



Nevada, MO, Housing Authority

Community Service and Self-Sufficiency Requirement



Issue Date: September 11, 2014

Audit Report Number: 2014-KC-1004

TO: Frances M. Cleary, Director, Kansas City Office of Public Housing, 7APH

//signed//

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

SUBJECT: The Nevada, MO, Housing Authority Did Not Properly Classify Tenants as Exempt From the Community Service and Self-Sufficiency Requirement

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 Nevada, MO, Housing Authority's Community Service and Self-Sufficiency Requirement.

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

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

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



September 11, 2014

The Nevada, MO, Housing Authority Did Not Properly Classify Tenants as Exempt From the Community Service and Self-Sufficiency Requirement

Highlights

Audit Report 2014-KC-1004

What We Audited and Why

We audited the Nevada, MO, Housing Authority's community service and self-sufficiency requirement. We selected the Authority for review because available reports indicated that 95.4 percent of the Authority's public housing tenants were exempt from the requirement, which was higher than the State's average of 88.5 percent. Also, this audit will complement our upcoming nationwide internal audit of the requirement. Our audit objective was to determine whether the Authority properly classified tenants as exempt from the requirement.

What We Recommend

We recommend that the Director of HUD's Kansas City Office of Public Housing require the Authority to develop and implement a more comprehensive community service and self-sufficiency requirement to ensure that it complies with HUD's requirements. This measure will ensure that \$33,547 in public housing operating subsidies will be put to better use. Also, HUD should ensure that the Authority's staff receives training to help prevent future recording errors.

What We Found

The Authority did not properly classify tenants as exempt from the requirement. It did not properly exempt 33 of the 35 households reviewed and did not provide any of the households a copy of the requirement policy at initial application. Also, it did not accurately complete the tenant recertification form for 20 of the 35 households. This condition occurred because the Authority was not aware of HUD's 2009 requirement guidance. As a result, noncompliant households used more than \$33,000 in annual public housing operating subsidies to occupy units that could have housed compliant families.

TABLE OF CONTENTS

Background and Objective	3
Results of Audit	
Finding: The Authority Did Not Properly Classify Tenants as Exempt From the Community Service and Self-Sufficiency Requirement	5
Scope and Methodology	8
Internal Controls	10
Appendixes	
A. Schedule of Funds To Be Put to Better Use	11
B. Auditee Comments and OIG's Evaluation	12
C. Criteria	14

BACKGROUND AND OBJECTIVE

The Housing Authority of the City of Nevada, MO, was established in 1970 and manages three significant U.S. Department of Housing and Urban Development (HUD) programs. These programs include the low-rent housing program with 200 public housing units, the Public Housing Capital Fund program, and the Housing Choice Voucher program. The Authority is governed by a board of commissioners.

The Public Housing Operating Fund program provides operating subsidies to housing authorities to assist in funding the operating and maintenance expenses of their own dwellings in accordance with Section 9 of the U.S. Housing Act of 1937 as amended. The subsidies are required to help maintain services and provide minimum operating reserves. In 2013, the Authority received \$229,000 in public housing operating subsidies and is projected to receive more than \$353,000 in 2014.

The community service and self-sufficiency requirement is intended to assist adult public housing residents in improving their own economic and social well-being and to give these residents a greater stake in their communities. The requirement allows residents an opportunity to “give something back” to their communities and facilitates upward mobility. Community service is the performance of voluntary work or duties that provide a public benefit and serve to improve the quality of life, enhance resident self-sufficiency, or increase resident self-responsibility to the community.

The Quality Housing and Work Responsibility Act, which amended Section 12 of the U.S. Housing Act of 1937, established the requirement that every nonexempt adult resident of public housing contribute 8 hours of community service each month or participate in an economic self-sufficiency program. Section 432 of the fiscal year 2002 HUD-U.S. Department of Veterans Affairs (VA) Appropriations Act temporarily suspended the requirement. However, the fiscal year 2003 HUD-VA Appropriations Act reinstated this provision.

