



Crisfield Housing Authority, Crisfield, MD

Housing Choice Voucher Program



To: Russell DeSouza, Acting Director, Office of Public Housing, Baltimore Field Office, 3BPH

Craig T. Clemmensen, Director, Departmental Enforcement Center, CACB
//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

Subject: The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Housing Choice Voucher Program

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 Crisfield Housing Authority.

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 215-430-6734.



Audit Report Number: 2018-PH-1003

Date: March 30, 2018

The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Crisfield Housing Authority's Housing Choice Voucher program because we received a hotline complaint alleging that it misused public housing assets and we had never audited the Authority. Our audit objective was to determine whether the Authority (1) ensured that families met eligibility requirements, (2) properly admitted families from the waiting list, (3) correctly calculated housing assistance payments and maintained documentation to support the calculations, (4) ensured that confidential information was properly transmitted electronically, and (5) detected and prevented conflict-of-interest situations. This the first of two reports we will issue on the Authority. The second report will address its public housing programs.

What We Found

The Authority did not (1) ensure that families met eligibility requirements, (2) always maintain adequate documentation to show that it properly selected families from its waiting list, (3) always make accurate housing assistance payments and utility reimbursements, (4) always maintain documentation to support housing assistance payments and utility reimbursements, and (5) use the U.S. Department of Housing and Urban Development's (HUD) Enterprise Income Verification system to verify household income. The Authority also failed to properly safeguard confidential information and detect and prevent conflict-of-interest situations. These conditions occurred because the Authority did not ensure that the responsible staff member was adequately trained to efficiently administer the program and the executive director did not properly supervise the staff member. The Authority also lacked controls to detect and prevent conflict-of-interest situations. As a result, it made ineligible and unsupported housing and utility reimbursements totaling \$373,933 and received \$42,752 in unsupported administrative fees.

What We Recommend

We recommend that HUD direct the Authority to (1) provide documentation to support \$280,561 (housing assistance payments totaling \$237,809 and \$42,752 in administrative fees) or reimburse its program from non-Federal funds for any funds it cannot support, (2) reimburse \$17,101 to its program from non-Federal funds or to the appropriate household for miscalculating housing assistance, and (3) reimburse its program \$119,023 from non-Federal funds for ineligible payments it made due to the conflict-of-interest situations. We also recommend that HUD's Departmental Enforcement Center evaluate the apparent conflict-of-interest situations in this report and pursue administrative sanctions if warranted.

Table of Contents

Background and Objective.....	3
Results of Audit	4
Finding 1: The Authority Did Not Properly Administer Its Housing Choice Voucher Program in Accordance With Program Requirements	4
Finding 2: The Authority Did Not Comply With Conflict-of-Interest Requirements.....	11
Scope and Methodology.....	13
Internal Controls.....	14
Appendixes.....	15
A. Schedule of Questioned Costs and Funds To Be Put to Better Use.....	15
B. Auditee Comments and OIG’s Evaluation.....	16
C. Summary of Results of File Reviews	21

Background and Objective

The Crisfield Housing Authority administers Somerset County’s Housing Choice Voucher program. The Authority provides safe, decent, and sanitary housing for very low-income families and manages Federal funds provided by the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by a four-member board of commissioners. The board conducts the Authority’s business and establishes policies. The mayor of Crisfield appoints the members to the board. The board hires an executive director to manage the day-to-day operations of the Authority. The executive director is directly responsible for carrying out the policies established by the board and is delegated responsibility for hiring, training, and supervising the Authority’s staff to ensure compliance with applicable requirements. The Authority is located at 115 South Seventh Street, Crisfield, MD.

Under the Housing Choice Voucher program, the Authority administered 23 vouchers. HUD authorized the Authority the following assistance for housing choice vouchers for fiscal years 2014 to 2016.

Year	Annual budget authority
2014	\$118,275
2015	126,338
2016	138,098

We received a complaint alleging that the Authority was not administering its public housing programs in accordance with Federal requirements. The complaint made several allegations including misuse of public housing funds and improper use of assets to secure a loan. Since we had never audited the Authority, we decided to perform a comprehensive audit of its HUD-funded programs. This the first of two reports we will issue on the Authority. The second report will address its public housing programs.

