its HOME and Shelter Plus Care under the Continuum of Care (CoC) Programs begun on May 15, 2018.

Dear Ms. Irons,

The Louisville Metro Government Office of Resilience and Community Services (RCS) appreciates the Office of Inspector General's (OIG) diligence in the monitoring of the TBRA HOME and CoC programs began on May 15, 2018. Louisville Metro Government (LMG) values transparency and welcomes reviews to ensure that HUD entitlement funds are being utilized in an effective and compliant manner.

The notification audit letter and the entrance conference noted that a hotline complaint and OIG annual audit plan prompted this review. Since the draft report does not address the hotline complaint; LMG has requested written response and confirmation about the hotline complaint.

In response to the drafted audit report submitted to LMG on December 19, 2018:

OIG Finding: *Louisville Metro did not always administer the TBRA activity in its HOME and CoC programs in accordance with HUD's and its own requirements for (1) performing annual recertifications in a timely manner and (2) correctly calculating the housing assistance payments. Of the 34 HOME and 68 CoC program participants reviewed, Louisville Metro did not complete the annual recertifications in a timely manner with a signed housing assistance payments contract before providing housing assistance for 12 and 42 participants respectively. Louisville Metro also miscalculated housing assistance payments for 13 and 15 households in the HOME and CoC programs and lacked adequate documentation to support housing assistance payments for 2 CoC participants. These conditions occurred because Louisville Metro*

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WWW.LOUISVILLEKY.GOV
701 WEST ORMSBY AVENUE, SUITE 201 LOUISVILLE, KENTUCKY 40203

Ref to OIG Evaluation

Auditee Comments

Comment 2

failed to enforce its policy for participants to provide documentation in a timely manner and staff responsible for calculating housing assistance payments was not trained on how to calculate the payments. As a result, considering both programs, more than \$124,000 was overpaid, more than \$720 was underpaid, and nearly \$8,600 lacked adequate documentation to support the housing assistance payments. In addition, HUD and Louisville Metro lacked assurance that the TBRA activity was administered in accordance with HUD's and its own requirements. If Louisville Metro does not correct its certification process for its CoC program, it could overpay nearly \$392,000 in housing assistance over the next year.

Resilience and Community Services Response to OIG Finding:

RCS agrees to continue to improve policy and procedures and to ensure compliance with program requirements. This includes increased trainings for staff on maintaining current standard operating procedures and outlining step-by-step instructions for participant re-certification. The current policy requires an intensive review of all participant files by Housing and Support Management to ensure accuracy, consistency and compliance. This procedure mandates the withholding of payments until re-certifications are complete. Housing and Support Management will emphasize annual trainings, recertification and income calculation protocols. Additional trainings, both internal and with partner agencies, will be provided as necessary to maintain compliance

OIG: *Annual Recertification Not Completed in a Timely Manner*

Resilience and Community Services Response:

Continuous: It is the practice of RCS to begin the recertification process with program participants 90-days prior to the current lease end date. Participants receive a written notice with a confirmed meeting time to review all necessary documentation to begin their recertification. If recertifications are not completed on time, housing assistance payments (HAP) are withheld and termination notices are provided to the participant and the landlord. It must be noted, that adherence to this regulatory requirement could result in a higher risk to participants returning to Homelessness and landlord retention.

OIG: *Miscalculated Housing Assistance Payments*

Resilience and Community Services Response:

RCS agrees there was an inefficiency in the HUD CPD Income Calculator workflow process.

Comment 4

Completed: To improve this process, policy and procedures have been created and in-depth training was provided. There is now a secondary file review process done to examine the form and supporting documentation for accuracy and completeness.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 5

RCS strives to be good stewards of public resources and to continue to strengthen our controls within the department.

Per an OIG recommendation, RCS has requested an internal review of all HUD funded grants by the Office of Management and Budget, Grant Compliance Division. This review is scheduled to begin February 19, 2019 and will encompass all participant files and establish a baseline for continued process improvement. Policies and procedures, recertifications, and housing assistance payments will be included in this review.

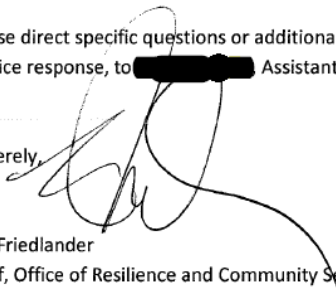
Comment 6

Per the recommendation in the review, LMG will work with the Acting Director of the Louisville Office of Community Planning and Development to coordinate the reimbursement of funds.

