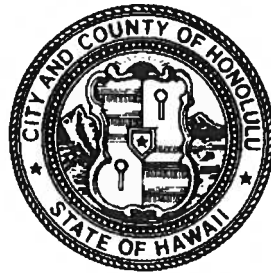


Fiscal Year 2021
PUBLIC HOUSING AGENCY ANNUAL PLAN

April 2020



City and County of Honolulu
Department of Community Services
Community Assistance Division
51 Merchant Street, 2nd Floor
Honolulu, Hawaii 96813
(808) 768-7076
www.honolulu.gov/dcs/housing.html

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1.0 Introduction

The Public Housing Authority (PHA) Plan process was established by the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), section 5A. The PHA Plan is a guide to PHA policies, programs, operations, and strategies for meeting local housing needs and goals. There are two parts to the PHA Plan: the Five-Year Plan, which each PHA submits to U.S. Department of Housing and Urban Development (HUD) once every 5th PHA fiscal year, and the Annual Plan, which is submitted to HUD every year by non-qualified agencies.

The FYs (Fiscal Year) 2021 PHA Annual plan includes the Agency's mission and the Agency's long-range goals and objectives for achieving its mission over a five-year period. The Five-Year Plan also describes the approach to managing the Section 8 programs and providing services for the upcoming year.

The FY 2021 PHA Annual Plan includes a statement of compliance with Civil Rights Rules and Regulations and Fair Housing Rules. The Plan also reports on the PHA's progress from the previous year in meeting the goals and objectives described in the FYs 2020-2025 PHA Five-Year Plan.

The draft Annual Plan was presented to the Resident Advisory Board (RAB) in January for recommendations and comments. A public hearing was held on March 20, 2020 to receive oral or written testimony from the public. However, due to the Covid-19 Social distancing restrictions, the PHA only accepted written comments. The finalized Annual Plan is then submitted to HUD in April.

ABBREVIATIONS

<p>AI Analysis of Impediments</p> <p>AMHD Hawaii Department of Health Adult Mental Health Division</p> <p>APR Annual Progress Report</p> <p>ARRA American Recovery and Reinvestment Act of 2009 (transportation infrastructure funding)</p> <p>BWS Board of Water Supply</p> <p>CAD Department of Community Services Community Assistance Division</p> <p>CoC Continuum of Care</p> <p>CDBG Community Development Block Grant</p> <p>CFDA Catalog of Federal Domestic Assistance</p> <p>CFR Code of Federal Regulations</p> <p>CY Calendar Year</p> <p>DCAB State of Hawaii Disability and Communication Access Board</p> <p>DCS City and County of Honolulu Department of Community Services</p> <p>DIT City and County of Honolulu Department of Information Technology</p> <p>DPP City and County of Honolulu Department of Planning and Permitting</p> <p>ENV City and County of Honolulu Department of Environmental Services</p> <p>ERS Employees' Retirement System</p> <p>ESG Emergency Solutions Grants</p>	<p>FFATA Federal Funding Accountability and Transparency Act</p> <p>FSRS Federal Subaward Reporting System</p> <p>FSS Family Self-Sufficiency</p> <p>FY City and County of Honolulu Fiscal Year July to June</p> <p>GASB Governmental Accounting Standards Board</p> <p>HAP Housing Assistance Payment</p> <p>HART Honolulu Authority for Rapid Transportation</p> <p>HCV Housing Choice Voucher</p> <p>HOME Home Investment Partnerships</p> <p>HOP Homeownership Option Program</p> <p>HOTMA Housing Opportunity Through Modernization Act</p> <p>HUD U.S. Department of Housing and Urban Development</p> <p>LLP Limited Liability Partnership</p> <p>OMB United States Office of Management and Budget</p> <p>OTS Oahu Transit Services</p> <p>PBV Project-Based Voucher</p> <p>PCC Program Coordinating Committee</p> <p>PHA Public Housing Authority</p> <p>PTS Public Transportation System</p> <p>RAB Resident Advisory Board</p>
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**SEMAP Section Eight Management Assessment
Program**

TA Technical Assistance

**TANF Temporary Assistance for Needy
Families**

**TIGER Transportation Investment Generating
Economic Recovery**

2.0

Streamlined Annual PHA Plan

Streamlined Annual PHA Plan (HCV Only PHAs)	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires 02/29/2016
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Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. Form HUD-50075-HCV is to be completed annually by **HCV-Only PHAs**. PHAs that meet the definition of a Standard PHA, Troubled PHA, High Performer PHA, Small PHA, or Qualified PHA do not need to submit this form. Where applicable, separate Annual PHA Plan forms are available for each of these types of PHAs.

Definitions.

- (1) **High-Performer PHA** – A PHA that owns or manages more than 550 combined public housing units and housing choice vouchers, and was designated as a high performer on both of the most recent Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP) assessments if administering both programs, or PHAS if only administering public housing.
- (2) **Small PHA** - A PHA that is not designated as PHAS or SEMAP troubled, or at risk of being designated as troubled, that owns or manages less than 250 public housing units and any number of vouchers where the total combined units exceeds 550.
- (3) **Housing Choice Voucher (HCV) Only PHA** - A PHA that administers more than 550 HCVs, was not designated as troubled in its most recent SEMAP assessment, and does not own or manage public housing.
- (4) **Standard PHA** - A PHA that owns or manages 250 or more public housing units and any number of vouchers where the total combined units exceeds 550, and that was designated as a standard performer in the most recent PHAS and SEMAP assessments.
- (5) **Troubled PHA** - A PHA that achieves an overall PHAS or SEMAP score of less than 60 percent.
- (6) **Qualified PHA** - A PHA with 550 or fewer public housing dwelling units and/or housing choice vouchers combined, and is not PHAS or SEMAP troubled.

A.	PHA Information.																																			
A.1	<p>PHA Name: <u>City and County of Honolulu</u> PHA Code: <u>HI003</u> PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>07/2020</u> PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above) Number of Housing Choice Vouchers (HCVs) <u>5,058</u> PHA Plan Submission Type: <input checked="" type="checkbox"/> Annual Submission <input type="checkbox"/> Revised Annual Submission</p> <p>Availability of Information. In addition to the items listed in this form, PHAs must have the elements listed below readily available to the public. A PHA must identify the specific location(s) where the proposed PHA Plan, PHA Plan Elements, and all information relevant to the public hearing and proposed PHA Plan are available for inspection by the public. Additionally, the PHA must provide information on how the public may reasonably obtain additional information of the PHA policies contained in the standard Annual Plan, but excluded from their streamlined submissions. At a minimum, PHAs must post PHA Plans, including updates, at the main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on their official website.</p> <p>See Appendix A for a list of locations</p> <p><input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below)</p> <table border="1"> <thead> <tr> <th data-bbox="175 1352 446 1398">Participating PHAs</th> <th data-bbox="446 1352 573 1398">PHA Code</th> <th data-bbox="573 1352 863 1398">Program(s) in the Consortia</th> <th data-bbox="863 1352 1128 1398">Program(s) not in the Consortia</th> <th data-bbox="1128 1352 1421 1398">No. of Units in Each Program</th> </tr> </thead> <tbody> <tr> <td data-bbox="175 1398 446 1472">Lead HA:</td> <td data-bbox="446 1398 573 1472"></td> <td data-bbox="573 1398 863 1472"></td> <td data-bbox="863 1398 1128 1472"></td> <td data-bbox="1128 1398 1421 1472"></td> </tr> <tr> <td data-bbox="175 1472 446 1545"></td> <td data-bbox="446 1472 573 1545"></td> <td data-bbox="573 1472 863 1545"></td> <td data-bbox="863 1472 1128 1545"></td> <td data-bbox="1128 1472 1421 1545"></td> </tr> <tr> <td data-bbox="175 1545 446 1619"></td> <td data-bbox="446 1545 573 1619"></td> <td data-bbox="573 1545 863 1619"></td> <td data-bbox="863 1545 1128 1619"></td> <td data-bbox="1128 1545 1421 1619"></td> </tr> <tr> <td data-bbox="175 1619 446 1692"></td> <td data-bbox="446 1619 573 1692"></td> <td data-bbox="573 1619 863 1692"></td> <td data-bbox="863 1619 1128 1692"></td> <td data-bbox="1128 1619 1421 1692"></td> </tr> <tr> <td data-bbox="175 1692 446 1766"></td> <td data-bbox="446 1692 573 1766"></td> <td data-bbox="573 1692 863 1766"></td> <td data-bbox="863 1692 1128 1766"></td> <td data-bbox="1128 1692 1421 1766"></td> </tr> <tr> <td data-bbox="175 1766 446 1839"></td> <td data-bbox="446 1766 573 1839"></td> <td data-bbox="573 1766 863 1839"></td> <td data-bbox="863 1766 1128 1839"></td> <td data-bbox="1128 1766 1421 1839"></td> </tr> </tbody> </table>	Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program	Lead HA:																													
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Lead HA:																																				

B.	Annual Plan.
B.1	<p>Revision of PHA Plan Elements.</p> <p>(a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Housing Needs and Strategy for Addressing Housing Needs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Financial Resources.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Rent Determination.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Operation and Management.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Informal Review and Hearing Procedures.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Homeownership Programs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Substantial Deviation.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Significant Amendment/Modification.</p> <p>(b) If the PHA answered yes for any element, describe the revisions for each element(s):</p>
B.2	<p>New Activities</p> <p>(a) Does the PHA intend to undertake any new activities related to the following in the PHA's current Fiscal Year?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Project Based Vouchers. See Appendix B</p> <p>(b) If this activity is planned for the current Fiscal Year, describe the activities. Provide the projected number of project-based units and general locations, and describe how project-basing would be consistent with the PHA Plan.</p>
B.3	<p>Most Recent Fiscal Year Audit.</p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> See Appendix C</p> <p>(b) If yes, please describe:</p>
B.4	<p>Civil Rights Certification</p> <p>Form HUD-50077, <i>PHA Certifications of Compliance with the PHA Plans and Related Regulations</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix D</p>
B.5	<p>Certification by State or Local Officials.</p> <p>Form HUD 50077-SI, <i>Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix E</p>
B.6	<p>Progress Report.</p> <p>Provide a description of the PHA's progress in meeting its Mission and Goals described in its 5-Year PHA Plan. See Appendix F</p>
B.7	<p>Resident Advisory Board (RAB) Comments.</p> <p>(a) Did the RAB(s) provide comments to the PHA Plan?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> See Appendix G</p> <p>(a) If yes, comments must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations.</p>

APPENDIX A

List of Locations where the Plan is Available

Appendix A

List of Locations

The Plan will be made available for viewing at the following locations:

1. 51 Merchant Street, 2nd Floor (Community Assistance Division Main Office)
2. 842 Bethel Street, 1st Floor (Section 8 Main Office)
3. 1000 Uluohia Street, #118 (Kapolei Hale Office)
4. 925 Dillingham Boulevard, Suite 200 (Department of Community Services Main Office)
5. 550 South King Street (Department of Customer Services)
6. 558 South King Street (Municipal Reference Center)
7. Community Assistance Division (CAD) Website: Please visit <https://www.honolulu.gov/cms-dcs-menu/site-dcs-sitearticles/1795-cad-plans-and-rules.html>

APPENDIX B

New Activities

Appendix B

Honolulu's rail project is expected to provide new opportunities to develop affordable rental units along the rail line. Implementation of Project Based Vouchers will follow the Annual PHA Plan objective to adopt strategies to maximize voucher usage.

Subject to availability of funding, the City and County of Honolulu PHA envisions setting aside up to 200 project based vouchers over the five year plan period. By Honolulu's Development Plan (DP) areas, up to 140 vouchers may be awarded for the Primary Urban Center (Kahala to Pearl City);

up to 40 for the Ewa DP area;

up to 40 for the Central Oahu DP area;

up to 20 for the East Honolulu DP area;

up to 20 for the Koolaupoko DP area (Kailua Kaneohe);

and up to 20 for the Waianae DP area. No vouchers are envisioned for the Koolauloa and North Shore DP areas.

APPENDIX C

Financial Single Audit and Recommendations



Office of the City Auditor



**City and County of
Honolulu
State of Hawai`i**

**Financial Audit of the
City and County of Honolulu,
State of Hawai`i**

**For the Fiscal Year Ended
June 30, 2019**

**Single Audit of Federal Financial
Assistance Programs**

Conducted by Accuity LLP

City and County of Honolulu
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Year Ended June 30, 2019

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and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Report of Independent Auditors on Compliance for Each Major Program,
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PART 1

INTRODUCTION

March 20, 2020

The Chair and Members of the City Council
City and County of Honolulu
Honolulu, Hawaii

We have completed our financial audit of the basic financial statements of the City and County of Honolulu, State of Hawaii (the "City"), as of and for the year ended June 30, 2019. Our report containing our opinion on those basic financial statements is included in the City's *Comprehensive Annual Financial Report*. We have also audited the City's compliance with requirements applicable to its major federal financial programs. We submit herein our reports on compliance and internal control over financial reporting and over federal awards, the schedule of expenditures of federal awards, and the schedule of findings and questioned costs in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

The audit objectives and scope of our audit were as follows:

Audit Objectives

1. To provide an opinion on the fair presentation of the City's basic financial statements and the schedule of expenditures of federal awards as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.
2. To consider the City's internal control over financial reporting in order to design our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
4. To consider the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

Scope of Audit

We performed an audit of the City's basic financial statements and schedule of expenditures of federal awards as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Uniform Guidance.

Our report on the basic financial statements of the City as of and for the year ended June 30, 2019 is included under a separate cover.

We would like to take this opportunity to express our appreciation to the personnel of the City and County of Honolulu for the cooperation and assistance extended to us during our audit. We will be pleased to discuss any questions that you or your associates may have regarding our recommendations.

Very truly yours,

Accuity LLP

DMN/MYO

PART 2

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING



CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Chair and Members of the City Council
City and County of Honolulu

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Honolulu, State of Hawaii (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 7, 2020. Our report includes a reference to other auditors who audited the financial statements of the Board of Water Supply and Honolulu Authority for Rapid Transportation, which are discretely presented component units, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We and the other auditors consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 2019-001 and 2019-002 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding No. 2019-003 and 2019-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
March 20, 2020



CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors on Compliance for Each Major Program,
Internal Control Over Compliance, and the Schedule of Federal Expenditures
of Federal Awards Required by the Uniform Guidance**

The Chair and Members of the City Council
City and County of Honolulu

Report on Compliance for Each Major Federal Program

We have audited the City and County of Honolulu, State of Hawaii's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include, among other departments and agencies, the operations of the Board of Water Supply, which expended \$8,747,707 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Board of Water Supply, because this unit separately engaged auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

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Basis for Qualified Opinion on Major Federal Program

As described in Finding No. 2019-005 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding:

Finding No.	CFDA No.*	Program or Cluster Name	Compliance Requirement
2019-005	14.218	CDBG Entitlement Grants Cluster	Allowable Costs
2019-005	14.218	CDBG Entitlement Grants Cluster	Period of Performance

* *Catalog of Federal Domestic Assistance number*

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Programs section, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2019-006 and 2019-007. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2019-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2019-006 and 2019-007 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 7, 2020, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Board of Water and Honolulu Authority for Rapid Transportation. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawaii
March 20, 2020

**City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30 2019**

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Pass-through State Department of Education – Summer Food Service Program for Children	10.559	12-351523	\$ -	\$ 184,115
Total Child Nutrition Cluster			-	184,115
<i>Supplemental Nutrition Assistance Program SNAP Cluster</i>				
Pass-through State Department of Human Services – State Administrative Matching Grants for Supplemental Nutritional Assistance Program	10.561	DHS-11-SNAP-301, SA2 & 16-SNAP-3078, SA2	-	3,690
Total SNAP Cluster			-	3,690
Total U.S. Department of Agriculture			-	187,805
U.S. Department of Commerce				
Pass-through State Department of Defense – Meteorologic and Hydrologic Modernization Development	11.467	NA17NWS4670012	-	71,435
Total U.S. Department of Commerce			-	71,435
U.S. Department of Housing and Urban Development				
<i>CDBG-Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		-	8,750,895
Total CDBG-Entitlement Grants Cluster			-	8,750,895
Emergency Solutions Grant Program	14.231		955,076	1,001,058
HOME Investment Partnerships Program	14.239		1,338,886	2,379,852
Housing Opportunities for Persons with AIDS	14.241		364,070	381,545
Continuum of Care Program	14.267		305,421	306,439
Family Self-Sufficiency Program	14.896		-	183,320
<i>Section 8 Project-Based Cluster</i>				
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856		-	144,568
Total Section 8 Project-Based Cluster			-	144,568
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	58,307,747
Mainstream Vouchers	14.879		-	1,429,349
Total Housing Voucher Cluster			-	59,737,096
Total U.S. Department of Housing and Urban Development			2,963,453	72,884,773
U.S. Department of Justice				
Domestic Cannabis Eradication/Suppression Program	16.000		-	50,421
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		-	180,189
DNA Backlog Reduction Program	16.741		-	298,544
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		-	45,026
Equitable Sharing Program	16.922		-	483,727
<i>Pass-through State Department of Attorney General –</i>				
Crime Victim Assistance	16.575	15-VA-02, 16-VA-02	180,115	1,477,168
Violence Against Women Formula Grants (Non-ARRA)	16.588	15-WF-08, 16-WF-0815, 16-WF-04	-	162,964
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17-CD-01	-	1,605
National Sexual Assault Kit Initiative	16.833	16-AK-01 & 03	-	568,506
<i>Justice Assistance Grant ("JAG") Program</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	195,002
<i>Pass-through State of Hawaii Department of Attorney General –</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15-DJ-11; 16-DJ-0215-DJ-062015-DC-NY-K002	-	155,435
Total JAG Program			-	350,437
Total U.S. Department of Justice			180,115	3,618,587

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

**City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30 2019**

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Labor				
YouthBuild	17.274		-	341,173
<i>Employment Service Cluster</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207		-	61,686
<i>Total Employment Service Cluster</i>			-	61,686
<i>WIOA Cluster</i>				
Pass-through State Department of Labor & Industrial Relations –				
WIA/WIOA – Adult Program	17.258	WIOA 16-AP-0, 16-DW-0 (Adult), 17 & 18-A&DWP-0, 16.17 & 18-LAC-0 WIOA 16 & 17-YP-0,	-	754,417
WIA/WIOA – Youth Activities	17.259	16.17 & 18-LAC-0, 17-A&DWP-0 WIOA 16-AP-0, 16-DW-0(DW), 17 & 18-A&DWP-0(DW); 16, 17 & 18-LAC-0	-	880,794
WIA/WIOA Dislocated Worker Formula Grants	17.278		-	514,751
<i>Total Workforce Investment Act Cluster</i>			-	2,149,962
Pass-through State Department of Labor & Industrial Relations –				
H-1B Job Training Grants	17.288	AAI-15-O	-	140,741
Workforce Innovation Fund	17.283	DEI-PY15-CC	-	156,128
Total U.S. Department of Labor			-	2,849,690
U.S. Department of Transportation				
<i>Highway Planning & Construction Cluster</i>				
Pass-through State Department of Transportation & Oahu Metropolitan Planning Organization –				
Highway Planning and Construction	20.205	CMAQ-0001 (41); STP-0001 (052) (055) (059); STP-0300 (141), STP-6010 (001); STP-7180 (001); STP-7502 (001)	-	6,351,590
Highway Planning and Construction	20.205	BR-NBIS-064,-066 & -073	-	323,066
Highway Planning and Construction	20.205	206 02-17 FHWA 202 07-17; 203 03-16; 203 10-18, 203 75-09;	-	300,668
Highway Planning and Construction	20.205	TAP-0300 (150) (154); TAP-9263 (001)	-	2,175,861
<i>Total Highway Planning & Construction Cluster</i>			-	9,151,185
<i>Federal Transit Cluster</i>				
Federal Transit – Formula Grants	20.507		300,216	21,358,177
Bus and Bus Facilities Formula Program	20.526		-	6,178,992
<i>Total Federal Transit Cluster</i>			300,216	27,537,169
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513		175,774	175,774
Job Access and Reverse Commute	20.516		30,902	30,902
<i>Total Transit Services Programs Cluster</i>			206,676	206,676
<i>Highway Safety Cluster</i>				
Pass-through State Department of Transportation –				
State and Community Highway Safety	20.600	PS18-09 (06-O-01), PS19-08 (05-O-01); AL 18-02; EM18-04 (01-O-01); DD18-10 (01-O-01); PT18-01 (01-O-01); SC18&19-06 (01-O-01) AL18-02 (01-O-01); OP18-05 (01-O-01); PS18-09 (01-O-01) & (02-O-1); PS19-08 (01-O-01); TR 18-03 (02-O-01); TR19-03, PS19-08 (03-O-01)	-	388,046
National Priority Safety Programs	20.616		-	519,198
<i>Total Highway Safety Cluster</i>			-	907,244
Pass-through State Department of Transportation –				
Alcohol Open Container Requirements	20.607	AL 18-02 (07-O-01)	-	4,725
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL 18-02 (01-O-01)	-	500,122
Total U.S. Department of Transportation			506,892	38,307,121
Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		-	84,236
Pass-through State Department of Transportation –				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	TAP-0300 (151)	-	126,244
<i>Clean Water State Revolving Fund Cluster</i>				
Pass-through State Department of Health –				
Capitalization Grants for Clean Water SRF	66.458	C150048-00	-	139,957
<i>Total Clean Water State Revolving Fund Cluster</i>			-	139,957
Total Environmental Protection Agency			-	350,437

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

City and County of Honolulu

Schedule of Expenditures of Federal Awards

Year Ended June 30 2019

Federal Grantor/Program/Grant	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Education				
Pass-through State Department of Human Services –				
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	DHS 12-VR-640 SA2, SA3, 12-VR-641 SA1, 14-VR-1024, 16-VR-3074, 17-VR-4100	-	143,507
Pass-through State Department of Education – 21st Century Community Learning Center	84.287	13023	-	1,058
Total U.S. Department of Education			<u>-</u>	<u>144,565</u>
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
Pass-through State Executive Office on Aging –				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	HON2016N03	786,953	880,957
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	HON2016N03	1,170,030	1,330,945
Nutrition Services Incentive Program	93.053	HON2018NSIP	125,274	125,274
<i>Total Aging Cluster</i>			<u>2,082,257</u>	<u>2,337,176</u>
Pass-through State Executive Office on Aging –				
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	HON2016N03	15,000	15,000
National Family Caregiver Support, Title III, Part E	93.052	HON2016N03	182,578	229,574
Pass-through State Department of Health –				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	ASO Log 16-125	-	91,687
Block Grants for Community Mental Health Services	93.958	N/A	-	415,502
Pass-through State Department of Transportation –				
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	PO 00 219786 & 240067	-	42,288
Total U.S. Department of Health and Human Services			<u>2,279,835</u>	<u>3,131,227</u>
Corporation for National and Community Service				
Retired and Senior Volunteer Program				
	94.002		-	50,945
Total Corporation for National and Community Service			<u>-</u>	<u>50,945</u>
Executive Office of the President				
High Intensity Drug Trafficking Area Program				
	95.001		-	1,262,416
Total Executive Office of the President			<u>-</u>	<u>1,262,416</u>
U.S. Department of Homeland Security				
Pass-through State Department of Defense –				
Homeland Security Grant Program				
State Homeland Security Program				
	97.067	EMW2015-SS-00003; EMW2016-SS-00004; EMW2018-SS-00006	-	1,239,346
Urban Areas Security Initiative Program				
	97.067	EMW2015-SS-00003; EMW2016-SS-00004; EMW2018-SS-00006	-	252
<i>Total Homeland Security Grant Program</i>			<u>-</u>	<u>1,239,598</u>
Emergency Management Performance Grants	97.042	EMW-2017-EP-0003	-	196,901
Pre-Disaster Mitigation	97.047	FEMA PDM-09-HI-2016	-	120,000
Port Security Grant Program	97.056	EMW-2016-PU-00072	-	90,891
Pass-through National Development and Research Institutes, Inc. –				
Assistance to Firefighters Grant	97.044	FEMA EMW-2014-FP-00945	-	28,947
Rail and Transit Security Grant Program	97.075		-	27,924
Total U.S. Department of Homeland Security			<u>-</u>	<u>1,704,261</u>
Total Expenditures of Federal Awards			<u>\$ 5,930,295</u>	<u>\$ 124,563,262</u>

(concluded)

See accompanying notes to the schedule of expenditures of federal awards.

City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and County of Honolulu ("City") and is presented on the cash basis of accounting and in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements. The schedule does not include the federal grant activity of the Board of Water Supply, a discretely presented component unit of the City.

2. Loans Outstanding

The City had the following loan balances outstanding awarded as of and for the year ended June 30, 2019, which are not presented in the schedule of expenditures of federal awards. There were no advances in fiscal year 2019.

Program Title	CFDA Number	Loans Outstanding
Major programs		
Community Development Block Grants/Entitlement Grants	14.218	\$ 32,947,417
HOME Investment Partnerships Program	14.239	21,367,080
Section 8 Housing Choice Vouchers	14.871	<u>3,647,688</u>
		<u>\$ 57,962,185</u>

3. Capitalization Grants for Clean Water State Revolving Funds

For the year ended June 30, 2019, federal awards and state matching fund expenditures under capitalization grants for clean water state revolving funds were as follows:

Federal	\$ 139,957
State	<u>18,040</u>
	<u>\$ 157,997</u>

4. Indirect Cost Rate

The City does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PART 3

**SCHEDULE OF
FINDINGS AND QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
• Material weaknesses identified?	<u> X </u> yes ___ no
• Significant deficiencies identified?	<u> X </u> yes ___ none reported
Noncompliance material to financial statements noted?	___ yes <u> X </u> no

Federal Awards

Internal control over major programs	
• Material weaknesses identified?	<u> X </u> yes ___ no
• Significant deficiencies identified?	<u> X </u> yes ___ none reported

Type of auditors' report issued on compliance for major programs	Qualified
An unmodified opinion was issued on the City and County of Honolulu's compliance with its major federal programs for the year ended June 30, 2019, except for the requirements regarding allowable costs and period of performance for the CDBG Entitlement Grants Cluster, for which the opinion on compliance was qualified.	

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> X </u> yes ___ no
--	--------------------------

Dollar threshold used to distinguish between type A and type B program	\$ 3,000,000
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Auditee qualified as low-risk auditee?	___ yes <u> X </u> no
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City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Identification of Major Programs

Federal CFDA Number	Name of Federal Program or Cluster
	CDBG – Entitlement Grants Cluster
14.218	Community Development Block Grants/Entitlement Grants
	Housing Voucher Cluster
14.871	Section 8 Housing Choice Vouchers
14.879	Mainstream Vouchers
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
	Federal Transit Cluster
20.507	Federal Transit – Formula Grants
20.526	Bus and Bus Facilities Formula Program

FINANCIAL STATEMENT FINDINGS

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II – Financial Statement Findings

Finding No. 2019-001: Financial Statement Reporting for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Condition

HART reports on a cash basis throughout the fiscal year and only prepares accrual basis financial statements for its annual report as of and for the period ended June 30. Accordingly, in preparing accrual basis financial statements, there are reconciliations that must be prepared and adjustments that must be recorded in order to properly present accrual basis financial statements. A reconciliation is the process of comparing transactions and activity to supporting documentation followed by appropriate resolution of discrepancies discovered. This process ensures the accuracy and validity of financial information provided.

As part of the year-end process of preparing financial statements using the accrual basis, management did not perform timely account reconciliations and initially provided HART’s auditors a trial balance that contained various errors and omissions. Consequently, the trial balance, which is the basis of preparing the financial statements, was delayed.

A similar finding was reported as a significant deficiency in the prior year as Finding No. 2018-002.

Criteria

In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, financial statements should be prepared using the economic resources measurement focus and accrual basis of accounting. Under this basis, transactions are recognized when they occur regardless of when cash is received or disbursed.

Cause

The delay in and accuracy of the preparation of the trial balance and accrual basis financial statements were affected due to the following:

- A lack of diligence in preparing the supporting schedules during the account reconciliation process. This may have been caused by management rushing to complete the supporting schedules or inadequate review of the information provided.
- The lack of adherence to internal timeliness.
- Insufficient or inappropriate resources devoted to a timely closing process.
- HART’s Chief Financial Officer was heavily involved in the closing process. This may have resulted in inadequate management review of the information provided by the accounting department; several of the supporting schedules were returned to management for further investigation and revisions. Consequently, there were several follow-up requests regarding classification of the information contained in the supporting schedules, further delaying the closing process.

Effect

The preceding issues resulted in numerous audit and client adjustments proposed after receipt of the initial trial balance. The issues also resulted in significant delays in receiving the trial balances and financial statements resulting in a delayed audit process and issuance of the audited financial statements.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Recommendation

HART's auditors recommend that HART management re-evaluate its annual closing process to prepare accrual basis financial statements on a timely basis. Management should also consider whether sufficient and appropriate resources are devoted to preparing and reviewing account reconciliations, including whether interim reconciliations should be performed.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Finding No. 2019-002: Accounting for Environmental Remediation Liabilities – HART
(Material Weakness)

Condition

During the year ended June 30, 2019, HART was notified by the State of Hawaii Department of Health that HART would be required to perform certain environmental remediation activities. In July 2019, HART executed a contract change order related to this work.

Management did not appropriately apply the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of June 30, 2019.

Criteria

In accordance with GASB Statement No. 49, paragraph 11, a liability should be recognized when an obligating event occurs. Obligating events are defined as follows: a) the government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remediation action; b) the government is in violation of a pollution prevention-related permit or license, such as a Resource Conservation and Recovery Act ("RCRA") permit or similar permits under state law; c) the government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party ("PRP") for remediation, or as a government responsible for sharing costs; d) the government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation; and e) the government commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the government has initiated and is legally required to complete.

Cause

Management did not recognize that an obligating event had occurred due to a lack of understanding regarding the accrual requirements of GASB Statement No. 49.

Effect

The environmental remediation liability was understated by \$8 million.

Recommendation

HART's auditors recommend that HART management be more diligent in applying the accounting guidance in GASB Statement No. 49.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Finding No. 2019-003: Information Technology General Control Deficiencies (Significant Deficiency)

Condition

Information technology ("IT") is a strategic element of the City's operations. Because of the high volume of transactions at the City, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2019, we performed an IT general controls review of the following systems operated by the City:

- Windows Domain
- AMS Advantage Financial Management System ("Advantage Financial")
- AMS Advantage Human Resources Management System ("Advantage HRM")
- Personnel Time and Attendance System
- IAS World Web Based Real Property System ("IAS")
- Revenue Collection Cashier System ("ReCo")
- Official Payment Corporation ("OPC")

Our review resulted in several IT control deficiencies in the area of logical security and change management as follows:

Logical security

- A review of permissions assigned to security roles was not performed on the Advantage Financial, Advantage HRM, and IAS systems to determine whether access rights granted to employees were commensurate with their job responsibilities.
- Real Property Division and Treasury Division users process transactions in the IAS system and have the ability to add or modify access rights causing a segregation of duties concern and no monitoring control is in place to detect unauthorized transactions.
- No database activity monitoring control is in place to detect unauthorized changes to the data.
- Database administrators use shared accounts to access IAS production databases.
- We were unable to verify if logical security controls are in place for the OPC system for a portion of the year.

Change management

- Those that perform development work on the Advantage Financial, Advantage HRM, and ReCo systems also have access to promote their own changes to the production environment causing a segregation of duties concern and no monitoring control is in place to detect unauthorized or untested changes.
- Users that process transactions in the ReCo system have the ability to add, modify or delete application files in the production environment and no monitoring control is in place to detect unauthorized changes.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

Criteria

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Cause

The City's IT policies and procedures do not include internal control procedures addressing the risks discussed above or are not being consistently followed.