Our audit objective was to determine whether the Authority (1) ensured that families met eligibility requirements, (2) properly admitted families into its program from the waiting list, (3) correctly calculated housing assistance payments and maintained documentation to support the calculations, (4) ensured that confidential information was properly transmitted electronically, and (5) detected and prevented conflict-of-interest situations.

Results of Audit

Finding 1: The Authority Did Not Properly Administer Its Housing Choice Voucher Program in Accordance With Program Requirements

The Authority did not (1) ensure that families met eligibility requirements, (2) always maintain adequate documentation to show that it properly selected families from its waiting list, (3) always make accurate housing assistance payments and utility reimbursements, (4) always maintain documentation to support housing assistance payments and utility reimbursements, and (5) use HUD's Enterprise Income Verification system to verify household income. It also failed to properly safeguard confidential information. These conditions occurred because the Authority did not ensure that the responsible staff member was adequately trained to efficiently administer the program and the executive director did not properly supervise the staff member. As a result, the Authority made ineligible and unsupported housing and utility reimbursements totaling \$345,904 and received \$42,752 in unsupported administrative fees. It also made underpayments of housing assistance and utility reimbursements totaling \$984.

The Authority Lacked Documentation To Support Household Eligibility

The Authority's files for all 23 of its assisted families lacked documentation to show that the families were eligible for assistance under the program. HUD regulations at 24 CFR (Code of Federal Regulations) 982.201 require the Authority to admit only eligible families into its program. The files lacked the following eligibility documentation:

- 23 files lacked documentation to show citizenship declarations. Regulations at 24 CFR 5.508(c)(1) required the Authority to obtain a written declaration of citizenship from each family member.
- 19 files lacked a current Authorization for the Release of Information/Privacy Act Notice.¹ Chapter 5, paragraph 5.2, of HUD's Housing Choice Voucher Guidebook 7420.10G required the Authority to ensure that adult applicants and participants signed the release form as a condition for admission and continued assistance. The form is valid for 15 months and must be signed annually at reexamination.
- 13 files lacked copies of birth certificates for 1 or more household members. Chapter 7, paragraph 7-II.C, of the Authority's administrative plan stated that a birth certificate or other official record of birth was the preferred form of age verification for all family members.
- 10 files lacked documentation to show that background checks were completed. Chapter 3, paragraph 3-III.D, of the Authority's administrative plan required the Authority to perform a criminal background check through local law enforcement for every adult household member.

¹ Form HUD-9886

- 9 files lacked Social Security number verifications. Regulations at 24 CFR 5.216(g) required the Authority to obtain documents to verify Social Security numbers.
- 1 file lacked a copy of the family's application for assistance. Regulations at 24 CFR 982.158(e)(3) required the Authority to keep the family application during the term of each assisted lease and for 3 years after.
- 1 file lacked a detailed criminal history report, although the background check on the head of household indicated a criminal history. Chapter 3, paragraph 3-III.E, of the Authority's administrative plan required the Authority to consider all relevant circumstances when deciding whether to deny assistance based on a family's past history.

Because the files for the 23 households were missing required eligibility documentation, the related housing assistance payments totaling \$315,287, paid during the period April 2014 through June 2017, were unsupported. This condition occurred because the Authority failed to follow its own administrative plan regarding maintaining documentation of families admitted into its program and its responsible staff member was not adequately supervised to ensure that program requirements were followed. (Appendix C contains a summary of the results of our file reviews.)

The Authority Did Not Maintain Documentation To Support Waiting List Selection and Placements

For 18 of the 23 files reviewed, the Authority did not maintain appropriate documentation to show that the families were selected from the waiting list. Specifically, the Authority did not always maintain documentation showing the date and time of application, the date each family was added to the waiting list, the determination and calculation of preference points, and the family's position on the waiting list. For example, documentation in the file for 1 family showed that it was selected from the waiting list and awarded 26 preference points. However, the file did not contain information to support the 26 preference points the Authority awarded. In another example, a family applied for housing assistance on January 25, 2015, and the Authority admitted it into the program on January 29, 2015. The Authority had no documentation or justification to explain why the family was admitted into the program so quickly and before other applicants on the waiting list. This condition occurred because the Authority failed to follow its own waiting list administration procedures, which required that it maintain a clear record of all information required to verify that families were selected from the waiting list in accordance with its selection procedures.