Comment 7

Please direct specific questions or additional information about the Office of Resilience and Community Service response, to [REDACTED] Assistant Director, at [REDACTED] or [REDACTED]

Sincerely,


Eric Friedlander
Chief, Office of Resilience and Community Services

Comment 7

Cc:

[REDACTED]

OIG Evaluation of Auditee Comments

- Comment 1 Louisville Metro’s Office of Resilience and Community services (Louisville Metro) understood that a hotline complaint prompted the audit. However, it believed that the complaint was not discussed and addressed in the audit report.
- We discussed the complaint and its validity with Louisville Metro during the course of the review. Nonetheless, we added additional information on page 4 of the report regarding the complaint.
- Comment 2 Louisville Metro stated that its current policy requires an intensive review of participant files to ensure accuracy, consistency, and compliance. However, Louisville Metro agreed that increased training should be provided to the staff and stated that it would emphasize annual trainings and recertification and income calculation protocols as necessary to maintain compliance.
- As stated in the report, we determined that the weaknesses occurred because Louisville Metro failed to enforce its policy regarding recertifications and its staff was not trained on calculating housing assistance payments. We appreciate Louisville Metro’s willingness to emphasize annual trainings and recertification and income calculation protocols to maintain program compliance. Louisville Metro should work with HUD during the audit resolution process to fully implement the recommendations included in this audit report.
- Comment 3 Louisville Metro stated that it had a process in place to complete the participants’ recertifications in a timely manner. In the event of a late recertification, Louisville Metro stated that the housing assistance payment was to be withheld and termination notices were to be issued. However, Louisville Metro stated that its compliance with this requirement could result in a higher risk to the homelessness population and landlord retention.
- We agree that Louisville Metro had a policy in place to allow it to complete the recertifications in a timely manner. However, as stated in the report, it failed to enforce the policy. In addition, Louisville Metro did not always withhold the housing assistance payments when recertifications were completed late. Regarding its concern over an increased risk to the homelessness population and landlord retention, Louisville Metro should work with HUD during the audit resolution process to implement recommendation 1F, which states that it should either enforce its current policy or identify alternate methods for completing recertifications in a timely manner.
- Comment 4 Louisville Metro agreed that there was an inefficiency in its process for calculating housing assistance payments. To address this inefficiency, Louisville

Metro stated that it had implemented additional controls and provided an indepth training.

We appreciate Louisville Metro's willingness to be a good steward of public resources and to strengthen its controls. It should work with HUD during the audit resolution process to ensure that the recommendations are sufficiently addressed and implemented.

- Comment 5 Louisville Metro stated that we recommended that it request an internal review of all HUD-funded grants by its Office of Management and Budget, Grant Compliance Division. Louisville Metro expected this review to begin February 19, 2019.

During our review, according to our regular process, we requested that Louisville Metro provide any internal reviews of the HOME and CoC TBRA programs that had been completed. Louisville Metro did not provide such documentation because internal reviews of the programs had not been conducted. Louisville Metro may have interpreted this statement as a recommendation for it to conduct an internal review of the program. However, we do not discourage Louisville Metro from obtaining a review of all HUD-funded grants.

- Comment 6 Louisville Metro stated that it would coordinate with HUD for the reimbursement of funds as recommended in this audit report.

We appreciate Louisville Metro's willingness to coordinate with HUD and agree that it should work with HUD during the audit resolution process to fully implement recommendations included in this audit report, including reimbursing the questioned costs.

- Comment 7 Names and contact information of Louisville Metro's staff were redacted due to privacy concerns.

Appendix C

Schedules of Annual Recertifications and Calculations Not Completed Properly

Table 1: HOME program - annual recertifications not completed in a timely manner

No.	Annual certification effective date	Housing assistance payments contract execution date	Days annual certification completed late	Housing assistance paid before the completion of the annual recertification?	Amount of improperly provided housing assistance
1	04/01/2018	09/19/2018	172	Yes	\$34
2	01/01/2018	05/31/2018	151	Yes	1,272
3	08/01/2017	11/10/2017	102	Yes	312
4	10/01/2017	12/31/2017	92	Yes	2,107
5	12/01/2017	02/19/2018	81	No	0
6	11/01/2017	01/19/2018	80	Yes	583
7	03/01/2018	04/25/2018	56	Yes	688
8	01/01/2018	02/20/2018	51	No	0
9	12/01/2017	01/19/2018	50	No	0
10	09/26/2017	11/14/2017	49	Yes	250
11	05/01/2018	06/12/2018	43	Yes	658
12	10/01/2017	11/10/2017	41	No	0
13	07/01/2017	08/08/2017	39	Yes	1,098
14	05/01/2018	06/08/2018	38	No	0
15	08/04/2017	09/05/2017	33	Yes	727
16	05/01/2018	05/29/2018	28	No	0
17	07/01/2017	07/26/2017	25	Yes	314
18	05/01/2018	05/23/2018	22	No	0
19	02/01/2018	02/19/2018	18	No	0
20	04/01/2018	04/18/2018	17	No	0
21	04/01/2018	04/16/2018	15	No	0
22	04/12/2018	04/24/2018	12	No	0
23	05/01/2018	05/08/2018	7	No	0
24	03/01/2018	03/06/2018	5	No	0
25	02/01/2018	02/05/2018	4	No	0
26	08/28/2017	08/30/2017	2	No	0
27	02/01/2018	02/02/2018	1	Yes	754
Total					8,797