Regulations for the requirement are provided in 24 CFR (Code of Federal Regulations) 960.600-609. In addition, HUD’s Public and Indian Housing (PIH) Notice 2003-17, issued June 20, 2003, notified housing authorities of the requirement. In response to an audit report issued by the HUD Office of Inspector General (OIG) (2008-KC-0002), HUD issued PIH Notice 2009-48 to assist in the understanding and administration of the requirement. This notice superseded all previous guidance and provided clarification guidance on the requirement.

The only residents exempt from the requirement are those who are

- 62 years of age or older;
- Blind or disabled and who certify that because of this disability, they are unable to comply with the service provisions or a primary caretaker of such individuals;
- Engaged in eligible work activities;
- Able to meet requirements under a State program funded under the Social Security Act or a State-administered welfare program; or

- A member of a family receiving welfare assistance, benefits, or service under a State welfare program.

Housing authorities are encouraged to use 30 hours per week as the minimum number of hours for a work activity. They must describe in their requirement policy the process for determining which family members are exempt from the requirement and any changes to the exempt status of the family members. In addition, the housing authority must provide the family a copy of the requirement policy at initial application and secure its certification.

At lease execution or reexamination, all adult members (age 18 or older) of a public housing resident family must provide documentation showing that they qualify for an exemption. At each annual reexamination, nonexempt family members must present documentation of activities performed over the previous 12 months. Documentation will include signatures of supervisors, instructors, or counselors certifying to the number of hours contributed. If during reexamination a family member is found to be noncompliant, the member and head of household sign an agreement with the housing authority to make up the deficient hours over the next 12-month period, or the lease will be terminated.

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

Our audit objective was to determine whether the Authority properly classified tenants as exempt from the community service and self-sufficiency requirement.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Properly Classify Tenants as Exempt From the Community Service and Self-Sufficiency Requirement

The Authority did not properly classify tenants as exempt from the community service and self-sufficiency requirement. It did not properly exempt 33 of the 35 households reviewed and did not provide any of the households a copy of the requirement policy at initial application. Also, the Authority did not accurately complete the tenant recertification form for 20 of the 35 households. This condition occurred because the Authority was not aware of HUD's 2009 requirement guidance. As a result, noncompliant households used more than \$33,000 in annual public housing operating subsidies to occupy units that could have housed compliant families.

The Authority Did Not Properly Classify 33 Households as Exempt From the Requirement

The Authority did not properly classify tenants as exempt from the requirement in 33 of the 35 households reviewed. Both HUD's and the Authority's local requirement policy required individuals to work a minimum of 30 hours per week. The table below shows the various categories of requirement errors observed during this review.

Requirement errors	Number
Disabled head of household not certifying that he or she was unable to comply with requirement	15
Households not employed and not qualified for other exemptions	13
Households with employed adults who did not work 30 hours per week	7
Total	35*

*Two households had multiple requirement errors.

Households Did Not Receive the Requirement Policy

The Authority did not provide the 35 households a copy of the requirement policy at initial application. PIH Notice 2009-48 requires each family to receive and review the requirement policy and certify that it received notice of this policy at the time of initial program participation.

Reporting Errors Were Found in 20 Households

The Authority did not accurately complete form HUD-50058 for 20 of the 35 households. These reporting errors included listing the incorrect income code in block 7b on the form, listing the incorrect requirement code, listing the wrong income amount, and not properly identifying the head of household as disabled.

According to PIH Notices 2011-65 and 2010-25, HUD relies on housing authorities to submit accurate, complete, and timely data to administer, monitor, and report on the management of its rental assistance programs. The table below shows the various reporting errors observed. These errors are in addition to the requirement errors discussed in the previous section.

Reporting errors	Number
Incorrect income code listed in block 7b on the form HUD-50058	12
Incorrect requirement code listed in block 3q on the form HUD-50058	9
Wrong income amount listed in block 7d on the form HUD-50058	1
Head of household not identified as disabled on the form HUD-50058	1
Total	23*

*Three households had multiple reporting errors.