Program regulations at 24 CFR 982.204 required the Authority to select participants from the waiting list and select them in accordance with its admission policy in its administrative plan. Section 4-I.D of the Authority's administrative plan required that it place families on the waiting list according to any preferences for which they qualified and record the date and time it received their completed application. Section 4-III.C required the Authority to assign preference points based on documentation. The Authority assigned preference points for situations such as working families, veterans or surviving spouses, and residents who live or work in the county. Because the Authority did not follow its policies and procedures, HUD had no assurance that applicants were placed properly on the waiting list and selected fairly from it.

The Authority Did Not Always Make Accurate Housing Assistance Payments and Utility Reimbursements

The Authority incorrectly calculated housing assistance and utility allowance amounts for 14 of 23 files reviewed because it used incorrect payment standard amounts. Regulations at 24 CFR 982.505(a) required the Authority to use the payment standards to calculate housing assistance payments. The housing assistance payment calculation must use the correct payment standard for the family and the appropriate-size unit and area. The Authority did not always follow this requirement when calculating housing assistance payments. For example, for one family, the Authority used the \$779 payment standard for a two-bedroom unit but should have used the \$646 payment standard for a one-bedroom unit. As a result, it made overpayments of housing assistance totaling \$6,293 for eight families and underpayments of housing assistance totaling \$813 for four families during our audit period. It also made overpayments of utility reimbursements to two families totaling \$134 and underpayments of utility reimbursements to one family totaling \$119.

For 9 of 23 files, the Authority did not ensure that housing assistance amounts determined at recertification were the amounts paid to the owners and families.² For example, for one family, the Authority determined that the monthly housing assistance payment to the owner was \$559; however, the Authority's housing assistance payment register showed that it paid the owner \$700, resulting in an overpayment of assistance. The Authority could not provide a reason why the amount paid was higher than the amount determined at recertification. As a result, it made overpayments of housing assistance totaling \$3,374 for seven families and underpayments of housing assistance totaling \$52 for one family during our audit period. It also made overpayments of utility reimbursements to three families totaling \$354.

The Authority did not always make accurate housing assistance payments and utility reimbursements, resulting in ineligible disbursements totaling \$10,155.³ It also underpaid \$984 in housing assistance and utility reimbursements.⁴ (Appendix C contains a summary of the results of our file reviews.)

The Authority Did Not Always Maintain Documentation To Support Housing Assistance and Utility Reimbursements

All 23 files reviewed lacked documentation. Specifically,

- 23 files lacked an executed housing assistance payments contract. The contract is the form required by HUD that must be executed by the Authority and the owner of the assisted unit. The contract contains the initial rent amounts, lease term dates, and housing assistance payment amounts. Without an executed contract, the related housing assistance payments totaling \$315,287 were unsupported. Program regulations at 24 CFR 982.162(a)(2) required the Authority to use HUD-required contracts when administering its program. Specifically for the Housing Choice Voucher program, the

² Amounts shown on the family's form HUD-50058

³ \$10,155 = \$6,293 + \$134 + \$3,374 + \$354

⁴ \$984 = \$813 + \$119 + \$52

Authority was required to use a housing assistance payments contract between the Authority and the owner of the program unit.

- 22 files lacked a signed Request for Tenancy Approval.⁵ Chapter 8, section 8.7, of HUD's Housing Choice Voucher Guidebook 7420.10G required the Authority to use the form. The form tells the Authority whether the owner or the assisted family is responsible for paying utility expenses. It also identifies the utilities that service the housing unit. The Authority uses this information to determine whether the family is entitled to a utility reimbursement. Because the files lacked these forms, the Authority made unsupported utility reimbursements totaling \$8,633 to families during the audit period.
- 20 files lacked documentation to support the verification of family income. Specifically, the Authority did not always maintain adequate documentation to support wages, salaries and other income earned by the family. Program regulations at 24 CFR 982.516(a)(2)(i) required the Authority to obtain and document in the tenant file third-party verification of reported family income.
- 18 files lacked annual recertifications. For example, for 6 of the 18 files, the Authority had not performed an annual recertification since 2015. Without recertification documentation to support the family composition, income, rent amounts, and payment standards, housing assistance payments were unsupported. As a result, the Authority made housing assistance payments totaling \$67,256 and utility allowance payments totaling \$300 that were not supported by a recertification performed during our audit period. Program regulations at 24 CFR 982.516(a) require the Authority to conduct a recertification of the family income and composition at least annually.