Effect

Internal controls in the areas of physical and logical security and change management address the following risks:

Logical security

Unauthorized access to financial systems could result in the loss of data, unauthorized or nonexistent transactions, or inaccurately recorded transactions.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Recommendation

We recommend that the City perform the following:

Logical security

- Implement user access review procedures to ensure user access rights are commensurate with job responsibilities.
- Implement proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties.
- Restrict the use of shared accounts.

Change management

- Restrict developers and end-users from promoting changes to production environments.

City and County of Honolulu

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Finding No. 2019-004: Change Order and Contract Amendment Management – HART (Significant Deficiency)

Condition

Out of a population of 122 contract changes, HART's auditors selected 25 changes for testing. There were five files that did not include the documentation required under HART's Contract Change Procedure Manual ("Manual").

A similar finding was reported in the prior year as Finding No. 2018-004.

Criteria

HART's Manual provides the policies, procedures and documentation requirements related to change orders.

Cause

The documentation issues related to the following:

- For one approved change order, the change order had the relevant approvals; however, the Finding of Merit form was misplaced and was not in the contract change file.
- For one approved change order, the change order had the relevant approvals; however, a Time Analysis Form and a Request for Change Form was not included in the file. The change order was a unilateral no-cost contract change and management indicated that there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the terms of the change order; however, the rationale for the deviations was not documented.
- For three approved contract amendments related to construction, engineering and inspection, the contract amendments had the relevant approvals; however, the Negotiation Strategy Memo, Summary of Negotiations, Technical Approvals, Cost Analysis, and the Request for Change were not included in the file. Management indicated that these contract amendments were not related to design-build activities and there are no written procedures that cover this specific type of contract change. Consequently, management applied the standard procedures per the Manual with certain deviations to accommodate the terms of the contract amendment; however, the rationale for the deviation was not documented.

Effect

HART did not comply with the documentation requirements in its Manual nor did they provide documentation of deviations for instances that were not covered by the Manual.

Recommendation

HART's auditors recommend that management be more diligent in retaining the required documentation. They also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual or consider revising the Manual to accommodate the aforementioned contract types.

**FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2019-005:	Allowable Costs and Period of Performance (Material Weakness)	<u>\$ 1,997,396</u>
Federal Agency:	United States Department of Housing and Urban Development (“HUD”)	
CFDA Number and Title:	14.218 Community Development Block Grants – Entitlement Grants (“CDBG” Entitlement Grants Cluster)	
Award Number and Year:	B-18-MC-15-000I	2019
Repeat Finding?	No	

Condition

HUD notified the City via a letter dated May 31, 2019 that HUD identified \$1,997,396 in questioned costs related to the following two drawdowns:

- \$243,411 used in the purchase of medical equipment, fixtures, furnishings or other personal property that were not deemed to be integral structural fixtures for use in CDBG public facility and improvement activities.
- \$1,753,985 used to acquire and store construction materials was deemed to be ineligible as the City had not approved the construction permit at the time of the drawdown.

In addition, HUD notified the City in the same letter that the City was not in compliance with the sixty-day timeliness test conducted on May 2, 2019 as the City had a line-of-credit balance 1.64 times its annual grant.

Criteria

24 CFR 570.207(b)(1)(iii) states that the purchase of equipment, fixtures, motor vehicles, furnishings or other personal property not an integral structural fixture is generally ineligible.

24 CFR 200.403(a) states that costs must be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

24 CFR 570.208 states that all activities undertaken by grantees must meet one of three national objectives of the CDBG Entitlement Grants program: 1) benefit low- and moderate-income persons, 2) prevent or eliminate slums or blight, or 3) meet community development needs having a particular urgency.

24 CFR 570.902 of the CDBG regulations states that a grantee is in compliance with timely expenditure requirements if, 60 days prior to the end of its program year, there is no more than 1.5 times its annual grant remaining in the line of credit, including any program income on hand.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Effect

HUD directed the City to repay, with non-Federal funds, the \$1,997,396 in CDBG funds to the HUD Line of Credit Control System. If the City does not immediately repay the funds, then HUD will require the City to calculate and pay the interest due to the U.S. Treasury.

In addition, as the City failed the timeliness test under CDBG regulations, the City is now subject to HUD's sanctions policy and has until May 31, 2020 to reach the 1.5 timeliness standard. If the City fails the timely expenditure requirement for a second consecutive year, the City's future grant may be reduced by the dollar amount by which the grantee exceeded the 1.5 timely expenditure standard.

The City has submitted responses to the findings identified in the May 31, 2019 letter and requested that HUD reconsider its determination of allowability of the questioned costs.

Cause

The questioned costs charged to the award were due to a lack of knowledge of the allowability criteria for program expenditures and no formal procedures to ensure compliance with the requirement.

The failure to meet the timeliness requirement was due to lack of monitoring and issues related to several projects that resulted in delays in these project expenditures.

Recommendation

We recommend that the City continue to seek clarification from HUD on the types of costs that are allowable under program guidelines and develop formal procedures to ensure that the allowability criteria are met.

We also recommend that the City establish procedures to ensure that it complies with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it adheres to the workout plan it submitted to HUD.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Finding No. 2019-006:	Eligibility and Special Tests (Significant Deficiency)	Questioned Cost
		<u>\$ 2,847</u>
Federal Agency:	HUD	
CFDA Number and Title:	14.871 Section 8 Housing Choice Vouchers (Housing Voucher Cluster)	
Award Number and Year:	HI001	2018
Repeat Finding?	No	

Condition

During our audit, we examined 60 haphazardly selected failed Housing Quality Standards ("HQS") inspections to test if corrections and verification of corrections were performed within the correction period and proper action taken by the Public Housing Agency ("PHA"). We noted that for one owner, the verification of correction was performed after the correction period, but no Housing Assistance Payments ("HAP") were abated.

Criteria

24 CFR 982.404 requires owners to maintain units in accordance with HQS. If an owner fails to maintain a dwelling in accordance with HQS and fails to correct the HQS deficiencies within the correction period, the PHA should abate HAP or terminate the HAP contract.

Effect

As the City verified the correction of HQS deficiencies after the correction period, HAP in the amount of \$2,847 was improperly disbursed resulting in questioned costs.

Cause

Although the City has policies and procedures in place to ensure proper HQS enforcement, there was a lack of diligence in complying with the policies and procedures.

Recommendation

We recommend the City be more diligent in following its policies and procedures for documenting and performing HQS inspections and taking appropriate action when an owner fails to correct HQS deficiencies identified.

City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

		Questioned Cost
Finding No. 2019-007:	Period of Performance (Significant Deficiency)	
		<u>\$ 26,805</u>
Federal Agency:	United States Department of Transportation	
CFDA Number and Title:	20.205 Highway Planning and Construction (Highway Planning and Construction Cluster)	
Award Number and Year:	NBIS064	2015
Repeat Finding?	No	

Condition

During our audit, we examined 25 haphazardly selected expenditure transactions and identified one expenditure for \$26,805 that was outside of the grant's period of performance.

Criteria

Under 2 CFR section 200.343(b), unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Effect

The City may have expended funds outside of the award's period of performance resulting in \$26,805 in questioned costs.

Cause

The expenditure of funds outside of the period of performance was caused by two emergency situations that arose near the end of the period of performance. The City amended the contracts internally to address these emergencies but did not obtain approval for an extended period of performance from the federal agency.

Recommendation

We recommend that the City establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency if necessary.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

MANUEL T. VALBUENA
DEPUTY DIRECTOR

March 20, 2020

Mr. Troy Shimasaki
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Shimasaki:

SUBJECT: Single Audit Report for the Fiscal Year Ended June 30, 2019

Enclosed is the response to the recommendations included in Accuity LLP's preliminary draft of the single audit report of the City and County of Honolulu for the fiscal year ended June 30, 2019. The response includes our comments on the status of prior audit findings, actions taken or contemplated, anticipated completion dates, and City personnel responsible for the corrective action.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over a horizontal line.

Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

Enclosure

APPROVED:

A handwritten signature in black ink, appearing to read "Roy K. Amemiya, Jr.", is written over a horizontal line.

Roy K. Amemiya, Jr.
Managing Director

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

CITY AND COUNTY OF HONOLULU
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2018-001	Significant Non-routine Transactions in the General Obligation Bond and Interest Redemption Fund	Material Weakness	X		
2018-002	Financial Statement Reporting – HART	Material Weakness		X	2019-001
2018-003	Accounting for Construction Delay Claims and Internal Communication - HART	Material Weakness	X		
2018-004	Change Order and Contract Amendment Management – HART	Significant Deficiency		X	2019-004
2018-005	Subrecipient Monitoring	Material Weakness		X	
2018-006	Subrecipient Monitoring	Material Weakness		X	
2018-007	Reporting	Material Weakness	X		
2018-008	Subrecipient Monitoring	Material Weakness	X		
2018-009	Eligibility	Material Weakness	X		
2018-010	Eligibility	Material Weakness	X		
2018-011	Special Tests and Provisions	Material Weakness	X		
2018-012	Earmarking	Material Weakness	X		
2018-013	Reporting	Material Weakness	X		
2018-014	Eligibility	Significant Deficiency	X		

CITY AND COUNTY OF HONOLULU
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Corrective Actions Taken for Unresolved Findings

Finding No. 2018-002

For the fiscal year 2019 closing, training was conducted and responsibilities were distributed for a more functional process. One of the accountants was trained to be a debt specialist on general obligation bonds and tax-exempt commercial paper, becoming knowledgeable of the bond issuance process and having direct contact with bond counsel. The new accountant has become familiar with HART's financial statements including various system reports, enabling him to assume the preparation of the financial statements next year.

Additionally, three of the staff attended an annual governmental accounting training with an update on GASB statements applicable in the current year as well as standards effective in later years.

Finding No. 2018-004

HART's Procurement, Contract Administration and Construction Claims Department updated the Contract Change Procedures as of April 25, 2019. Modifications to the procedures gave due considerations to the finding and addressed the need for procedures on non-design-build construction activities.

Finding No. 2018-005: Subrecipient Monitoring - CDBG

The City updated its post-development monitoring policies and procedures, and created a remote monitoring form to promote compliance with subrecipient monitoring requirements. The remote monitoring form was sent to over 120 agencies to collect information on compliance.

Finding No. 2018-006: Subrecipient Monitoring - HOME

See corrective actions taken to Finding No. 2018-05 above.

CORRECTIVE ACTION PLAN

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding No. 2019-001: Financial Statement Reporting for the Honolulu Authority for Rapid Transportation (“HART”) (Material Weakness)

Audit Recommendation: HART’s auditors recommend that HART management re-evaluate its annual closing process to prepare accrual basis financial statements on a timely basis. Management should also consider whether sufficient and appropriate resources are devoted to preparing and reviewing account reconciliations, including whether interim reconciliations should be performed.

Administration’s Comment: HART is working to supplement and build up the internal control functions with experienced professionals to document the financial closing process, to streamline the financial closing process, and to execute the close with additional reviews.

Anticipated Completion Date: June 2020

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Chief Financial Officer

Finding No. 2019-002: Accounting for Environmental Remediation Liabilities – HART (Material Weakness)

Audit Recommendation: HART’s auditors recommend that HART management be more diligent in applying the accounting guidance in GASB Statement No. 49.

Administration’s Comments: HART will take steps to ensure that as additional staff are hired, appropriate training is provided to verify that the accounting guidance in GASB 49 is being addressed.

Anticipated Completion Date: June 2020

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Chief Financial Officer

Finding No. 2019-003: Information Technology General Control Deficiencies (Significant Deficiency)

Audit Recommendation: We recommend that the City perform the following:

Logical security:

- Implement user access review procedures to ensure user access rights are commensurate with job responsibilities.
- Implement proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties.
- Restrict the use of shared accounts.

Change management: Restrict developers and end-users from promoting changes to production environments.

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Administration's Comment: The City will implement user access review procedures to ensure user access rights are commensurate with job responsibilities, implement proper segregation of duties amongst those who administer IT security and perform transaction and accounting duties, restrict the use of shared accounts, and restrict developers and end-users from promoting changes to production environments.

Anticipated Completion Date: June 2020

Contact Person(s): Mark D. Wong, Department of Information Technology, Director

Finding No. 2019-004: Change Order and Contract Amendment Management – HART (Significant Deficiency)

Audit Recommendation: HART's auditors recommend that management be more diligent in retaining the required documentation. They also recommend that management document the rationale for deviations from the procedures and required documents prescribed by the Manual or consider revising the Manual to accommodate the aforementioned contract types.

Administration's Comment: HART is working to implement an internal audit process and build the internal control functions to resolve issues related to documentation for change order procedures.

Anticipated Completion Date: June 2020

Contact Person(s): Ruth Lohr, Honolulu Authority for Rapid Transportation, Chief Financial Officer

Finding No. 2019-005: Allowable Costs and Period of Performance (Material Weakness)

Audit Recommendation: We recommend that the City continue to seek clarification from HUD on the types of costs that are allowable under program guidelines and develop formal procedures to ensure that the allowability criteria are met.

We also recommend that the City establish procedures to ensure that it complies with the CDBG timeliness standard specified in 24 CFR 570.902. In addition, we recommend that the City ensures that it adheres to the workout plan it submitted to HUD.

Administration's Comment: The questioned cost of \$1,997,396 was subsequently determined to be allowable and eligible for drawdown. Therefore, no portion of the questioned cost was required to be repaid to the HUD Line of Credit Control System.

HUD is currently reconsidering its assessment of the City's failure to meet the timely expenditure requirement. Nevertheless, the City will establish procedures to ensure continued compliance with the CDBG timeliness standard.

Finally, the City plans to adhere to the workout plan submitted to HUD.

Anticipated Completion Date: May 2020

Contact Person(s): Pamela Witty-Oakland, Department of Community Services, Director

CITY AND COUNTY OF HONOLULU
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Finding No. 2019-006: Eligibility and Special Tests (Significant Deficiency)

Audit Recommendation: We recommend the City be more diligent in following its policies and procedures for documenting and performing HQS inspections and taking appropriate action when an owner fails to correct HQS deficiencies identified.

Administration's Comment: The City will be more diligent in following its policies and procedures for documenting and performing Housing Quality Standards (HQS) inspections and taking appropriate action when an owner fails to correct the identified HQS deficiencies.

Anticipated Completion Date: Ongoing

Contact Person(s): Jayne Lee, Department of Community Services, Rental Assistance Administrator
Carole Chung-Yokoyama, Department of Community Services, Operations
Supervisor

Finding No. 2019-007: Period of Performance (Significant Deficiency)

Audit Recommendation: We recommend that the City establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency if necessary.

Administration's Comment: The City will establish procedures to monitor the periods of performance of awards and request extensions from the federal and/or state agencies when necessary.

Anticipated Completion Date: June 2020

Contact Person(s): Mark Au, Department of Transportation Services, Federal Compliance Branch Chief

APPENDIX D

Certifications of Compliance with PHA Plans and Related Regulations

**Certifications of Compliance with
PHA Plans and Related Regulations
(Standard, Troubled, HCV-Only, and
High Performer PHAs)**

**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 02/29/2016**

**PHA Certifications of Compliance with the PHA Plan and Related Regulations including
Required Civil Rights Certifications**

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the ___ 5-Year and/or X Annual PHA Plan for the PHA fiscal year beginning 07/2020, hereinafter referred to as "the Plan", of which this document is a part and make the following certifications and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments to Fair Housing Choice, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan.
3. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Resident Advisory Board or Boards in developing the Plan, including any changes or revisions to the policies and programs identified in the Plan before they were implemented, and considered the recommendations of the RAB (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
4. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
5. The PHA certifies that it will carry out the Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
6. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those programs, addressing those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and by maintaining records reflecting these analyses and actions.
7. For PHA Plans that includes a policy for site based waiting lists:
 - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2010-25);
 - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
 - Adoption of a site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
 - The PHA shall take reasonable measures to assure that such a waiting list is consistent with affirmatively furthering fair housing;
 - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7(c)(1).
8. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
9. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
10. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
11. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.
12. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).

13. The PHA will provide the responsible entity or HUD any documentation that the responsible entity or HUD needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58 or Part 50, respectively.
14. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under Section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
15. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
16. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act of 1992, and 24 CFR Part 35.
17. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments), 2 CFR Part 225, and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments).
18. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
19. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.
22. The PHA certifies that it is in compliance with applicable Federal statutory and regulatory requirements, including the Declaration of Trust(s).


City and County of Honolulu
 PHA Name

HI003
 PHA Number/HA Code

Annual PHA Plan for Fiscal Year 2021

5-Year PHA Plan for Fiscal Years 20 - 20

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).

Name of Authorized Official Pamela A. Witty-Oakland	Title Director
Signature 	Date APR 7 2020

APPENDIX E

Civil Rights Certification

Civil Rights Certification
(Qualified PHAs)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB Approval No. 2577-0226
Expires 02/29/2016

Civil Rights Certification

Annual Certification and Board Resolution

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official, I approve the submission of the 5-Year PHA Plan for the PHA of which this document is a part, and make the following certification and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the public housing program of the agency and implementation thereof:

The PHA certifies that it will carry out the public housing program of the agency in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990, and will affirmatively further fair housing by examining their programs or proposed programs, identifying any impediments to fair housing choice within those program, addressing those impediments in a reasonable fashion in view of the resources available and working with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and by maintaining records reflecting these analyses and actions.

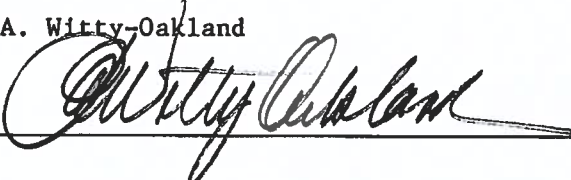
City and County of Honolulu

PHA Name

HI003

PHA Number/HA Code

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official Pamela A. Witty-Oakland	Title Director
Signature 	Date APR 7 2020

APPENDIX F

Resident Advisory Board (RAB) Comments/Narrative

**Resident Advisory Board (RAB) Meeting
FY 2021 PHA Annual Plan
January 22, 2020
10:00 am – 11:15 am**

Members Present: Billie-Jo Naleieha, Gail Nobunaga

Staff Present: Jayne Lee, Uilani Silva, Lynne Kong

Meeting Agenda

- I. Opening Statement
- II. Introductions
- III. April – December 2019 Shortfall
- IV. Small Area Fair Market Rent (SAFMR)
- V. Section 8 Operations Overview
- VI. Operation Manual Updates (Chapter 7 Housing Quality Standards)
- VII. Family Self-Sufficiency (FSS) Program and FSS and Family Unification Program (FUP) Overview
- VIII. Comments and Questions from the RAB
- VIII. Adjournment

Summary of Presentation

1. Introductions of staff and RAB members
2. L. Kong gave an overview of the SAFMR
3. J. Lee gave an overview of inspection issues
4. U. Silva gave an update on the FSS Program and the FSS-FUP
5. L. Kong talked about Section 8 Operations
 - a. Telephone Menu System
 - b. Inspection Team Updates: Using iPad to take photos of deficiencies to help determine whether repairs were made, supervisory review, and the document progress for clutter issues. The PHA is making an inspection video to help families, landlords, and staff prepare for inspections. The video will be available on Facebook and the DCS website
 - c. Staffing updates: hired Examiners and Clerks to fill vacant positions
 - d. Launched the Community Assistance Division (CAD) Facebook Page in 2019
 - e. Scanning of paper documents in Progress with the hiring of the Scan Clerk
 - f. Went over progress in accommodating the Limited English Proficiency (LEP) population including translation of Section 8 application
 - g. Overview of Project-Based Voucher goals and funding
6. J. Lee Overview of Project-Based Voucher goals and Funding

7. J. Lee discussed SAFMR in more detail: How it got started and the "Hold Harmless" provision
8. Question and Answer session

Comments by RAB Members

1. A Board Member shared her experience with her first annual inspection. She didn't know what to expect and was concerned about her shower not working. She had her Landlord look at it and fix the spout. Her unit passed inspection. She agreed that an Inspection video would help families in knowing what to expect during an annual unit inspection. She also mentioned that receiving a checklist that include bullet points on what to expect on an inspection would be helpful.
2. When discussing the Facebook launch, a Board Member was interested in the page but didn't know how to access it. She thought it would be helpful in getting Program updates.
3. Regarding the telephone menu system, a Board Member said that she called the main line and was able to get in touch with her examiner easily. She said it was good.
4. During the Small Area Fair Market Rent (SAFMR) discussion, both members shared their experiences. One member mentioned that she was surprised that her rent went up. However, she realized that it was due to an increase in income.
5. When asked if they would use a new Housing pro software module that would give the option to correspond with their examiners online. It would also allow tenants to scan their papers to him/her instead of always having to call, mail, or drop-in. The new module would allow families to report changes on-line and complete fillable forms. The Board Members said that they would take advantage of this feature. One Board Member said she could do it through her smart phone. Another mentioned that it would be a good module to get if it helps the examiners. Both face-to-face and online services would be available to families.
6. When the rail stations and Transit-oriented development were discussed, one member mentioned the importance of building more affordable housing. There would be more opportunities to build affordable homes by the rail stations.
7. One member mentioned that she's seen a lot of good changes in the last 3-4 years. She mentioned the online applications, more convenient submittal of paperwork, and the allowance of digital reporting (Self-certification) for fixes of inspection deficiencies. The biennial inspections helps to streamline processes.
8. Briefly discussed HUD rules including Fair Housing and service animals and the new rules. A Board Member had a question regarding the reporting of income for a student.

PHA Narrative

This meeting was helpful in getting feedback from the RAB members. The members shared their experiences with unit inspections and Small Area Fair Market Rent (SAFMR). The Board didn't like the fluctuation and uncertainty in their rent due to the SAFMRs. The members also gave feedback on the new Facebook page, Inspections checklist, SAFMR, and the new computer module that allows them to communicate with their examiners. Although one member expressed that she didn't know what to expect for her first unit inspection, the Board approved the self-certification of fixed deficiencies. The meeting was effective in gathering comments and answering questions that the RAB members had regarding income calculations, SAFMR, the new Facebook page, and unit inspections. Overall, the Board was pleased with the changes in the last 3-4 years. They like the new "digital" features that make communicating with staff more convenient. This includes self-certification, telephone menu system, wait list application convenience, and online fillable forms. They also gave positive feedback on the biennial inspections. It is more convenient and streamlines work process for both families and staff. They had no objections to the current goals and objectives.

APPENDIX G

Certification by State or Local Official of PHA Plans Consistency with the Consolidated Plan

**Certification by State or Local
Official of PHA Plans Consistency
with the Consolidated Plan or
State Consolidated Plan
(All PHAs)**

U. S Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 2/29/2016

**Certification by State or Local Official of PHA Plans
Consistency with the Consolidated Plan or State Consolidated Plan**

I, Pamela A. Witty-Oakland, the Director
Official's Name *Official's Title*

certify that the 5-Year PHA Plan and/or Annual PHA Plan of the

City and County of Honolulu

PHA Name

is consistent with the Consolidated Plan or State Consolidated Plan and the Analysis of
Impediments (AI) to Fair Housing Choice of the

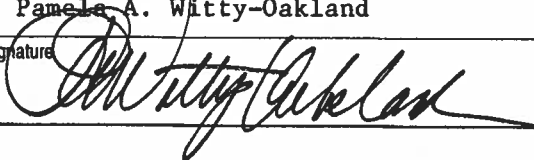
City and County of Honolulu

Local Jurisdiction Name

pursuant to 24 CFR Part 91.

Provide a description of how the PHA Plan is consistent with the Consolidated Plan or State
Consolidated Plan and the AI. The FY 2021 PHA Annual Plan is consistent with the
FYs 2015-2020 Consolidated Plan and the AI. The Plan ensures equal opportunity
and furthers Fair Housing objectives.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official	Title
<u>Pamela A. Witty-Oakland</u>	<u>Director</u>
Signature 	Date
	<u>APR 7 2020</u>

APPENDIX H

Civil Rights Narrative Affirmatively Furthering Fair Housing

CIVIL RIGHTS NARRATIVE AFFIRMATIVELY FURTHERING FAIR HOUSING

A. ASSESSMENT OF THREE TO FIVE YEAR GOALS

Actions undertaken during the report period to address *Strategic Plan* objectives and areas of high priority identified in the *Consolidated Plan* are delineated by source of funds and are included in the *Community Development Block Grant (CDBG)*, *Home Investment Partnerships (HOME)*, *Emergency Solutions Grants (ESG)*, *Continuum of Care grants (CoC)*, and *Housing Opportunities for Persons With Aids (HOPWA)* sections of this narrative.

B. ACTIONS TAKEN TO AFFIRMATIVELY FURTHER FAIR HOUSING

- 1) During the reporting period, the City received and responded to multiple and diverse fair housing inquiries from the public. The City's Fair Housing Office provided information, counseling, and referral to other community resources as appropriate including referrals to the Legal Aid Society of Hawaii, Hawaii Civil Rights Commission, the State of Hawaii landlord tenant hotline, and other agencies.
- 2) The City's Fair Housing Office continued to require nonprofit housing developers to submit the Affirmative Fair Housing Marketing Plan, HUD Form 935.2A, to outline their marketing of affordable housing to protected classes such as the disabled, elderly, and non-English proficient persons.
- 3) The Fair Housing Office continued to require nonprofit lessees of City owned Special Needs Housing properties to complete and submit the HUD Form 935.2A with their proposals to lease or renew their leases with the City.
- 4) Administered two HOPWA contracts, totaling more than \$450,000 which served approximately 300 persons through the provision of rental assistance, emergency assistance, case management and advocacy services provided by two nonprofit agencies.
- 5) The Fair Housing Office planned and coordinated the Mayor's Proclamation of April 2019 as "Fair Housing Education Month" in the City and County of Honolulu. The Proclamation Ceremony was held in April 2019 in the Mayor's Office.
- 6) Affirmatively furthered fair housing education by sponsoring the event, "Fair Housing Training 2019" at the Neal Blaisdell Center on April 25, 2019. The training enhanced the fair housing knowledge of more than 300 landlords, property managers, advocates, tenants, agency staff, and others. The training event was presented by the City and County of Honolulu, the U. S. Department of Housing and Urban Development (HUD), the Hawaii Civil Rights Commission, and the Legal Aid Society of Hawaii. These agencies gave presentations on federal and state fair housing laws, reasonable accommodation and modification requests, landlord tenant code, and recent topics and trends in fair housing.

- 7) Participated in the joint *"Analysis of Fair Housing Impediments Study"* that was conducted by the University of Hawaii's Center on Disabilities Studies. This was a joint undertaking of four state agencies and all four of the counties. Participated in the new 2019 *"Analysis of Fair Housing Impediments Study"*. The main focus of the 2016 study was on people with disabilities. The main focus of the 2019 study is on the City's internal policies and procedures for fair housing. The results of these studies will be used to guide fair housing activities and initiatives in the future.
- 8) Maintained the "Fair Housing Office" portion of the Department of Community Services (DCS) website, <http://www1.honolulu.gov/dcs/fairhousing.htm>, to include a briefing and recital of fair housing laws, translation of fair housing information in Chinese, Ilokano, Korean, Marshallese, Samoan, Spanish and Tagalog, and a listing of fair housing information and enforcement resources.
- 9) Instituted standard protocols for all Department of Community Services Project Officers to submit plans for City-funded construction projects to the State of Hawaii Disabilities Communication Access Board (DCAB) for review/evaluation in compliance with HRS 103-50.
- 10) The City Fair Housing Office expanded its collaborative network of resource persons and agencies through attendance at training activities.
- 11) The City's Fair Housing Office continued to work with nonprofit agencies that lease Special Needs Housing properties from the City through the Department of Community Services. The agencies use these properties as emergency shelters and domestic violence shelters. The agencies are reminded of federal laws under Title VI I Rights Act of 1964 (as amended) and Title VIII of the Civil Rights Act of 1968 (as amended) that prohibit any discrimination in service provision based on race, color, national origin, gender, or sexual identity.
- 12) Analyzed inquires made to, or referred to, the Fair Housing Office. The most common problems were related to two areas: landlord tenant conflict and disability rights/accessibility issues. Future training and outreach efforts will target these areas.
- 13) The Fair Housing Office's collaborative network has expanded with additional expertise being provided by the University of Hawaii's Office of Disability Rights, the State of Hawaii's Disabilities Communications and Access Board (DCAB), the Hawaii Disabilities Rights Center, Mental Health Hawaii, the State of Hawaii Department of Commerce and Consumer Affairs landlord-tenant program, Hawaii Public Housing Authority, Hawaii Housing Finance and Development Corporation, City and County of Honolulu Section 8 Rental Assistance, and others.

APPENDIX I

Public Hearing Narrative

**Public Hearing
Draft Fiscal Year (FY) 2021 Public Housing Agency (PHA) Annual Plan
Challenged Elements**

The public hearing for the Draft FY 2021 PHA Annual Plan was held on Friday, March 20, 2020 at 10:00 a.m. In compliance with the latest guidelines recommended by the Centers for Disease Control and Prevention (CDC) and the Federal, State, and City governments, the PHA only accepted written comments. Due to the Covid-19 Social Distancing restriction, the PHA did not accept any oral testimonies.

The public hearing notice was posted in the Honolulu Star-Advertiser on Sunday, February 2, 2020. The written comment period ended at 4:30 p.m. on Friday, March 27, 2020. There were comments from the Legal Aid Society of Hawaii. These comments are included in this section of the Plan along with the Division's responses.



NOTICE OF PUBLIC HEARING
AND
REQUEST FOR COMMENTS

The City and County of Honolulu, Department of Community Services (DCS), will hold a public hearing on its Draft Fiscal Year (FY) 2021 Public Housing Agency Annual Plan on Friday, March 20, 2020 at 10:00 a.m. at 51 Merchant Street, Honolulu, Hawaii 96813. The plan is available for review and inspection at the Section 8 Offices located at 842 Bethel Street, 1st Floor, Honolulu; Kapolei Hale, 1000 Ulu'ohi'a Street, #118, Kapolei; the Community Assistance Division Office located at 51 Merchant Street, 2nd Floor, Honolulu; the Department of Community Services Office, 925 Dillingham Blvd., Ste. 200, Honolulu; and the Department of Customer Services, 550 South King Street, Honolulu from 7:45 a.m. to 4:30 p.m.

All interested persons are invited to provide comments relating to the Draft Fiscal Year 2021 Public Housing Agency Annual Plan, either orally or in writing. All oral and written testimony presented at the public hearing will be considered. Written comments may be presented to the presiding officer at the public hearing, or mailed to the City and County of Honolulu, Department of Community Services, Community Assistance Division, Attention: PHA Plan, 51 Merchant Street, 2nd Floor, Honolulu, Hawaii 96813. Written comments may also be faxed to (808) 768-7095. Written comments not presented at the public hearing must be received at the address above by 4:30 p.m., Friday, March 27, 2020.

If you require special assistance, auxiliary aid and/or service to participate in this event (i.e. sign language interpreter; interpreter for language other than English, or wheelchair accessibility), please contact Lynne Kong at (808) 768-7379 or email your request to cchs8@honolulu.gov at least 6 business days prior to the event. TTY users may use TRS to contact our office.