The Authority Was Not Aware of HUD's Requirement Guidance

The Authority was not aware of HUD's new requirement guidance outlined in PIH Notice 2009-48. It relied upon a local requirement policy approved in 2003. We asked Authority officials whether they knew about HUD's 2009 guidance, and they stated that they did not. In addition, we asked Authority officials about the reporting errors, and they attributed the errors to a lack of training.

As a result of our review, the Authority revised its requirement policy to strengthen its controls to help prevent households from being improperly classified as exempt from the requirement. In addition, the Authority developed various forms to help document tenants' certification that they understood the requirement and to track each tenant's participation.

Noncompliant Households Occupied Units

As a result of the requirement errors, noncompliant households occupied units that could have housed compliant families. Furthermore, by improperly classifying tenants as exempt from the requirement, the Authority failed to meet the public law's intent for tenants to improve their own economic and social well-being and have a greater stake in their community. If the Authority strengthens its controls over the requirement, we estimate that more than \$33,540 will be better spent to house compliant households over the next year.

Recommendations

We recommend that the Director of the HUD Kansas City Office of Public Housing

- 1A. Require that the Authority develop and implement a more comprehensive community service and self-sufficiency requirement to ensure that it complies with HUD's requirements. This measure will ensure that \$33,547 in public housing operating subsidies will be put to better use annually.
- 1B. Ensure that the Authority staff receives form HUD-50058 training to help prevent future recording errors.

SCOPE AND METHODOLOGY

Our audit period was January 1, 2012, through June 30, 2014. We performed our onsite work from May through July 2014 at the Authority's offices located at 1117 North West Street, Nevada, MO.

To accomplish our objective, we

- Interviewed the Authority's staff;
- Interviewed HUD's Office of Public Housing staff in Kansas City, KS;
- Reviewed data from HUD's Inventory Management System-Public and Indian Housing Information Center;
- Reviewed the Authority's policies and procedures, tenant files, and supporting documentation; and
- Reviewed Federal regulations and HUD requirements.

We used HUD's Inventory Management System-Public and Indian Housing Information Center to help identify our audit samples and as support that was corroborated by other evidence (forms HUD-50058, requirement-related documents, etc.). We performed a low level of testing and found the data to be sufficiently reliable for our purposes.

To perform our review, we obtained a head of household listing and the form HUD-50058 (Family Report) for each of the Authority's public housing households. We identified 189 households who resided at the Authority. PIH Notice 2009-48 states that individuals who are 62 years of age or older or households receiving welfare benefits are exempt from the requirement. Therefore, after eliminating the 47 households in which the sole family member or both family members were 62 years of age or older and the 10 households receiving welfare, 132 households remained in our sample universe. We initially reviewed a nonstatistical sample of 15 of the 132 households, but we expanded our testing to include 20 additional households. We selected every ninth household (132/15) for our preliminary sample and every sixth household ((132-15)/20) to complete our audit sample. Our results apply only to the sample items tested and cannot be projected to the universe.

For each of the 35 households sampled, we reviewed relevant documentation for the adult members of the households. This documentation included local requirement policies; pertinent communication between the Authority and the household; documentation of household member compliance, exemption, or noncompliance with the requirement; specific details about the household; and documentation of any actions processed against the household. For disabled family members, we verified that the disabled person properly certified that he or she was unable to comply with the requirement. When we identified noncompliance in a household, we coordinated with the Authority to obtain additional documentation and reach agreement on our conclusions.

To compute our funds to be put to better use estimate (see appendix A), we calculated the annual public housing operating subsidy cost per household by dividing the Authority's 2014 public housing operating budget of \$353,128 by the 200 public housing units, which equaled approximately \$1,765 per unit annually. Next, we excluded the 15 households in which the disabled head of household did not certify that he or she was unable to comply with the requirement, as that was mainly a documentation issue and less material in nature. Also, we counted the household that had both a family member not working and another working less than 30 hours per week only once for our calculations. This left 19 households to include in our calculations, so we multiplied the 19 households by the \$1,765 annual public housing operating subsidy cost per unit to obtain our funds to be put to better use amount, totaling \$33,547.