These conditions occurred because the Authority did not supervise the responsible staff to ensure that documentation to support housing assistance payments was maintained in the file.

The Authority Did Not Use the Enterprise Income Verification System as Required

For 22 of the 23 files reviewed, the Authority did not use HUD's Enterprise Income Verification system to verify household income. HUD required⁶ the Authority to use the web-based system to verify family employment and income information during mandatory reexaminations of family composition and income. The income verification system provides the Authority with employment, wage, unemployment compensation, and Social Security benefit information for families participating in its public housing programs. Because the Authority did not use the system as required, there was an increased risk that families could underreport income. During our review, documentation in the files for 10 families showed indicators of potential problems with the amount of income that the families reported, such as claiming zero income and outdated pay stubs.

We requested that HUD access the system to determine the income for the 10 families. HUD accessed the system and found that for 4 of the 10 families, the system showed more income than the amount the families reported on their recertification forms. For example, for one family,

⁵ Form HUD-52517

⁶ Public and Indian Housing Notice 2010-19, dated May 17, 2010

income from wages totaling \$15,683 was not reported on the 2015 recertification form. Had these wages been included in the Authority's assistance calculations, the family would not have received a monthly utility allowance payment. Because the Authority did not identify these wages and consider them in its calculations, it overpaid the family \$5,654 in utility reimbursements. The other three families also had unreported income, which resulted in the Authority's making overpayments of housing assistance totaling \$4,911 and utility reimbursements totaling \$1,264 during our audit period. This condition occurred because the responsible Authority staff member disregarded the employment verification requirements. Section 7-1-C of the Authority's administrative plan required that the responsible staff member access the verification system during annual reexaminations, obtain each family income report, and compare the income to the annual income reported during the recertification process. As a result of this error, the Authority made ineligible payments totaling \$11,829.⁷

Confidential Information Was Not Properly Transmitted Electronically

The Authority did not ensure that confidential information was properly transmitted electronically. Specifically, during the audit, an Authority employee used a personal email account to send confidential public housing information, including Social Security numbers, to our staff and HUD without encrypting the information.⁸ The employee stated that the personal email account was used to transmit information because the Authority had not established an official email account for her to conduct Authority business. The executive director explained that a business email account had not been established for the employee because she normally did not need email to perform her daily duties. The Authority also lacked policies governing computer use or transmission of confidential information. As a result, it did not properly safeguard confidential information. HUD issued Public and Indian Housing Notice 2015-06 on April 23, 2015, and it prohibited the Authority from transmitting sensitive information via an unsecured information system without first encrypting the information.

During the audit, we brought this issue to the attention of the Authority, and it took action to stop the employee from using a personal email account to transmit confidential information. The Authority established a business email account for the employee. The Authority also developed and implemented a computer, internet, and email use policy. The policy outlines the Authority's guidelines for acceptable use of computer, internet, and email and states that employees are prohibited from using personal email accounts to transmit confidential information.

Conclusion

The Authority did not properly administer its program. It did not ensure that families met eligibility requirements, properly admit families into its program from the waiting list, correctly calculate housing assistance payments and maintain documentation to support the calculations, and ensure that it properly transmitted confidential information electronically. We identified problems with the files for all 23 families participating in the Authority's program. In accordance with regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing authority if it fails to perform its

⁷ \$11,829 = \$5,654 + \$4,911 + \$1,264

⁸ There was no evidence that the transmitted information was compromised.

administrative responsibilities correctly or adequately, such as not properly administering is Housing Choice Voucher program. As a result, the Authority made ineligible and unsupported housing and utility reimbursements totaling \$345,904 and received \$42,752 in unsupported administrative fees. It also made underpayments of housing assistance and utility reimbursements totaling \$984.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing direct the Authority to

