



Issue Date	December 8, 2011
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Audit Report Number	2012-LA-1002
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TO: Maria F. Cremer, Acting Director, Office of Community Planning and Development, San Francisco, Region IX, 9AD

*Tanya E. Schulze*

FROM: Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Women's Development Center, Las Vegas, NV, Charged Unallowable Flat Fees and Miscalculated Resident Rents

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Women's Development Center's administration of its Supportive Housing Program (SHP) with concentration on the transitional housing grants provided by the U.S. Department of Housing and Urban Development (HUD). Our review was initiated because of a referral from the Office of Inspector General's (OIG) Office of Investigation due to concerns about the Center's compliance with SHP requirements. Our overall objective was to determine whether the Center administered its SHP grants in compliance with HUD regulations. Specifically, we concentrated our review on determining whether the Center provided assistance to eligible participants and whether participants were charged rent in accordance with HUD rules and regulations.

## **What We Found**

All transitional housing participants whose cases we reviewed were eligible due to homelessness. However, the Center charged its participants incorrect rents in 11 of 14 cases reviewed. As a result, the 11 participants whose cases we reviewed were overcharged a total of \$9,660 and undercharged a total of \$3,532.

## **What We Recommend**

We recommend that the Acting Director, Office of Community Planning and Development, require that the Center (1) calculate the applicable resident rent for participants from 2008 through 2011; (2) attempt to find and reimburse or collect from participants the overpayment or underpayment of resident rent, including the \$13,192 identified during the audit as funds to be put to better use; and (3) establish procedures to ensure that caseworkers follow HUD requirements for income verification and rent calculations.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-4. Please furnish us copies of any correspondence or directives issued because of the audit.

## **Auditee's Response**

We provided a draft report to the auditee on November 14, 2011, and held an exit conference with auditee officials on November 17, 2011. The auditee provided written comments on November 29, 2011. It generally disagreed with our report conclusions.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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## **BACKGROUND AND OBJECTIVE**

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The Women's Development Center is a nonprofit housing agency that began in 1990. The Center has been providing housing services to the homeless and working poor of southern Nevada for the past 20 years. It has expanded its mission to address the gaps in permanent housing and provide support services for families and individuals in need throughout Clark County.

The Center's major source of support is the U.S. Department of Housing and Urban Development (HUD) and other Federal agencies and State pass-through grants received from local governmental entities. The direct Supportive Housing Programs (SHP) funded by HUD that serve homeless persons are Continuum of Care, the Supplemental Assistance for Facilities To Assist the Homeless Program, transitional housing, and Housing Opportunities for Persons with AIDS. For the audit period, the Center administered three SHP grants for transitional housing totaling \$455,865.

SHP was authorized under the McKinney-Vento Homeless Assistance Act. The program provides grants for housing and related supportive services to help people move from homelessness to independent living. Transitional housing is one of the eligible uses of SHP grants, providing a stable place to live while supportive services enable participants to increase both life and job skills to increase income and gain more control over decisions that affect their lives. The population served under the Center's transitional housing program was restricted to homeless single-parent families with minor children. Many participants were victims of domestic violence.

Our overall objective was to determine whether the Center administered its SHP grants in compliance with HUD regulations. Specifically, the review concentrated on determining whether transitional housing participants were eligible and rents were calculated in accordance with HUD requirements.

## RESULTS OF AUDIT

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### Finding: The Center Charged Flat Fees and Miscalculated Rents

The Center charged unallowable flat fees and miscalculated rents. Of 14 case files in our sample, 11 contained incorrect rents. This problem occurred because the Center did not follow HUD regulations. As a result, transitional housing participants were overcharged a total of \$9,660 and undercharged \$3,532 for resident rents. If the Center corrects these errors, it would result in \$13,192 in funds to be put to better use.

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#### Flat Fees

Before July 2008, the Center charged homeless participants a fee amounting to the greater of \$150 per month or 30 percent of adjusted income but no more than \$275. Regulations at 24 CFR (Code of Federal Regulations) 583.315(a) do not require grantees to charge transitional housing participants rent, but if they do charge rent, the regulations require the use of a formula to ensure that housing costs for rent and tenant-paid utilities do not exceed 30 percent of the adjusted income. If participants were charged \$150 and that exceeded 30 percent of adjusted income, they were overcharged. For example, the Center calculated one participant's rent at 30 percent to be \$72 per month; however, it charged the participant \$150 per month, or a \$78 overcharge.

The Center changed its policy in July 2008, substituting a flat fee of \$200 per month for rent and discontinuing income calculations entirely, although it still required participants to submit income documentation each month to monitor progress toward self-sufficiency. The Center stated that the flat fee was not rent but a fee for services it provided to participants. However, there was no documentation to show that its monthly fee was reasonable based on the actual cost of services as required by the Supportive Housing Program Desk Guide. There was also no documentation showing that participants actually received the services they paid for or that the fees were applied to services that were not paid for with grant funds. During a 2009 monitoring, HUD determined that the fees being charged were actually rent. After the monitoring review, the Center stopped charging flat fees, began charging income-based rents, and began paying for the participants' monthly utilities. For the 14 files, there were 7 participants who paid flat fees in lieu of rent (see appendix C).

## **HUD's Rent Formula Not Followed**

The Center did not follow the required formula for determining resident rent. Under Office of Community Planning and Development (CPD) Notice CPD 96-03, certain adjustments must be made to annual gross income before determining the 30 percent rents. The only adjustments to annual gross income applicable to the population served by the Center's transitional housing program were \$480 for each minor child in the household and reasonable childcare expenses. The Center deducted the child allowance, added an unallowable deduction for estimated annual utility costs, and gave no allowance for childcare. The result was a miscalculation of the annual adjusted income. Although the improper deduction of utilities during the income calculation and the failure to subtract childcare costs did not directly cause an overpayment or underpayment, (all four participants in our sample that were in the program during this time were paying the flat fees of either \$150 or the \$275 cap), this example illustrates that the Center did not implement HUD's formula. The Center's failure to provide a monthly utility allowance did result in participant overpayments, as discussed below.