Pamela A. Witty-Oakland
Director
Department of Community Services
City and County of Honolulu



Public Hearings

Public Hearings

Public Hearings



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AND
REQUEST FOR COMMENTS**

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Pamela A. Witty-Oakland
Director
Department of Community Services
City and County of Honolulu
(SA1260082 2/2/20)



SOCIAL HOUSING
OPPORTUNITY

Via email to lynne.kong@honolulu.gov and jlee2@honolulu.gov

March 25, 2020

Lynne Kong
Jayne Lee
Department of Community Services
Community Assistance Division – Section 8
Honolulu, Hawaii

Re: Comments on Fiscal Year 2021 Public Housing Agency Annual Plan Draft, January 2020 (“Draft Annual Plan”)

Dear Ms. Kong and Ms. Lee and the Community Assistance Division – Section 8:

Please accept our comments to the Draft Annual Plan. These comments are submitted to your office by March 27, 2020, per the Notice of Public Hearing and Request for Comments noted on your website. We are providing comments regarding two areas below – the hearing process and SEMAP. For ease of reference, the material referred to is included in the Exhibits which are attached and the pages are numbered so that the referenced material can be easily found.

For purposes of these comments, defined terms shall have the following meanings:

- **Section 8** shall mean the City and County of Honolulu Department of Community Services, Community Assistance Division – Section 8 Housing Assistance Programs
- **Administrative Plan** shall mean the Administrative Plan – Rules of the Section 8 Housing Assistance Programs, excerpts of which are included in Exhibit 1.
- **Draft Annual Plan** shall mean the Fiscal Year 2021 Public Housing Agency Annual Plan Draft, January 2020, excerpts of which are included as Exhibit 4.
- **2017 Section 8 Audit** shall mean Audit of the City & County Section 8 Tenant-Based Assistance Program Report No. 17-03, July 2017 from the Office of the City Auditor, a copy of which is included in its entirety as Exhibit 5.

COMMENTS

- 1. The Administrative Plan does not provide Section 8 Voucher Participants or Applicants the hearing/due process protections required by 24 CFR § 982.554 (Applicants) and 24 CFR § 982.555 (Participants), particularly if they represent themselves.**

The Section 8 Administrative Plan does not comply with the informal review (for Applicants) and the informal hearing process (for Participants) required under HUD Regulations. The hearing/due process protections through the Section 8 office for Applicants and Participants are contained in §§ 8-10-25 and 8-10-26 of the Administrative Plan.¹ These provisions of the Administrative Plan do not comply with the HUD regulations contained in 24 CFR §§ 982.554 (Applicants) and 982.555 (Participants) (the “HUD Hearing Regs”).²

The noncompliance with the HUD Hearing Regs include:

- The Administrative Plan § 8-10-25 – *Informal Settlement of Disputes* - does not comply with the HUD Hearing Regs;
- The Administrative Plan § 8-10-26 – *Hearing on a Dispute* – does not comply with the HUD Hearing Regs and would be extremely difficult for an unrepresented Applicant or Participant to navigate; and
- In the audits of Section 8, reference is made to an Operational Procedures Manual (“Operations Manual”), which is not part of the approved Administrative Plan, is not a public document, has not been through the approval process required by HUD, and cannot be used to modify the process provided under §§ 8-10-25 and 8-10-26 of the Administrative Plan because it is an internal document of Section 8 that bypasses HUD regulations.

Each of these issues will be addressed separately;

- a. The Administrative Plan § 8-10-25 – *Informal Settlement of Disputes* - does not comply with the HUD Hearing Regs.**

An Applicant, under 24 CFR § 982.554, is entitled to: 1) Notice with a reason for denial of the application and a right to informal review; 2) review by the PHA by a person other than someone who reviewed, approved, or subordinate of such person; 3) an opportunity to the

¹ See Exhibit 1, p. E002 to 0004.

² Included in Exhibit 2, p. E006 to E013.

applicant to object to the decisions; and 4) notice of the decision after written with a brief statement of reasons. The circumstances for such informal review are limited by the regulation.

The Administrative Plan § 8-10-25 – *Informal Settlement of Disputes* places extra barriers for an Applicant and removes protections provided by the HUD Regs to challenge a decision by Section 8. § 8-10-25 requires a written complaint to Section 8, which is not required by the HUD Regs. The written complaint is a barrier to LEP Applicants or to those who simply do not write at all or struggle with writing – the HUD Regs simply require a request and the Administrative Plan makes no provision for those for whom providing a written complaint is a challenge.

Further, besides the increased barrier to request an “informal settlement,” there is no requirement in the Administrative plan regarding having a neutral person conduct the settlement discussion nor for provision of presenting written or oral objections to the Section 8 decision.

Since § 8-10-25 does not comply with the HUD Regs, it can only be intended as an informal way to resolve a matter without a hearing, which makes this provision another barrier for an Applicant or Participant to actually obtain a hearing. This section gives the patina of providing the protections of the HUD Regs without actually providing such protections.

b. The Administrative Plan §§ 8-10-25 – *Informal Settlement of Disputes* and 8-10-26 – *Hearing on a Dispute* – do not comply with the HUD Hearing Regs and would be extremely difficult for an unrepresented Applicant or Participant to navigate.

A Participant, under 24 CFR § 982.555, is entitled to an informal hearing under the procedures provided in an administrative plan, including: 1) Discovery, with review of the PHA files that are relevant to the hearing; 2) representation of the Participant by a lawyer or other representative; 3) a hearing conducted by someone other than a person who made or approved the decision; 4) ability to present evidence and question witnesses; and 5) a written decision, with a brief statement of reasons, based on preponderance of evidence. The matters in which a hearing is required, or not, are set forth in the regulation.

The Administrative Plan § 8-10-25 is deficient with respect to the HUD Regs and that deficiency is not corrected by the following section, § 8-10-26 – *Hearing on a Dispute*. The provisions of § 8-10-26 of the Administrative Plan are much more onerous than the HUD Regs.

Again, § 8-10-26 of the Administrative Plan unnecessarily requires a written request, contrary to the HUD Regs of a simple “request.” However, the most onerous provision of this provision is contained § 8-10-26(b) which outlines what must be contained in such a request for hearing which goes well beyond the HUD Regs. § 8-10-26(b)³ requires five components to the written request:

1. Name and contact information of the complainant;
2. Designation of the specific statutory provision, rule, decision, or order in question with a statement of the dispute involved;⁴
3. A clear statement of the complainant’s position;
4. A memorandum of points of authorities, containing a full discussion of reasons or legal authorities supporting the complainant’s position;⁵
5. The action or relief sought.

The provisions in § 8-10-26(b) mirror the provisions of HRS §91-9(a)⁶ which is a State statute for purposes of contesting an adverse administrative decision in State Circuit Court, a wholly different context from the informal hearing process set forth in the HUD Regs. The administrative appeal process is a more formal proceeding than what was intended under the HUD Regs.⁷

Further, the person conducting the hearing under § 8-10-26 is the administrator or designee of the agency, which may comply with HUD Regs depending on whether person appointed is consistent with requirements of 24 CFR § 982.555(e)(4)(i).

In short, Section 8 provides very little detail in its notice of adverse decisions, does not comply with HUD Regs by requiring a written request for a hearing, and the requirements for the written request for a hearing by an Applicant or Participant are beyond the ability of many unrepresented clients ability to comply.

³ See Exhibit 2, p. E004.

⁴ This requirement is particularly mystifying since the notice from Section 8 rarely provides this type of detail regarding the matter in dispute.

⁵ This requirement on its face precludes many unrepresented complainants from an opportunity to be heard and is an onerous requirement in the face of the simple, transparent process mandated in the HUD Regs.

⁶ See Exhibit 3 which has a copy of HRS §91-9.

⁷ Interestingly, while § 8-10-26(b) mirrors the appeal process in HRS Chapter 91, the Administrative Plan did not mirror the statute’s provision to allow leniency in the process as contained in HRS § 91-9(d) which provides:

(d) Any procedure in a contested case may be modified or waived by stipulation of the parties and informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

- c. In the audits of Section 8, reference is made to an Operations Manual, which is not the approved Administrative Plan, is not a public document, has not been through the approval process required by HUD, and cannot be used to modify the process provided under §§ 8-10-25 and 8-10-26 of the Administrative Plan because it is an internal document of Section 8 that bypasses HUD regulations.**

The Operations Manual is referred to by the City and County auditor in audits regarding Section 8. However, the Operations Manual is mistakenly used by the auditor as a document used by Section 8 to administer the Housing Choice Voucher Program. HUD regulations set out a specific manner in which Section 8 had to “adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements,”⁸ and the Operations Manual does not comply.

The Administrative Plan sets for the policies for Section 8 to administer its program and adopted under 24 CFR § 982.54. The Operations Manual was not adopted as the means to administer the Section 8 program and cannot be relied upon for the policies by which Section 8 conducts hearings or grievances. The Operations Manual was referred to by the auditor by mistake or referred to without realizing that the Operations Manual has no legal effect for the plan administration under HUD regulations. The Operations Manual does not comply with 24 CFR § 982.54.

The Operations Manual is referred to in the Draft Annual Plan in the audit at *Finding No. 2018-009 Ensuring Tenant Files Properly Support Eligibility Determinations* in Exhibit 4, p. E041. Even though the Operations Manual is not operative document for administering the Section 8 program, it is noted twice in the 2017 Section 8 Audit at p. E054 and E071 in Exhibit 2. The auditor relied on a document, the Operations Manual, which has no legal effect under HUD regulations for administering the Section 8 program. The legally approved document, the Administrative Plan, is not mentioned in the 2017 Section 8 Audit at all, and is only mentioned in a generic manner in the Draft PHA Plan under *Finding No. 2018-011 - Participant Selection from the Waiting List*⁹ in a sentence that states: “The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.”

The inadequacies of the grievance process in §§ 8-10-25 and 8-10-26 of the

⁸ See 24 CFR § 982.54(a), included as part of Exhibit 2 at p. E014 to E016.

⁹ See Exhibit 4, the excerpt from the audit in the Draft PHA Plan at p. E044

Administrative Plan are not cured by an unauthorized Operations Manual.

d. The inadequacies of the Section 8 hearing process are highlighted in the Draft Annual Plan and related and incorporated documents.

Despite the inadequacies of the hearing process in the Administrative Plan noted above, the Administrative Plan on Informal Review and Hearing Procedures has been unchanged since the last Annual Plan submitted by Section 8.¹⁰ There are no plans noted in the Draft Annual Plan of any changes to the Informal Review and Hearing Procedures. No changes in the hearing process are noted in the form HUD-50075-HCV (12/2014) in the Draft Annual Plan. And no changes to the hearing process are suggested or noted in the Draft Annual Plan in Appendix F- Resident Advisory Board (RAB) Comments/Narrative, Appendix I – Public Hearing Narrative (incomplete), or Appendix J - Progress Report, Goals and Objectives.

An example of the inadequacy of notices by Section 8 is highlighted in in Appendix C to the Draft Annual Plan is in Finding No. 2018-011¹¹ in which the audit Applicants were not properly notified with respect to the waitlist. This Finding in the audit regarding improper notices is symptomatic of the inadequate notices provided in other adverse actions by Section 8. Deficiencies as far as the hearing process are noted in the 2017 Audit. The 2017 Audit, while material and relevant to an overview of Section 8, was not included in the various Annual Plans of Section 8. The items regarding hearings in the 2017 Audit include:

i. **“The program’s handling of informal hearings and fraud recovery cases can be improved** to ensure unqualified participants do not remain in the program. We could not measure the program’s effectiveness in reducing homelessness because the homeless preference waitlist data was not readily available.^{3 9fn 3} - DCS staff stated that HUD does not require tracking this data, they are currently scanning documents, and HUD funding is a major constraint for the program.” Emphasis added (Exhibit 5 p. E066)

ii. “The fraud unit would also: coordinate hearings, follow up with legal staff, prepare repayment agreements, monitor repayment, and establish policies and procedures related to preventing and detecting fraud.” (Exhibit 5 p. E069)

iii. “Improvements in documentation will help ensure program

¹⁰ See Exhibit 4, p.E040 in the answer in B.1 of the form HUD-50075-HCV (12/2014)

¹¹ See Exhibit 4, p. E047

participants remain eligible for rental assistance; allow qualified voucher-holders on the waitlist to receive housing; and ensure hearing results and fraud recovery results are implemented.” (Exhibit 5 p. E097)

This provision of the 2017 Audit is under the Conclusions and Recommendations section of the 2017 Audit and is summarized as recommendation

#18 –“Following-up on informal hearings and fraud recovery efforts;” (Exhibit 5 p. E099)

iv. Informal hearing sample results

“We reviewed 46 informal hearing files and found instances where terminations were overturned due to a lack of informal hearing documentation and participants were not recognized as at-risk and monitored based on the findings.” See Appendix F for a detailed chart of the informal hearing sample results. Emphasis added. (Exhibit 5 p. E092)

The analysis is included in Appendix F of the 2017 Audit and the analysis has a caveat in the footnote that provides:

“The department provided additional information after our review for participants noted. However, the additional information we received did not include written decisions and copies of the hearings as required by HUD.” (Exhibit 5 p. E125 to E127 – the footnote relates to each page of the chart)

A conclusion that can be drawn is that the inadequacies of the hearing process are long-standing and have been noted in audits. The Administrative Plan does not provide a mechanism for adequate controls of the hearings and the 2017 Audit notes that the hearing process is part of the fraud prevention mechanism for Section 8, and it needs improvement.

2. The “High Performer” rating for SEMAP certification in the Draft Annual Plan is not consistent with the information provided in the Draft Annual Plan, the audits, and the Administrative Plan.

The Draft Annual Plan does not provide enough information as to how Section 8 comports with the fourteen SEMAP (Section Eight Management Assess Program) standards to determine compliance.¹² The only indication of compliance with the SEMAP standards is the

¹² SEMAP standards are address in 24 CFR 985.3 included in Exhibit 2 at p. 018 to 034.

self-certification in the form HUD- 50075-HCV (12/2014) which allowed Section 8 to file the *Streamlined Annual PHA Plan* as a “High Performer.”

In the findings in the audit included in the Draft Annual Plan, there were findings of non-compliance: Finding No. 2018-009: Ensuring Tenant Files Properly Support Eligibility Determinations (Exhibit 4, p. E041 and E047), Non-Compliance and Material Weakness; Finding No.: Finding No. 2018-010: Income Targeting (Exhibit 4, p. 043 and E047) Non-Compliance and Material Weakness; Finding No. 2018-011: and Participant Selection from the Waiting List (Exhibit 4, p. E044 to E045 and E047), Non-Compliance and Material Weakness.

These findings are coupled with the lack of compliance with the HUD Regs of the hearing process in the Administrative Plan, no rules adopted in the Administrative Plan with respect to the Lead Based Paint regulations at Part 35, a lack of inclusion of all of the elements regarding Expanding Housing Opportunities in the Draft Annual Plan, and the lack of a fraud unit noted in the 2017 Audit, including tracking payments in repayment plans. Given the unchanging nature of the Annual Plans over so many years, it is difficult to discern whether Section 8 is a “High Performer” based on the merits. If the End of Participation Reports for the applicable years of the Annual Plan were included or available, a better conclusion could be reached

CONCLUSION

These comments are respectfully submitted with the expectation that Section 8 can improve and continue to serve the vulnerable population of those in need of housing assistance, particularly with the hearing process.

Best regards,

/s/Daniel J. O'Meara

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INDEX OF EXHIBITS TO COMMENTS OF LEGAL AID SOCIETY OF HAWAII ON:

CITY AND COUNTY OF HONOLULU
DEPARTMENT OF COMMUNITY SERVICES
COMMUNITY ASSISTANCE DIVISION (“Section 8”)
FISCAL YEAR 2021
PUBLIC HOUSING AGENCY ANNUAL PLAN (“Draft Annual Plan”)
DRAFT
JANUARY 2020

- Exhibit 1** Excerpts from Section 8 Administrative Plan – Rules of the Section 8 Housing Assistance Programs – §§ 8-10-25 and 8-10-26 E001 to E004
- Exhibit 2** 24 CFR §§ 982.554 and 982.555, regarding the grievance process E006 to E013
- 24 CFR § 982.54 regarding adoption of a PHA Administrative Plan and the necessary components E014 to E017
- 24 CFR § 985.3 regarding SEMAP E018 to E034
- Exhibit 3** Hawaii Revised Statutes § 91-9 E036 to E038
- Exhibit 4** Excerpts of Draft Annual Plan including:
- p. 2 of Form HUD-50075-HCV (12/2014); E040
- p 32-36 of the Financial Audit of the City and County of Honolulu, State of Hawaii for the Fiscal Year Ended June 30, 2018, Single Audit of Federal Financial Assistance Programs; E041 to E045 and
- p. 2 of the 1.13.2020 Draft PHA Goals and Objectives Annual Plan E046
- Appendix C to the Draft Annual Plan – Audit Recommendations E047
- Exhibit 5** Audit of the City’s Section 8 Tenant-Based Assistance Program Report No. 17-03, July 2017 from the Office of the City Auditor, copy of entire Audit E049 to E134

EXHIBIT 1

others, PHA employees or neighbors of the Family;
or

- (8) The Owner has not paid state or local real property taxes, fines or assessments; or
- (9) The Owner has an outstanding balance owed to the Agency and does not repay after efforts to collect are unsuccessful; or
- (10) With respect to any unit rented after June 14, 1998, the Owner leases such unit to a parent, spouse, child, grandparent, grandchild, sister or brother of any member of the Family who is related to the Owner, unless the Agency determines that approving the unit would be a reasonable accommodation for a Family member who is a Person with Disabilities.

(d) Nothing in this rule is intended to give any Owner any right to participate in the Program. [Eff 10/20/03; §1-24; am, ren §8-10-24 and comp 11/23/12; am and ren ~~AOE~~ 13 2017] (Auth: RCH §§4-105.4, 6-302, ROH §1-9.1) (Imp: RCH §6-302; ROH §6-23.3; 24 C.F.R. §§982.54, 982.453)

§8-10-25 Informal Settlement of Disputes.

(a) Procedure for Informal Settlement. If an Applicant, or Participant Family, or an Owner, disputes any action taken by the Agency, and claims that such actions adversely affect the rights, duties, welfare or status of said Family or Owner, such Family or Owner may present a written complaint to the Agency so that the dispute may be discussed informally and attempted to be settled without a hearing. The complaint must be filed with the Agency in writing within fifteen calendar days after the day the dispute arose or, if there was a written notification which gave rise to the dispute, within fifteen calendar days from the date on the written notice. The discussion shall be held as soon as reasonably possible after receipt of the complaint. A written summary of the discussion shall be prepared by the Agency within fifteen calendar days of the date of the discussion and one copy of the summary shall be given to the complainant. The summary shall specify the names of the participants, the date of meeting, the nature of the proposed resolution of the dispute and the specific reasons therefor, and the procedures by which a hearing

under Section 8-10-26 may be obtained if the complainant is not satisfied with the proposed resolution.

(b) Provision of Criminal Record. If denial or termination of assistance is based on a criminal record, the Agency shall provide the subject of the record and the Applicant or Participant with a copy of the criminal record and give the Family an opportunity to dispute the accuracy and relevance of that record in the informal review process as described in this Section. [Eff 10/20/03; §1-25; am, ren §8-10-25 and comp 11/23/12; am and comp AUG 15 2017] (Auth: RCH §§4-105.4, 6-302, ROH §1-9.1) (Imp: RCH §6-302; ROH §6-23.3; 24 C.F.R. §§982.54, 982.554)

§8-10-26 Hearing on a Dispute. (a) Request for a Hearing. If a complainant is not satisfied with the disposition of a dispute in the informal discussion, and would like to pursue the dispute further, or if the complainant has received an adverse decision, the complainant must submit a written request for a hearing to the Agency within fifteen calendar days after receipt of the written summary of the informal discussion or receipt of an adverse decision.

In accordance with 24 CFR 982.554 and 982.555, hearings are not required for:

- (1) Discretionary administrative determinations by the Agency;
- (2) General policy issues or class grievances;
- (3) A determination of unit size under the Agency subsidy standards;
- (4) The Agency determination not to extend a Voucher term;
- (5) The Agency determination not to grant approval of a Lease or tenancy;
- (6) The Agency determination that a unit is not in compliance with HQS;
- (7) For an Applicant, a determination of the Voucher size under the Agency subsidy standards;
- (8) For a Participant, the Agency establishment of a Utility Allowance for Families in the Program; and
- (9) For a Participant, the Agency's determination to exercise or not to exercise any right or remedy against an Owner under a HAP Contract.

(b) Form and Content of Written Request. The written request shall contain each of the following:

- (1) Name, address and telephone number of the complainant;
- (2) A designation of the specific statutory provision, rule, decision, or order in question, together with a statement of the dispute involved;
- (3) A clear statement of the complainant's position or contention;
- (4) A memorandum of points and authorities, containing a full discussion of reasons or legal authorities in support of such position or contention; and
- (5) The action or relief sought.

(c) Person Conducting Hearing. The Administrator of the Agency or his or her duly authorized representative shall conduct the hearing.

(d) Notice and Conduct of Hearing / Judicial Review. The notice and conduct of the hearing and the request for judicial review shall be made pursuant to Chapter 91, Hawai'i Revised Statutes (HRS) and 24 CFR 982.554 and 982.555. [Eff 10/20/03; §1-26; am, ren §8-10-26 and comp 11/23/12; am and comp AUG 13 2017] (Auth: RCH §§4-105.4, 6-302, ROH §1-9.1) (Imp: RCH §6-302; ROH §6-23.3; 24 C.F.R. §§982.54, 982.554, 982.555)

§8-10-27 Equal Opportunity Requirements. (a) The Program requires compliance with:

- (1) The Fair Housing Act;
- (2) Title VI of the Civil Rights Act of 1964;
- (3) The Age Discrimination Act of 1975;
- (4) Executive Order 11063, Equal Opportunity in Housing, Executive Order 12259, and Executive Order 12892;
- (5) Section 504 of the Rehabilitation Act of 1973;
- (6) Title II of the Americans with Disabilities Act, and all rules, regulations, and requirements issued pursuant thereto; and
- (7) HRS Chapter 515 (Discrimination in Real Property Transactions), but solely to the extent such State laws do not change or affect any requirement of 24 CFR Part 982 or any other HUD

EXHIBIT 2

Code of Federal Regulations

Title 24. Housing and Urban Development

Subtitle B. Regulations Relating to Housing and Urban Development

Chapter IX. Office of Assistant Secretary for Public and Indian Housing,
Department of Housing and Urban Development (Refs & Annos)

Part 982. Section 8 Tenant-Based Assistance: Housing Choice Voucher
Program (Refs & Annos)

Subpart L. Family Obligations; Denial and Termination of Assistance (Refs
& Annos)

24 C.F.R. § 982.554

§ 982.554 Informal review for applicant.

Effective: September 21, 2015

Currentness

(a) Notice to applicant. The PHA must give an applicant for participation prompt notice of a decision denying assistance to the applicant. The notice must contain a brief statement of the reasons for the PHA decision. The notice must also state that the applicant may request an informal review of the decision and must describe how to obtain the informal review.

(b) Informal review process. The PHA must give an applicant an opportunity for an informal review of the PHA decision denying assistance to the applicant. The administrative plan must state the PHA procedures for conducting an informal review. The PHA review procedures must comply with the following:

(1) The review may be conducted by any person or persons designated by the PHA, other than a person who made or approved the decision under review or a subordinate of this person.

(2) The applicant must be given an opportunity to present written or oral objections to the PHA decision.

(3) The PHA must notify the applicant of the PHA final decision after the informal review, including a brief statement of the reasons for the final decision.

(c) When informal review is not required. The PHA is not required to provide the applicant an opportunity for an informal review for any of the following:

- (1) Discretionary administrative determinations by the PHA.
- (2) General policy issues or class grievances.
- (3) A determination of the family unit size under the PHA subsidy standards.
- (4) A PHA determination not to approve an extension of the voucher term.
- (5) A PHA determination not to grant approval of the tenancy.
- (6) An PHA determination that a unit selected by the applicant is not in compliance with HQS.
- (7) An PHA determination that the unit is not in accordance with HQS because of the family size or composition.

(d) Restrictions on assistance for noncitizens. The informal hearing provisions for the denial of assistance on the basis of ineligible immigration status are contained in 24 CFR part 5.

(Approved by the Office of Management and Budget under control number 2577-0169)

Credits

[60 FR 45661, Sept. 1, 1995; 61 FR 13627, March 27, 1996; 64 FR 26650, May 14, 1999; 64 FR 43613, Aug. 11, 1999; 64 FR 56911, Oct. 21, 1999; 80 FR 50575, Aug. 20, 2015]

AUTHORITY: 42 U.S.C. 1437f and 3535(d).

Notes of Decisions (17)

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End of Document

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Code of Federal Regulations

Title 24. Housing and Urban Development

Subtitle B. Regulations Relating to Housing and Urban Development

Chapter IX. Office of Assistant Secretary for Public and Indian Housing,
Department of Housing and Urban Development (Refs & Annos)

Part 982. Section 8 Tenant-Based Assistance: Housing Choice Voucher
Program (Refs & Annos)

Subpart L. Family Obligations; Denial and Termination of Assistance (Refs
& Annos)

24 C.F.R. § 982.555

§ 982.555 Informal hearing for participant.

Effective: September 21, 2015

Currentness

(a) When hearing is required.

(1) A PHA must give a participant family an opportunity for an informal hearing to consider whether the following PHA decisions relating to the individual circumstances of a participant family are in accordance with the law, HUD regulations and PHA policies:

(i) A determination of the family's annual or adjusted income, and the use of such income to compute the housing assistance payment.

(ii) A determination of the appropriate utility allowance (if any) for tenant-paid utilities from the PHA utility allowance schedule.

(iii) A determination of the family unit size under the PHA subsidy standards.

(iv) A determination to terminate assistance for a participant family because of the family's action or failure to act (see § 982.552).

(v) A determination to terminate assistance because the participant family has been absent from the assisted unit for longer than the maximum period permitted under PHA policy and HUD rules.

(2) In the cases described in paragraphs (a)(1)(iv), (v) and (vi) of this section, the PHA must give the opportunity for an informal hearing before the PHA terminates housing assistance payments for the family under an outstanding HAP contract.

(b) When hearing is not required. The PHA is not required to provide a participant family an opportunity for an informal hearing for any of the following:

(1) Discretionary administrative determinations by the PHA.

(2) General policy issues or class grievances.

(3) Establishment of the PHA schedule of utility allowances for families in the program.

(4) A PHA determination not to approve an extension of the voucher term.

(5) A PHA determination not to approve a unit or tenancy.

(6) A PHA determination that an assisted unit is not in compliance with HQS. (However, the PHA must provide the opportunity for an informal hearing for a decision to terminate assistance for a breach of the HQS caused by the family as described in § 982.551(c).)

(7) A PHA determination that the unit is not in accordance with HQS because of the family size.

(8) A determination by the PHA to exercise or not to exercise any right or remedy against the owner under a HAP contract.

(c) Notice to family.

(1) In the cases described in paragraphs (a)(1)(i), (ii) and (iii) of this section, the PHA must notify the family that the family may ask for an explanation of the basis of the PHA determination, and that if the family does not agree with the determination, the family may request an informal hearing on the decision.

(2) In the cases described in paragraphs (a)(1)(iv), (v) and (vi) of this section, the PHA must give the family prompt written notice that the family may request a hearing. The notice must:

(i) Contain a brief statement of reasons for the decision,

(ii) State that if the family does not agree with the decision, the family may request an informal hearing on the decision, and

(iii) State the deadline for the family to request an informal hearing.

(d) Expeditious hearing process. Where a hearing for a participant family is required under this section, the PHA must proceed with the hearing in a reasonably expeditious manner upon the request of the family.

(e) Hearing procedures—

(1) Administrative plan. The administrative plan must state the PHA procedures for conducting informal hearings for participants.

(2) Discovery—

(i) By family. The family must be given the opportunity to examine before the PHA hearing any PHA documents that are directly relevant to the hearing. The family must be allowed to copy any such document at the family's expense. If the PHA does not make the document

available for examination on request of the family, the PHA may not rely on the document at the hearing.

(ii) By PHA. The PHA hearing procedures may provide that the PHA must be given the opportunity to examine at PHA offices before the PHA hearing any family documents that are directly relevant to the hearing. The PHA must be allowed to copy any such document at the PHA's expense. If the family does not make the document available for examination on request of the PHA, the family may not rely on the document at the hearing.

(iii) Documents. The term "documents" includes records and regulations.

(3) Representation of family. At its own expense, the family may be represented by a lawyer or other representative.

(4) Hearing officer: Appointment and authority.

(i) The hearing may be conducted by any person or persons designated by the PHA, other than a person who made or approved the decision under review or a subordinate of this person.

(ii) The person who conducts the hearing may regulate the conduct of the hearing in accordance with the PHA hearing procedures.

(5) Evidence. The PHA and the family must be given the opportunity to present evidence, and may question any witnesses. Evidence may be considered without regard to admissibility under the rules of evidence applicable to judicial proceedings.

(6) Issuance of decision. The person who conducts the hearing must issue a written decision, stating briefly the reasons for the decision. Factual determinations relating to the individual circumstances of the family shall be based on a preponderance of the evidence presented at the hearing. A copy of the hearing decision shall be furnished promptly to the family.

(f) Effect of decision. The PHA is not bound by a hearing decision:

(1) Concerning a matter for which the PHA is not required to provide an opportunity for an informal hearing under this section, or that otherwise exceeds the authority of the person conducting the hearing under the PHA hearing procedures.

(2) Contrary to HUD regulations or requirements, or otherwise contrary to federal, State, or local law.

(3) If the PHA determines that it is not bound by a hearing decision, the PHA must promptly notify the family of the determination, and of the reasons for the determination.

(g) Restrictions on assistance to noncitizens. The informal hearing provisions for the denial of assistance on the basis of ineligible immigration status are contained in 24 CFR part 5.

(Approved by the Office of Management and Budget under control number 2577-0169)

Credits

[60 FR 45661, Sept. 1, 1995; 61 FR 13627, March 27, 1996; 64 FR 26650, May 14, 1999; 64 FR 43613, Aug. 11, 1999; 64 FR 56911, Oct. 21, 1999; 65 FR 16823, March 30, 2000; 80 FR 8247, Feb. 17, 2015; 80 FR 50575, Aug. 20, 2015]

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Code of Federal Regulations

Title 24. Housing and Urban Development

Subtitle B. Regulations Relating to Housing and Urban Development

Chapter IX. Office of Assistant Secretary for Public and Indian Housing,
Department of Housing and Urban Development (Refs & Annos)

Part 982. Section 8 Tenant-Based Assistance: Housing Choice Voucher
Program (Refs & Annos)

Subpart B. HUD Requirements and Pha Plan for Administration of
Program (Refs & Annos)

24 C.F.R. § 982.54

§ 982.54 Administrative plan.

Effective: January 17, 2017

Currentness

(a) The PHA must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The administrative plan and any revisions of the plan must be formally adopted by the PHA Board of Commissioners or other authorized PHA officials. The administrative plan states PHA policy on matters for which the PHA has discretion to establish local policies.

(b) The administrative plan must be in accordance with HUD regulations and requirements. The administrative plan is a supporting document to the PHA plan (part 903 of this title) and must be available for public review. The PHA must revise the administrative plan if needed to comply with HUD requirements.

(c) The PHA must administer the program in accordance with the PHA administrative plan.

(d) The PHA administrative plan must cover PHA policies on these subjects:

(1) Selection and admission of applicants from the PHA waiting list, including any PHA admission preferences, procedures for removing applicant names from the waiting list, and procedures for closing and reopening the PHA waiting list;

(2) Issuing or denying vouchers, including PHA policy governing the voucher term and any extensions of the voucher term. If the PHA decides to allow extensions of the voucher term, the PHA administrative plan must describe how the PHA determines whether to grant extensions, and how the PHA determines the length of any extension.