- 1A. Provide documentation to support \$280,561 (housing assistance and utility allowance payments totaling \$237,809⁹ for families that did not meet eligibility requirements and \$42,752 in administrative fees) or reimburse its program from non-Federal funds for any amounts it cannot support.
- 1B. Reimburse its program \$17,101¹⁰ from non-Federal funds for the overpayment of housing assistance and utility allowances to 14 families.
- 1C. Reimburse five households \$984 from program funds for the underpayment of housing assistance and utility reimbursements due to incorrect calculations.
- 1D. Develop and implement procedures and controls to ensure that housing assistance and utility allowance payments are correctly calculated, including the use of the Enterprise Income Verification system to verify household income, and that they are adequately supported.
- 1E. Correct the errors in the files identified in this report.
- 1F. Develop and implement procedures and controls to ensure that required eligibility documentation is obtained and maintained to support households' selection from its waiting list and admission to and continued assistance on the program.
- 1G. Develop and implement controls to ensure that employees comply with its computer, internet, and email use policy and use only official business email accounts to transmit confidential information.

⁹ To avoid double-counting, we reduced the amount shown as unsupported for recommendation 1A by the amounts in recommendations 1B and 2A. The \$237,809 is the full amount of unsupported housing assistance and utility allowance payments, \$323,920 (\$315,287 + \$8,633), less the \$86,111 in payments reported in recommendation 2A.

¹⁰ To avoid double-counting, we reduced the amount shown as unsupported for recommendation 1B by the amount in recommendation 2A. The \$17,101 is the full amount of ineligible payments due to overpayment, \$21,984 (\$10,155 + \$11,829), less \$4,883 in payments reported in recommendation 2A.

1H. Develop and implement controls to ensure that its Section 8 coordinator is adequately trained and supervised to ensure that the program operates in accordance with requirements.

1I. Follow its administrative plan to ensure that program requirements are met.

We also recommend that Director of HUD's Baltimore Office of Public Housing

1K. Provide technical assistance to the Authority to ensure that it properly administers its program and that program regulations are met.

1L. Evaluate the Authority's email system and its computer, internet, and email use policy to determine whether they provide sufficient safeguards for transmitting and handling confidential information.

Finding 2: The Authority Did Not Comply With Conflict-of-Interest Requirements

Contrary to requirements, the Authority allowed a conflict-of-interest situation to exist when it paid a real estate company that participated in its program as a property owner, although the Authority's board chairman was a partner of the owning entity. This condition occurred because the Authority lacked controls to prevent and detect conflict-of-interest situations. The Authority believed it had obtained a waiver from HUD to allow the board chairman's company to participate in the program as an owner. However, the Authority could not provide documentation to show that it had obtained the waiver. As a result, the Authority improperly paid \$119,023 in program funds to an owner that was prohibited by the annual contributions contract from participating in the program.

The Authority Allowed a Conflict-of-Interest Situation To Exist

The Authority allowed an ineligible owner to participate in its program. The owner was prohibited from participating in the program because the Authority's board chairman was a partner in the real estate company that was the owning entity. Section 2.13(A) of the Authority's consolidated annual contributions contract states that the Authority must not enter into a contract or arrangement in connection with the program in which any present or former member or officer of the Authority has an interest, direct or indirect, during his or her tenure or for 1 year thereafter. During the period April 2014 through June 2017 the Authority paid the board chairman's company \$119,023 in housing assistance. This violation occurred because the Authority lacked controls to prevent and detect conflict-of-interest situations. The Authority believed it had obtained a waiver from HUD to allow the board chairman's real estate company to participate in the program as an owner. The Authority provided a copy of a letter to HUD, dated December 20, 1990, in which it requested that HUD approve the board chairman's participation in the program. However, the Authority could not provide documentation showing that HUD approved this request and granted a waiver. HUD officials stated that they had no record of granting a waiver. Without a waiver, the Authority violated its consolidated annual contributions contract and made ineligible housing assistance payments totaling \$119,023.

Conclusion

The Authority allowed an ineligible property owner to participate in its program because its board chairman was a partner in the real estate company that was the property owner. The Authority did not obtain a waiver from HUD to allow this situation. As a result, the Authority improperly paid \$119,023 in program funds to an owner that was prohibited by the annual contributions contract from participating in the program.

Recommendations

We recommend that the Director of HUD's Baltimore Office of Public Housing require the Authority to

- 2A. Reimburse its program \$119,023¹¹ from non-Federal funds for the ineligible housing assistance payments it made due to the conflict-of-interest situation identified by the audit and any additional ineligible housing assistance payments it made outside our review period.
- 2B. Develop and implement controls to prevent and detect conflict-of-interest situations.