## **Utility Allowance Not Provided**

From 2001 through December 2009, participants were required to pay for their own utilities but were not given the required monthly utility allowance. In cases in which the utility allowance exceeded monthly rent, the Center was required to provide the difference to the participant. As a result, 9 of the 14 participants in our sample, who were in the program before December 2009, were overcharged. One participant was overcharged a total of \$1,510 over 6 months because the Center charged a flat fee when the participant had no income and failed to provide a utility allowance.

## **Errors in Calculating Annual Income**

HUD has established guidelines for calculating income-based rents to ensure that program participants pay a reasonable portion of their current income for rent. The Center did not establish adequate procedures for verifying income or for the first step in the formula for calculating gross annual income. As a result, six files contained income calculation errors, which included

- Weekly gross income multiplied by 48 weeks instead of 52,

- Averaging income for 57 weeks instead of a recent period,
- Starting with net instead of gross income, and
- Failure to include all sources of income.

Caseworkers frequently failed to correctly verify or calculate the participants' anticipated gross annual income, which caused incorrect rent charges. For example, a caseworker miscalculated annual income at intake based on the assumption there are exactly 4 weeks in every month or a total of 48 weeks per year instead of 52, resulting in a rent undercharge of \$23 per month. After the participant secured stable employment, the caseworker recalculated annual income but, instead of using available recent pay stubs to determine how much the participant was currently earning, averaged income over the prior 57 weeks. The caseworker said she relied on a report by an agency that provided employment verification services because her supervisor told her that third-party verification was preferable to pay stubs. The report showed weekly earnings for 57 weeks, but weekly earnings had changed over time. The result was an overcharge of \$46 per month. The Center needs to establish procedures that ensure rents are reasonable based on the participants' current income and application of the correct formulas for annual and adjusted income.

### **The Center's Own Policy Not Followed**

The Center's policy was to recalculate participant rent approximately 30 days after securing a stable source of income. When there was a rent change, participants received a 45-day notice before the effective date. However, in our sample, the Center did not follow this policy in four cases. We reviewed a case file for a participant who was in the program for 20 months and was receiving Temporary Assistance for Needy Families (welfare) during intake in October 2009. Rent calculation was not performed until December 2009, although the participant paid \$48 prorated rent for October and \$83 based on welfare in November. In January 2010, the participant found a stable job but still paid \$83 in rent until April 2011. This error resulted in an underpayment of \$1,320.

### **Conclusion**

The Center charged unallowable fees and miscalculated rents. This problem occurred because the Center did not follow HUD rules and regulations when it charged a flat fee (see appendix D). At other times, rents were miscalculated because the Center did not establish procedures to ensure that income was

adequately verified and annual income was correctly calculated. As a result, homeless participants in the transitional housing program were not charged the appropriate rents (see appendix A for estimated rent miscalculations considered funds to be put to better use).

## Recommendations

We recommend that the Acting Director, Office of Community Planning and Development, require the Center to:

- 1A. Calculate the applicable resident rent for all participants from 2008 through 2011 to determine any overpayments or underpayments.
- 1B. Attempt to locate and reimburse or collect from participants the overpayments or underpayments of rent identified in recommendation 1A, including the \$13,192 identified for 11 residents during our audit (funds to be put to better use) (see appendix C).
- 1C. Establish procedures to ensure that caseworkers follow HUD requirements for income verification and rent calculations.



## SCOPE AND METHODOLOGY

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We performed our onsite audit work in Las Vegas, NV, at the Center between July and September 2011. The audit generally covered the period February 1, 2008, through June 30, 2011.

To accomplish our objective, we interviewed HUD officials and auditee staff responsible for program execution. We also reviewed

- Applicable HUD requirements, including the Code of Federal Regulations, the Supportive Housing Program Desk Guide, and relevant CPD notices;
- Annual progress reports for each transitional housing grant starting or expiring in 2008 through 2011;
- SHP grant applications and agreements;
- The Center's accounting and program policies and procedures; and
- Participant case files.

We selected 14 participant case files to review for eligibility and rent calculation. This number represented approximately 25 percent of the 58 total participants from 2008 through 2011. We selected the participants using every fourth name on the list of total participants.

We conducted the 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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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.

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## Relevant Internal Controls

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

- Controls to ensure that the Center follows applicable laws and regulations with respect to the eligibility of SHP participants and activities and
- Controls to ensure that the Center only charged its transitional housing participants under its SHP grant rents and fees allowed under applicable 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:

- The Center did not have adequate controls in place to ensure that rents it charged transitional housing participants were allowable under applicable laws and requirements (finding).

## APPENDIXES

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### Appendix A

#### SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

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Recommendation number	Funds to be put to better use <u>1/</u>
1B	\$13,192

- 1/ 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 (see appendix C).

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



November 29, 2011

Ms. Tanya E. Schulze  
Regional Inspector General for Audit  
US Department of Housing and Urban Development  
Region IX  
611 West Sixth St., Suite 1160  
Los Angeles, CA 90017-3101

Dear Ms. Schulze:

Please accept this as WDC's formal response to the "Audit Report" conducted by your agency dated November 14, 2011. Our response format will be symbiotic to your format.