(3) Any special rules for use of available funds when HUD provides funding to the PHA for a special purpose (e.g., desegregation), including funding for specified families or a specified category of families;

(4) Occupancy policies, including:

(i) Definition of what group of persons may qualify as a “family”;

(ii) Definition of when a family is considered to be “continuously assisted”;

(iii) Standards for denying admission or terminating assistance based on criminal activity or alcohol abuse in accordance with § 982.553;

(5) Encouraging participation by owners of suitable units located outside areas of low income or minority concentration;

(6) Assisting a family that claims that illegal discrimination has prevented the family from leasing a suitable unit;

(7) Providing information about a family to prospective owners;

(8) Disapproval of owners;

(9) Subsidy standards;

- (10) Family absence from the dwelling unit;
- (11) How to determine who remains in the program if a family breaks up;
- (12) Informal review procedures for applicants;
- (13) Informal hearing procedures for participants;
- (14) The process for establishing and revising payment standards, including policies on administering decreases in the payment standard during the HAP contract term (see § 982.505(d)(3)).
- (15) The method of determining that rent to owner is a reasonable rent (initially and during the term of a HAP contract);
- (16) Special policies concerning special housing types in the program (e.g., use of shared housing);
- (17) Policies concerning payment by a family to the PHA of amounts the family owes the PHA;
- (18) Interim redeterminations of family income and composition;
- (19) Restrictions, if any, on the number of moves by a participant family (see § 982.354(c));
- (20) Approval by the Board of Commissioners or other authorized officials to charge the administrative fee reserve;
- (21) Procedural guidelines and performance standards for conducting required HQS inspections; and

(22) PHA screening of applicants for family behavior or suitability for tenancy.

(23) Policies concerning application of Small Area FMRs to project-based voucher units (see § 888.113(h)).

(Approved by the Office of Management and Budget under control number 2577-0169)

Credits

[60 FR 45661, Sept. 1, 1995; 61 FR 27163, May 30, 1996; 63 FR 23859, April 30, 1998; 64 FR 26641, May 14, 1999; 64 FR 43613, Aug. 11, 1999; 64 FR 49658, Sept. 14, 1999; 64 FR 56911, Oct. 21, 1999; 66 FR 28804, May 24, 2001; 80 FR 8245, Feb. 17, 2015; 80 FR 50572, Aug. 20, 2015; 81 FR 80582, Nov. 16, 2016]

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Code of Federal Regulations
Title 24. Housing and Urban Development
Subtitle B. Regulations Relating to Housing and Urban Development
Chapter IX. Office of Assistant Secretary for Public and Indian Housing,
Department of Housing and Urban Development (Refs & Annos)
Part 985. Section 8 Management Assessment Program (Semap) (Refs &
Annos)
Subpart A. General

24 C.F.R. § 985.3

§ 985.3 Indicators, HUD verification methods and ratings.

Effective: January 17, 2017

Currentness

This section states the performance indicators that are used to assess PHA Section 8 management. HUD will use the verification method identified for each indicator in reviewing the accuracy of an PHA's annual SEMAP certification. HUD will prepare a SEMAP profile for each PHA and will assign a rating for each indicator as shown. If the HUD verification method for the indicator relies on data in MTCS and HUD determines those data are insufficient to verify the PHA's certification on the indicator due to the PHA's failure to adequately report family data, HUD will assign a zero rating for the indicator. The method for selecting the PHA's quality control sample under paragraphs (a), (b), (c) and (f) of this section must leave a clear audit trail that can be used to verify that the PHA's quality control sample was drawn in an unbiased manner.

An PHA that expends less than \$300,000 in Federal awards and whose Section 8 programs are not audited by an independent auditor (IA), will not be rated under the SEMAP indicators in paragraphs (a) through (g) of this section for which the annual IA audit report is a HUD verification method. For those PHAs, the SEMAP score and overall performance rating will be determined based only on the remaining indicators in paragraphs (i) through (o) of this section as applicable. Although the SEMAP performance rating will not be determined using the indicators in paragraphs (a) through (g) of this section, PHAs not subject to Federal audit requirements must still complete the SEMAP certification for these indicators and performance under the indicators is subject to HUD confirmatory reviews.

(a) Selection from the waiting list.

(1) This indicator shows whether the PHA has written policies in its administrative plan for selecting applicants from the waiting list and whether the PHA follows these policies when selecting applicants for admission from the waiting list. (24 CFR 982.54(d)(1) and 982.204(a))

(2) HUD verification method: The independent auditor (IA) annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that:

(A) The PHA has written waiting list selection policies in its administrative plan and,

(B) Based on the PHA's quality control samples, drawn separately for applicants reaching the top of the waiting list and for admissions, documentation shows that at least 98 percent of the families in both samples of applicants and admissions were selected from the waiting list for admission in accordance with these policies and met the selection criteria that determined their places on the waiting list and their order of selection. 15 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (a)(3)(i) of this section. 0 points.

(b) Reasonable rent.

(1) This indicator shows whether the PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units: At the time of initial leasing; if there is any increase in the rent to owner; at the HAP contract anniversary if there is a 10 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary.

The PHA's method must take into consideration the location, size, type, quality and age of the units, and the amenities, housing services, and maintenance and utilities provided by the owners in determining comparability and the reasonable rent. (24 CFR 982.4, 24 CFR 982.54(d)(15), 982.158(f)(7) and 982.507)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that:

(A) The PHA has a reasonable written method to determine reasonable rent which considers location, size, type, quality and age of the units and the amenities, housing services, and maintenance and utilities provided by the owners; and

(B) Based on the PHA's quality control sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination that the rent to owner is reasonable in accordance with § 982.507 of this chapter for at least 98 percent of units sampled at the time of initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (b)(3)(i) of this section, except that the PHA documents its determination of reasonable rent for only 80 to 97 percent of units sampled at initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (b)(3)(i) or (b)(3)(ii) of this section. 0 points.

(c) Determination of adjusted income.

(1) This indicator shows whether, at the time of admission and annual reexamination, the PHA verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for utilities under the lease, the PHA uses the appropriate utility allowances for the unit leased in determining the gross rent. (24 CFR part 5, subpart F and 24 CFR 982.516)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that, based on the PHA's quality control sample of tenant files, for at least 90 percent of families:

(A) The PHA obtains third party verification of reported family annual income, the value of assets totalling more than \$5,000, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, and uses the verified information in determining adjusted income, and/or documents tenant files to show why third party verification was not available;

(B) The PHA properly attributes and calculates allowances for any medical, child care, and/or disability assistance expenses; and

(C) The PHA uses the appropriate utility allowances to determine gross rent for the unit leased. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (c)(3)(i) of this section, except that the PHA obtains and uses independent verification of income, properly attributes allowances, and uses the appropriate utility allowances for only 80 to 89 percent of families. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (c)(3)(i) or (c)(3)(ii) of this section. 0 points.

(d) Utility Allowance Schedule.

(1) This indicator shows whether the PHA maintains an up-to-date utility allowance schedule. (24 CFR 982.517)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that the PHA reviewed utility rate data within the last 12 months, and adjusted its utility allowance schedule if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised. 5 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (d)(3)(i) of this section. 0 points.

(e) HQS quality control inspections.

(1) This indicator shows whether an PHA supervisor or other qualified person reinspects a sample of units under contract during the PHA fiscal year, which meets the minimum sample size requirements specified at § 985.2 under PHA's quality control sample, for quality control of HQS inspections. The PHA supervisor's reinspected sample is to be drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding reinspection) and is to be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors. (24 CFR 982.405(b))

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that an PHA supervisor or other qualified person performed quality control HQS reinspections during the PHA fiscal year for a sample of units under contract which meets the minimum sample size requirements specified in § 983.2 under PHA's quality control sample. The PHA's SEMAP certification also states that the reinspected sample was drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding the quality control reinspection) and was drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors. 5 points.

(ii) The PHA's SEMAP certification does not support the statements in paragraph (e)(3)(i) of this section. 0 points.

(f) HQS enforcement.

(1) This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any PHA-approved extension. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce the family obligations. (24 CFR 982.404)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that the PHA's quality control sample of case files with failed HQS inspections shows that, for all cases sampled, any cited life-threatening HQS deficiencies were corrected within 24 hours from the inspection and, for at least 98 percent of cases sampled, all other cited HQS deficiencies were corrected within no more than 30 calendar days from the inspection or any PHA-approved extension, or, if any life-threatening HQS deficiencies were not corrected within 24 hours and all other HQS deficiencies were not corrected within 30 calendar days or any PHA-approved extension, the PHA stopped

(abated) housing assistance payments beginning no later than the first of the month following the correction period, or took prompt and vigorous action to enforce family obligations. 10 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (f)(3)(i) of this section. 0 points.

(g) Expanding housing opportunities.

(1) This indicator applies only to PHAs with jurisdiction in metropolitan FMR areas. The indicator shows whether the PHA has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units both inside and outside the PHA's jurisdiction; and supplies a list of landlords or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration. (24 CFR 982.54(d)(5), 982.301(a) and 982.301(b)(4) and 982.301(b)(12))

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating:

(i) The PHA's SEMAP certification states that:

(A) The PHA has a written policy in its administrative plan which includes actions the PHA will take to encourage participation by owners of units located outside areas of poverty or minority concentration, and which clearly delineates areas in its jurisdiction that the PHA considers areas of poverty or minority concentration;

(B) PHA documentation shows that the PHA has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

(C) The PHA has prepared maps that show various areas with housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction; has assembled information about the characteristics of those areas which may include information about job opportunities, schools, transportation and other services in these areas; and can demonstrate that it uses the maps and area characteristics information when briefing rental voucher holders about the full range of areas where they may look for housing;

(D) The PHA's information packet for rental voucher holders contains either a list of owners who are willing to lease (or properties available for lease) under the rental voucher program; or a current list of other organizations that will help families find units and the PHA can demonstrate that the list(s) includes properties or organizations that operate outside areas of poverty or minority concentration;

(E) The PHA's information packet includes an explanation of how portability works and includes a list of portability contact persons for neighboring housing agencies, with the name, address and telephone number of each, for use by families who move under portability; and

(F) PHA documentation shows that the PHA has analyzed whether rental voucher holders have experienced difficulties in finding housing outside areas of poverty or minority concentration and, if such difficulties have been found, PHA documentation shows that the PHA has analyzed whether it is appropriate to seek approval of exception payment standard amounts in any part of its jurisdiction and has sought HUD approval of exception payment standard amounts when necessary. 5 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (g)(3)(i) of this section. 0 points.

(h) Deconcentration bonus.

(1) Submission of deconcentration data in the HUD-prescribed format for this indicator is mandatory for a PHA using one or more payment standard amount(s) that exceed(s) 100 percent of the published FMR set at the 50th percentile rent to provide access to a broad range of housing opportunities throughout a metropolitan area in accordance with §

888.113(c) of this title, starting with the second full PHA fiscal year following initial use of payment standard amounts based on the FMR set at the 50th percentile rent. Submission of deconcentration data for this indicator is optional for all other PHAs. Additional SEMAP points are available to PHAs that have jurisdiction in metropolitan FMR areas and that choose to submit with their SEMAP certifications certain data, in a HUD-prescribed format, on the percent of their tenant-based Section 8 families with children who live in, and who have moved during the PHA fiscal year to, low poverty census tracts in the PHA's principal operating area. For purposes of this indicator, the PHA's principal operating area is the geographic entity for which the Census tabulates data that most closely matches the PHA's geographic jurisdiction under State or local law (e.g., city, county, metropolitan statistical area) as determined by the PHA, subject to HUD review. A low poverty census tract is defined as a census tract where the poverty rate of the tract is at or below 10 percent, or at or below the overall poverty rate for the principal operating area of the PHA, whichever is greater. The PHA determines the overall poverty rate for its principal operating area using the most recent available decennial Census data. Family data used for the PHA's analysis must be the same information as reported to MTCS for the PHA's tenant-based Section 8 families with children. If HUD determines that the quantity of MTCS data is insufficient for adequate analysis, HUD will not award points under this bonus indicator. Bonus points will be awarded if:

(i) Half or more of all Section 8 families with children assisted by the PHA in its principal operating area at the end of the last completed PHA fiscal year reside in low poverty census tracts;

(ii) The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area during the last completed PHA fiscal year is at least 2 percentage points higher than the percent of all Section 8 families with children who reside in low poverty census tracts at the end of the last completed PHA fiscal year; or

(iii) The percent of Section 8 families with children who moved to low-poverty census tracts in the PHA's principal operating area over the last two completed PHA fiscal years is at least 2 percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the second to last completed PHA fiscal year.

(iv) State and regional PHAs that provide Section 8 rental assistance in more than one metropolitan area within a State or region make these determinations separately for each metropolitan area or portion of a metropolitan area where the PHA has assisted at least 20 Section 8 families with children in the last completed PHA fiscal year.

(2) HUD verification methods: PHA data submitted for the deconcentration bonus, the IA annual audit report covering the PHA fiscal year entered on the SEMAP certification, and on-site confirmatory review if performed.

(3) Rating:

(i) The data submitted by the PHA for the deconcentration bonus shows that the PHA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section. 5 points.

(ii) The data submitted by the PHA for the deconcentration bonus does not show that the PHA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section. 0 points.

(i) Payment standards.

(1) This indicator shows whether the PHA has adopted a payment standard schedule that establishes voucher payment standard amounts by unit size for each FMR area in the PHA jurisdiction, and, if applicable, separate payment standard amounts by unit size for a PHA-designated part of an FMR area, which payment standards do not exceed 110 percent of the current applicable published FMRs and which are not less than 90 percent of the current applicable published FMRs (unless a higher or lower payment standard amount is approved by HUD). (§ 982.503 of this chapter.) For purposes of this paragraph, payment standards that do not exceed 110 percent of the current applicable published FMRs include exception payment standards established by the PHA in accordance with 982.503(c)(iii).

(2) HUD verification method: PHA data submitted on the SEMAP certification form concerning payment standards.

(3) Rating:

(i) The PHA's voucher program payment standard schedule contains payment standards which do not exceed 110 percent of the current applicable published FMR and which are

not less than 90 percent of the current applicable published FMR (unless a higher or lower payment standard amount is approved by HUD). 5 points.

(ii) The PHA's voucher program payment standard schedule contains payment standards which exceed 110 percent of the current applicable published FMRs or which are less than 90 percent of the current applicable published FMRs (unless a higher or lower payment standard amount is approved by HUD). 0 points.

(j) Annual reexaminations.

(1) This indicator shows whether the PHA completes a reexamination for each participating family at least every 12 months. (24 CFR 5.617).

(2) HUD verification method: MTCS report—Shows percent of reexaminations that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the PHA's electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual reexaminations is permitted.

(3) Rating:

(i) Fewer than 5 percent of all PHA reexaminations are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all PHA reexaminations are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all PHA reexaminations are more than 2 months overdue. 0 points.

(k) Correct tenant rent calculations.

(1) This indicator shows whether the PHA correctly calculates tenant rent in the rental certificate program and the family's share of the rent to owner in the rental voucher program. (24 CFR 982 subpart K).

(2) HUD verification method: MTCS report—Shows percent of tenant rent and family's share of the rent to owner calculations that are incorrect based on data sent to HUD by the PHA on Forms HUD-50058. The MTCS data used for verification cover only voucher program and regular certificate program tenancies, and do not include rent calculation discrepancies for manufactured home owner rentals of manufactured home spaces under the certificate program or for proration of assistance under the noncitizen rule.

(3) Ratings:

(i) 2 percent or fewer of PHA tenant rent and family's share of the rent to owner calculations are incorrect. 5 points.

(ii) More than 2 percent of PHA tenant rent and family's share of the rent to owner calculations are incorrect. 0 points.

(l) Pre-contract housing quality standards (HQS) inspections.

(1) This indicator shows whether newly leased units pass HQS inspection on or before the beginning date of the assisted lease and HAP contract. (24 CFR 982.305).

(2) HUD verification method: MTCS report—Shows percent of newly leased units where the beginning date of the assistance contract is before the date the unit passed HQS inspection.

(3) Rating:

(i) 98 to 100 percent of newly leased units passed HQS inspection before the beginning date of the assisted lease and HAP contract. 5 points.

(ii) Fewer than 98 percent of newly leased units passed HQS inspection before the beginning date of the assisted lease and HAP contract. 0 points.

(m) Annual HQS inspections.

(1) This indicator shows whether the PHA inspects each unit under contract at least annually. (24 CFR 982.405(a))

(2) HUD verification method: MTCS report—Shows percent of HQS inspections that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the PHA's electronic reporting of the annual HQS inspection on Form HUD-50058, and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual HQS inspections is permitted.

(3) Rating:

(i) Fewer than 5 percent of annual HQS inspections of units under contract are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 0 points.

(n) Lease-up. The provisions of this paragraph (n) apply to the first SEMAP certification due after July 2, 2012.

(1) The indicator: This indicator shows whether the PHA enters into HAP contracts for the number of the PHA's baseline voucher units (units that are contracted under a Consolidated ACC) for the calendar year that ends on or before the PHA's fiscal year or whether the PHA has expended its allocated budget authority for the same calendar year. Allocated budget

authority will be based upon the PHA's eligibility, which includes budget authority obligated for the calendar year and any portion of HAP reserves attributable to the budget authority that was offset from reserves during the calendar year. Litigation units and funding will be excluded from this indicator, and new increments will be excluded for 12 months from the effective date of the increment on the Consolidated ACC. Units assisted under the voucher homeownership option and units occupied under a project-based HAP contract are included in the measurement of this indicator.

(2) HUD verification method: This method is based on the percent of units leased under a tenant-based or project-based HAP contract or occupied by homeowners under the voucher homeownership option during the calendar year that ends on or before the assessed PHA's fiscal year, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA's fiscal year. The percent of units leased is determined by taking unit months leased under a HAP contract and unit months occupied by homeowners under the voucher homeownership option, as shown in HUD systems for the calendar year that ends on or before the assessed PHA fiscal year, and dividing that number by the number of unit months available for leasing based on the number of baseline units available at the beginning of the calendar year.

(3) Rating:

(i) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA fiscal year was 98 percent or more. (20 points.)

(ii) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA fiscal year was 95 to 97 percent. (15 points.)

(iii) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA fiscal year was less than 95 percent. (0 points.)

(o) Family self-sufficiency (FSS) enrollment and escrow accounts.

(1) This indicator applies only to PHAs with mandatory FSS programs. The indicator consists of 2 components which show whether the PHA has enrolled families in the FSS program as required, and the extent of the PHA's progress in supporting FSS by measuring the percent of current FSS participants with FSS progress reports entered in MTCS that have had increases in earned income which resulted in escrow account balances. (24 CFR 984.105 and 984.305)

(2) HUD verification method: MTCS report—Shows number of families currently enrolled in FSS. This number is divided by the number of mandatory FSS slots, as determined under § 984.105 of this chapter. An MTCS report also shows the percent of FSS families with FSS progress reports who have escrow account balances. HUD also uses information reported on the SEMAP certification by initial PHAs concerning FSS families enrolled in their FSS programs but who have moved under portability to the jurisdiction of another PHA.

(3) Rating:

(i) The PHA has filled 80 percent or more of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 10 points.

(ii) The PHA has filled 60 to 79 percent of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 8 points.

(iii) The PHA has filled 80 percent or more of its mandatory FSS slots, but fewer than 30 percent of FSS families have escrow account balances. 5 points.

(iv) 30 percent or more of FSS families have escrow account balances, but fewer than 60 percent of the PHA's mandatory FSS slots are filled. 5 points.

(v) The PHA has filled 60 to 79 percent of its mandatory FSS slots, but fewer than 30 percent of FSS families have escrow account balances. 3 points.

(vi) The PHA has filled fewer than 60 percent of its mandatory FSS slots and less than 30 percent of FSS families have escrow account balances. 0 points.

(p) Success rate of voucher holders.

(1) This indicator shows whether voucher holders were successful in leasing units with voucher assistance. This indicator applies only to PHAs that have received approval to establish success rate payment standard amounts in accordance with § 982.503(e). This indicator becomes initially effective for the second full PHA fiscal year following the date of HUD approval of success rate payment standard amounts.

(2) HUD verification method: MTCS Report.

(3) Rating (5 points):

(i) The proportion of families issued rental vouchers during the last PHA fiscal year that have become participants in the voucher program is more than the higher of:

(A) 75 percent; or

(B) The proportion of families issued rental vouchers that became participants in the program during the six month period utilized to determine eligibility for success rate payment standards under § 982.503(e)(1) plus 5 percentage points; and

(ii) The percent of units leased during the last PHA fiscal year was 95 percent or more, or the percent of allocated budget authority expended during the last PHA fiscal year was 95 percent or more following the methodology of § 985.3(n).

Credits

[64 FR 40497, July 26, 1999; 64 FR 67983, Dec. 3, 1999; 65 FR 16733, March 29, 2000; 65 FR 16823, March 30, 2000; 65 FR 58875, Oct. 2, 2000; 66 FR 50005, Oct. 1, 2001; 77 FR 32018, May 31, 2012; 81 FR 80583, Nov. 16, 2016]

AUTHORITY: 42 U.S.C. 1437a, 1437c, 1437f, and 3535(d).

Current through March 19, 2020; 85 FR 15741.

End of Document

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EXHIBIT 3

West's Hawai'i Revised Statutes Annotated
Division 1. Government
Title 8. Public Proceedings and Records
Chapter 91. Administrative Procedure (Refs & Annos)

HRS § 91-9

§ 91-9. Contested cases; notice; hearing; records

Currentness

(a) Subject to section 91-8.5, in any contested case, all parties shall be afforded an opportunity for hearing after reasonable notice.

(b) The notice shall include a statement of:

(1) The date, time, place, and nature of hearing;

(2) The legal authority under which the hearing is to be held;

(3) The particular sections of the statutes and rules involved;

(4) An explicit statement in plain language of the issues involved and the facts alleged by the agency in support thereof; provided that if the agency is unable to state such issues and facts in detail at the time the notice is served, the initial notice may be limited to a statement of the issues involved, and thereafter upon application a bill of particulars shall be furnished;

(5) The fact that any party may retain counsel if the party so desires and the fact that an individual may appear on the individual's own behalf, or a member of a partnership may represent the partnership, or an officer or authorized employee of a corporation or trust or association may represent the corporation, trust, or association.

(c) Opportunities shall be afforded all parties to present evidence and argument on all issues involved.

(d) Any procedure in a contested case may be modified or waived by stipulation of the parties and informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

(e) For the purpose of agency decisions, the record shall include:

(1) All pleadings, motions, intermediate rulings;

(2) Evidence received or considered, including oral testimony, exhibits, and a statement of matters officially noticed;

(3) Offers of proof and rulings thereon;

(4) Proposed findings and exceptions;

(5) Report of the officer who presided at the hearing;

(6) Staff memoranda submitted to members of the agency in connection with their consideration of the case.

(f) It shall not be necessary to transcribe the record unless requested for purposes of rehearing or court review.

(g) No matters outside the record shall be considered by the agency in making its decision except as provided herein.

Credits

Laws 1961, ch. 103, § 9; 1965 Supp., § 6C-9; H.R.S. § 91-9; Laws 1980, ch. 130, § 1; Laws 1984, ch. 90, § 1; Laws 2003, ch. 76, § 2.

H R S § 91-9, HI ST § 91-9

Current through the end of the 2019 Regular Session. Some statute sections may be more current; see credits for details.

End of Document

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EXHIBIT 4

B.	Annual Plan.
B.1	<p>Revision of PHA Plan Elements.</p> <p>(a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Housing Needs and Strategy for Addressing Housing Needs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Financial Resources.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Rent Determination.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Operation and Management.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Informal Review and Hearing Procedures.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Homeownership Programs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Substantial Deviation.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Significant Amendment/Modification.</p> <p>(b) If the PHA answered yes for any element, describe the revisions for each element(s):</p>
B.2	<p>New Activities</p> <p>(a) Does the PHA intend to undertake any new activities related to the following in the PHA's current Fiscal Year?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Project Based Vouchers. See Appendix B</p> <p>(b) If this activity is planned for the current Fiscal Year, describe the activities. Provide the projected number of project-based units and general locations, and describe how project-basing would be consistent with the PHA Plan.</p>
B.3	<p>Most Recent Fiscal Year Audit.</p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> See Appendix C</p> <p>(b) If yes, please describe:</p>
B.4	<p>Civil Rights Certification</p> <p>Form HUD-50077, <i>PHA Certifications of Compliance with the PHA Plans and Related Regulations</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix D</p>
B.5	<p>Certification by State or Local Officials.</p> <p>Form HUD-50077-SL, <i>Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan. See Appendix E</p>
B.6	<p>Progress Report.</p> <p>Provide a description of the PHA's progress in meeting its Mission and Goals described in its 5-Year PHA Plan. See Appendix F</p>
B.7	<p>Resident Advisory Board (RAB) Comments.</p> <p>(a) Did the RAB(s) provide comments to the PHA Plan?</p> <p>Y N</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> See Appendix G</p> <p>(a) If yes, comments must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations.</p>

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-009: Ensuring Tenant Files Properly Support Eligibility Determinations

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871, 14.879
Program: Housing Choice Voucher Cluster
Award Number and Year: N/A 2018
Requirement: Eligibility
Type of Finding: Non-Compliance and Material Weakness

Criteria: The City administers the program under the Operational Procedures Manual (the Manual). The Manual incorporates the requirements of Title 24 of the Code of Federal Regulations, Parts 1, 5, 8, 882, 888, and 982 and requires each family to complete an application form for consideration of admission to the program. The current application form is referred to as the “Section 8 Household Application/Annual Update Form” (the Application). The Application is used to document the household’s asset, income and family identity information and the results of the verification of that information. The Application must be signed by all adult members of the household and a “Housing Examiner.”

Condition: 3 of the program’s eligibility determinations contained errors. Income targeting requirements were not met.

Context: We selected a non-statistical sample of 60 tenant files out of a population of 3,968 for testing. The tenant files selected represented benefit payments of approximately \$70,000 out of a total benefit payment population of approximately \$49 million. The results of our testing were the following:

- 2 tenant files where the Housing Examiner’s signature was missing from the Application resulting in questioned costs of \$2,196.
- 1 tenant file where the original Application was amended to include an additional family member, however a revised Application was not completed resulting in questioned costs of \$327.

Cause: Although the City has policies and procedures in place to ensure that eligibility determinations are properly supported, there was a lack of diligence in complying with the policies and procedures.

Effect: The City was not compliant with the program’s eligibility requirements and may have incurred unallowable costs.

Questioned Costs: \$2,523

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Identification of a repeat finding: This is a repeat audit from the immediate previous audit, 2017-007.

Recommendations: We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-010: Income Targeting

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871, 14.879
Program: Housing Choice Voucher Cluster
Award Number and Year: N/A 2018
Requirement: Eligibility
Type of Finding: Non-Compliance and Material Weakness

Criteria: 24 CFR 982.201(b)(2) requires that at least 75 percent of families admitted into the program during the fiscal year be extremely low income families. A lower percent of extremely low income families may be admitted with HUD's approval. Extremely low income families are low income families whose annual income does not exceed 30 percent of the median income for the area.

Condition: Income targeting requirements were not met.

Context: 206 out of the 283 (approximately 73 percent) families admitted during the fiscal year were extremely low income, which was less than the 75 percent requirement. Approval to admit a lower percent of extremely low income families was not requested from HUD until after audit fieldwork.

Cause: The income targeting requirement that at least 75 percent of families admitted into the program be extremely low income families was not met as there were not enough extremely low income families on the waiting list to fill the available slots and approval to deviate from the requirement was not requested from HUD.

Effect: The City was not compliant with the program's eligibility requirements.

Questioned Costs: None noted

Identification of a repeat finding: Not applicable

Recommendations: We recommend the City comply with the requirement or seek waivers where applicable.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2018-011 Participant Selection from the Waiting List

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871/14.879
Program: Housing Choice Voucher Cluster
Award Number and Year N/A 2017
Requirement: Special Tests
Type of Finding: Non-Compliance and Material Weakness

Criteria: 24 CFR 982.204 requires participants to be selected from the Public Housing Agency's (PHA) waiting list, except for special admissions. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission.

Condition: Participants were not selected and notified to attend an orientation meeting in the order that they appeared on the waiting list.

Context: We selected a non-statistical sample of 60 applicants from the waiting list to test. The results of our testing are as follows:

- 6 applicants were notified to attend orientation meetings later than applicants lower on the waiting list
- 5 applicants were notified to attend orientation meetings before other applicants that were higher on the waiting list
- 1 applicant was erroneously not provided a notification to attend an orientation meeting
- 1 applicant was provided a notification to attend an orientation meeting that did not include a date or time for the orientation meeting

Cause: Although the City has policies and procedures in place to ensure that applicants are properly selected from the waiting list, there was a lack of diligence in complying with the policies and procedures. There were increased errors in the second half of the fiscal year due to new personnel assuming responsibility for generating the notifications to applicants in the proper order.

Effect: The City was not compliant with the program's policies and procedures over the selection of applicants from the waiting list.

**City and County of Honolulu
State of Hawaii**

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs (continued)

Questioned Costs: None noted.

Identification of a repeat finding: Not applicable

Recommendations: We recommend that the City be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.

Views of responsible officials: The City agrees with the finding. See corrective action plan.

Appendix C

**Fiscal Year (FY) 2018 Financial Audit of the City and County of Honolulu, State of Hawai'i
Single Audit of Federal Financial Assistance Programs
Office of the City Auditor**

The following are the three audit recommendations from the FY 2018 Single Audit:

Audit Recommendations				
Category	Finding	Description	Administration's Comment	Completion Date
No. 2018-009 Ensuring Tenant Files Properly Support Eligibility Determination	File Errors (3/60)	We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.	The City will be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.	June 2019
No. 2018-010 Income Targeting	Did not meet the requirement that 75% of families admitted into the program during the FY be extremely low income families. (6/212)	We recommend the City comply with the requirement or seek waivers where applicable.	The City will be more diligent in following its existing income targeting policies and procedures to ensure compliance with the Federal requirements.	June 2019
No. 2018-011 Participant Selection from the Waiting List	Wrong notices or Families taken out of order from Waitlist (13/60)	We recommend that the City be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.	The City will be more diligent in following its policies and procedures and provide additional training and oversight to ensure compliance with the Federal requirements.	June 2019

Landlord Specialist develops relationships with Section 8 tenants and landlords throughout the Island.

The Landlord Specialist coordinates and hosts a monthly Landlord Briefing, if requested. In this Briefing, the Landlord Specialist explains the Section 8 program and answers any questions the Landlords may have. The briefings are also held when requested.

4. Work with the State Department of Health (DOH) to abate homes found with high levels of lead-based paint.

A representative from the PHA attends the "Lead Coalition" meetings at DOH. These meetings are held by the "Hawaii Childhood Lead Poisoning Prevention Program." There are discussions regarding lead prevention, progress, and plans made for the year. The PHA receives a list of addresses where people tested positive for lead every quarter. It is matched with addresses in the PHA's database. If there are matches, the PHA will work with landlords on testing and abatement.

B. Improve the quality of assisted housing

Objectives:

1. Improve and maintain voucher management "high performer" rating

The PHA obtained the "High Performer" rating for the SEMAP certified for the fiscal year ending June 30, 2019 and the PHA continues to strive for the high performance rating.