Table 2: CoC program - annual recertifications not completed in a timely manner

No.	Annual certification effective date	Housing assistance payments contract execution date	Days annual certification completed late	Housing assistance paid before the completion of the annual recertification?	Amount of improperly provided housing assistance
1	09/01/2017	04/20/2018	232	No	0
2	09/01/2017	04/11/2018	223	Yes	6,948
3	11/01/2017	04/27/2018	178	Yes	8,351
4	06/01/2017	11/13/2017	166	Yes	3,024
5	05/01/2017	09/29/2017	152	Yes	7,322
6	01/01/2018	05/31/2018	151	No	0
7	10/01/2017	02/19/2018	142	Yes	4,581
8	07/01/2017	11/15/2017	138	Yes	5,310
9	09/01/2017	01/16/2018	138	Yes	2,594
10	10/01/2017	02/09/2018	132	Yes	2,520
11	07/01/2017	10/24/2017	116	Yes	1,840
12	01/01/2018	04/25/2018	115	No	0
13	08/01/2017	11/21/2017	113	Yes	3,451
14	08/01/2017	11/10/2017	102	Yes	2,987
15	11/01/2017	02/09/2018	101	Yes	2,754
16	11/15/2017	02/22/2018	99	Yes	2,839
17	12/01/2017	03/09/2018	99	Yes	2,371
18	07/01/2017	09/29/2017	91	Yes	4,740
19	06/01/2017	08/30/2017	91	Yes	1,300
20	12/01/2017	02/28/2018	90	Yes	2,669
21	07/01/2017	09/25/2017	86	Yes	1,948
22	09/01/2017	11/16/2017	77	Yes	2,484
23	09/01/2017	11/15/2017	76	Yes	4,140
24	03/01/2018	05/14/2018	75	No	0
25	12/01/2017	02/09/2018	71	Yes	2,884
26	02/01/2018	04/11/2018	70	No	0
27	02/01/2018	04/10/2018	69	No	0
28	02/01/2018	04/04/2018	63	No	0
29	08/01/2017	09/29/2017	60	Yes	3,090
30	12/01/2017	01/26/2018	57	Yes	1,440
31	09/01/2017	10/21/2017	51	Yes	1,856
32	02/01/2018	03/23/2018	51	No	0
33	02/01/2018	03/23/2018	51	No	0

No.	Annual certification effective date	Housing assistance payments contract execution date	Days annual certification completed late	Housing assistance paid before the completion of the annual recertification?	Amount of improperly provided housing assistance
34	10/01/2017	11/15/2017	46	Yes	2,028
35	04/01/2018	05/15/2018	45	No	0
36	01/01/2018	02/14/2018	45	No	0
37	10/01/2017	11/13/2017	44	Yes	2,940
38	07/01/2017	08/11/2017	42	Yes	2,028
39	07/01/2017	08/11/2017	42	Yes	1,783
40	01/01/2018	02/09/2018	40	Yes	3,378
41	07/14/2017	08/23/2017	40	Yes	1,541
42	05/11/2018	06/19/2018	40	No	0
43	01/01/2018	02/06/2018	37	No	0
44	10/13/2017	11/15/2017	33	Yes	1,340
45	07/01/2017	07/31/2017	30	Yes	1,990
46	05/01/2018	05/31/2018	30	No	0
47	02/01/2018	03/01/2018	29	No	0
48	06/30/2017	07/26/2017	27	Yes	1,154
49	02/01/2018	02/28/2018	27	No	0
50	04/01/2018	04/24/2018	23	No	0
51	04/01/2018	04/23/2018	22	No	0
52	10/01/2017	10/21/2017	20	Yes	1,308
53	04/07/2018	04/27/2018	20	Yes	1,274
54	06/01/2017	06/20/2017	19	Yes	893
55	04/01/2018	04/20/2018	19	No	0
56	06/09/2017	06/27/2017	18	Yes	1,149
57	05/23/2017	06/07/2017	15	Yes	1,144
58	04/01/2018	04/16/2018	15	No	0
59	05/01/2018	05/14/2018	13	No	0
60	11/01/2017	11/13/2017	12	Yes	827
61	11/01/2017	11/10/2017	9	Yes	622
62	05/01/2018	05/09/2018	8	Yes	0
63	08/01/2017	08/07/2017	6	Yes	417
64	11/27/2017	11/29/2017	2	No	0
Total					109,259

Table 3: HOME program - miscalculated housing assistance payments

No.	Utility allowance	Income	Payment standard	Paid amount not equal to the calculated amount	Questioned payments
1			X		448
2				X	420
3		X			334
4	X				198
5	X				82
6			X		56
7		X			36
8	X				9
9			X		9
Total overpaid housing assistance					1,592
10				X	(288)
11	X				(100)
12	X				(66)
13				X	(14)
Total underpaid housing assistance					(468)

Table 4: CoC program - miscalculated housing assistance payments

No.	Utility allowance	Income	Payment standard	Rent amount	Questioned payments
1		X			982
2		X			978
3	X				530
4				X	315
5	X				301
6		X			132
7		X			72
8	X				72
9			X		58
10	X				54
11			X		30
12		X			25
13	X				19
Total overpaid housing assistance					3,568
14		X			(126)
15		X			(116)
16	X				(18)
Total underpaid housing assistance					(260)