What We Audited and Why-

**Comment 1**

The report states, "Our review was initiated because of a referral from the Office of the Inspector General's (OIG) Office of Investigation due to concerns about the Center's compliance with SHP requirements." The OIG requested over 8,000 pages of client's files (approximately 40-50 hours of staff time) over 3 years ago. WDC complied with this request and paid in excess of \$1,000 to provide such paperwork. (See attachment #1) WDC neither heard back from the OIG nor the requesting parties. Furthermore, over the next several years and prior to such request your own agent, [REDACTED], Senior CPD Representative, 9KMA, not only reviewed, audited, and oversaw each and every client file and all policies and procedures but APPROVED them as well. Again, [REDACTED] is your agent, meaning:

**Comment 2**

*A consensual relationship created by contract or by law where one party, the principal, grants authority for another party, the agent, to act on behalf of and under the control of the principal to deal with a third party. An agency relationship is fiduciary in nature, and the actions and words of an agent exchanged with a third party bind the principal.*

**Comment 3**

WDC never made a change/decision without seeking clarification and approval from your AGENT. If, in fact, there were concerns then why in the past 20 years has this never been commented on before? More importantly, if the OIG was so concerned why did they fail to respond to the insurmountable amount of paperwork they requested and we provided? Is it not the responsibility of your Agency to audit files to assure compliance? Your Audit suggests that WDC blatantly disregarded HUD regulations. Disregard means to pay no attention to and/or ignore. This is completely false. WDC reached out to [REDACTED] on

4020 Pecos McLeod  
Las Vegas NV 89121  
Ph: (702) 796-7770  
Fax: (702) 796-3007

Names have been redacted for privacy reasons.

**Comment 4**

every instance. (See attachment #2) Therefore, your assessment is conveying a false impression publicly and with intent to deceive anyone who reviews this report.

**RESULT OF AUDIT**

Flat Fees

**Comment 5**

The report states, "The Center charged unallowable flat fees and miscalculated rents." As specified above, the fees that were charged were APPROVED by your agent [REDACTED] (See attachment #3) [REDACTED] specifically told WDC that this charge was permissible and told WDC how to categorize the fee. The regulation was misinterpreted by WDC and your agent, [REDACTED]. However, a misunderstanding on WDC's part and then clarified by your agent led us to reasonably believe that the procedure adopted was correct. Secondly, the audit indicates, "there was also no documentation that participants actually received the services they paid for or that the fees were applied." Again, this is completely false. We provided the auditors with all documentation, specifically the form that was completed by the caseworkers as services were received, which were also notated in the client's case notes. Again, this is a flagrant error in the Audit report. (See attachment #3)

**Comment 6**

- **Amendments**  
Since 2009 WDC has been calculating in compliance with HUD standard.

HUD's Rent Formula Not Followed

**Comment 7**

Report states, "Center...gave no allowance for childcare." [REDACTED] directly told WDC to ONLY calculate costs paid directly by the client during numerous conversations. Transitional Housing residents typically receive welfare childcare subsidy or utilize family members and have no out-of-pocket childcare expenses. Hence, WDC calculated childcare on a case by case basis as instructed by your agent. Further, WDC's rent calculation form provides for such allowances if eligible. (See attachment #4)

- **Amendments**  
WDC has always provided an allowance and will continue to do so. Again, clients typically receive TANF or receive some form of childcare subsidy and are calculated accordingly.

Utility Allowance Not Provided

**Comment 8**

Report states, "From 2001 through December 2009, participants were required to pay for their own utilities but were not given the required monthly utility allowance." This is flagrantly erroneous. Clients were given the utility allowance but it was applied elsewhere. The annual allowance was subtracted from their annual income instead of the

**Comment 9**

monthly amount being subtracted from their rent. Hence, an allowance was given contrary to what was reported in the audit. (See attachment #5)

- **Amendments**  
Clients have always received a utility allowance. Since 2009 WDC has placed utility allowances properly on the designated rent calculation form.

Errors in Calculating Annual Income

Report cited a few issues with respect to calculations. First, a caseworker assumed there were 48 weeks in a year (when in fact there are 52 weeks.) NOTE: This was not a common occurrence and instead a onetime incident. WDC is aware of how many weeks there are in a year and this file was miscalculated. However, there was also an issue with WDC utilizing an on-line service to verify employment/salary. WDC has been utilizing "The Work Number" for several years; this is a widely accepted service provider in the industry. In fact, there have been instances where a potential client misrepresents their income to obtain lower rent/less fees by bringing in paystubs from a slow/short week. WDC historically has utilized this company's service as it reflects the most accurate information and WDC has a duty to make sure that all clients' receiving benefits are eligible for those services. NOTE: PAGE 2 OF YOUR DRAFT AUDIT STATES, "ALL TRANSITIONAL HOUSING PARTICIPANTS WHOSE ( SIC.) CASES WE REVIEWED WERE ELIGIBLE DUE TO HOMELESSNESS.

**Comment 10**

- **Amendments**  
WDC staff has been trained and retrained on program policies and procedures. Further, WDC currently collects the four (4) most recent pay stubs and a Verification of Employment (VOE) then perform calculations based on this data. Lastly, all paperwork is submitted to WDC's Internal Compliance Coordinator for review and approval.

The Center's Own Policy Not Followed

The report noted one file where the rent calculation for a client was not completed in the manner that was in accordance with WDC's Policies & Procedures. Specifically, WDC's policy of recalculating participants rent approximately 30 days after securing a stable source of income.

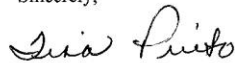
- **Amendments**  
WDC staff has been trained and retrained on program policies and procedures. All participants' rent is recalculated approximately 30 days after securing a stable source of income.

**Comment 11**

Conclusion

The word "Disregard" is used persistently throughout your audit. I would like to note that WDC has an impeccable program, outstanding staff and has provided a second chance to so many families it cannot be quantified. Most importantly, as a non-profit receiving federal funds, WDC relied on directives/decisions made by HUD representatives. As is evidenced by communication attached WDC reasonably relied and believed we were in compliance. That being said, WDC has corrected and rectified all identified issues.