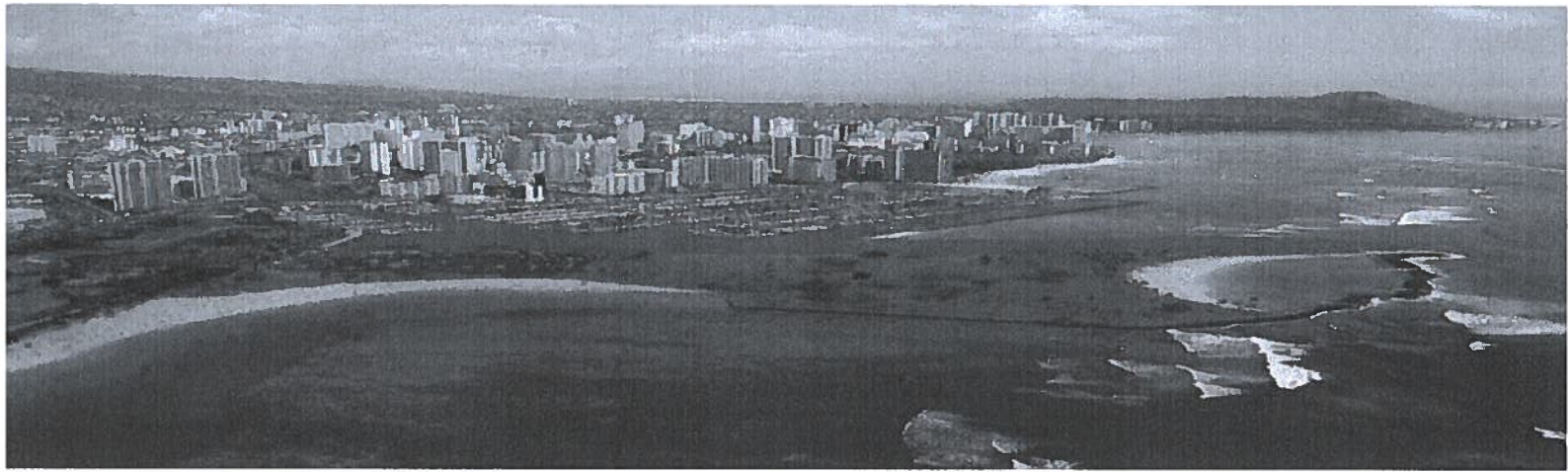
2. Increase customer satisfaction

The Landlord Specialist helps to improve customer satisfaction by performing landlord briefings, meeting with voucher holders to help them find housing, and meeting with service providers to find ways to help program participants.

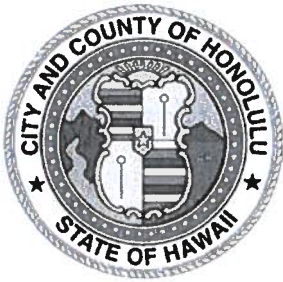
The Landlord Specialist was successful in his outreach to Owners and Agents. The following is from the Landlord Specialist report for CY 2019:

1. Owners/Agents Outreach: 157
 2. Briefings: 47
 3. Community Resources Outreach Affiliation: 11
 4. Voucher Holder Consultations: 94
- 3. Due to SAFMR based payment standards, the PHA will change the policy on changes to payment standard decreases. The "Hold Harmless" policy will be implemented that will allow the family to keep their current payment standard amount should the area's payment standard decrease.**

EXHIBIT 5



Office of the City Auditor



**City and County of
Honolulu
State of Hawai`i**

**Report to the Mayor
and the
City Council of Honolulu**

Audit of the City's Section 8 Tenant-Based Assistance Program

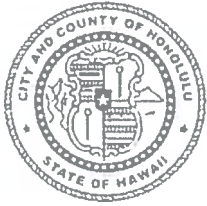
**Report No. 17-03
July 2017**

Audit of City's Section 8 Tenant-Based Assistance Program

A Report to the
Mayor
and the
City Council
of Honolulu

Submitted by

THE CITY AUDITOR
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAII



OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU
1001 KAMOKILA BOULEVARD, SUITE 216, KAPOLEI, HAWAII 96707 / PHONE (808) 768 3134 / FAX (808) 768 3135

EDWIN S.W. YOUNG
CITY AUDITOR

July 24, 2017

The Honorable Ron Menor, Chair
and Members
Honolulu City Council
530 South King Street, 2nd Floor
Honolulu, Hawai'i 96813

Dear Chair Menor and Councilmembers:

A copy of our final report, *Audit of the City's Section 8 Tenant-Based Assistance Program* is attached. This audit was conducted pursuant to City Council Resolution 15-281, which requested the City Auditor to conduct a performance audit of the City's Section 8 Tenant-Based Assistance Program. The resolution, which was adopted by the City Council on November 4, 2015, requested that the city auditor determine whether the city is effectively and appropriately administering the federal program. The resolution also asked that the audit specifically include the following:

- Determine whether city staffing levels are sufficient;
- Discuss barriers for property owners to participate in the program and make recommendations for expanding the list of participating landlords;
- Determine if fraud prevention, detection and reporting practices (internal controls) are adequate; and
- Compare city Section 8 practices with other jurisdictions in the nation.

Background

The city's Housing Choice Voucher (Section 8) program is administered by the Department of Community Services (DCS) which acts as the city's Public Housing Agency (PHA). The city's Housing Choice Voucher Program (Section 8) currently serves approximately 11,211 individuals and 3,499 families. The program is considered to be a critical tool for the reduction and prevention of homelessness, which is one of the mayor's top priorities.

The city receives funding for the program from the U.S. Department of Housing and Urban Development (HUD). The HUD Section 8 program provides low income, very low income, and extremely low income families with rental and housing assistance payments. Applicants must apply for the housing assistance, and city housing specialists determine if the applicant is eligible for the program and the amount of housing subsidy to be paid to the applicant. Applicants pay about 30% of their monthly income for housing and the HUD Section 8 program pays the balance directly to the landlord. Section 8 participant income, expenses, and entitlements are reviewed annually.

The Honorable Ron Menor, Chair
and Members
July 24, 2017
Page 2 of 2

Audit Results

The city's Section 8 program is meeting its federal requirements, but improvements are warranted. More can be done to achieve program goals by addressing staffing concerns particularly for fraud, accounts receivable collections, and information technology. Section 8 does not have a formal fraud program although, as of FY 2016, the program's delinquent accounts receivables totaled approximately \$1.5 million. The program relies on an informal IT support person as a database administrator. The unofficial IT support person's overlapping responsibilities as a housing specialist and providing IT support exposes the program to potential fraud, waste and abuse.

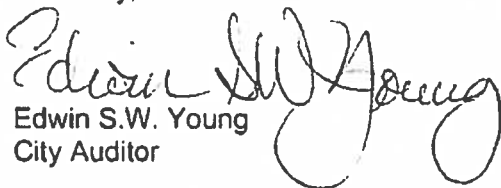
We found the Honolulu caseload per staff is the smallest of the four jurisdictions we reviewed. In our opinion, Honolulu could improve its fraud investigation practices by reviewing best practices from housing agencies that have formal fraud programs and staff designated for fraud detection and investigation. The city could also improve its fraud reporting by utilizing public awareness methods for fraud that the other housing agencies reviewed and used.

The program's landlord outreach efforts needs improvement. Barriers for landlords to participate include the inconsistent reporting of landlord statistics, inadequate landlord briefings, and the lack of policies and procedures for the landlord outreach activities. The program should improve its landlord outreach activities and increase efforts to expand the number of participating landlords. The program should also improve management of active participants; and develop continued eligibility processes for participants to ensure they are still qualified.

Active case management can be improved by maintaining complete documentation and adequate records. The program's handling of informal hearings and fraud recovery cases can be improved to ensure unqualified participants do not remain in the program. We could not measure the program's effectiveness in reducing homelessness because the homeless preference waitlist data was not readily available.

We would like to express our appreciation for the cooperation and assistance provided us by the managers and staffs of the Department of Community Services, and the many others who assisted us during the audit. We are available to meet with you and your staff to discuss the audit report and to provide more information. If you have any questions regarding the audit report, please call me at 768-3134.

Sincerely,


Edwin S.W. Young
City Auditor

c: Kirk Caldwell, Mayor
Roy Amemiya, Jr. Managing Director
Gary K. Nakata, Director, Department of Community Services
Nelson Koyanagi, Jr., Director, Department of Budget and Fiscal Services

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Chapter 1

Introduction and Background

This audit was conducted pursuant to City Council Resolution 15-281, CD1, *Requesting the City Auditor to Conduct a Performance Audit of the City's Section 8 Tenant-Based Assistance Program*. The resolution was adopted by the City Council on November 4, 2015 and requested that the city auditor determine whether the city is effectively and appropriately administering the federal program. The resolution asked that the audit specifically include the following (1) determine whether city staffing levels are sufficient; (2) discuss barriers for property owners to participate in the program and make recommendations for expanding the list of participating landlords; (3) determine if fraud prevention, detection and reporting practices (internal controls) are adequate; and (4) compare city Section 8 practices with other jurisdictions in the nation.

Background

The city's Housing Choice Voucher Program (Section 8) currently serves approximately 11,211 individuals and 3,499 families. The program is considered to be a critical tool for the reduction and prevention of homelessness, which is one of the mayor's top priorities.

The Housing Choice Voucher Program (Section 8)

The U.S. Department of Housing and Development (HUD) Section 8 program provides low income, very low income, and extremely low income families with rental and housing assistance payments. Applicants must apply for the housing assistance, and city housing specialists determine if the applicant is eligible for the program and the amount of housing subsidy to be paid to the applicant. Applicants pay at least 30 percent of their monthly adjusted income for housing and the HUD Section 8 program pays the balance directly to the landlord. Section 8 participant income, expenses, and entitlements are reviewed annually.

HUD Section 8 field offices have delegated responsibility for day-to-day administration of the federal Section 8 program. In the federal program, HUD pays rental subsidies so eligible families can afford decent, safe, and sanitary housing. The program is administered by State and local governmental entities called public housing agencies (PHAs). HUD provides housing assistance funds to the PHAs. HUD also provides funds for PHA administration of the program.

Families select and rent units that meet program housing quality standards. If the PHA approves a family unit and tenancy, the PHA contracts with the owner to make rent subsidy payments on behalf of the family. A PHA may not approve a tenancy unless the rent is reasonable. The subsidy in the Section 8 Assistance Program Housing Choice Voucher (HCV) program is based on a local *payment standard* that reflects the cost to lease a unit in the local housing market. If the rent is less than the payment standard, the family pays at least 30 percent of adjusted monthly income for rent. If the rent is more than the payment standard, the family pays a larger share of the rent.

Project based program. Section 8 assistance may be *project-based* or *tenant-based*. In project-based programs, rental assistance is paid for families who live in specific housing developments or units.

Tenant-based program: With tenant-based assistance, the assisted unit is selected by the family. The family may rent a unit anywhere in the United States located within the jurisdiction of a PHA that runs a voucher program. Program requirements for the Section 8 tenant-based housing assistance program are detailed in the United States Housing Act of 1937, Part 982 of the Code of Federal Regulations.

To receive tenant-based assistance, the family selects a suitable unit. After approving the tenancy, the PHA enters into a contract to make rental subsidy payments to the owner and to subsidize the family occupancy. The PHA contract with the owner only covers a single unit and a specific assisted family. If the family moves out of the leased unit, the contract with the owner terminates. The family may move to another unit with continued assistance so long as the family is complying with program requirements.

Program terms and definitions

Public Housing Agency (PHA): Any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of public housing as defined in Section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437 a (b)(6)).

Housing Assistance Payment (HAP): The payment made by HUD or the Contract Administrator to the owner of an assisted unit is called HAP. If the unit is leased to an eligible family, the HAP payment is the difference between the contract rent and the tenant rent. An additional payment is made to a family when the utility allowance is greater than the total tenant payment. For project-based vouchers, a housing assistance *vacancy payment* may be made to the owner when an assisted unit is vacant in accordance with the terms of the contract. [24 CFR 880.201]

Payment Standard: The maximum amount of assistance for a family assisted in the voucher program.

Enterprise Income Verification (EIV): HUD's computer system must be used by the PHA to verify employment and income during mandatory recertification of family composition, income, and to reduce administrative and subsidy payment errors.

Low Income Family: A family whose annual income does not exceed 80 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families. [24 CFR 5.603]

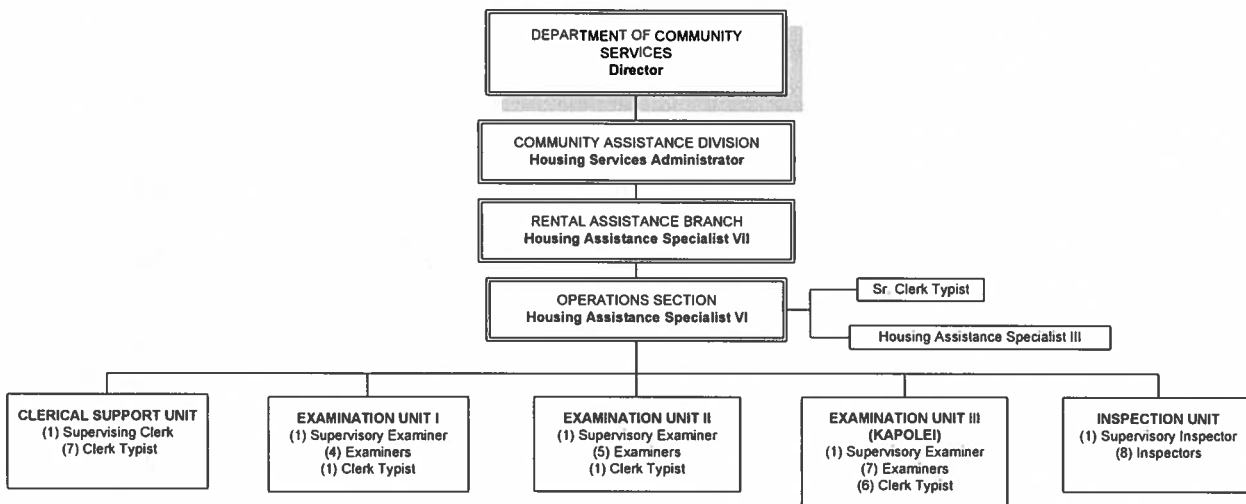
Very low-income family: A very low-income family is a family whose annual income does not exceed 50 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families. [24 CFR 5.603]

Extremely low-income family: A family whose annual income does not exceed 30 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD may establish income ceilings higher or lower than 30 percent of the median income for the area if HUD finds that such variations are necessary because of unusually high or low family incomes. [24 CFR 5.603]

Roles and responsibilities

The Department of Community Services (DCS) Community Assistance Division’s (CAD) Rental Assistance Branch administers the city’s Section 8 Housing Choice Voucher program. DCS acts as the city’s PHA and receives HUD funds for the tenant-based rent assistance program. The DCS and CAD organization is shown below.

**Exhibit 1.1
Community Assistance Division Organizational Chart (as of October 2012)**



Source: Department of Community Services

- The Rental Assistance Branch works with the Department of Budget and Fiscal Services for accounting support, the Department of Information Technology for technology support, and Nan McKay and Associates for training support.
- The Clerical Support Unit provides general administrative and clerical support to the program, primarily for certification and processing of housing assistance payments, data entry and certification.
- The Examination Units make determinations and selections, issues housing certificate/voucher approval leases, recertifies and determines the amount of housing assistance payments-adjustments, and terminates and imposes sanctions for violations.
- The Inspection Unit negotiates rents and conducts inspections.

HUD monitors the DCS administration of the program to ensure program rules are properly followed. DCS is responsible to plan and direct the city's Section 8 Housing Choice Voucher Program and establish policies for the program in accordance with HUD regulations and guidelines.

Housing and Community Development Section 8 Fund

The Housing and Community Development Section 8 Fund (Code 470) accounts for all monies received from the federal government under the Housing and Community Development Act of 1974, under Title II of the Act. Exhibit 1.2 shows the Housing and Community Development Section 8 Funds total operating expenditures and actual revenues for FY 2010 through FY 2015.

Exhibit 1.2

Housing & Community Development Section 8 Fund (470) Expenditures and Actual Revenues – FY 2010 to FY 2015

	Total Operating Expenditures*	Actual Revenues
FY 2010	\$48,485,000	\$44,477,000
FY 2011	\$47,918,000	\$47,729,000
FY 2012	\$45,262,000	\$45,240,000
FY 2013	\$43,941,000	\$43,942,000
FY 2014	\$47,312,000	\$47,224,000
FY 2015	\$46,489,000	\$46,338,000

Source: Comprehensive Annual Financial Report FY 2010 to FY 2015

*According to DCS, Total Operating Expenditures are based on estimates provided 9 months before the start of the fiscal year.

HUD provides funding to DCS for housing assistance payments, and for DCS's operating and administrative costs associated with the Section 8 voucher program. When additional funds become available to assist new families, HUD allows DCS to submit applications to fund additional housing vouchers.

The Section 8 Tenant-Based Assistance Program phases

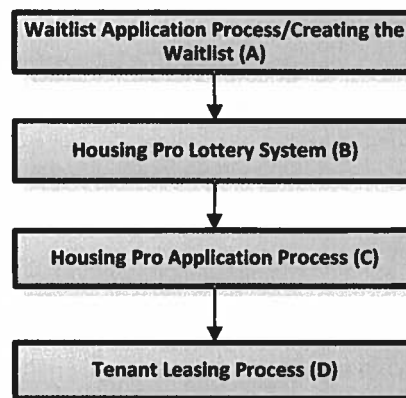
Exhibit 1.3 charts the program phases. Appendix A provides additional details. The program can be broken up into four phases:

- A. Phase One: Waitlist Application Process:** Enrollment is opened and potential Section 8 applicants are accepted and made available for a waitlist.
- B. Phase Two: Housing Pro Lottery System:** The lottery process is used to randomly select applicants from phase one to be placed on the waitlist.

- C. **Phase Three: Housing Pro Application Process:** The active applicant is selected and processed through the Housing Pro System to verify eligibility and to determine the voucher payment amount.

- D. **Phase Four: Tenant Leasing Process:** The active applicant accepts the voucher and has 60 calendar days to find a rental property and secure a lease to become a Section 8 tenant. The applicant housing choice must meet minimum standards of health and safety as determined by DCS and HUD regulations. Once approved, a Housing Choice Voucher Contract is executed between the landlord and the city.

Exhibit 1.3
Section 8 Tenant-Based Assistance Program Flowchart



Source: Office of the City Auditor and Department of Community Services

In 2005, DCS stopped accepting applications for the city’s Section 8 tenant-based voucher program due to excessive demand and a lengthy waiting list. The waitlist remained closed for 9 years. In 2014, DCS reopened the Section 8 waitlist and began accepting new applicants to the program. DCS accepted applications during a one-week period and received more than 14,000 applications. From the applications, 3,100 applicants were randomly selected to be added to the existing waiting list. The 3,100 randomly selected applicants are expected to be sufficient to meet future funding allocations by HUD into 2018.

**Housing Choice Voucher
(HCV) Assistance
Program**

Under the Housing Choice Voucher contract, DCS issues housing assistance payments directly to the landlord on behalf of the participating family. The family is responsible for paying the difference between the actual rent charged by the landlord and the amount subsidized by the program. The difference is based on the household's income and the payment standards set by DCS and HUD regulations.

When a family moves to a new unit, the rental assistance must be recalculated. Federal law states that a family may not pay more than 40 percent of its adjusted monthly income for rent.

**Exhibit 1.4
Housing Choice Voucher Program Performance Measures
(FY 2010-FY 2015)**

	Total Families Served	Total Registered Landlords	Total Section 8 Randomly Selected	Total Applicants Remaining on Waitlist	Total Applicants Processed
FY 2010	3,950	1,634	-	-	-
FY 2011	3,699	1,587	-	-	70
FY 2012	3,383	1,519	-	1,499	89
FY 2013	3,504	1,554	-	561	222
FY 2014	3,420	1,467	-	-	6
FY 2015	3,565	1,500	3,100	2,194	433

Source: Department of Community Services

**Supplemental program:
Veterans Affairs
Supportive Housing
(VASH)**

VASH is a joint effort between HUD and the Department of Veterans Affairs to move veterans and their families out of homelessness and into permanent housing. HUD provides housing assistance through its Housing Choice Voucher Program (Section 8) that allows homeless veterans to rent privately owned housing. As of July 2016, the city administered 65 VASH vouchers.

Audit Objectives, Scope and Methodology

City Council Resolution 15-281, CD1 requested an audit of the city's Section 8 tenant-based program. The audit objective was to evaluate the operational performance of DCS to determine if the city and DCS staff were effectively and appropriately administering the Honolulu City and County's Section 8 Tenant-Based Voucher Program. The resolution audit sub-objectives were to:

- Determine whether current city staffing levels were sufficient;
- Discuss barriers for property owners to participate in the program and make recommendations for expanding the list of participating landlords;
- Determine if fraud prevention, detection and reporting practices were adequate; and
- Compare the city Section 8 practices with other jurisdictions in the nation.

For the audit, we reviewed the city charter, city ordinances, policies and procedures, and reports and plans related to the city's Section 8 program. We assessed internal controls related to the program. We reviewed operational procedures for the city's Section 8 program and toured the program's Honolulu and Kapolei offices.

Our review covered Section 8 program data from FY 2010 through FY 2016. At the Department of Community Services, we reviewed the program's case management software (Housing Pro) for waitlist data, eligibility information, documentation of the reexamination process, payments processing, inspections, accounts receivables, and fraud documentation. We interviewed administrators and staff. We developed a flowchart of the application, eligibility, and inspection/ examination process and reviewed a judgmental sample of selected files to determine if each case followed the flowchart process. We observed the program's application eligibility and landlord briefing process. We also conducted ride-along's with a Section 8 Inspector to observe the Housing Quality Control (HQS) Auditing Inspections.

At the federal level, we reviewed applicable federal laws, rules and guidelines. We also reviewed federal assets for the city's Section 8 program, including the annual Section 8 Management Assessment Program certifications. We interviewed HUD-Veterans Affairs Support Housing program staff that coordinates with the city to provide rental assistance for homeless veterans.

To compare and contrast Honolulu's Section 8 program performance with other jurisdictions, we examined requirements under the Code of Federal Regulations¹ and assessed the city's Section 8 program. We also reviewed comparable Section 8 programs in the County of Santa Clara, CA; Denver, CO; Indianapolis, IN; Boston, MA; Oklahoma City, OK; Metropolitan Development and Housing Agency, TN; Tarrant County, TX; and Dallas County, TX.

In October 2007, this office issued an audit report, *Audit of the City's Management of Unilateral Agreements in Affordable Housing*. The report discussed deficiencies and improvements needed in the Department of Planning and Permitting administration of affordable housing unilateral agreements, in-lieu fee collections, credits, and credit application practices.

This performance audit was performed in accordance with generally accepted government auditing standards from March 2016 to March 2017. Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. We believe that the evidence obtained in this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ Title 24: Housing and Urban Development; Part 982-Section 8 Tenant-Based Assistance: Housing Choice Voucher Program Code of Federal Regulations

Audit Results

The city's Section 8 program is meeting its federal requirements, but improvements are warranted. More can be done to achieve program goals by addressing staffing concerns particularly for fraud, accounts receivable collections, and information technology. Section 8 does not have a formal fraud program although, as of FY 2016, the program's delinquent accounts receivables totaled approximately \$1.5 million. The program relies on an informal Information Technology (IT) support person as a database administrator. The unofficial IT support person's overlapping responsibilities as a housing specialist and providing IT support exposes the program to potential fraud, waste and abuse.

We found the Honolulu caseload per staff is smaller than three of the four jurisdictions we reviewed. In our opinion, DCS could improve its fraud investigation practices by reviewing best practices from housing agencies that have formal fraud programs and staff designated for fraud detection and investigation. The city could also improve its fraud reporting by utilizing public awareness methods for fraud that the other housing agencies reviewed and used.

The program's landlord outreach efforts needs improvement. Barriers for landlords to participate include the inconsistent reporting of landlord statistics, inadequate landlord briefings, and the lack of policies and procedures for the landlord outreach activities². The program should improve its landlord outreach activities and increase efforts to expand the number of participating landlords. The program should also improve management of active participants; and develop continued eligibility processes for participants to ensure they are still qualified.

Active case management can be improved by maintaining complete documentation and adequate records. The program's handling of informal hearings and fraud recovery cases can be improved to ensure unqualified participants do not remain in the program. We could not measure the program's effectiveness in reducing homelessness because the homeless preference waitlist data was not readily available³.

² According to DCS staff, this focus on landlord outreach is case by case; assisting the hard-to-house, disabled, and elderly families are current priorities.

³ DCS staff stated that HUD does not require tracking this data, they are currently scanning documents, and HUD funding is a major constraint for the program.

Chapter 2

Federal Requirements Are Met, but Additional Improvements Are Needed

Highlights

- The Section 8 program needs to actively maintain caseload data for its staff.
- Key staff positions related to fraud prevention, accounts receivable collections, and information technology responsibilities need to be filled.
- DCS needs a system for tracking complaints.
- The Section 8 program lacks a fraud unit and trained fraud investigators.
- DCS needs a delinquent accounts receivable collector. As of FY 2016, DCS had \$1.55 million in delinquent accounts.
- DCS needs formal IT support staff and needs to maintain proper segregation of duties for its staff.

DCS has done well in complying with federal requirements. The city received the high performer rating for HUD's Section 8 Management Assessment Program (SEMAP) from FY 2010 to FY 2016. The rating is based on fourteen indicators and provides assurance that there is no evidence of seriously deficient program performance. The HUD certification is based on its national database of tenant information and information from annual reviews conducted by independent auditors.

We found that additional improvements are needed. More specifically, the program needs to actively maintain staff caseload data; fill missing key staff positions related to fraud prevention, accounts receivable collections, and information technology responsibilities. A system for tracking complaints is also needed. These positions are important for effective program management and to reduce the fraud, waste, and abuse risks.

Staffing Levels and Caseloads

Staffing data is unavailable and not tracked

Federal guidelines state it is critical that housing agencies understand the cost and workload effects of its program policies. Policies and procedures that increase the workload should be adopted only when it helps achieve the program goals.

We could not verify the adequacy of the staffing levels and caseloads because DCS does not track or maintain usable caseload information. Program managers reported problems with staffing when clerical staff took sick leave or vacations. The absences resulted in case examiners assuming both clerical and the case examiner responsibilities. We requested staffing counts by position titles and staff caseload data, but DCS could not readily provide the information or the data provided was incomplete. According to program managers, 8 inspector caseloads could not be provided and staffing info was not tracked because client cases and routes are rotated quarterly⁴.

Due to budget constraints, DCS managers stated they did not attempt to maintain a specific caseload per person or try to distribute caseloads according to a specialist's experience level. Exhibit 2.1 shows the data that DCS provided for examiner caseloads. In our opinion, DCS could improve caseload distribution to prevent overloading its existing staff.

**Exhibit 2.1
Caseload by Examiners FY 2010 to FY 2015**

Examiner	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
A	Unknown	Unknown	Unknown	No change	128	105
B	Unknown	Unknown	Unknown	No change	236	254
C	Unknown	Unknown	Unknown	No change	235	254
D	Unknown	Unknown	Unknown	No change	236	255
E	Unknown	286	242	No change	236	254
F	Unknown	Unknown	Unknown	No change	235	254
G	Unknown	Unknown	121	No change	78	150
H	Unknown	284	242	No change	285	298
I	Unknown	284	242	No change	285	298
J	Unknown	284	242	No change	285	296
K	Unknown	Unknown	Unknown	No change	236	298
L	Unknown	284	242	No change	285	150
M	Not Yet Employed	Not Yet Employed	242	No change	285	298
N	Unknown	286	242	No change	285	297
O	Unknown	286	242	No change	285	298
P	Unknown	0	0	No change	0	0
Total	Unknown	Unknown	Unknown	Unknown	3,615	3,759

Source: Department of Community Services

⁴ DCS staff stated a 2017 software update allows DCS to better track caseloads and the number of cases an examiner has left to complete.

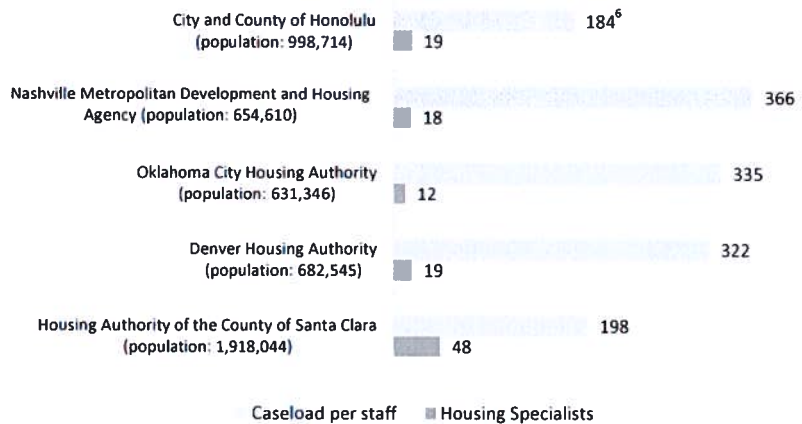
Honolulu ranks lower in caseload per staff compared to other jurisdictions

In our national comparison with four other cities, we found the Honolulu caseload per staff⁵ ranked the lowest. The ranking was based on the overall number of housing vouchers used and the total number of examiners. Exhibit 2.2 shows the staffing and caseload per staff for Honolulu and the other jurisdictions we reviewed.

**Exhibit 2.2
National Comparison: Staffing and Caseload per Staff**

Analysis Highlights

- Of the four jurisdictions reviewed, DCS has the lowest caseload per staff.



Source: Department of Community Services, HUD, and other jurisdictions

DCS Lacks a Fraud Unit and Trained Fraud Investigators

Fraud unit: HUD recommends a formal fraud program to prevent, detect, correct, and report fraud, waste, and abuse. Best practices for handling potential fraudulent claims for public housing agencies include creating a fraud or investigations unit that is responsible for responding to and investigating claims; determining the nature and seriousness of any abuse; and identifying the appropriate course of action. The fraud unit would also: coordinate hearings, follow up with legal staff, prepare repayment agreements, monitor repayment, and establish policies and procedures related to preventing and detecting fraud.

⁵ According to DCS, their caseload is about 250 cases when adjusted for supervisors and others with ½ caseloads or no caseloads and vacant positions.

Other housing programs across the nation have fraud programs and controls in place to minimize the risk of fraud occurring. DCS lacks a fraud investigator. Its fraud investigation process is informal, and handled by DCS staff who are not formally trained in handling fraud cases. As a result, the informal fraud program and lack of fraud investigators could result in unqualified participants remaining in the program and improper payments continuing uncorrected. More specifically:

- DCS housing assistance specialists are tasked with investigating suspected fraud cases although formal, written fraud procedures do not exist.
- 16 Section 8 program staff⁶ are responsible for investigating fraud allegations although they are not formally trained in fraud. The 16 determine the validity of the allegations, document and analyze the findings, and recommend actions to be taken. DCS cannot ensure the consistency or adequacy of the fraud investigations⁷.
- The staff responsible for investigating fraud also managed active cases. This potential conflict of interest contributed to the potential that staff would not report fraud in their active cases.

Other jurisdictions maintain program integrity with fraud investigators and fraud reporting methods

During our review of other housing programs, we found that most Section 8 programs have tools in place for fraud and complaint reporting⁸. For example, the Santa Clara County housing authority had a section for Program Integrity and Reporting Fraud. The Boston Housing Authority staff included a fraud investigator. The Metropolitan Development and Housing Agency in Nashville, Tennessee had a separate section for program integrity. Exhibit 2.3 shows fraud and complaint methods that the various public housing authorities used in their programs.

DCS program participants receive fraud awareness information as handouts in their rental packet. Fraud information is not available on the DCS website and a hotline does not exist for reporting fraud, waste, or abuse.