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

- 2C. Evaluate the apparent conflict-of-interest situation in this report and pursue administrative sanctions if warranted.

¹¹ This amount includes \$86,111 reported in recommendation 1A and \$4,883 reported in recommendation 1B. We reduced the amounts reported in finding 1 to avoid double-counting.

Scope and Methodology

We conducted the audit from January 2017 through January 2018 at the Authority's office located at 115 South Seventh Street, Crisfield, MD, and our offices located in Richmond, VA, and Baltimore, MD. The audit covered the period April 2014 through June 2017.

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and other guidance.
- The Authority's program files, including waiting lists, household files, family data, housing assistance payment register, annual audited financial statements, policies and procedures, board meeting minutes, and organizational chart.
- HUD's monitoring reports for the Authority.
- Enterprise Income Verification system information retrieved for us by HUD.

We also interviewed the Authority's employees and HUD staff.

To achieve our audit objective, we relied in part on computer-processed data, such as the family ledgers, waiting list, and recertification forms from the Authority's computer system. We also accessed HUD's Public and Indian Housing Information Center system and obtained other family information reported by the Authority. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes. We reviewed information for all 23 families the Authority assisted during the audit period.

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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent 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 Deficiencies

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

- The Authority's staff was not adequately trained to efficiently administer the program, and the executive director did not properly supervise the staff (finding 1).
- The Authority lacked controls to prevent and detect conflict-of-interest situations (finding 2).

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		\$280,561	
1B	\$17,101		
1C			\$984
2A	119,023		
Totals	136,124	280,561	984

- 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 case, the funds to be put to better use represent funds reimbursed by the Authority to families that had overpaid their housing and utility costs due to its calculation errors.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



HOUSING AUTHORITY OF CRISFIELD

P.O. BOX 26
CRISFIELD, MARYLAND 21817
TELEPHONE 410-968-0288

March 13, 2018

David Kasperowicz
U.S. Department of Housing and Urban Development
Regional Inspector General for Audit
The Wanamaker Building
100 Penn Square East, Suite #10205
Philadelphia, PA 19107

Dear Mr. Kasperowicz:

The Housing Authority of Crisfield is in receipt of your draft audit report regarding the Authority's Housing Choice Voucher Program. We have participated in a formal exit conference regarding the audit results. We are currently working on the errors identified in this report. The following shall serve as the Authority's response to the draft report.

Comment 1

1A. The Housing Authority agrees that there is missing documentation in the family files. However we do not believe we need to reimburse the money when it was paid to the landlords. We are currently working on providing all documentation that is missing.

Comment 2

1B. The Housing Authority just received the details for HAP and utility payments. As we are looking through, there are several 50058's that are claimed unsupported that are present. We will discuss with HUD and provide documentation at a time when we finish reviewing your findings.

Comment 3

1C. The Housing Authority has just received the documentation on the underpayments of HAP and Utility amounts. We will review and respond to HUD.

Comment 4

1D. The Housing Authority currently uses EIV but failed to keep documentation in the tenant files. The Housing Authority will implement new procedures to keep required documentation of EIV verifications in the file.

Comment 5

1E. The Housing Authority has begun the process of correcting the errors identified in this report. All files will be updated and we will verify that we are using correct payment standards and utility allowances.

Comment 6

1F. The Housing Authority has always chosen from the top of the waiting list with the exception of when we would be over budget. We chose the next available to keep under budget. We have to have 22 of 23 vouchers to be leased to score 95%. If we don't score 95%, it is failing. We thought we could do that to

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 7

keep under budget. We will no longer do this. We will only pick an applicant from the top of the waiting list.

Comment 8

1G. An email/internet policy is in place. We provided OIG with this documentation. Also our Computer IT company is taking steps to provide us with a more secure email.

Comment 9

1H. We are currently searching for online courses to properly train the Section 8 Coordinator.

Comment 7

1I. The Housing Authority will ensure that the Administrative Plan will be followed from this date forward.

Comment 10

1K. We accept any insight from HUD

1L. The Housing Authority has already taken steps to safeguard the Housing Authority's transmittal of documentation.