Sincerely,

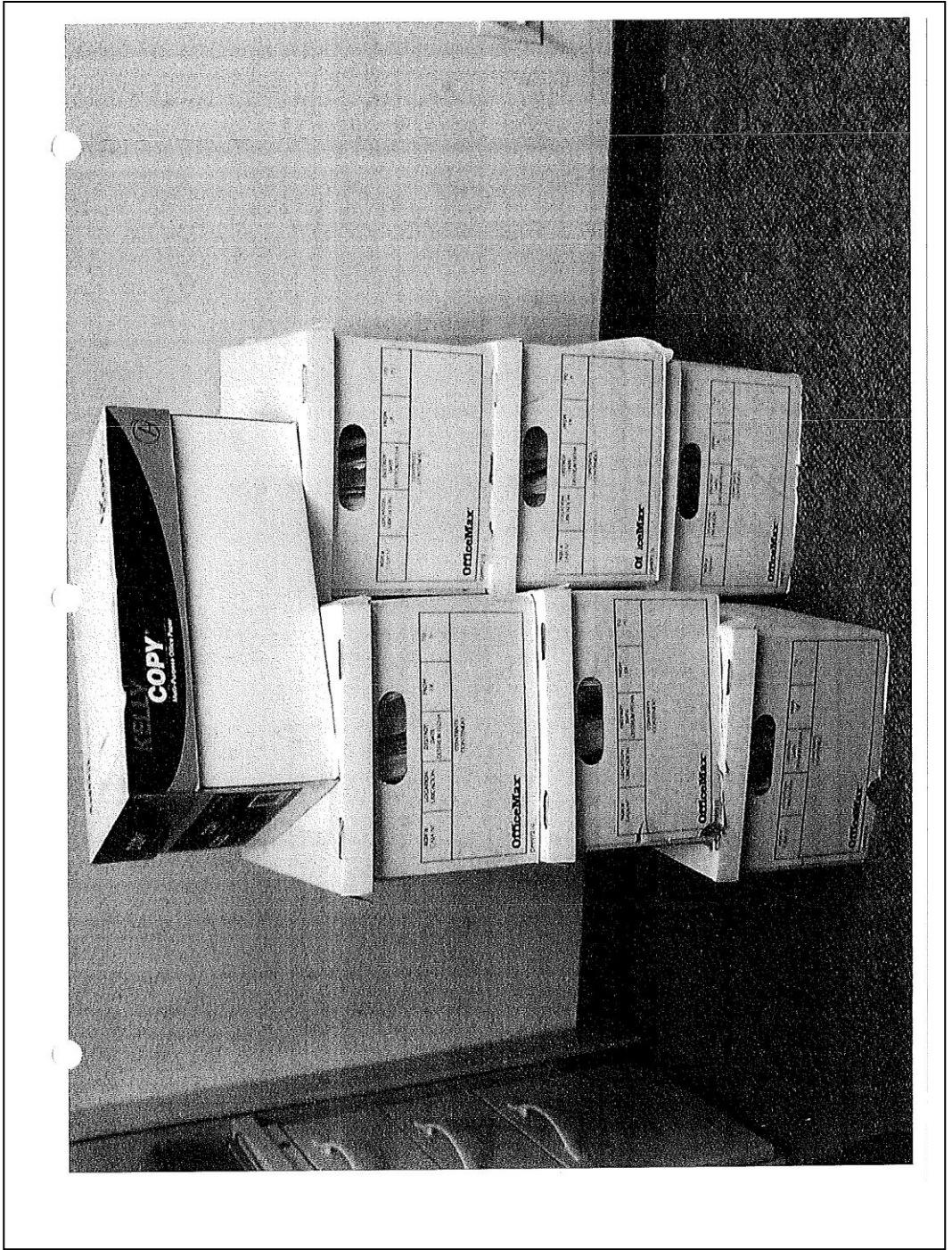


Tina Prieto  
Executive Director



Attachment 1

**Comment 1**



Attachment 2

**Comment 4**

[REDACTED]  
-----  
From: [REDACTED]  
Sent: Tuesday, July 28, 2009 3:01 PM  
To: [REDACTED]  
Cc:  
Subject: Rent Calculations  
Attachments: SKMBT\_42009072811430.pdf

July 28, 2009

[REDACTED]  
Thank you for all your recent help with the Rent Calculation Forms. I have recapped our conversations regarding the use of the Rent Calculation Form, which is attached. Please review my notes and sign the form that the notes are an accurate reflection of your instructions. The other form is a copy of the Rent Calculation Form as completed. Please review to ensure that all appears to be entered correctly.

Again, WDC appreciates the assistance you have provided us.

Sincerely,

[REDACTED]  
Program Resource Analyst

Women's Development Center  
4020 Pecos McLeod  
Las Vegas, NV 89121  
Ph: (702) 796-7770  
Fax: (702) 796-3007  
Email: [REDACTED]  
"Housing Opportunities For The Community"

-----Original Message-----

From: [REDACTED]  
Sent: Tuesday, July 28, 2009 4:44 PM  
To: [REDACTED]  
Subject: Scan Documents

Scan Documents

**Comment 4**

HUD Technical Assistance Meetings with [REDACTED]  
Held on June 26, 2009 and July 16, 2009

Thank you for providing WDC with technical assistance regarding Rent Calculations. After considering your input, WDC has decided to utilize HUD's Rent Calculation Form that you provided to us. This form is very helpful in that it completes the calculations for the caseworker completing the form.

**Recap of issues discussed during the Technical Assistance sessions on June 26<sup>th</sup>, and July 16, 2009.**

In calculating rent, WDC must start with the gross income, and then subtract amounts for adjustment factors such as dependents (\$480), unreimbursed childcare that allow the HOH to work, and medical (\$400) as appropriate. Once these are subtracted from the gross income we then have the "adjusted" income. We apply the HUD calculation formula to determine 30% of the adjusted income then subtract the utility allowance. We also calculate 10% of the gross income and whichever is higher, is the client's monthly rent.