⁶ The positions are: Housing Assistance Specialist III (13 positions), Housing Assistance Specialist IV (2 positions), and Housing Assistance Specialist V (1 position).

⁷ DCS staff stated they rely on the HUD Office of the Inspector General to initiate and handle fraud complaints.

⁸ Santa Clara County, CA; Denver, CO; Indianapolis, IN; Boston, MA; Oklahoma City, OK; Nashville, TN; Tarrant County, TX; and Dallas County, TX. See Appendix B for the city comparisons.

Exhibit 2.3 National Comparison: Fraud/Complaint Methods

Housing Authority of the County of Santa Clara	<ul style="list-style-type: none">• Program Integrity/Reporting Fraud section• Fraud hotline: 401-993-3000• Fraud allegation form (mail-in or drop-off)• Fraud Investigation, Collections (4 staff persons)• Fraud Alerts on website• Complaint Form
Indianapolis Housing Agency	<ul style="list-style-type: none">• Fraud hotline• Fraud reporting via email• Office of Special Investigations• Avoid Housing Scams Video
Boston Housing Authority	<ul style="list-style-type: none">• Fraud/Compliance Report Form• Fraud Investigator• Department of Grievances and Appeals
Metropolitan Development and Housing Agency (Nashville, TN)	<ul style="list-style-type: none">• Program Integrity-Fraud Detection & Investigation, Collections, Terminations, Hearings• Fraud Reporting Form• Service Complaint Reporting Form
Tarrant County Housing Assistance Office	<ul style="list-style-type: none">• HUD complaint information via phone, online form, or in-person at the office• Fraud Investigator• Department of Grievances and Appeal

Source: Various housing authority websites

DCS Needs a Delinquent Accounts Receivable Collector

During our review of best practices from other housing programs, we found that the County of Santa Clara had staff dedicated to collections. The Nashville, Metropolitan Development and Housing Agency had a collections unit within the program integrity section.

Uncollected delinquent accounts

As of FY 2016, DCS had \$1.55 million in delinquent accounts and the amount is projected to increase each year. The amount was not collected or written off as bad debts because the program lacked a debt collector for its delinquent accounts receivables and proper accounting and collections processes were not established for writing off the bad debts. For example:

- DCS does not have staff to manage its delinquent accounts receivables or to collect delinquent accounts. According to program managers, DCS previously used a collection agency about 15 years ago, but DCS does not currently use a collection agency.
- In addition, receivables prior to March 2015 were not reconciled. The total amount of delinquent accounts receivables continues to grow annually, and the city is not collecting potential program revenues.

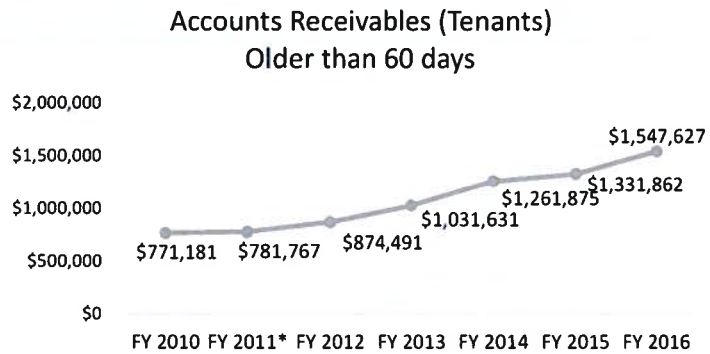
City collection policy

Per the city's financial policy, if an accounts receivable payment or a promise to pay has not been received after 90 days from the billing or invoice date, all delinquent accounts, regardless of the amount, shall be referred to a collection agency. Any delinquent account deemed uncollectible by the collection agency should be reported to the Department of Budget and Fiscal Services for write-off. At a minimum, the uncollectible debts should be submitted for write-off on an annual basis. Debts not in excess of \$1,000 individually shall be referred to the Corporation Counsel for review. Debts in excess of \$1,000 individually shall be referred to the City Council for review and advice via Corporation Counsel.

Exhibit 2.4
Accounts Receivables (Tenants from FY 2010 to FY 2016)

Analysis Highlights

- DCS tenants accounts receivables increased 101% over the last 7 years from FY 2010 to FY 2016.



Source: Department of Community Services
 *DCS could not provide an end of FY 2011 report

Accounts receivables not reconciled prior to March 2015

The Section 8 program did not follow the city’s financial policy for its accounts receivables and has not submitted accounts for write-off in more than ten years. The program currently does not utilize a collection agency⁹ to collect its delinquent accounts. We found that accounts receivables that are older than 60 days increased 101% from \$771,181 in FY 2010 to \$1,547,627 in FY 2016. Exhibit 2.4 shows the total accounts receivables for tenants by fiscal year and the annual increase in accounts receivables from FY 2010 to FY 2016.

In March 2015, DCS hired the accounts clerk who is responsible for managing the program’s accounts receivables. Prior to hiring, accounts receivables were not reconciled with the program’s Voucher Management System. According to the program managers, files, documents, and data for accounts receivables were lost as a result of staffing turnover. As a result, DCS cannot reconcile the accounts receivables.

In our opinion, DCS should take action to collect the delinquent accounts receivable or write them off as bad debt according to the city’s financial policy. Absent these corrective actions, we estimate the nearly \$1.55 million will continue to increase.

⁹ DCS staff states, “attempts to secure such services have been futile since the chance of recovery from low-income families is virtually impossible.”

DCS Segregation of Duties Are Not Maintained

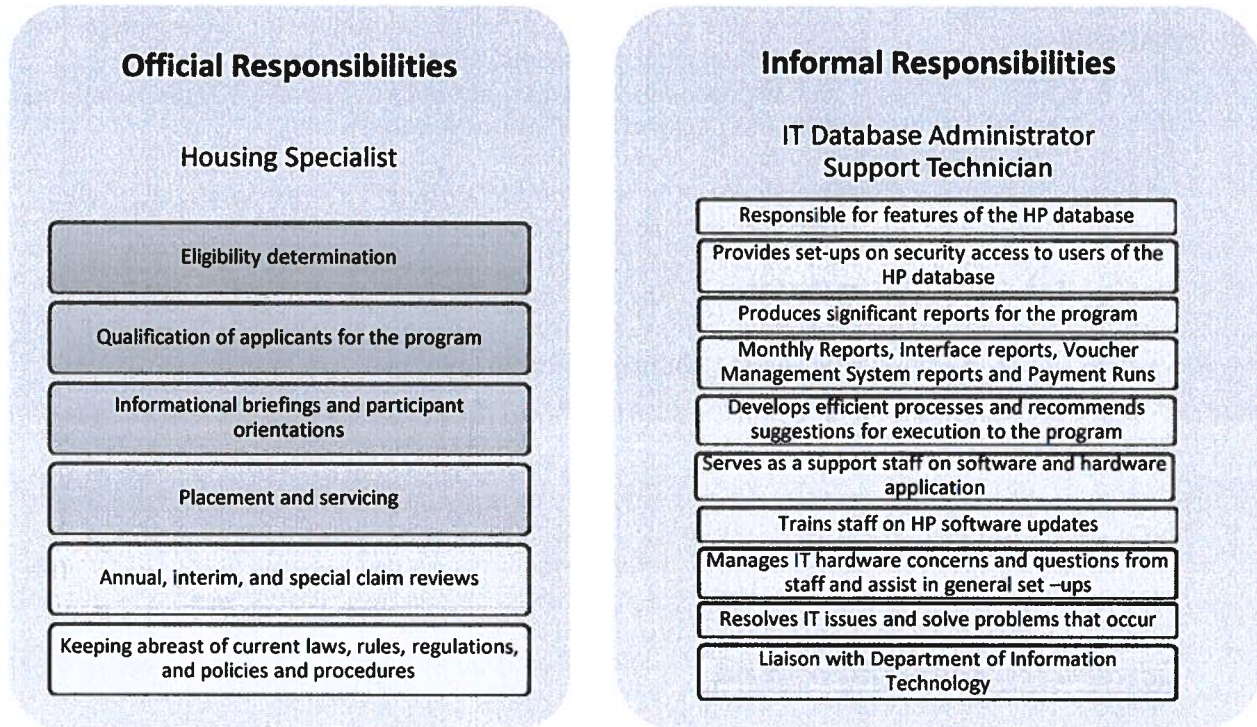
Best practices for proper segregation of duties in the Information Technology (IT) function includes having a high level of segregation of duties. A database administrator, for example, has complete system access and the ability to change or delete data. The database administrator should be separated from everything except to perform their administrative duties.

DCS does not have in-house, formal IT support staff. DCS relies on a housing specialist to provide IT support and to serve as the database administrator. The overlapping responsibilities, both as a housing specialist and IT support staff, compromised segregation of duties and increased the possibility for the housing specialist to hide errors or to commit fraud, waste, and abuse. More specifically:

- DCS relies on a Housing Specialist/Examiner to perform IT duties for the program. The housing specialist assumed IT and database administrator responsibilities in addition to his official housing specialist responsibilities because the DCS program lacked an in-house, formal internal IT specialist. The IT specialist was needed to help support the Housing Pro (HP) software operations, as well as, other workload concerns.
- The DCS IT/Housing specialist manages tenant cases in addition to serving as a database administrator. He has administrative rights to the entire system such as setting up users, implementing new modules, locking-in transactions, running various reports, manually recouping payments from landlords, and making other changes that affect financial and tenant data. The absence of segregation of duties enables him to make both authorized and unauthorized inputs and changes to the system and to DCS case data¹⁰.
- Exhibit 2.5 compares the primary responsibilities based on the position description provided by the program and the informal responsibilities based on our interviews and observations with DCS staff.

¹⁰ DCS staff state unauthorized payments are unlikely since all payments are audited and approved by the program Administrator and the Budget and Fiscal Services department. In our follow up discussions, BFS informed us that their role is to ensure funds are available and they rely on DCS to ensure payments are accurate and authorized.

**Exhibit 2.5
Informal IT Person’s Responsibilities-Official & Informal**



Source: Department of Community Services and Office of the City Auditor

Backlogs occur because IT staff supports two offices and serves as a housing specialist

To work efficiently, DCS should have ready access to data needed to support the program and manage its cases. The DCS IT person must balance time between two positions (IT staff support and Housing Specialist case management) and two offices. As a result, data needed for the housing program is not readily available, backlogs occur, and issues are not resolved in a timely manner. For example:

- We requested data related to the homeless preference waitlist. A program manager advised us that the informal IT person was the person designated to generate the reports. If we needed the data, we would have to wait because the reports would take time and that the informal IT person had a full schedule between his primary duties as a housing specialist and informal responsibilities as an IT staffer.

- Program managers took nearly five months to provide the homeless preference waitlist data we requested. We could not verify the data provided because we initially could not access the DCS Housing Pro program. We were told the access problem could not be resolved because the DCS IT/Housing Specialist was busy and would not be available until he made his once a week trip to the Kapolei office. During his once a week visit to Kapolei, the IT staff member also resolved other technical problems for other DCS staff and other issues that had backlogged since his last visit.
- During our review of the landlord participation data, we requested landlord statistics to verify the number of landlords participating in the program. We were guided to the department's annual report for its landlord statistics, because the IT staff person was not available and the verifying data was not readily available and not tracked.

Absent full time IT support staff, we concluded the DCS program staff were not working efficiently because data retrievals and technical issues must be placed on hold until the informal IT person is available.

A System Is Needed to Track Complaints

Approaches for handling claims of potential abuse in public housing agencies include, but are not limited: to establishing a complaint hotline, creating a fraud or investigations unit, and hiring an ombudsman. A complaint hotline is a toll-free, dedicated line that owners, participants, employees and residents of the community can call during any hour of the day to report a claim of potential fraud or abuse. An ombudsman takes the lead responsibility for responding to the landlord, participant, applicant, and community complaints and claims of program abuse. The ombudsman ensures that each case is handled fairly, consistently, and efficiently, and promotes the positive actions the housing agency is taking to ensure program integrity to the general public.

We found that Honolulu's program does not have a complaint hotline or an ombudsman to handle complaints. The program does not have a system in place to track complaints received. There is no formal complaint intake process where complaints can be properly documented and tracked.

Program managers stated complaints are not entered into the Housing Pro system, but are placed manually into the tenant's file. In our judgmental sample of tenant files, we did not find any documentation of complaints¹¹. Based on our discussion and observations, we concluded that:

- DCS has no formal investigative process.
- DCS has no formal documentation process.
- DCS has no formal tracking process for complaints or reports of fraud.
- DCS has no formal documentation process for tracking, monitoring, or reporting complaints.
- DCS has no reporting process for reporting if complaints have been closed or resolved.

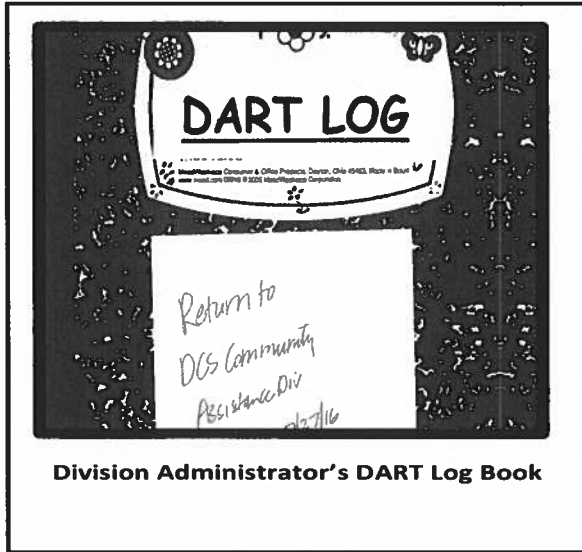
City Document and Record Tracking (DART)

HUD's best practices guidelines for ensuring program integrity require the city to prevent and detect errors, omissions and fraud abuse. These include the proper receipt, tracking, monitoring and reporting of complaints.

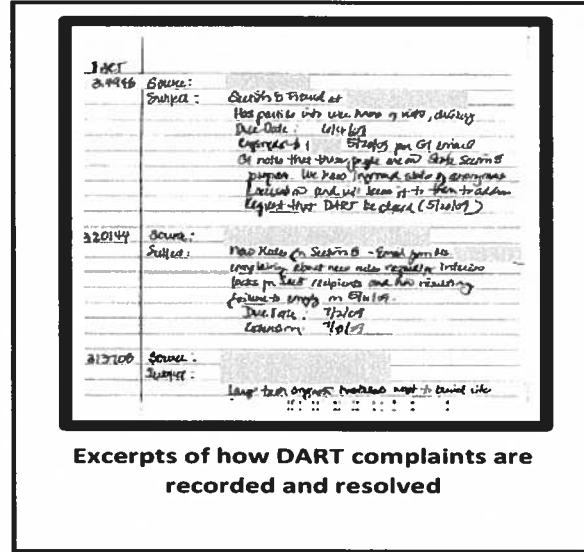
The city Document and Record Tracking (DART) system handles citywide complaints. When complaints are received, they are manually logged in a composition book by a program manager. However, complaints written in the composition book are not limited to the Section 8 program. According to program managers, the composition book is the only source of documentation for DART complaints. There is no electronic worksheet or database for tracking. The program does not have a centralized log of all complaints that documents how complaints are verified and addressed. Program managers provided composition books as the only record of complaints available as shown in the exhibit below.

¹¹ DCS staff state not all files have complaints and complaints are handled and filed separately.

Exhibit 2.6
Section 8 Program DART Log



Division Administrator's DART Log Book



Excerpts of how DART complaints are recorded and resolved

Source: Department of Community Services and Office of the City Auditor

As a result of not having formal policies and procedures in place for addressing complaints, DCS cannot document and track complaints related to program fraud, waste, or abuse.

In summary, the Honolulu caseload per staff is smaller than t four jurisdictions we reviewed, and has less staffing. We found Honolulu could improve its fraud investigation practices by reviewing best practices for housing agencies that have formal fraud programs and assigning staff to be dedicated to fraud detection and investigation. Honolulu could also improve its fraud reporting by utilizing public awareness methods for fraud that other housing agencies are using.

Recommendations

The Managing Director should direct DCS to:

1. Develop and maintain accurate and complete data on staffing and caseloads that can be used to achieve HUD's Section 8 housing program goals and manage staffing caseloads.
2. Establish a formal fraud program with resources, and written policies and procedures for fraud prevention, detection, correction, and investigation.
3. Train Section 8 program staff to prevent, detect, correct, and investigate fraud.
4. Submit accounts to be collected or written off annually in accordance with the city financial policy.
5. Maintain internal controls by segregating IT and housing specialist, or other duties so no one has control over activities and resources that could be used to commit fraud, waste, or abuse without being detected.
6. Develop a system to receive, track, monitor, follow-up on, and report on complaints, particularly complaints related to potential fraud, waste, and abuse.

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Chapter 3

Improvements in Landlord Outreach Efforts Are Needed

Highlights

- DCS needs to increase landlord outreach activities to increase program participation.
- Consistent landlord statistics are needed.
- Improved landlord briefing data and statistics are needed.
- DCS needs to accurately quantify the number of participating landlords in the program.

In FY 2016, 1,504 landlords were participating in the Section 8 rental assistance program. Honolulu's rental assistance program relies on voluntary landlord participation and is competing with disincentives such as Honolulu's high cost of living and the high demand for housing. To improve landlord participation in the Section 8 program, DCS needs to increase landlord outreach activities; develop more effective landlord briefings; and actively monitor the program. Other improvements include the need to develop formal written policies, procedures, and plans for the landlord outreach program, and to provide consistent landlord statistics. Resolving these issues could result in more landlord participation and an increased number of homes available to the housing assistance program.

Landlord Participation Is Decreasing, While the Number of Waitlisted Applicants Grows

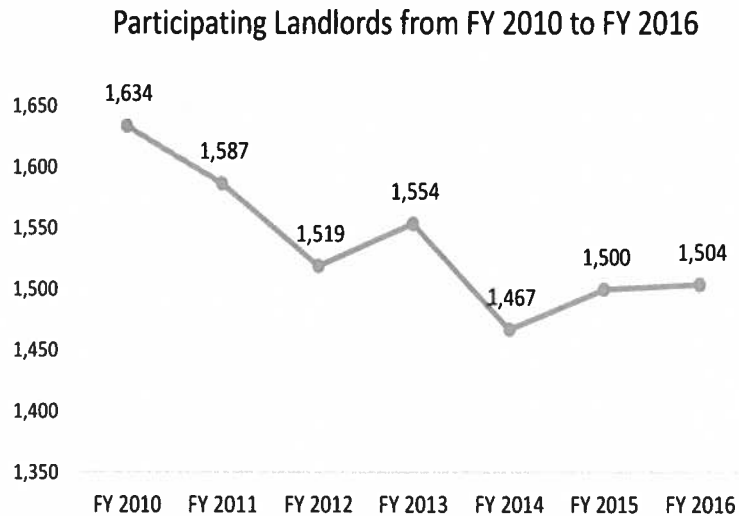
The program has an average participation of 1,537 landlords per year and served an average of 3,574 families annually. Landlord participation declined from FY 2010 to FY 2016 by percent. Exhibit 3.1 shows the number of participating landlords from FY 2010 to FY 2016¹².

¹² According to DCS staff, landlord participation decreased due to the decrease in the number of families assisted and lack of HUD funding.

Exhibit 3.1 Participating Landlords from FY 2010 to FY 2016

Analysis Highlights

- Over the past 7 years DCS Landlord participation declined by 8.5%.



Source: Department of Community Services

The program has a staff member who carries out responsibilities as a part-time (50 percent) landlord specialist. Although the staff person has made efforts to improve the landlord outreach activities, landlord participation in the rental housing program continues to decrease. As a result, in FY 2015, 2,194 applicants remained on the waitlist and the number of applicants on the waitlist continues to grow. In our opinion, DCS can encourage landlord participation by improving outreach activities.

Current outreach structure and staffing can be improved

The Section 8 program’s Public Housing Agency (PHA) 5-Year and Annual Plan for FY 2015 includes an objective to develop strategies for providing training and outreach to landlords. It also sets a goal to conduct outreach efforts to potential landlords by providing outreach services by open invitation and scheduling monthly seminars.

Achieving these goals and objectives will be difficult for several reasons:

- DCS has no formal written policies, procedures, or plans in the Section 8 program's Operational Procedures Manual for landlord outreach. Reports were not developed to measure the program's efforts in meeting the planned objectives and goals related to landlord outreach.
- The Section 8 program includes a landlord specialist, hired in January 2016, who is responsible for working with prospective and active landlords, and for promoting and publicizing the program to the landlord community. The landlord specialist is the main contact person for housing searches. The landlord specialist work efforts are split between focusing on landlord outreach for 50 percent of the time, while the other 50 percent is focused on the Family Self-Sufficiency program.
- Current landlord outreach activities for the program are limited. The activities include putting up flyers, handouts and information resources on bulletin boards at the Section 8 offices to assist tenants, posting information on Craigslist, and conducting information briefings for tenants and landlords.

The landlord specialist self-initiated logging and documenting calls from applicants, tenants, and landlords. The specialist also initiated a database of leasing contacts to assist participants looking for available units.

While the landlord specialist has made efforts in its landlord outreach activities, the lack of formal written policies, procedures, and plans; only part-time commitment of staff resources; and limited advertising are, in our opinion, inadequate to reverse the 8.5 percent decrease in landlord participation in the rental assistance program.

Landlord outreach activities

We compared landlord outreach best practices for Honolulu and eight other Section 8 program jurisdictions from around the country¹³. Exhibit 3.2 shows the social media that each jurisdiction uses and the methods of landlord outreach for each jurisdiction.

**Exhibit 3.2
National Comparison: Social Media & Landlord Information**

	Social media	Landlord Information
City and County of Honolulu	None reported	<ul style="list-style-type: none"> ✓ Link to two private company Youtube Videos ✓ Landlord Forms ✓ Calendar of available briefings
Housing Authority of the County of Santa Clara	None reported	<ul style="list-style-type: none"> ✓ Landlord Resources (website) Owners Information Session, RSVP online Landlord Video
Denver Housing Authority	<ul style="list-style-type: none"> Facebook Twitter 	<ul style="list-style-type: none"> ✓ Handbook for Landlords
Indianapolis Housing Agency	<ul style="list-style-type: none"> Facebook YouTube 	<ul style="list-style-type: none"> ✓ Landlord Resources (website) Monthly Lease-Up Fair for Owners
Boston Housing Authority	<ul style="list-style-type: none"> Facebook Flickr Blog Constant Contact 	<ul style="list-style-type: none"> ✓ How to Become a Landlord (website)
Oklahoma City Housing Authority	<ul style="list-style-type: none"> Facebook 	<ul style="list-style-type: none"> ✓ Information for Landlords (website)
Metropolitan Development and Housing (Nashville)	<ul style="list-style-type: none"> Twitter Facebook 	<ul style="list-style-type: none"> ✓ Landlord Forms/Downloads (Website)
Tarrant County Housing Assistance Office	None reported	<ul style="list-style-type: none"> ✓ Mandatory Landlord Briefings (Dates listed) Landlord Forms/Downloads (Website) Landlord FAQs
Dallas County Housing Assistance Program	<ul style="list-style-type: none"> Facebook Twitter 	<ul style="list-style-type: none"> ✓ Mandatory Landlord Briefings (dates listed) Steps to Leasing Your Property Handout

Source: Various city and county websites

¹³Santa Clara County, CA; Denver, CO; Indianapolis, IN; Boston, MA; Oklahoma City, OK; Nashville, TN; Tarrant County, TX; and Dallas County, TX. See Appendix B for the city comparisons.

Our comparison of Honolulu to these jurisdictions showed:

- Except for Honolulu, all of the jurisdictions have some type of information for landlords on their websites. The websites included ways for prospective landlords to get involved, briefing dates, frequently asked questions (FAQs), and videos. In contrast, Honolulu's Section 8 program website is limited to a packet of fliers for landlords, a calendar of available briefings, and links to two YouTube videos created by private companies.
- Six of the eight jurisdictions used some form of social media for their housing agency. Honolulu's Section 8 program does not utilize any social media resources to publicize the program to prospective landlords and to keep current landlords informed.

We believe, with improved outreach, the program could promote the benefits for landlord participation, increase the availability of Section 8 housing inventory, reduce the current waitlist and help provide more housing for the homelessness in Honolulu¹⁴.

Improved landlord briefings and follow-up are needed

According to HUD, landlord briefings are a tried and true approach to getting the attention of potential landlords. Landlord briefings are information meetings and an opportunity to promote the housing choice voucher program.

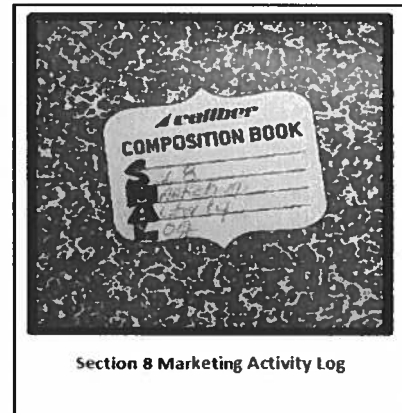
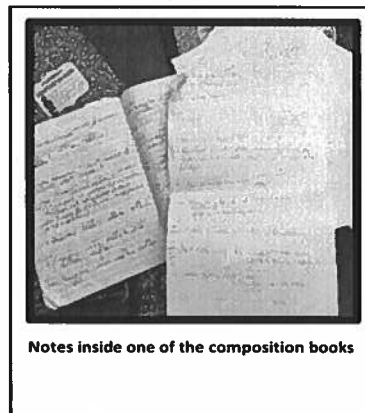
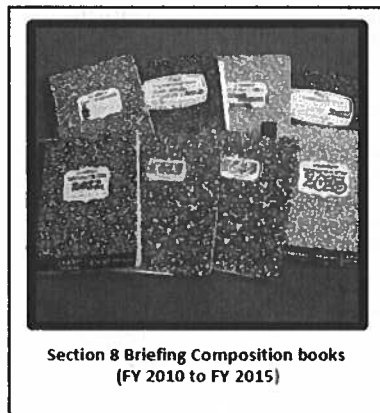
For the landlord briefing we attended, public notice of the briefing was only posted on bulletin boards outside the Section 8 offices. Although the DCS program contained a database that contained landlord information such as notes and dates of last contact, the database was not used to invite and attract landlords to the briefings. We were not surprised that only one attendee showed up for the briefing. The individual was interested in learning about a neighbor island's Section 8 program, but not the city's Section 8 program. Based on our observation of the landlord briefing, we concluded the briefings were ineffective, attracted little landlord interest, and drew little to no attendance.

¹⁴ DCS staff state more HUD funding is needed to increase landlord participation.

We requested access to landlord briefing attendance records to document the number of individuals attending the briefings and to assess the effectiveness of the briefings. The Section 8 program manager reported:

- The landlord briefing data and statistics prior to January 2016 were haphazardly reported and were not consistent.
- Attendance records consisted of composition books that contained tenant and landlord names, but it was not possible to distinguish which were tenant names and which were landlord names. Exhibit 3.3 shows the composition books that DCS maintained and a sample of notes from the books.

**Exhibit 3.3 Section 8 Briefing Composition Books
FY 2010 to FY 2015**



Source: Department of Community Services

We reviewed the composition books and confirmed that we could not distinguish between tenants and landlords; and could not determine the number of landlords that attended briefings. As a result, we could not measure the effectiveness of the landlord briefings.

If DCS had transferred the composition books information to a spreadsheet, we believe DCS could have used the data to contact and reach out to attendees, obtain feedback on the briefings, and to improve the content and focus of the landlord briefings. The outreach would have allowed DCS to move beyond the perfunctory compliance with federal requirements and could have been used to increase landlord participation.

Consistent Landlord Statistics Are Needed

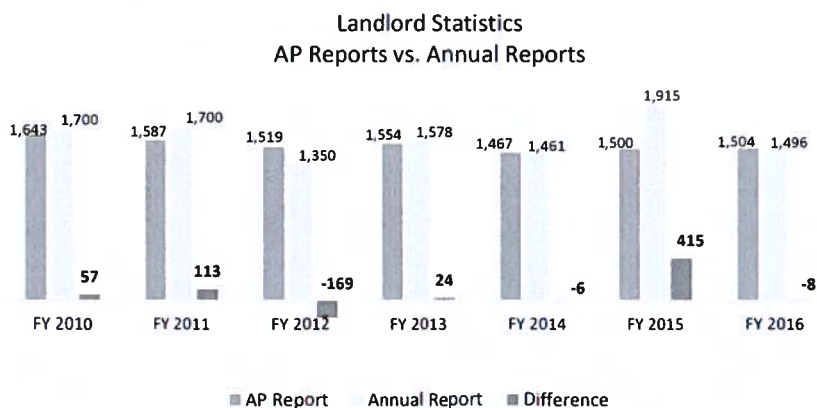
DCS does not manage its landlord participation. As a result, landlord data is unreliable and landlord statistics are inconsistently reported. More specifically:

- We requested landlord statistics from FY 2010 to FY 2016. In one instance, we were directed to the department’s annual report. According to a program manager, the statistical reports are not readily available and the program might not be able to provide data as they have not been areas they needed to track in the past.
- In another instance, a program manager provided landlord statistics from the program’s Accounts Payable (AP) Report. We could not reconcile the amounts in the department’s annual report and the program’s AP Report for each fiscal year from FY 2010 to FY 2016. Exhibit 3.4 shows the difference between the department’s annual report and the program’s AP Report.

Exhibit 3.4
Landlord Statistics: AP Report vs Annual Report FY 2010 to FY 2016

Analysis Highlights

- DCS has significant differences in their landlord statistical data.
- In FY 2015, DCS reported having 1,500 landlord participants in their AP Report vs. 1,915 participants reported in the Annual Report. That is a difference of 415 participants.



Source: Department of Community Services

DCS could not explain the differences in the landlord statistical data and could not accurately determine the actual number of participating landlords. The department stated the number of landlords in the program changes as new ones are added and others discontinue participation.

Generating reports at the end of each month could allow the department to identify trends and to effectively target its limited outreach efforts.

Recommendations

The Managing Director should direct DCS to develop a landlord outreach program based on HUD recommended elements in the Housing Choice Voucher Program Guidebook that:

7. Provides a formal structure and resources for landlord outreach activities;
8. Provides a formal plan for increasing landlord participation by using social media applications and other techniques used by other jurisdictions to promote the HUD Section 8 rental assistance program to prospective landlords;
9. More widely advertise and enhance landlord briefings so that more landlords attend briefings and participate in the rental subsidy program;
10. Follow-up and obtain feedback from landlords on how to improve the outreach program efforts;
11. Provide consistent and reliable landlord participation statistics that can be used to improve the DCS outreach program;
12. Assign full time staff to the outreach effort, and
13. Coordinate DCS efforts with other city programs to expand the housing supply available.

Chapter 4

Administrative Functions Can Be Improved

Highlights

- Section 8 case files are unorganized and forms are missing.
- Participants' files were not readily available and some documents could not be found.
- The lack of an integrity system limits DCS' ability to detect and prevent fraud among the at-risk participants.
- Between FY 2010 and FY 2016, the Section 8 program paid \$614,457 in housing assistance and utilities payments to 36 participants who owed monies to the program.
- DCS needs to improve procedures for verifying homeless applicants to help reduce homelessness.

DCS administrative operations should ensure unqualified participants do not remain in the program. Continuous monitoring and administrative support operations should ensure that program participants remain eligible. DCS can improve active case management by improving file documentation, record keeping, and providing homeless preference data that measure the program's effectiveness in reducing homelessness.