Comment 11

2A. The Housing Authority was unaware of the conflict of interest due to the letter from 1990 that was shown to OIG that we asked for the exception. We do not believe we should have to reimburse the amount. We were unaware that the letter had not been answered. HUD also stated that they do not keep documentation that far back. So both parties are unaware if the exception was accepted or denied. The Housing Authority request HUD to provide documentation of the denial or acceptance of this recommendation. We will then apply for an exemption. If that doesn't happen we will follow HUD's decision.

Comment 12

2B. The Housing Authority is aware of the procedure it must follow for any future conflicts. Proper action will be taken to prevent any issues.

2C. We would like to receive the denial of the acceptance before any further action.

If you have any questions or concerns please contact me.

Thank you,



Charles W. Goldsborough
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1 The Authority agreed that its files were missing eligibility documentation. It stated that it was working to provide all of the missing documentation and it believed that it will not need to reimburse its program for any unsupported payments. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will evaluate it to determine whether it sufficiently supports the families' eligibility.
- Comment 2 The Authority stated that it just received the details on the housing assistance and utility payments. It asserted that it has documentation to support some of the deficiencies. It stated that it will discuss with HUD and provide documentation after it reviews the finding details. We did provide the Authority a summary spreadsheet with the details on the questioned costs after the exit conference, however, during the audit, we had several meetings with the Authority to discuss the audit results, our methodology, and recommendations. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will evaluate it to determine whether it sufficiently addresses the recommendation.
- Comment 3 The Authority stated that it just received the documentation on the underpayment of housing assistance and utility reimbursements. It also stated that it will review the documentation and respond to HUD. We did provide the Authority a summary spreadsheet with the details on the underpayments after the exit conference, however, during the audit, we discussed the underpayments with the Authority. We had several meetings to discuss the audit results, our methodology, and recommendations. As part of the audit resolution process, the Authority will have the opportunity to provide documentation to HUD and HUD will evaluate it to determine whether it sufficiently addresses the recommendation.
- Comment 4 The Authority stated that it uses the Enterprise Income Verification (EIV) system to verify income reported by families, but it failed to maintain documentation in the tenant files. It stated that it will implement new procedures to ensure that it maintains documentation of EIV verifications in the tenant files. We are encouraged that the Authority plans to implement new procedures. As part of the audit resolution process, HUD will determine whether the Authority's corrective actions are sufficient to satisfy the intent of the recommendation.
- Comment 5 The Authority stated that it has started correcting the errors in the tenant files identified in the audit report. It will update all of the files and verify that it is using the correct payment standards and utility allowances. We are encouraged by the Authority's statements. As part of the audit resolution process, HUD will determine whether the Authority's corrective actions are sufficient to satisfy the intent of the recommendation.

- Comment 6 The Authority stated that it has always chosen applicants from the top of the waiting list except in those instances when it would be over budget, then it chose the next available applicant to keep under budget. Although the Authority believed that this procedure was allowed, it stated that it will no longer do this. The Authority is required to select families from its waiting list in accordance with its admission policies in its administrative plan. We are encouraged that the Authority will no longer bypass applicants for budgetary reasons. As part of the audit resolution process, HUD will determine whether the Authority's corrective actions are sufficient to satisfy the intent of the recommendation.
- Comment 7 The Authority stated that it has an email and internet policy in place and that it provided it to us. It also stated that the company that provides it information technology services was taking steps to increase email security. As stated in the audit report, during the audit, the Authority developed and implemented a computer, internet, and email use policy. The policy outlines the Authority's guidelines for acceptable use of computer, internet, and email and states that employees are prohibited from using personal email accounts to transmit confidential information. We recommended that the Authority develop and implement controls to ensure that employees comply with its computer, internet, and email use policy and use only official business email accounts to transmit confidential information. We also recommended that HUD evaluate the Authority's policy to determine whether it provides sufficient safeguards for transmitting and handling confidential information. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions and determine whether they satisfy the intent of our recommendations.
- Comment 8 The Authority stated that it is currently searching for online training courses for its Section 8 coordinator. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions and determine whether they satisfy the intent of our recommendation to develop and implement controls to ensure that its Section 8 coordinator is adequately trained and supervised to ensure that the program operates in accordance with requirements.
- Comment 9 The Authority stated that it will ensure that its administrative plan will be followed going forward. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions and determine whether they satisfy the intent of the recommendation.
- Comment 10 The Authority stated that it submitted a request to HUD in 1990 seeking approval for its board chairman to participate in its program as a rental property owner. It stated it was unaware whether the request had been approved although it acknowledged that neither it nor HUD had documentation to show that HUD had approved the request. The Authority does not believe that it should have to reimburse its program. The Authority stated that it will make another request for approval. It also stated that if its request is denied, it will comply with HUD's decision.