Adjustment Factors are calculated at the time of initial occupancy. WDC has to perform "due diligence" to "validate" all information related to the adjustment factors. There is no cap on the amount of childcare allowance, although if it was too high, it would speak to the client's actual income which may put them over income for the program. Any disability deduction is for adults only as the children already receive a \$480 deduction.

In cases where the utility allowance puts the rent in the negative, most non-profits are having the client bring in their power bill and the agency is paying directly to the utility company. If the utility bill isn't enough to equal the negative rent amount the agency is holding the funds for the client as a type of savings account, which is returned to the client at the end of their program. If the utility bill is high enough that they are required to pay a portion of it, they are bringing their portion into the non-profit when they bring in their bill, which the non-profit forwards to the utility company.

These minutes are an accurate account of the issues discussed during the HUD Technical Assistance Meeting held on June 26<sup>th</sup>, and July 16, 2009.

\_\_\_\_\_  
[REDACTED]  
[REDACTED]

\_\_\_\_\_  
Date  
8/7/09  
Date

C://mydocs/ProgramCompliance/Transitional/HUDta-6-26-09.

Attachment 3

**Comment 5**

March 26, 2007

Meeting with [REDACTED]  
**Rent versus Program Fees**

Meeting Attendees:



Information packets were provided to attendees. The packets included materials from the Home Base training Homelessness 101, a copy of Notice CPD-96-03 regarding rent calculations, and a copy of regulation 583.315 titled Resident rent.

Candace began the meeting by explaining that HUD's funds do not pay for all of the housing costs for the program, therefore nominal fees had to be charged to the clients. [REDACTED] explained that it is a program fee, which helps offset housing costs. [REDACTED] then explained that "program fees" could not include housing costs and that all fees for any housing costs are considered rent by HUD standards. [REDACTED] further stated that we should never refer to any fees as rent because it causes confusion and sends up red flags.

[REDACTED] then explained the difference between rent and program fees, which stated that rent was determined through a formula. There are basic 2 formulas that can be used which include 30% of the family's adjusted income or 10% of the family's gross income, whichever is higher. A client's rent can never exceed this formula.

[REDACTED] then explained that "program fees" could only be charged in cases where HUD was not already paying for the specific support services. He clearly stated that these fees had to be for support services only. No housing costs could be included in these fees. He also stated that a more accurate term for these fees should be Support Service Fees.

Much conversation occurred over the difference between rent, program fees, and support service fees.

WDC staff agreed that Support Service fee was the appropriate category to be using instead of rent or program fees. [REDACTED] instructed us to determine what costs were being included in this "Support Service Fee" such as Daily Living Skills training, Children's Enhancement Sessions, etc. There was much discussion regarding the amount to charge and it was decided that WDC would use a flat fee, which is yet to be determined. [REDACTED] also instructed WDC to insure that these changes were reflected in our Policies & Procedures and all pertinent client paperwork. [REDACTED] further instructed WDC to use the phrase "support service fee formerly known as program fee" when logging information about fees being paid. He stated that this would eliminate the need of going back through older files.

[REDACTED] also suggested that we create a Support Service form with checkboxes so we could log which support services were utilized.

C:/mydocuments/[REDACTED]Notes/Meeting [REDACTED]



[REDACTED]  
From: [REDACTED]  
Sent: Friday, July 27, 2007 7:37 AM  
To: [REDACTED]  
Subject: RE: Support Service Fee

The form and its contents appear fine. Just remember any fees that you provide to the individual client must be above what you are already receiving Supportive Services for from any federal grant (direct or indirect) for your clients.

If you need any further assistance, please let me know.

-----  
From: [REDACTED]  
Sent: Thursday, July 26, 2007 4:07 PM  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: Support Service Fee

July 26, 2007

[REDACTED]  
I wanted to follow up on the meeting you so graciously had with WDC regarding program fees versus support service fees. During our meeting you suggested we compile a list of support service items that are provided to the clients in an effort to determine a Support Service Fee. You also suggested we create a form that allows the case manager to check off that given services have been provided to the client/family. We have created the suggested form, which is attached. Could you please review and offer your feedback, before we would incorporate into our policies.

Thank you for your help and if you need any further explanations, please feel free to call me.

Sincerely,

[REDACTED]  
Program Resource Analyst  
Women's Development Center  
4020 Pecos McLeod  
Las Vegas, NV 89121  
796-7770

-----  
From: [REDACTED]  
Sent: Wednesday, July 25, 2007 6:30 AM  
To: [REDACTED]  
Subject: Scan Documents

Scan Documents

## Transitional Housing Program

Client Name: \_\_\_\_\_ Caseworker: \_\_\_\_\_

Address: \_\_\_\_\_

Entry Date: \_\_\_\_\_ Exit Date: \_\_\_\_\_

### Support Service Fee Checklist

Support Service	Service Provided	Caseworker Initials	Date(s)
Addiction Services			
Case Management Services			
Childcare			
Children's educational workshops			
Clothing			
Daily Living Skills Education			
Domestic Violence Services			
Educational expenses			
Employment related items			
Family Activities			
Food Baskets / Hygiene / Cleaning			
Housing Counseling Services			
Information & Referral Services			
Job Development Services			
Legal Services			
Medical & Dental Expenses			
Mental Health/ Counseling Services			
Money Management Services			
Move-in Baskets and supplies			
Securing needed documents			
Service Coordination services			
Transportation			
Utility Assistance			
Other:			

Women's Development Center's monthly Support Service Fee is \$200.00 per family. This fee consists of the expenses from the above list and averages approximately \$10.00 per item equaling \$200.00 a month. This list does not imply that every item is provided to each family.