HUD requires proof that participants are eligible for program benefits and that other required administrative actions were taken. More specifically, HUD requires the Section 8 program to maintain complete and accurate accounts and complete records that permit a speedy and effective HUD audit. For example, during the term of each assisted participant and for at least three years thereafter, DCS must keep a copy of the executed lease, the HAP contract, and the application from the family. In addition, other records (such as the HUD-required reports, unit inspection reports, and records that document the basis for determining that the rent is reasonable) must be kept for at least three years. HUD also requires proof that initial housing quality standards inspections occurred before the effective date of a new lease and a HAP contract.

Administrative Actions Needed

Housing specialist caseloads are uneven

During our audit, we reviewed a sample of DCS participant files and tried to verify participant data. We found the following:

The Section 8 program has two offices: Honolulu and Kapolei. At one location, caseloads are distributed among housing specialists, first by zip code and then by alphabetical order. At the other location, caseloads are distributed among housing specialists by zip code only. As a result, housing specialist/ examiner caseloads for housing specialists (examiners) are not consistent.

Case files are unorganized and forms are missing

For the sample cases, we could not verify compliance with the HUD requirements because a formal system for filing documents in the Section 8 participant files did not exist. As a result, documents in participants' files were not readily available and some documents could not be found.

Under the DCS record retention policy, case records are not retained after three years. As a result, we could not validate that active participants who remained on the program for more than three years met the original requirements for the program.

Voucher verification can be improved

In the DCS program's 5 Year and Annual Plan FY 2015 to FY 2019, one goal is to improve the quality of assisted housing by maximizing the use of vouchers. We judgmentally sampled 26 program participants in the program and found¹⁵:

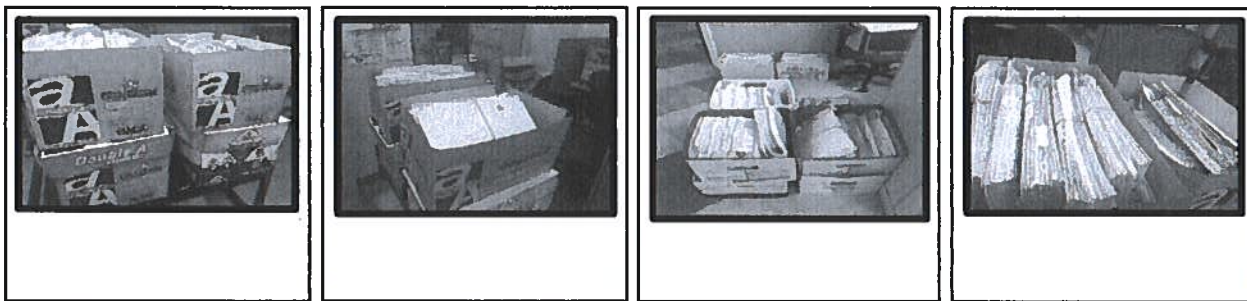
- In 15 instances, we could not confirm that the forms were completed in accordance with program requirements and policies because the required forms were missing¹⁶;
- In 5 instances, we could not determine the timeliness, validity and accuracy of the signed forms because the signed forms were not dated¹⁷;
- In 10 instances, we could not determine if the program satisfied HUD policy because the forms were missing; and
- For 4 participants, the files were missing. A program manager confirmed the four files were missing and were unlikely to be recovered.

¹⁵ The department provided additional information after our review. However, we were unable to verify the information provided due to the lack of an audit trail in the Housing Pro system.

¹⁶ DCS staff provided follow up data that was incomplete and claimed time-stamped documents are an acceptable substitute.

Appendix C lists our sample results of the participant files. Exhibit 4.1 shows the files conditions.

**Exhibit 4.1
Files Provided for Review**



Source: Office of the City Auditor

***Housing Pro data
verification is needed***

We could not confirm the accuracy or reliability of the participant data in the Housing Pro information system because the missing applications and file documents were not available. The information is needed to demonstrate DCS is meeting its objectives and to prove that participants are eligible for the program. The data is also needed to detect ineligible participants and to provide access to affordable housing for qualified voucher-holders¹⁷.

***A program integrity
system is needed***

Due to a lack of stable income or frequent changes in family composition, some families may intentionally or unintentionally misrepresent their income or family composition. Best practices for public housing agencies recommend establishing a program integrity system to identify and monitor at-risk families. By identifying these families and instituting procedures to monitor their cases, the program integrity system may prevent, quickly detect, and stop program abuse. By identifying and monitoring these *at-risk* or *error-prone* cases, the public housing agency could, through selective actions re-examine at-risk participants more frequently than annually or verify family composition more often where doubt exists.

DCS does not have fraud investigators and does not have a fraud detection program or a program integrity system. The lack of these resources limits the DCS ability to detect and prevent fraud among the at-risk participants.

¹⁷ DCS staff stated they plan to scan all legal documents to provide an eligibility history.

Follow-up is needed on informal hearings and fraud recovery cases

The most common reasons for fraud included unreported or underreported income, unauthorized persons in the household, and improper utilities payments. It is possible that program fraud was actually misrepresentation by the program participant. Without a formal fraud program and fraud investigators, DCS cannot determine if an actual fraud occurred or if misrepresentation occurred. We found follow-up for informal hearing cases and fraud recovery cases needed improvements.

Informal Hearings

HUD requires DCS to offer program participants an informal hearing for certain determinations. The program is not permitted to terminate a family's assistance until the time allowed for the family to request an informal hearing has elapsed, and any requested hearing has been completed. Appendix D provides a list of circumstances where participants are given an opportunity for an informal hearing.

The person who conducts the hearing must issue a written decision, stating briefly the reasons for the decision. Factual determinations relating to the individual circumstances of the family must be based on a preponderance of evidence presented at the hearing. A copy of the hearing must be furnished promptly to the family.

Informal hearing sample results

We reviewed 46 informal hearing files and found instances where terminations were overturned due to a lack of informal hearing documentation and participants were not recognized as *at-risk* and monitored based on the findings. See Appendix F for a detailed chart of the informal hearing sample results.

Fraud Recovery Efforts

In the program, a fraud recovery is initiated when fraud is found and payment monies need to be recovered. The accounts receivable is labeled as a fraud recovery if the family violated one or more Section 8 family obligations. If a tenant fails to pay monies owed for fraud recoveries, they may be terminated from the program.

After reviewing Fraud Recoveries reports, we found that between FY 2010 and FY 2016 the program paid \$614,457 in housing assistance and utilities payments to 36 participants who owed monies to the program. We also found that 17 (47 percent) of the 36 participants violated the terms of their promissory notes to pay back the fraud recovery, but remained on the program. See Appendix G for a detailed chart of the Fraud Recoveries review.

In our opinion, the lack of a formal fraud investigation program and lack of fraud investigators allowed participants who owed funds due to fraud recoveries and unqualified participants to remain on the program¹⁸.

Preference for Homeless Applicants Can Be Improved

Reducing homelessness is a mayoral priority. According to the mayor, the only permanent solution to homelessness is housing and an effective support system. Our sample results indicated DCS needs to improve procedures for verifying applicants are homeless if this priority is to be addressed.

HUD-VASH Program

In the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program, HUD provides housing assistance to the city through its Housing Choice Voucher Program that allows homeless veterans to rent privately-owned housing. HUD-VASH enrolls the largest number and largest percentage of veterans who have experienced long-term or repeated homelessness. As of July 2016, 65 HUD-VASH tenants were active in the city's Section 8 program. Aside from the 65 HUD-VASH tenants, we could not quantify the Section 8 program's efforts in reducing homelessness.

Homeless preference program

Under HUD guidelines and the DCS *Operational Procedures Manual* for the Section 8 program, waitlist preference for housing is given to homeless individuals and homeless families. DCS does not have to verify the homeless preference at the time of the initial application. The applicant only needs to certify that he/she is eligible for the homeless preference. However, before the applicant receives assistance, the program must verify the applicant's eligibility for the homeless preference.

¹⁸ DCS staff claim only 3 participants violated the promissory note terms and the actual subsidy owed is \$58,784.

We requested Section 8 data to measure the program’s efforts towards ending homelessness. DCS program managers took 132 working days to provide the homeless preference waitlist data. We found the data was incomplete and inconsistent. Of the 31 applicants on the sample list, we found only 5 applicants (16 percent) were documented as homeless at admission. The remaining 26 applicants (84 percent) were not documented as homeless at admission. Exhibit 4.2 consists of Housing Pro screenshots from our verification of homeless applicants at admission.

**Exhibit 4.2
Housing Pro Screenshots**

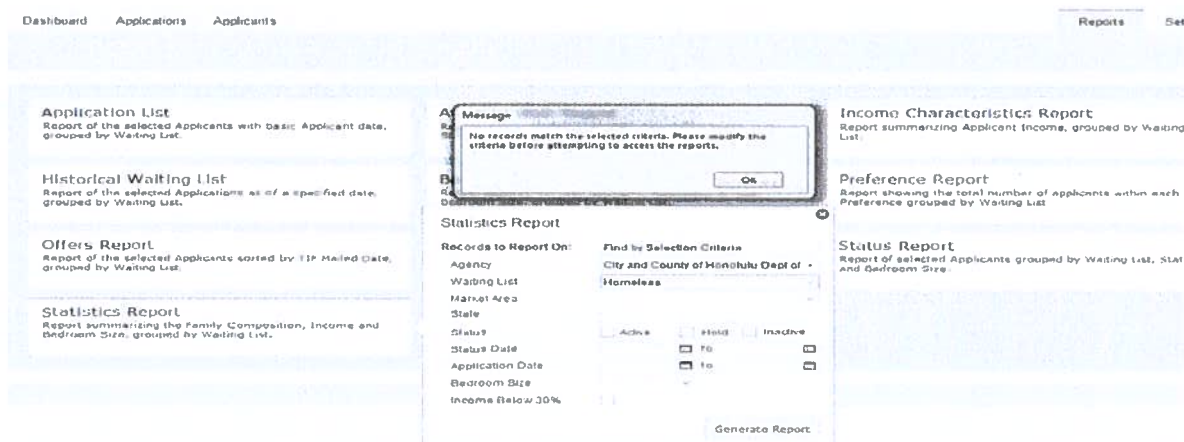
The exhibit displays three screenshots of the Housing Pro admission form, each titled 'ADMISSION'. The 'Homeless at Admission (4c)' field is highlighted in each screenshot. In the first screenshot, the field is set to 'Y' (Yes). In the second and third screenshots, the field is set to 'N' (No). Annotations with arrows point to these fields, providing summary statistics for the sample.

Homeless at Admission (4c)	Count	Percentage
Yes (Y)	5	16%
No (N) or Not Selected	26	84%
Total	31	100%

Source: Office of the City Auditor and Department of Community Services

In our sample, 18 applicants had a homeless preference noted in the application box, but we could not determine how the program verified that these applicants qualified for the homeless preference. We also tried to generate a homeless report in the waitlist section of the Housing Pro system, but the software found no records that matched the homeless criteria. The homeless waitlist report is shown in Exhibit 4.3.

Exhibit 4.3 Housing Pro Homeless Waitlist Report



Source: Office of the City Auditor and Department of Community Services

Recommendations

According to DCS, the program did not track homeless preference data because it was not a federal requirement. DCS started tracking homeless preference data in 2015. Program managers and staff stated homeless applicants are difficult to track. We therefore could not determine whether or not the homeless preference is effectively used and to what extent the program is used to provide housing to the homeless.

The Managing Director should direct DCS to improve administrative operations and functions by:

14. Evenly distributing housing specialist caseloads;
15. Organizing files and replacing missing forms needed to establish participants are eligible for Section 8 benefits;
16. Improving voucher verifications and Housing Pro data verifications;
17. Establishing a program integrity system for identifying and monitoring at-risk families;
18. Following-up on informal hearings and fraud recovery efforts; and
19. Improving the validity of the homeless applicant preference waitlist.

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Chapter 5

Conclusions and Recommendations

The Department of Community Services (DCS) received the high performer rating for HUD's Section Eight Management Assessment Program (SEMAP) for a number of years. We found, however, that the city's Section 8 program can still be improved. The program needs better staffing for fraud prevention and information technology to prevent, detect, and correct potential fraud, waste, and abuse from occurring. DCS also needs to follow-up on delinquent accounts receivable, debt collections, and bad debt write-offs. As of FY 2016, the program's delinquent accounts receivables totaled approximately \$1.55 million. This amount continues to increase annually as a result of the program not having a debt collector and not following city financial policies for writing off bad debts.

Better landlord outreach efforts and better landlord briefings could increase landlord participation and the available housing inventory. DCS needs formal policies, procedures, and plans that can be used to guide the program staff and program efforts. Other program improvements include consistent landlord data, using social media and other techniques used by other jurisdictions to promote landlord participation.

Case management of active cases is crucial to ensuring ineligible participants do not participate in the rental assistance program. By improving its active case management and continuous monitoring of client eligibility, DCS can ensure participants continue to be eligible for housing assistance and ineligible parties do not receive payments that should go to others.

Improvements in documentation will help ensure program participants remain eligible for rental assistance; allow qualified voucher-holders on the waitlist to receive housing; and ensure hearing results and fraud recovery results are implemented.

Aside from the 65 HUD-VASH tenants, we could not quantify the Section 8 program efforts in reducing homelessness because homeless data was not readily available, unreliable, or inconsistent. As a result of the inconsistencies in the homeless preference waitlist data and the lack of timeliness in providing the data, we could not determine whether or not the homeless preference is effectively used and to what extent the program is effective in ending homelessness.

Recommendations

The Managing Director should direct DCS to:

1. Develop and maintain accurate and complete data on staffing and caseloads that can be used to achieve HUD 8 housing program goals and manage staffing caseloads;
2. Establish a formal fraud program with resources, and written policies and procedures for fraud prevention, detection, correction, and investigation;
3. Train 8 program staff to prevent, detect, correct, and investigate fraud;
4. Submit accounts to be collected or written off annually in accordance with the city financial policy;
5. Maintain internal controls by segregating IT, housing specialist, and other duties so no one has control over activities and resources that could be used to commit fraud, waste, or abuse without being detected;
6. Develop a system to receive, track, monitor, follow-up on, and report on complaints, particularly complaints related to potential fraud, waste, and abuse;
7. Provides a formal structure and resources for landlord outreach activities;
8. Provides a formal plan for increasing landlord participation by using social media applications and other techniques used by other jurisdictions to promote the HUD 8 rental assistance program to prospective landlords;
9. More widely advertise and enhance landlord briefings so that more landlords attend briefings and participate in the rental subsidy program;
10. Follow-up and obtain feedback from landlords on how to improve the outreach program efforts;
11. Provide consistent and reliable landlord participation statistics than can be used to improve the DCS outreach program;
12. Assign fulltime staff to the outreach effort;
13. Coordinate DCS efforts with other city programs to expand the housing supply available;

14. Evenly distributing housing specialist caseloads;
15. Organizing files and replacing missing forms needed to prove participants are eligible for Section 8 benefits;
16. Improving voucher verifications and Housing Pro data verifications;
17. Establishing a program integrity system for identifying and monitoring at-risk families;
18. Following-up on informal hearings and fraud recovery efforts; and
19. Improving the validity of the homeless applicant preference waitlist.

Management Response

The Managing Director's Office and the Department of Community Services generally agreed with the audit recommendations and indicated that the department has implemented, is in the process of implementing, or gathering information to address those recommendations. While management agreed with our recommendations, DCS staff claimed the report contained factual errors and, upon our request, submitted additional data and documents. We modified the report where we agreed and included their comments and explanations in the final report. Overall, however, the additional data and documents provided by DCS staff supported our original findings and conclusions. We therefore stand on our findings and conclusions.

It is our hope that the recommendations will help DCS improve the Section 8 program. Nominal changes and edits were made to this report to enhance the report format and to better communicate the audit results.

We thank the Managing Director and the Department of Community Services for their assistance during the audit. A copy of management's full response can be found on page 44.

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR



17 JUL 20 10:13 AM

CITY AND COUNTY OF HONOLULU

ROY K. AMEMIA, JR.
MANAGING DIRECTOR

GEORGETTE T. DESMETS
DEPUTY MANAGING DIRECTOR

July 18, 2017

Mr. Edwin S.W. Young
City Auditor
Office of the City Auditor
1001 Kamehaha Boulevard, Suite 215
Kapolei, Hawaii 96707

Dear Mr. Young:

**SUBJECT: Management Response to Confidential Draft Report dated
June 20, 2017, Audit of the City's Section 8 Tenant Based
Assistance Program (Confidential Draft Report)**

Thank you for the opportunity to provide comments on the Confidential Draft Report. We appreciate the time your staff has spent working with the staff from the Department of Community Service (DCS) on this report, and also appreciate you recognizing the "high performing ratings" that the City's Section 8 program has historically and continues to received. We are proud of our stellar rating in light of the complex regulatory nature of this Federal program.

DCS has reviewed the Confidential Draft Report and responds to the recommendations as follows:

Recommendations: The Managing Director should direct DCS to:

1. Develop and maintain accurate and complete data on staffing and caseloads that can be used to achieve HUD's Section 8 housing program goals and manage staffing caseloads.

DCS Response:

DCS supports this recommendation for DCS to produce data that will allow assessment of adequate staffing and caseloads for its Section 8 program. DCS has always managed housing specialist caseloads based on the

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City Auditor
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following criteria: (1) zip code to determine office assignment; (2) alphabetical order; and (3) the number of housing specialists as adjusted by their experience level; and rebalances the caseload when rebalancing is necessary. Historically, the caseload ratio was not heavily examined because Federal administrative fees earned annually limit staff hiring regardless of caseloads. DCS has begun maintaining caseload data as recommended, and Section 8's newly updated software program now allows supervisors to see if their team members are completing their caseload timely.

2. Establish a formal fraud program with resources, and written policies and procedures for fraud prevention, detection, correction, and investigation;

DCS Response:

DCS notes that the report did not reveal any specific instances of fraud and supports this recommendation subject to available funding and staffing resources. Currently, upon receiving a complaint, the examiner calls the family into the office, determines whether or not the complaint is valid, collects information from the family or outside sources, and takes corrective action. If corrective action is required, the electronic file will reflect the action taken.

DCS looks forward to working with the City Auditor over the course of the next year to establish such a program. Initially, DCS will inquire with HUD and work with comparable Public Housing Agencies (PHA) with fraud programs and controls to structure such a program, and by September 2018, DCS will submit a plan/budget to establish such a program to the administration for its consideration.

3. Train Section 8 program staff to prevent, detect, correct, and investigate fraud.

DCS Response:

DCS agrees that training staff about fraud is important and has requested refresher training from the U.S. Department of Housing & Urban Development, Office of Inspector General (OIG), and will consider other training opportunities as they arise. DCS revised its forms as recommended by the OIG. Effective January 31, 2010, HUD required all housing agencies to use the Enterprise Income Verification (EIV) system to guard against

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program waste, fraud and abuse. EIV data must be generated at annual reexaminations and all adjustments.

4. Submit accounts to be collected or written off annually in accordance with the City financial policy;

DCS Response:

DCS agrees with this recommendation and has begun working with the Department of Budget and Fiscal Services (BFS) to request being included in the collection agency contract. In the past, DCS was unable to secure collection agency services, due to the low likelihood of collecting amounts owed from lower income families. Without a collection agency, DCS has been unable to follow its write-off policy. By December 2019, provided a collection agency is under contract, DCS will be able to resume submitting write-off requests.

5. Maintain internal controls by segregating IT and housing specialist or other duties so no one has control over activities and resources that could be used to commit fraud, waste, or abuse without being detected.

DCS Response:

DCS has already segregated the duties of the software administrator to the extent feasible. DCS is working with the Department of Human Resources on a revised position description to address the City Auditor's concerns. By December 2018, a revised position description will be submitted for approval.

6. Develop a system to receive, track, monitor, follow-up on, and report on complaints, particularly complaints related to potential fraud, waste, and abuse.

DCS Response:

DCS agrees that complaints should be tracked and follow-up processes ensured, and has already instituted a log of complaints against tenants. Many complaints are not logged by the Section 8 program, but are addressed immediately. For example, a complaint that the inspector did not appear at the scheduled time or that an inspector has not called the caller back, though not formally logged, are addressed immediately. Logistically, it would be

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extremely time consuming to log all complaints. To the extent operationally and budgetarily feasible, DCS agrees with the City Auditor that consistent logging in and documentation of complaints has merit, and over the course of the next year will develop procedures, with an implementation goal of September 2018. If further staffing is necessary, DCS will concurrently submit a plan/budget to establish such a position to the administration for its consideration

7. Provides a formal structure and resources for landlord outreach activities,

DCS Response:

DCS already has a structure tailored to the needs of the program. When the need is low, the landlord specialist concentrates on developing relationships with new landlords joining the program and existing landlords. When the need for new units is high, the landlord specialist focuses on recruiting landlords who have not participated and landlords that have dropped out.

With respect to a formal structure and additional resources, DCS will work with HUD data to assess the need for additional landlord outreach. Various reasons exist to account for decreased landlord count. One reason the number of landlords appears to have decreased is that a property manager or management company receives one check for multiple tenants at multiple properties. For example, all City-owned properties have property managers and many Section 8 families reside at those properties, but the landlord count will only include one property manager as landlord for many tenants.

Effective program utilization traditionally focuses on the number of families served and not on landlord participation. In 2016, program utilization was at 100%, meaning DCS was assisting the maximum number of families possible using the funding available. Because program utilization was at 100%, DCS was unable to process any applicants from the program's waiting list and issue new vouchers. Without new vouchers for new families admitted to the program, the need for new landlords was greatly reduced.

To the extent additional landlord outreach equates to more families served, DCS will inquire with HUD and work with comparable PHAs that have best practice landlord outreach activities, to structure such a program, and by September 2018, DCS will submit a plan/budget to establish such a program to the administration for its consideration.

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8. Provides a formal plan for increasing landlord participation by using social media applications and other techniques used by other jurisdictions to promote the HUD 8 rental assistance program to prospective landlords;

DCS Response:

DCS agrees that the use of social media may be beneficial in promoting the program to prospective landlords and has begun exploring the most feasible means to tap social media within existing staffing constraints. DCS will begin social media outreach by July 2018.

9. More widely advertise and enhance landlord briefings so that more landlords attend briefings and participate in the rental subsidy program,

DCS Response:

DCS landlord specialist continues to hold group briefings for management companies and individual landlords upon request. DCS agrees that expanded notice of landlord briefings may be achieved through social media and will begin social media outreach by July 2018.

10. Follow-up and obtain feedback from landlord on how to improve the outreach program efforts,

DCS Response:

DCS is currently obtaining feedback from landlords through written evaluations. DCS has provided past landlord evaluations to the audit team and will continue to use such feedback to improve landlord outreach efforts.

Along with social media efforts, DCS will investigate the use of online evaluations (e.g. survey monkey) and if feasible, will implement concurrently with social media outreach, with an implementation goal of September 2018.

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11. Provide consistent and reliable landlord participation statistics than (sic) can be used to improve the DCS outreach program,

DCS Response:

DCS agrees to work toward improving landlord participation statistics and looks forward to working with the City Auditor over the course of the next year to clarify and establish what statistics are needed to track landlord participation, with an implementation goal of September 2018.

12. Assign full time staff to the outreach effort and

DCS Response:

DCS supports this recommendation to the extent a needs assessment justifies such a full-time assignment. DCS notes that from July 2016 to April 2017, DCS was prohibited from new lease-up activity due to a shortfall of funds. During such a period, landlord recruitment is halted as no new units are needed.

13. Coordinate DCS efforts with other city programs to expand the housing supply available.

DCS Response:

DCS agrees with this recommendation, and will continue working with the Office of Housing, Department of Planning and Permitting and other entities on affordable housing policies and issues.

14. Evenly distributing housing specialist caseloads,

DCS Response:

DCS disagrees with this recommendation because caseloads are already evenly distributed and takes into account the housing specialist's experience level.

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15. Organizing files and replacing missing forms needed to establish participants are eligible for Section 8 benefits,

DCS Response:

DCS continuously audits current files as part of required quality control measures and replaces forms that are missing.

16. Improving voucher verifications and Housing Pro Data verifications.

DCS Response:

DCS supports this recommendation. By September 2018, DCS plans to successfully substantiate a City-funded clerk position dedicated to scanning HUD-required documents into the software system.

17. Establishing a program integrity system for identifying and monitoring at-risk families.

DCS Response:

An integrity system is already in place based on HUD guidance, Nan McKay training and DCS procedures. Based on such guidance, training and procedures, DCS identified zero and sporadic income families as requiring quarterly rather than annual monitoring.

18. Following-up on informal hearings and fraud recovery efforts.

DCS Response:

DCS has been doing such follow-up process. Following the definition of fraud as defined in the HUD occupancy guidebook, the housing specialist determines whether fraud was committed or whether there was misrepresentation by the participant. HUD PIH Notice 2010-19, Administrative Guidance for Effective and Mandated Use of the Enterprise Income Verification (EIV) System (section 16) recommends leniency and affordability be considered when drawing up a payment plan. PHAs have the discretion to establish thresholds and policies for repayment agreements in addition to HUD-required procedures.

Mr. Edwin S.W. Young
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19. Improving the validity of the homeless applicant preference waitlist.

DCS Response:

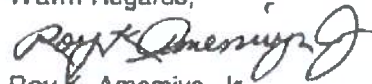
DCS agrees with this recommendation and is validating the homeless status for applicants being taken off the waitlist.

DCS noted factual errors contained in the draft report regarding staffing levels/caseloads, fraud, IT support, and landlord participation/outreach activities, as well as staff processes. These discrepancies were made known to the audit team in prior discussions.

We are very pleased that this audit was conducted in a very collaborative manner between the City Auditor's office and the Department of Community Services. We can agree that many of the recommendations made, taken by themselves, will result in improvements to the program upon successful implementation. DCS staff are currently reviewing implementation measures, including feasibility and required assistance from other parts of the City system.

We look forward to working with you and your staff on implementation of these recommendations.

Warm Regards,



Roy K. Amemiya, Jr.
Managing Director

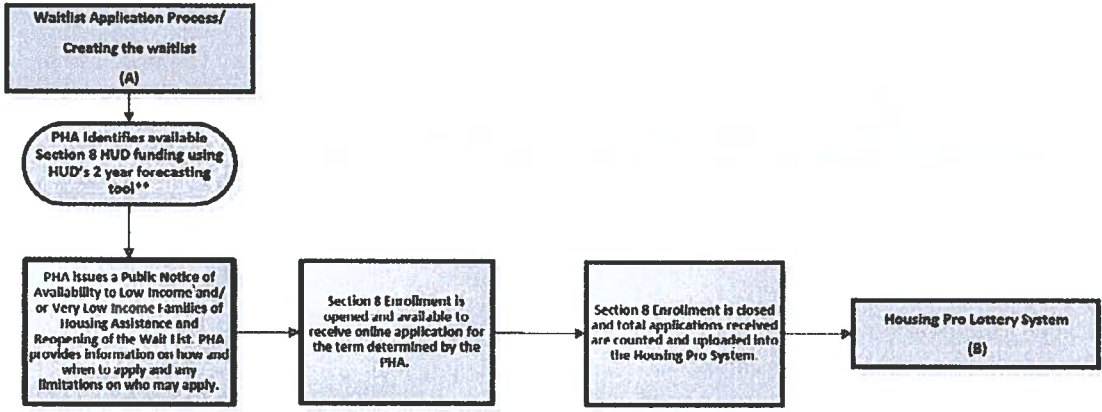
cc: Nelson H. Koyanagi, Jr., Director
Department of Budget & Fiscal Services
Gary K. Nakata, Director
Department of Community Services

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Appendix A

Section 8 Program Flowcharts (A to D)

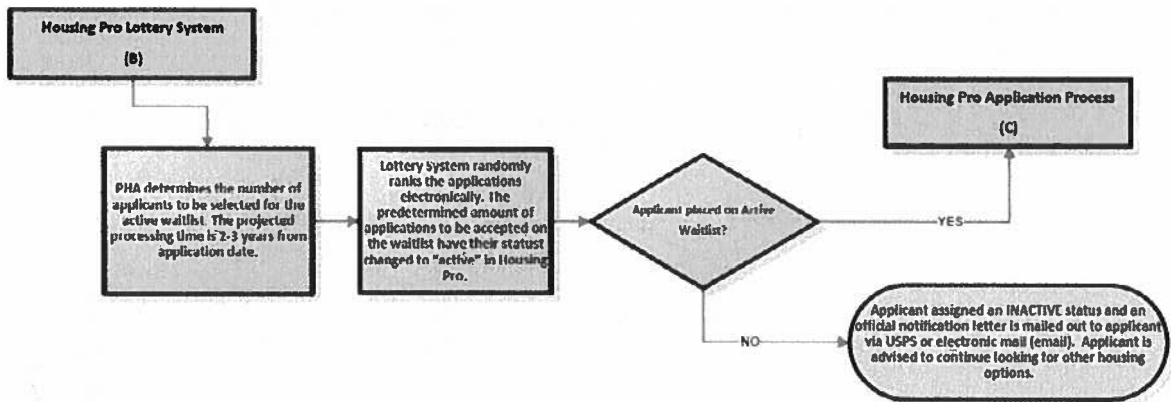
Section 8 Program Flowcharts: Waitlist Application Process (A)



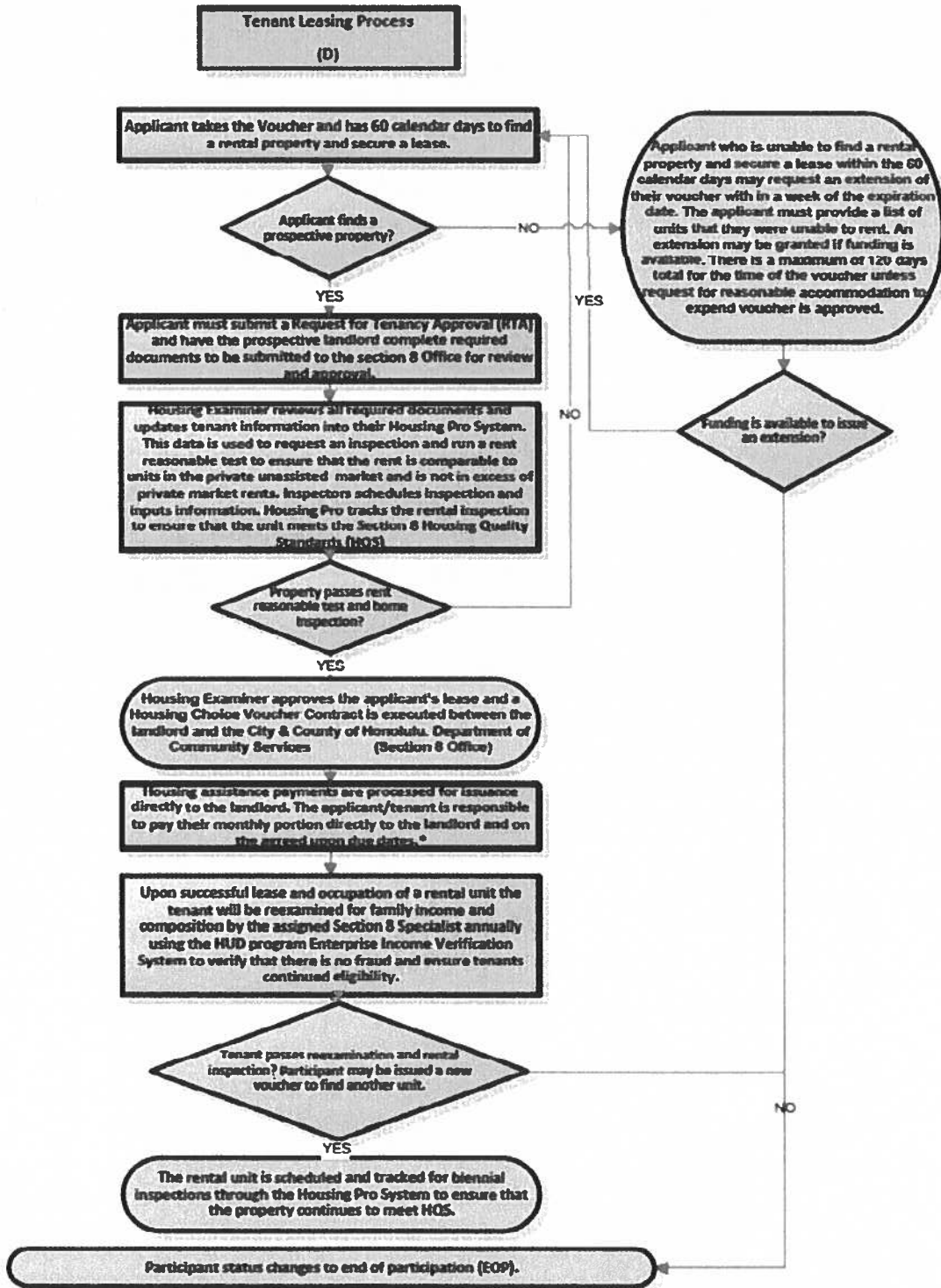
*Reopening of waitlist and exhaust all applicants on previous waitlist
 **Based on projection (funding, attrition, per unit cost, success rate, etc.)