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

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Controls over properly classifying tenants as exempt from the requirement.

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 comprehensive requirement that complied with HUD requirements.

APPENDIXES

Appendix A

SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1A	\$33,547

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this case, if the Authority implements our recommendations, it will help to ensure that it has the capability to better manage its community service and self-sufficiency requirement, ensuring that \$33,547 in annual public housing operating subsidies is used to house compliant families. Once the Authority successfully implements our recommendations, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

HOUSING AUTHORITY OF THE CITY OF NEVADA, MO
1117 N. West Street PO Box 541 Nevada, MO 64772
Phone: (417) 448-2730 Fax: (417) 448-2733 E-Mail: nevmopha@shcglobal.net

September 3, 2014

U.S. Department of Housing and Urban Development
Office of Inspector General
Gateway Tower II, Suite 501
400 State Avenue
Kansas City, KS 66101-2406

Attn: [REDACTED]

Subject: Housing Authority of the City of Nevada, Missouri
Community Service and Self-Sufficiency Requirement Audit

Dear [REDACTED]

The following is in response to the letter dated August 25, 2014 in reference to an audit conducted at the Housing Authority of the City of Nevada, MO on the Community Service and Self-Sufficiency Requirement.

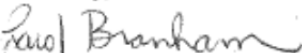
FINDING:

The Authority did not properly classify tenants as Exempt from the Community Service and Self-Sufficiency Rule.

RESPONSE:

The Authority had not properly classified tenants according to the Community Service and Self-Sufficiency Rule, PIH 2009-48. Measures were taken immediately to begin corrections in tenant files. The Board of Commissioners adopted a revised Community Service and Self-Sufficiency Policy on June 12, 2014, Resolution No. 864. Letters were mailed to all tenants with the revised policy, all required forms and meetings began with tenants to bring all files into compliance. We are working with our housing software provider so that community service hours can be tracked monthly in our software system. Additionally, the administrative staff will schedule PIC training (50058) with the HUD Field Office to remedy any problems with reporting errors.

Thank you for the opportunity to work with you and I appreciate the education and training that this audit brought to our agency and your professionalism during the audit.

Sincerely,

Carol Branham, Executive Director

Comment 1

OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed that it did not properly classify tenants according to the community service and self-sufficiency requirement. In addition, the Authority was responsive to our recommendations, but HUD should verify the Authority complies with the community service and self-sufficiency requirement.

Appendix C

CRITERIA

HUD Public and Indian Housing Notice 2009-48

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

Exemptions for adult residents unable to participate include persons who are 62 years or older; blind or disabled who certify that because of this disability, she or he is unable to comply with the service provisions or is a primary caretaker of such individual; engaged in work activities; able to meet requirements under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located; or a member of the family receiving assistance, benefits, or services under a State program funded under part A of title IV of the Social Security Act or under any welfare program of the State in which the authority is located.

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

HUD Public and Indian Housing Notices 2011-65 and 2010-25

HUD relies on housing authorities to submit accurate, complete, and timely data to administer, monitor, and report on the management of its rental assistance programs. In order to fully justify its budget requests to Congress, HUD needs full cooperation from all authorities in meeting their reporting requirements in a timely manner.

Nevada, MO Housing Authority Community Service and Self-Sufficiency Requirement Policy

Each adult resident who is not considered exempt shall contribute 8 hours of community service each and every month or participate in a self-sufficiency program for at least 8 hours each month for the duration of the time that they reside in public housing. Each person completing community service or self-sufficiency will be required to provide documentation each month to stay in compliance.

Those persons exempt would include but are not limited to those 62 or older; blind or disabled; the primary caretaker for a disabled person receiving social security disability; if the person is employed for at least 30 hours a week; doing some type of job training, job search, community service program, vocational training, job skill training, going to school; GED classes; satisfactory attendance; and/or secondary schooling.

Residents are required to provide a signed written statement of the type of service they performed and have an authorized individual sign the statement. If a resident fails to comply with the community service requirement, the Authority shall notify the resident that their lease will not be renewed unless they enter into an agreement to correct the deficiency.