Completed by: \_\_\_\_\_  
C:\mydocuments\WDC-forms\SSfeechecklist.

Date: \_\_\_\_\_

Transitional Housing Program

Client Name: [REDACTED] Caseworker: [REDACTED]  
 Address: 1537 Colb # 5, LV, NV 89101  
 Entry Date: 11/10/08 Exit Date: \_\_\_\_\_

Support Service Fee Checklist

Comment 5

Support Service	Service Provided	Caseworker Initials	Date(s)
Addiction Services			
Case Management Services	✓	[REDACTED]	11/3/08 - ongoing
Childcare			
Children's educational workshops	✓	[REDACTED]	11/12/08 - ongoing
Clothing	✓	[REDACTED]	11/12/08, 12/10/08
Daily Living Skills Education	✓	[REDACTED]	11/12/08 - ongoing
Domestic Violence Services	✓	[REDACTED]	11/12/08 - ongoing
Educational expenses			
Employment related items			
Family Activities	✓	[REDACTED]	12/12/08, 2/11/09
Food Baskets / Hygiene / Cleaning			
Housing Counseling Services	✓	[REDACTED]	12/5/08 - ongoing
Information & Referral Services			
Job Development Services	✓	[REDACTED]	11/11/08 - ongoing
Legal Services	✓	[REDACTED]	1/9/09
Medical & Dental Expenses			
Mental Health/ Counseling Services			
Money Management Services	✓	[REDACTED]	12/5/08 - ongoing
Move-in Baskets and supplies	✓	[REDACTED]	11/10/08
Securing needed documents			
Service Coordination services	✓	[REDACTED]	11/5/09, 1/6/09
Transportation	✓	[REDACTED]	12/3/08, 1/9/09
Utility Assistance	✓	[REDACTED]	1/20/09
Other: Support Services Fee	✓	[REDACTED]	11/12/08, 1/20/09

Women's Development Center's monthly Support Service Fee is \$200.00 per family. This fee consists of the expenses from the above list and averages approximately \$10.00 per item equaling \$200.00 a month. This list does not imply that every item is provided to each family.

Completed by: [REDACTED] Date: 11/3/08  
 C:\mydocuments\WDC-forms\SSfeechecklist.

### Items included in the Support Service Fee

1. Move-in Baskets and supplies
2. Monthly Food Baskets
3. Hygiene / Cleaning supplies
4. Case Management Services
5. Job Development Services
6. Housing Counseling Services
7. Money Management Services
8. Information & Referral Services including Service Coordination
9. Transportation
10. Childcare
11. Educational expenses
12. Employment related items
13. Obtaining needed documents – legal, educational, ID, etc
14. Utility Assistance
15. Medical & Dental Expenses
16. Mental Health /Counseling Services
17. Clothing
18. Daily Living Skills workshops & support groups
19. Children's educational workshops
20. Family Activities
21. Addiction Services
22. Domestic Violence Services
23. Legal Services

Women's Development Center's monthly Support Service Fee is \$200.00 per family. This fee consists of the expenses from the above list and average approximately \$10.00 each equaling \$200.00 a month.

**Attachment 4**

# SAMPLE

NAME:  
CASE NUMBER:  
Supportive Housing Adjusted Income Calculation Worksheet

(1)	\$1,572.00	Annual Income from all sources
(2)	\$0.00	Income Exclusions
(3)	\$1,572.00	Annual Income

Dependent Allowance

		# of dependents (# of family members, other than head or spouse, or in SHP, the person determined to be important for the care of the eligible person, who are under 17, handicapped, handicapped or full-time students)
(4)	1	students)
(5)	\$480.00	Multiply Line 4 by \$480

Child Care Allowance

(6)	\$0.00	Child Care unreimbursed expenses (12 and <) and under which will allow a household member to work or pursue education. It may not exceed the amount of income from such work.
-----	--------	---

If resident does not have handicapped assistance expenses, and head of household, spouse, or sole member is not handicapped, disabled, or at least 62 years of age, skip to line 15

Handicapped Assistance Allowance

(7)	\$0.00	Handicapped Assistance Expenses
(8)	\$47.16	Multiply Line 3 by 0.03
(9)	\$0.00	Subtract Line 8 from Line 7 (If amount is < 0; enter 0)
(10)	\$0.00	Amount earned by family members which was dependent upon the handicapped assistance expense
(11)	\$0.00	Lesser of Lines 9 and 10 (Disability assistance allowance)

\*If head of household, spouse, or sole member is 62 years of age or older, handicapped, or disabled, complete lines 12-13; otherwise skip to line 15

Medical Expenses and Elderly or disable persons Family Allowances

(12)	\$0.00	Medical Expenses
(13)	\$0.00	If line 9 is > 0, enter the amount from line 12; otherwise, add lines 7 and 12 and subtract line 8
(14)	\$0.00	Enter \$400 (elderly or handicapped family allowance)
(15)	\$480.00	Add Lines 5, 6, 11, 13, and 14
(16)	\$1,092.00	Subtract Line 15 from Line 3: This is Adjusted Income

resident rent  
WDC pays  
utility

Resident Rent Determination

(17)	\$27.30	30% of Monthly Adjusted Income
(18)	\$13.10	10% of Gross Monthly Income
(19)	\$0.00	Welfare Rent, if applicable
(20)	\$27.30	Resident Rent (Greater of lines 17, 18, or 19)

If resident rent includes utilities stop here, other wise proceed to line 21

Determination of Resident rent for units where utilities are not included in rent