Neither the Authority nor HUD had documentation to show that HUD had approved the request. At the time, the 1990 request involved a resident in one of the board chairman's housing units. Since then, the number of the chairman's units participating in the program has increased to seven. The Authority did not make any subsequent requests as the number of the chairman's units participating in the program increased. Since the board chairman's participation was prohibited by the Authority's consolidated annual contributions contract and there was no evidence that HUD approved a waiver, the related payments identified by the audit and any additional payments made outside of our review period were ineligible. As part of the audit resolution process, the Authority can make another request for a waiver. HUD will determine whether it will require the Authority to reimburse its program for any ineligible payments.

- Comment 11 The Authority stated that it is aware of the procedure it must follow for any future conflicts and it will take proper action to prevent future issues. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions and determine whether they satisfy the intent of the recommendation to develop and implement controls to prevent and detect conflict-of-interest situations.
- Comment 12 The Authority stated that it would like to receive the denial of the acceptance before any further action. This recommendation was addressed to the Director of HUD's Departmental Enforcement Center to evaluate the apparent conflict-of-interest situation in this report and pursue administrative sanctions if warranted. As part of the audit resolution process, the Departmental Enforcement Center will consider the Baltimore Office of Public Housing's resolution of the recommendations in the finding.

Appendix C

Summary of Results of File Reviews

Tenant file	Lacked citizenship declaration	Lacked an executed contract	Lacked Enterprise Income Verification	Lacked a Request for Tenancy Approval	Income not verified	Lacked a current Authorization for the Release of Information form	Did not maintain sufficient documentation to show selection from the waiting list	Lacked annual recertifications	Used incorrect payment standard	Lacked copies of birth certificates	Lacked completed background checks	Amount paid not based on form HUD-50058	Lacked Social Security number verification	Families with unreported income	Lacked application	Lacked a detailed criminal history report	Unsupported housing assistance*	Overpaid housing assistance*	Underpaid housing assistance	Unsupported utility reimbursements*	Overpaid utility reimbursements*	Underpaid utility reimbursement
1	X	X	X	X	X		X	X	X	X		X					\$4,958	\$1,020				
2	X	X	X	X	X		X	X				X					4,832	708				
3	X	X	X	X	X	X	X		X		X						6,271	816				
4	X	X	X	X		X	X	X	X			X					5,448		\$87			
5	X	X	X	X	X	X	X	X	X	X		X	X	X	X		22,996	2,339				\$6
6	X	X		X		X	X	X	X		X	X					18,612	3,264		\$189	446	
7	X	X	X	X	X	X	X	X		X		X					15,669	19				
8	X	X	X		X	X	X	X	X				X				23,964	93				
9	X	X	X	X	X	X	X	X	X	X							25,874			4,294	24	
10	X	X	X	X	X	X	X	X		X	X	X					18,652	432				
11	X	X	X	X	X	X	X	X		X	X						13,332					
12	X	X	X	X	X	X	X	X	X	X			X				16,500			1,966		\$119
13	X	X	X	X	X	X		X		X	X		X	X			17,500				5,654	
14	X	X	X	X		X					X	X		X			14,188	3,198		2,184	1,276	
15	X	X	X	X	X	X		X	X	X			X				18,525	306				
16	X	X	X	X	X	X	X	X	X		X						6,874		420			
17	X	X	X	X	X	X	X	X				X					13,072	538				
18	X	X	X	X	X	X	X				X		X				11,154					
19	X	X	X	X	X	X			X			X		X			15,202	1,845				
20	X	X	X	X	X	X		X									10,570					
21	X	X	X	X	X	X	X	X	X								21,406		230			
22	X	X	X	X	X		X			X	X		X		X		4,680					
23	X	X	X	X	X		X	X	X	X			X				5,008		128			
Totals	23	23	22	22	20	19	18	18	14	13	10	9	9	4	1	1	315,287	14,578	865	8,633	7,406	119

* To avoid double counting, we did not report questioned costs both as overpayments and unsupported costs.