(21)	\$153	Utility Allowance
(22)	-\$126	Resident Rent (Subtract line 21 from line 20)
(23)	\$126	Utility Reimbursement (If the amount on line 22 is less than 0, change the minus to a plus. This is the amount that must be paid to the resident as a utility reimbursement) Note: If the amount on line is greater than 0, then there is no utility reimbursement; enter 0
(24)	\$595	Contract rent, rent reasonableness, or FMR, whichever is less
(25)	\$721	SHP subsidy; difference between contract rent or FMR, whichever is less (If SHP client pays the utilities) Please note: The amount over line 24, goes to SHP tenant or to utility company.
(26)	\$568	SHP subsidy; difference between contract rent or FMR, whichever is less (If SHP client "does not" pay the utilities)

Resident  
ent if  
client pays  
utility

**Attachment 5**

Comment 7  
Comment 8

WOMEN'S DEVELOPMENT CENTER

FINANCIAL AGREEMENT

Resident's Name [Redacted] Address 1533 Cobblestone Social Security # [Redacted]

- 1. Pay stub gross monthly income 467
- 2. 10 percent of gross monthly income is savings 47 Rent: 150
- 3. Gross Annual Income 5604
- 4. Deductions 2792  
\$480 per child 1920  
Utilities (\$660/1 BR \_\_\_\_\_ \$792/2 BR Annual) 792
- 5. Subtotal of Line 3 minus Line 4 = 2892
- 6. Subtotal \* 30 Percent = 868
- 7. Rent = 30 percent / 12 72 or \$150 Program fee (whichever is greater). No rent amount shall be greater than \$275.00.

**Rent.** Rent is due the first of each month. Payment, by money order, is to be made at the office, 4020 Pecos McLeod, Las Vegas, NV 89121, telephone 796-7770. A late charge of \$25 will be charged if rent is not paid prior to the fifth of each month. An additional charge of \$10 will be charged each week thereafter.

**Savings Account.** A saving account is to be established at Consumer Credit Counseling Service, 2650 South Jones Blvd., Las Vegas, NV, 89146, telephone 364-0344, within 30 days of entering the program.

**Cleaning and Security Deposits.** A deposit of \$150 will be collected which includes the following: A \$50 cleaning deposit, which is nonrefundable, and a \$100 security deposit, which may be refundable. If the apartment passes inspection and all keys are returned to the office, the security deposit (or part of the deposit) will be refunded following the exit interview. A Move-Out Schedule will be signed which details cleaning and repair charges to be deducted from the security portion.

**Key Replacement.** A \$25 charge will be assessed for the replacement of any lost or stolen keys. Duplicate keys are not to be made without the written consent of the Transitional Housing Program Manager.

Signature of Resident [Redacted] Date 3/16/07  
[Redacted] Date 3/16/07

RB  
3/16/07



## OIG Evaluation of Auditee Comments

- Comment 1** The OIG has two components – the Office of Investigation and the Office of Audit. The records requested three years ago were related to a request from the Office of Investigation. Our office, Office of Audit, was not involved in that review; therefore, we cannot comment on that matter. .
- Comment 2** We do not have any specific knowledge as to whether the Senior CPD Representative reviewed, audited and oversaw every item. Regardless, ultimately, it is the grantee’s responsibility to assure compliance with the HUD requirements. Further, we disagree that the Senior CPD Representative is our agent. There is no consensual relationship as described in the response. While OIG works closely with HUD program staff, the OIG is a separate and independent organization. HUD program staff does not represent OIG. The Inspector General Act of 1978 sets out certain authorities that permit the Inspector General to initiate, carry out, and complete audits and investigations of Departmental programs and operations.
- Comment 3** See Comments 1 and 2. As described in the Scope and Methodology and Background and Objective sections of this report, our audit generally covered the period February 1, 2008 through June 30, 2011, and the objective of our review concentrated on determining whether the Center provided assistance to eligible participants and whether participants were charged rent in accordance with HUD rules and regulations. We cannot comment on the Center’s program outside those parameters.
- Comment 4** We agree to change the term “disregard” to “did not follow” to more accurately describe what caused the deficiencies to occur.
- Comment 5** During the audit, the auditors reviewed the email correspondence and records of meetings between the Center management and HUD staff provided by the Center. The correspondence shows that a HUD representative stated that one form the Center provided for review and its contents “appear fine.” The Center did not provide evidence that HUD approved the fees. The document included in Center’s response, showing services received by one client was an exception. Other files did not contain a similar filled out form. Further, this one form does not meet the full documentation requirements for charging participant service fees.
- Comment 6** We acknowledge that the Center stopped charging a service fee and resumed income based rents in December 2009.
- Comment 7** During the period from 2001 through June 2008, the calculation of 30 percent of adjusted income was documented on the Center’s Financial Agreement form (see Attachment #5). This form shows only two deductions from gross income, neither of which was for a child care allowance.

**Comment 8** See the Center’s attachment #5: The \$792 annual utility shown on this form did not meet HUD requirements to provide participants with an allowance for utilities. The correct utility allowance determined by the housing authority for 2007 was \$103 per month. Grantees were required to subtract \$103 from income based rent monthly. Therefore, if income based rent exceeded \$150 per month (based on an incorrect calculation) the resident did not receive the full \$103 per month allowance. If the income based rent was less than \$150 per month, the participant paid a flat fee of \$150 and received no utility allowance. Furthermore, from July 2008 through November 2009, when the Center charged a \$200 service fee in lieu of rent, no utility allowance was provided.

**Comment 9** We agree that since December 2009, the Center has been paying participants’ utilities directly; therefore, no utility allowance was needed.

**Comment 10** The report noted cases where annual income was miscalculated because the errors show that procedures were inadequate to ensure correct rents were calculated and controls were inadequate because errors were not identified. Regarding The Work Number, we agree that this is a useful tool for verification of income, which is a different process from calculation of rent. It is important that rent is based on the best data for current income and not on what a participant was earning a year ago, due to the fact that income may have changed dramatically over time.

**Comment 11** As noted in Comment 4, we agree to change the term “disregard”. Our report is based on our analysis of documentation provided which indicated that contrary to the Center’s response, we found that the Center did not follow HUD issued regulations and guidance to ensure that grantees charged only allowable rents.

## Appendix C

### Tables of Participants' Rent Mischarges and Other Deficiencies

Table of overcharges and undercharges

Participant	Overcharge	Undercharge	Total
A	\$ 0	\$ 0	\$ 0
B	322	928	1,250
C	46	118	164
D	1,659	0	1,659
E	1,510	0	1,510
F	732	0	732
G	0	0	0
H	671	16	687
I	1,787	274	2,061
J	144	0	144
K	142	33	175
L	0	0	0
M	393	1,320	1,713
N	2,254	843	3,097
<b>Totals</b>	<b>\$9,660</b>	<b>\$3,532</b>	<b>\$13,192</b>

Table of deficiencies

Participant	Fee in lieu of rent	Wrong formula for adjusted income	No utility allowance	Income calculation error	No rent recalculation when required
A					
B				X	
C				X	
D	X		X	X	
E	X	X	X		X
F	X		X	X	
G					
H	X		X		X
I	X	X	X		X
J			X		
K	X	X	X	X	
L					
M			X		X
N	X	X	X	X	
<b>TOTALS</b>	<b>7</b>	<b>4</b>	<b>9</b>	<b>6</b>	<b>4</b>

## Appendix D

### Criteria

#### 1. 24 CFR 583.315(a)

Each resident of supportive housing may be required to pay as rent an amount determined by the recipient which may not exceed the highest of:

- (1) 30 percent of the family's monthly adjusted income (adjustment factors include the number of people in the family, age of family members, medical expenses and child care expenses). The calculation of the family's monthly adjusted income must include the expense deductions provided in 24 CFR 5.611(a), and for persons with disabilities, the calculation of the family's monthly adjusted income also must include the disallowance of earned income as provided in 24 CFR 5.617, if applicable;
- (2) 10 percent of the family's monthly gross income; or
- (3) If the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the family's housing costs, the portion of the payment that is designated for housing costs.

#### 2. 24 CFR 583.315(c)

In addition to resident rent, recipients may charge residents reasonable fees for services not paid with grant funds.

#### 3. SHP Desk Guide, Section D: Eligible Activities. Charging Clients Fees in Addition to Rent

Participants may be charged up to 30 percent of their income for rent.

Fees charged in excess of the 30 percent rent calculation are considered *program fees* and *must be used only for services* not covered by match or SHP funds, if there are such costs.

Program fees may not be used to supplement operating costs.

Charging fees is optional. If the grantee chooses to charge participants a fee for supportive service(s), the grantee must maintain *written documentation* of the actual costs of providing the supportive service(s) for which clients are being charged. They must show that participants are not paying for a service for which SHP is already paying. The grantee or sponsors must also maintain written documentation of the following:

- That the activity for which the fee is being charged is an actual supportive service;

- That SHP grant funds are not being used to pay for that portion of the service;
- How the supportive service charge was determined;
- That the fee is reasonable; and
- The participants are aware of how the fee is used.

#### 4. SHP Desk Guide, Section K: Calculating Resident Rent

Charging rent is optional and projects may charge rent as long as the amount does not exceed the statutory limitations. If grantees or project sponsors decide to charge rent, the SHP Self-Monitoring Tools worksheet in the “Tips & Tools” box above will take you through the steps to arrive at the maximum rent, and includes a section on determining resident rent for units when utilities are not included in the rent.

#### 5. Notice CPD 96-03, Tenant Rent Calculations for Certain HUD McKinney Act Programs

##### 3. Calculating Rent Payments/Worksheet.

- a. Resident Rent. To determine the appropriate rent payment, the following steps should be taken:
  - (1) Calculate 10 percent of monthly gross income. Determine whether the resident has income. The types of income listed in section 4a include the most common sources. Exclude any income that is from a source listed in section 4b. Total all eligible income to determine annual gross income, divide by 12 to determine monthly income, and then multiply by .1 to get 10 percent.
  - (2) Calculate 30 percent of monthly adjusted income. Deduct the items listed in section 5 from the resident's annual gross income to determine annual adjusted income, divide by 12 to determine monthly adjusted income, and multiply by 3 to get 30 percent.
  - (3) Determine whether the conditions are present to consider a welfare rent, and if so, determine the amount. If the resident receives public assistance and you are unsure whether a welfare rent applies, check with the HUD Field Office’s Public Housing Division or the closest Public Housing Agency.
  - (4) Determine which of the above three items is highest. This is the amount of total resident payment, except for SHP. For SHP, the recipient may allow residents to pay a lesser amount, or no rent, if it so chooses.

#### 6. Notice CPD 96-03

##### 4. Determining Annual Gross Income.

- a. Income that must be included. For purposes of determining resident rent, annual gross income is the total income of all family members, excluding any employment income of children under age 18, from all sources anticipated to be received in the 12-month period following the effective date of the income certification.

Annual gross income includes, but is not limited to:

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including lump sum payment for delayed start of a periodic payment, but see section 4b(3) below;
- (3) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see section 4b(3) below);
- (4) Welfare assistance. Welfare or other payments to families or individuals, based on need, that are made under programs funded, separately or jointly, by Federal, State or local governments (e.g., Aid to Families with Dependent Children (AFDC) , Supplemental Security Income (SSI), and general assistance available through state welfare programs);
- (5) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- (6) Net income from the operation of a business or profession;
- (7) Interest, dividends, and other net income of any kind from real or personal property;
- (8) All regular pay, special pay and allowances of a member of the Armed Forces, except special hostile fire pay.