PHA-Public Housing Agency

Section 8 Program Flowcharts: Housing Pro Lottery System (B)



Section 8 Program Flowcharts: Tenant Leasing Process (D)



*Housing assistance payments are paid directly to most Housing Ownership Program participants.

Appendix B

City Comparisons

Public Housing Agency (PHA) Information				Voucher Utilization Data				Average Expenditures Per Month				Household Income				Utility Allowance				Staffing & Caseloads		Fraud Prevention, Detection, Reporting	Public Information	Landlord Outreach
PHA Code	PHA Name	State	Population	Units	Subsidized units available	Number of families using vouchers	% Occupied	Number of people per unit	Average Family Expenditure per month (\$)	Average HUD Expenditure per month (\$)	Household Income per year (\$)	% very low income	% extremely low income	Average months on waiting list	Average months since moved in	% with utility allowance	Average utility allowance (\$)	Housing Specialists	Counselor per staff	Fraud/Complaints	Social media	Landlord Information		
CA029	Housing Authority of the County of Santa Clara	CA	1,918,044	11,359	11,321	9,510	84%	2.3	\$517	\$1,536	\$17,842	96%	85%	119	154	9	67	48	195.17	Program integrity Reporting Fraud section Fraud hotline: 800-993-3300 Fraud Allegation Form (make-in or drop-off) 4 staff persons for Fraud investigation. Co-located: Fraud Alerts (webinar) Complaint Form	None reported	Landlord Resources (websites) Owners Information Session, 15/19 online Landlord Video		
CO001	Denver Housing Authority	CO	672,345	6,834	4,502	6,122	90%	1.5	\$344	\$959	\$18,433	96%	81%	14	104	80	137	19	172.20	None reported	Facebook Twitter	Handbook for Landlords		
HI003	City and County of Honolulu	HI	958,714	4,923	4,923	3,499	71%	2.9	\$487	\$1,191	\$19,787	96%	77%	18	131	77	144	19	184.25	Fraud Handouts in Rental Packet	None reported	Link to two private company YouTube Videos		
IN217	Indianapolis Housing Agency	IN	653,179	8,617	8,617	7,704	85%	2.4	\$312	\$406	\$12,147	95%	74%	12	89	97	140	Unavailable	Unavailable	Fraud Hotline 1-844-411-5514 Fraud email Office of Special Investigations Avoid Housing Scams Video	Facebook YouTube	Landlord Resources (websites) Monthly Lease-Up Fair for Owners		
MA002	Boston Housing Authority	MA	647,137	14,438	14,171	13,221	92%	2.3	\$419	\$1,922	\$18,131	92%	76%	11	129	85	146	Unavailable	Unavailable	Fraud/Compliance Report Form Fraud Investigator Department of Children and Appeals	Facebook Twitter Instagram Blog	How to Become a Landlord (websites)		
OK001	Oklahoma City Housing Authority	OK	612,146	4,872	4,872	4,039	93%	2.3	\$297	\$354	\$10,054	93%	78%	6	81	95	102	12	174.76	None reported	Facebook	Information for Landlords (websites)		
TN005	Metropolitan Development and Housing Agency	TN	674,610	7,081	7,081	4,991	99%	2.5	\$326	\$471	\$13,809	94%	70%	14	58	76	131	17	249.55	Program integrity Fraud Detection & Investigation, Collection, Termination, Hearing Fraud Reporting Form Service (Complaint) Reporter # Form	Twitter Facebook	Landlord Forms/Downloads (websites)		
TX431	Tarrant County Housing Assistance Office	TX	1,992,498	2,550	2,550	2,964	101%	2.4	\$345	\$706	\$13,787	95%	70%	6.8	33	90	102	Unavailable	Unavailable	Filing a complaint: HUD Contact Number: 1-800-649-9377 HUD Form 903 Online Complaint Call, write or file in person at office	None reported	Mandatory Landlord Briefings (Dates listed) Landlord Forms/Downloads (websites) Landlord FAQs		
TX559	Dallas County Housing Assistance Program	TX	2,553,885	4,440	4,409	4,144	94%	2.7	\$355	\$713	\$14,551	93%	70%	46	103	91	119	Unavailable	Unavailable	None reported	Facebook Twitter	Mandatory Landlord Briefings (Dates listed) Steps to Leasing Your Property Handout		

Source: U.S. Department of Housing and Urban Development, various PHA websites, Nashville MDHA, Oklahoma City Housing Authority

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Appendix C

Participant File Review²⁰

Participant	Waitlist Date	Active Status Date (Admission Date)	Length of waiting period till admission date	Total years in program YTD	Date of Request for Emergency Approval (90 calendar Days from Vouch. Acceptance)	Date of Passed Rental Inspection	Rental Inspection Status (P/F)	HCV Contract execution date	Re-inspection dates (Annual)	Re-inspection Status (P/F)	Reexamination dates - Annual	Reexamination dates - Interim	Rental Voucher / Reexamination	Cancellation/ Termination Letter - Current	All Files Provided	No. of Forms Updated	No. of Forms missing
1	1/29/1992	11/3/1992	0years, 8months, 5days	21years, 7months, 27days	None	1/6/1997	P	Not available	10/29/2015	P	2/6/2002	N/A	11months, 20days	No			
2	12/24/1987	3/14/1988	0years, 2months, 19days	28years, 3months, 16days	12/20/2000	2/9/2001	P	Not available	2/19/2016	P	2/25/2002	N/A	10months, 24days	No			
3	7/3/2001	4/11/2003	1years, 9months, 8days	13years, 2months, 19days	Not available	Not available	Not available	4/11/2003	2/25/2016	P	3/3/2016	5/5/2016	10months, 21days	Yes			
4	12/10/2001	3/4/2004	2years, 2months, 23days	13years, 3months, 26days	2/18/2004	2/21/2004	P	3/4/2004	8/5/2016	P	3/3/2005	3/30/2005	13months, 27days	No			
5	7/2/2001	1/15/2003	1years, 6months, 13days	13years, 5months, 15days	7/7/2007	7/13/2007	P	1/15/2003	5/12/2016	P	11/25/2003	12/30/2003	#N/A#	No			
6	8/4/2003	10/15/2008	5years, 2months, 11days	7years, 8months, 15days	10/6/2008	10/15/2008	P	10/15/2008	6/8/2016	P	10/2/2009	11/2/2009	11months, 17days	No			
7	7/18/1991	10/7/1991	0years, 2months, 19days	24years, 8months, 23days	Not available	6/15/2001	Not available	6/14/2006	11/23/2001	P	N/A	Not available	7months, 14days	No			
				10/15/2008	9/11/2008	P	10/1/2008	5/5/2016	P	8/3/2009	8/2/2010	10/1/2010	10months, 2days				
				Not available	Not available	Not available	12/19/2006	9/11/2012	P	8/2/2007	N/A	N/A	14days	No			
8	11/20/2001	2/3/2009	5years, 4months, 14days	7years, 4months, 27days	1/8/2009	2/3/2009	P	2/3/2009	12/30/2014	P	2/1/2010	2/1/2011	9/3/2011	11months, 25days	Yes		
9	11/20/2002	1/30/2007	4years, 2months, 10days	9years, 5months, 0days	4/19/2009	12/2/2009	P	12/3/2009	2/9/2016	P	1/4/2010	4/5/2010	1months, 1days				
				7years, 10months, 16days	1/4/2007	1/30/2007	P	1/30/2007	7/19/2009	P	1/23/2008	N/A	11months, 24days	Yes			
10	2/26/2003	8/14/2008	5years, 5months, 19days	7years, 2months, 24days	2/25/2008	8/11/2008	P	8/14/2008	8/11/2008	P	8/3/2009	12/16/2009	11months, 20days				
				7years, 2months, 24days	3/5/2010	4/15/2010	P	4/14/2010	1/26/2011	P	8/2/2010	N/A	3months, 9days	Yes			
11	11/12/2001	4/6/2009	4months, 25days	7years, 2months, 24days	6/9/2010	6/23/2010	P	6/14/2010	7/15/2015	P	N/A	8/3/2010	evalUE!				
				4/14/2009	4/3/2009	P	4/6/2009	1/8/2010	P	4/5/2010	N/A	11months, 30days	No				

Source: OCA Analysis & Department of Community Services

P = Pass
F = Fail

²⁰ The department provided additional information after our review. However, we were unable to verify the information provided due to the lack of an audit trail in the Housing Pro system.

Participant File Review²⁹ (Continued)

Participant	Wardhat Date	Active Status Date (Admission Date)	Length of waiting period (if applicable) data	Total years in program YTD	Date of Request for Tenancy Approval (90 calendar Days from Vouch. Acceptance)	Date of Renewal Rental Inspection	Rental Inspection Status (P/F)	HCV Contract execution date	Re-inspection dates (Annual)	Re-inspection Status (P/F)	Re-examination dates - Annual	Re-examination dates - Interim	Rental Voucher / Re-examination	Cancellation/ Termination Letter - Current	All Files Provided	No. of Forms Unstatus	No. of Forms missing		
12	6/26/2001	10/1/2002	1years, 3months, 5days	13years, 8months, 29days	U/15/2016	2/4/2016	P	2/10/2016	4/18/2016	P	N/A	N/A	#VALUET						
					9/5/2012	10/19/2012	P	10/23/2012	8/6/2013	P	10/2/2013	1/2/2014			11months, 9days				
					9/1/2003	9/25/2003	P	10/1/2003	9/10/2012	P	9/27/2003	N/A			11months, 26days	No			
13	Not available	3/4/2004	Cannot determine	12years, 3months, 26days	4/4/2014	4/11/2014	P	5/1/2014	4/11/2014	P	4/2/2015	2/4/2016	11months, 1days	No					
					8/14/2014	8/29/2014	P	9/3/2014	7/1/2015	P	11/5/2014	11/4/2015	N/A		2months, 2days				
					Not available	7/24/2013	P	7/25/2012	5/20/2013	P	10/26/2012	11/1/2013	N/A		3months, 1days				
14	1/12/2002	11/24/2004	2years, 8months, 12days	11years, 7months, 6days	11/31/2004	11/23/2004	F	11/24/2004	8/14/2013	P	11/2/2012	N/A		No					
					1/8/2014	10/14/2014	P	11/1/2014	8/4/2015	P	5/14/2015	N/A			6months, 13days				
					10/27/2008	11/10/2008	P	11/1/2008	10/1/2014	P	5/1/2009	N/A			5months, 0days				
15	Not available	4/2/1991	Cannot determine	25years, 2months, 28days	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	No					
					12/4/2001	1/27/2004	P	1/27/2004	12/9/2014	P	12/13/2004	1/1/2005			10months, 16days	No			
					Not available	8/20/2004	P	9/16/2004	6/20/2015	P	1/7/2015	11/4/2015	#VALUET		7months, 24days				
16	Not available	1/27/2009	16years, 7months, 18days	7years, 5months, 3days	5/2/2011	5/3/2011	P	5/11/2011	1/9/2014	P	1/4/2012	11/21/2011							
					2/4/2009	1/24/2009	P	1/27/2009	10/1/2010	P	1/4/2010	4/1/2009			11months, 8days				
					Not available	7/9/2001	P	Not available	1/5/2003	P	Not available	Not available	Not available	Not available	Not available	No			
17	6/9/1992	1/27/2009	16years, 7months, 18days	7years, 5months, 3days	3/23/2012	1/25/2012	P	3/1/2012	11/21/2012	P	10/6/2012	4/24/2013							
					U/13/2011	12/21/2010	P	12/27/2010	10/5/2011	P	11/2/2011	N/A			10months, 6days				
					5/4/2009	1/20/2009	P	3/17/2008	3/14/2008	P	11/3/2008	5/13/2009	#VALUET	No					
18	Not available	9/27/2001	Cannot determine	14years, 9months, 3days	10/20/2015	10/14/2015	P	Not available	Biennial slip	N/A	11/4/2015	N/A							
					Not available	9/30/2014	P	10/1/2014	8/15/2015	P	11/5/2014	N/A			3months, 3days				
					Not available	7/8/2013	P	7/8/2013	5/6/2014	P	1/2/2014	1/22/2014	4/2/2014		1months, 4days				
19	8/4/1997	9/23/1997	Overs, 1months, 19days	18years, 9months, 7days	6/24/2012	5/24/2012	P	6/21/2012	3/8/2013	P	1/2/2013	N/A							
					Not available	11/24/2004	P	11/24/2004	5/27/2012	P	1/4/2005	N/A			1months, 11days	No			
					Not available	11/24/2004	P	11/24/2004	5/27/2012	P	1/4/2005	N/A			1months, 11days	No			

Source: OCA Analysis & Department of Community Services

*P= Pass
F= Fail

²⁹ The department provided additional information after our review. However, we were unable to verify the information provided due to the lack of an audit trail in the Housing Pro system.

Participant File Review²⁸ (Continued)

Participant	Waitlist Date	Active Status Date (Admission Date)	Length of waiting period (IR admission date)	Total years in program YTD	Date of Request for Tenancy Approval (90 calendar days from Vouch. Acceptance)	Date of Passed Rental Inspection	Rental Inspection Status (PIP)	HCV Contract execution date	Re-inspection dates (Annual)	Re-inspection Status (PIP)	Reexamination dates - Annual	Reexamination dates - Interim	Rental Voucher / Reexamination	Cancellation/ Termination Letter - Current	All FBes Provided	No. of Forms Unstated	No. of Forms Missing	
20	9/11/2003	1/18/2012	8years, 4months, 6days	4years, 5months, 12days	12/31/2011	1/18/2012	P	1/18/2012	12/28/2012	P	1/2/2013	10/26/2012	11months, 15days	No	100%	1	0	
21	Not available	8/26/2014	Cannot determine	1years, 10months, 4days	7/24/2014	8/26/2014	P	8/26/2014	6/15/2015	P	8/6/2015	4/7/2016	11months, 11days	No	100%	0	0	
22	9/5/2002	7/28/2014	11years, 10months, 23days	1years, 11months, 2days	7/27/2014	7/28/2014	P	7/28/2014	5/8/2015	P	7/1/2015	2/4/2016	11months, 3days	No	100%	0	0	
23	12/13/2004	9/4/2014	8years, 8months, 22days	1years, 9months, 26days	9/23/2014	9/4/2014	P	9/4/2014	7/2/2015	P	9/3/2015	3/3/2016 4/7/16	11months, 30days	No	100%	0	0	
24	Not available	1/27/2015	Cannot determine	1years, 4months, 3days	2/13/2015	2/27/2015	P	2/27/2015	12/19/2015	P	7/1/2015	9/3/2015	3/4/2016	4months, 4days	No	100%	0	0
25	5/15/2004	10/14/2005	1years, 4months, 29days	10years, 8months, 16days	9/10/2015	10/7/2015	P	10/14/2015	N/A	Biannual Skip	N/A	1/4/16 8/4/16	Not available	Yes	100%	0	0	
26	11/5/2004	10/17/2012	7years, 11months, 12days	3years, 8months, 13days	10/18/2012	10/1/2012	P	10/17/2012	9/16/2013	P	10/2/2013	N/A	11months, 15days	No	100%	0	0	

Source: OCA Analysis & Department of Community Services

*P = Pass
F = Fail

²⁸ The department provided additional information after our review. However, we were unable to verify the information provided due to the lack of an audit trail in the Housing File system.

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Appendix D

Decisions Subject to Informal Hearings

Circumstances for which the PHA must give a participant family an opportunity for an informal hearing are as follows:

- A determination of the family's annual or adjusted income, and the use of such income to compute the housing assistance payment
- A determination of the appropriate utility allowance (if any) for tenant-paid utilities from the PHA utility allowance schedule
- A determination of the family unit size under the PHA's subsidy standards
- A determination that a certificate program family is residing in a unit with a larger number of bedrooms than appropriate for the family unit size under the PHA's subsidy standards, or the PHA determination to deny the family's request for exception from the standards
- A determination to terminate assistance for a participant family because of the family's actions or failure to act
- A determination to terminate assistance because the participant has been absent from the assisted unit for longer than the maximum period permitted under PHA policy and HUD rules
- A determination to terminate a family's Family Self Sufficiency contract, withhold supportive services, or propose forfeiture of the family's escrow account [24 CFR 984.303(i)]
- A determination to deny admission based on an unfavorable history that may be the result of domestic violence, dating violence, or stalking.

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Appendix E

Fraud Handouts



APPLYING FOR HUD HOUSING ASSISTANCE?

**THINK ABOUT THIS...
IS FRAUD WORTH IT?**

Do You Realize...

If you commit fraud to obtain assisted housing from HUD, you could be:

- Evicted from your apartment or house.
- Required to repay all overpaid rental assistance you received.
- Fined up to \$10,000.
- Imprisoned for up to five years.
- Prohibited from receiving future assistance.
- Subject to State and local government penalties.

Do You Know...

You are committing fraud if you sign a form knowing that you provided false or misleading information.

The information you provide on housing assistance application and recertification forms will be checked. The local housing agency, HUD, or the Office of Inspector General will check the income and asset information you provide with other Federal, State, or local governments and with private agencies. Certifying false information is fraud.

So Be Careful!

When you fill out your application and yearly recertification for assisted housing from HUD make sure your answers to the questions are accurate and honest. You must include:

All sources of income and changes in income you or any members of your household receive, such as wages, welfare payments, social security and veterans' benefits, pensions, retirement, etc.

Any money you receive on behalf of your children, such as child support, AFDC payments, social security for children, etc.

Any increase in income, such as wages from a new job or an expected pay raise or bonus.

All assets, such as bank accounts, savings bonds, certificates of deposit, stocks, real estate, etc., that are owned by you or any member of your household.

All income from assets, such as interest from savings and checking accounts, stock dividends, etc.

Any business or asset (your home) that you sold in the last two years at less than full value.

The names of everyone, adults or children, relatives and non-relatives, who are living with you and make up your household.

(Important Notice for Hurricane Katrina and Hurricane Rita Evacuees: HUD's reporting requirements may be temporarily waived or suspended because of your circumstances. Contact the local housing agency before you complete the housing assistance application.)

Ask Questions

If you don't understand something on the application or recertification forms, always ask questions. It's better to be safe than sorry.

Watch Out for Housing Assistance Scams!

- Don't pay money to have someone fill out housing assistance application and recertification forms for you.
- Don't pay money to move up on a waiting list.
- Don't pay for anything that is not covered by your lease.
- Get a receipt for any money you pay.
- Get a written explanation if you are required to pay for anything other than rent (maintenance or utility charges).

Report Fraud

If you know of anyone who provided false information on a HUD housing assistance application or recertification or if anyone tells you to provide false information, report that person to the HUD Office of Inspector General Hotline. You can call the Hotline toll-free Monday through Friday, from 10:00 a.m. to 4:30 p.m., Eastern Time, at 1-800-347-3735. You can fax information to (202) 708-4829 or e-mail it to Hotline@hudoig.gov. You can write the Hotline at:



HUD OIG Hotline, GFI
451 7th Street, SW
Washington, DC 20410

December 2005

DEPARTMENT OF COMMUNITY SERVICES
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

842 BETHEL STREET, 1st FLOOR • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7096 • FAX: 768-7039
 1609 ULU'OHIA, SUITE 118 • KAPOLEI, HAWAII 96707 • TELEPHONE: 768-3000 • FAX: 768-3237 • TDD: 768-3228
www.honolulu.gov/dcs/housing.html



To: Owner/Agent

From: Jayne Lee, Rental Assistance Administrator

The City Department of Community Services is interested in preventing violations of the Section 8 Housing Assistance Payments Program. The Federal Office of the Inspector General (IG) has identified cases of fraud by Public Housing Agencies (PHA) and their employees, owner/agents, and tenants participating in the Section 8 Program.

In order to provide Section 8 housing assistance to as many needy families as possible, participants in the program must properly use assistance payments and follow program requirements. Incidents of fraud, willful misrepresentation, or intent to deceive the Section 8 Program are criminal acts. If anyone is suspected of committing any fraudulent action, we will refer the matter to the proper authority for appropriate action. Some examples of fraud involving owner/agent identified by the IG's investigation included:

1. Enter into verbal or written "side" agreements to receive payments in excess of the family's share of the rents. Any payment in excess of the rent must receive our prior approval.
2. Collecting assistance payments for units not occupied by Section 8 tenants.
3. Bribing PHA employees to certify substandard units as standard.

We urge you to immediately report any violations of the Section 8 Program. In addition, tenants receiving Section 8 assistance payments will be requested to assist in preventing abuses of the program. If you know of any violations or fraud committed by anyone, including City employees, please call the Section 8 office at 768-7096.

Thank you for your cooperation.

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Appendix F

Informal Hearing File Review²¹

Participant	Housing Pro System			Tenant Files Notes/Documents		Housing Pro Verification Notes
	Admission Date	Termination Date	Reason	Corrective Action Take	Final Determination Letter	
1	5/12/2015	Unknown	None	Termination overturned <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	None	None
2	N/A	N/A	N/A	<i>Note: This case had drug-related activity involved. There was no documentation to verify that the informal hearing/investigation case was closed</i>	N/A	N/A
3	N/A	N/A	N/A	N/A	N/A	N/A
4	N/A	N/A	N/A	<i>Note: This case involved exceeded income limit for tenant</i>	N/A	N/A
5	6/1/2007	None	None	Terminated due to CFR 982 553 (c) <i>Note: Participant file shows termination, HP software shows participant active on program. There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
6	1/21/2015	None	None	Termination rescinded and reasonable accommodation approved <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
7	12/16/2002	2/29/2016	Other	Termination upheld <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
8	4/17/1987	None	None	Terminated due to violation of CFR 982.404 (b)(1) <i>Note: Tenant did not comply with terms of promissory note, but remains active on program. Participant file shows termination, HP software shows participant active on program. There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
9	7/3/2012	7/31/2015	Nonpayment to any HA	Termination upheld <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
10	11/1/2002	None	None	Termination rescinded, unreported income from another household member. Member no longer in household <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
11	N/A	N/A	N/A	N/A	N/A	N/A
12	10/1/2002	11/30/2014	Violation of Family	Termination upheld <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
14	4/11/2002	7/1/2016	None	Terminated due to violation of CFR 982 404 (b)(1) <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
15	7/29/2014	None	None	Termination rescinded. Participant must pay back \$754 of unreported income <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
16	N/A	N/A	Family's income exceeds very low income limit	Applicant ineligible for program, did not qualify for any of the income eligibility requirements from CFR 982 201 <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes

²¹ The department provided additional information after our review for participants noted. However, the additional information we received did not include written decisions and copies of the hearings as required by HUD.

Informal Hearing File Review²¹ (continued)

Participant	Housing Pro System		Tenant Files Notes/Documents			Final Determination Letter	Housing Pro Verification Notes
	Admission Date	Termination Date	Reason	Corrective Action Take			
17	9/13/2012	None	None	Termination rescinded; Participant given warning <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes	
18	8/4/2000	None	None	Termination rescinded; Participant given warning <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	No	
19	10/24/1995	None	None	Participant given warning <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	None	No	
20	9/17/2015	None	None	Denial of application upheld	Yes	Yes	
21	12/16/2002	2/29/2016	Other	Participant given two options. keep member as temporary HH member or remove member from household	Yes	No	
22	2/1/1979	3/31/2016	Fraud or Criminal Activity	Terminated effective March 31, 2016	Yes	Yes	
23	11/12/2014	12/31/2015	Violation of Family	Terminated	Yes	Yes	
24	9/15/2008	None	Arrested & Convicted of Offense	Termination rescinded <i>Note: After review of this file this tenant has several indicators that would qualify them to be monitored as "At risk".</i>	Yes	No	
25	7/10/2012	5/31/2012	Unauthorized person living in unit	Termination rescinded, hearing officer unable to determine if violation occurred <i>Note: After review if this file the examiner had clear documentation of the case and actively perused investigating the tenant This participant should be noted as "At risk"</i>	Yes	No	
26	8/12/2014	2/29/2016	None	Termination rescinded <i>Note: After review of this file this tenant has several indicators that would qualify them to be monitored as "At risk".</i>	Yes	No	
27	8/28/2002	None	Eviction. Violation of lease	Termination upheld <i>Note: Participant file shows termination, HP software shows participant active on program. There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	No	
28	10/18/2006	N/A	None	Termination rescinded; participant remitted balance due to program <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes	
29	N/A	N/A	N/A	N/A	N/A	N/A	
30	N/A	N/A	N/A	N/A	N/A	N/A	
31	4/22/1987	N/A	Unreported Income	Termination rescinded; participant remitted balance due to program	Yes	Yes	
33	11/1/1984	3/31/2005	Incomplete 405 RXAM. Did not show for appointment	Termination upheld	Yes	No	
34	3/7/2009	11/13/2011	None	Termination rescinded; lack of investigation on part of examiner relating to alleged fraudulent document provided. <i>Note: Final Determination letter and supporting documentation not found in participant's files</i>	Yes	None	
36	3/23/2009	None	None	Unknown; tenant still active and receiving HAP <i>Note: Tenant requested to meet for recoupment of HAP when unit did not pass inspection. No documentation of outcome from meeting</i>	No	None	

²¹ The department provided additional information after our review for participants noted. However, the additional information we received did not include written decisions and copies of the hearings as required by HUD.

Informal Hearing File Review²¹ (continued)

Participant	Housing Pro System		Tenant Files Notes/Documents			Housing Pro Verification Notes
	Admission Date	Termination Date	Reason	Corrective Action Take	Final Determination Letter	
37	8/1/2003	None	None	Termination rescinded. <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
38	10/1/2005	7/31/2012	Failure to pay other charges	Termination upheld. <i>Note: Final Determination letter and supporting documentation not found in participant's files. AR balance of \$781.00 outstanding</i>	Yes	Yes
39	11/1/2008	2/28/2014	Non-compliance with program requirements	Termination upheld	Yes	Yes
40	9/12/2012	12/31/2014	Violation of Family	Termination upheld. The family has not reimbursed any PHA amounts paid to an owner under a HAP contract for rent, damages to the unit, or other amounts owed by the family under the lease.	Yes	Yes
41	12/28/2003	9/30/2014	Violation of Family	Termination upheld	Yes	Yes
42	1/1/2009	7/7/2014	Other	Termination upheld	Yes	Yes
43	2/25/2002	8/31/2015	HQS History	Termination rescinded and granted reasonable accommodation. <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
44	5/5/2004	5/31/2015	Fraud or Criminal Activity	No termination letter or documentation of fraud activity in actual files. To date, tenant has only paid \$200 of the \$34,013 AR balance. <i>Note: There was no documentation to verify that the informal hearing/investigation case was closed</i>	Yes	Yes
45	11/4/1993	11/30/2015	None	Termination upheld	Yes	Yes
46	9/1/2011	5/31/2015	Violation of Family	Termination upheld	Yes	Yes

Source: OCA Analysis & Department of Community Services

²¹ The department provided additional information after our review for participants noted. However, the additional information we received did not include written decisions and copies of the hearings as required by HUD

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Appendix G

Fraud Recovery Analysis (FY 2012 to FY 2016)

HOUSING PRO				PERIOD OF FRAUD RECOVERIES	CALCULATE HAP PAYMENTS	Promissory Note Violation
ACTION EFFECTIVE DATE	ENDING PRINCIPAL BALANCE	STATUS				
Quarterly Report 06.30.12						
1	5/1/2007	3,934.00	Active	5/1/07-2/24/14 paid off	\$ 61,762.00	
Quarterly Report 06.30.13						
2	6/1/2013	2,142.00	Active	6/1/13-current	\$ 67,131.00	1
Quarterly Report 06.30.14						
3	8/1/2013	4,957.20	Active	8/1/13-9/9/14	\$ 8,247.00	
4	3/1/2014	1,906.00	Active	3/1/14-10/13/15	\$ 20,715.00	2
5	3/28/2014	1,407.00	Active	3/28/14-8/5/14	\$ 6,433.00	
6	4/14/2014	1,859.00	Active	4/14/14-11/7/14	\$ 10,866.00	
7	5/28/2014	393.00	Active	5/28/2014-6/28/16	\$ 16,728.00	
8	6/9/2014	360.00	Inactive	6/9/2014-7/6/16	\$ 36,756.00	3
Quarterly Report 06.30.15						
9	3/1/2014	1,283.44	Active	3/1/14-10/13/15	\$ 20,715.00	4
10	7/8/2014	3,396.00	Active	7/8/14-7/7/16	\$ 15,564.00	5
11	7/8/2014	1,033.00	Active	7/8/14-4/15/16	\$ 10,239.00	6
12	8/5/2014	186.00	Active	8/5/14-5/18/16	\$ 28,626.00	7
13	1/22/2015	900.00	Active	1/22/15-6/16/16	\$ 18,735.00	8
14	1/27/2015	442.00	Active	1/27/15-4/27/16	\$ 29,445.00	9
15	3/2/2015	1,472.00	Active	3/2/15-current	\$ 29,908.00	
16	3/5/2015	636.00	Active	3/5/15-8/12/16	\$ 16,031.00	10
17	3/23/2015	3,491.50	Active	3/23/15-8/18/15	\$ 5,274.00	11
18	4/20/2015	857.00	active	4/20/15-4/15/16	\$ 17,487.00	12
19	5/28/2015	2,741.00	Active	5/28/15-6/15/16	\$ 13,541.00	13
20	6/15/2015	4,460.00	Active	6/15/15-3/11/16	\$ 11,469.00	
21	6/15/2015	750.00	Active	6/15/15-9/29/15	\$ 3,725.00	
Quarterly Report 06.30.16						
22	3/5/2015	212.00	Active	3/5/15-8/12/16	\$ 16,031.00	14
23	4/21/2015	1,880.88	Active	4/21/15-7/12/16	\$ 25,585.00	15
24	9/1/2015	4,890.00	Active	9/1/15-current	\$ 14,279.00	
25	9/23/2015	17,039.68	Active	9/23/15-current	\$ 21,671.00	
26	10/21/2015	1,246.00	Active	10/21/15-current	\$ 11,840.00	
27	10/23/2015	275.00	Active	10/23/15-current	\$ 11,987.00	
8	11/20/2015	4,297.00	Active	11/20/15-current	\$ 9,258.00	
29	1/19/2016	343.16	Active	1/19/16-current	\$ 10,896.00	
30	1/19/2016	555.00	Active	1/19/16-current	\$ 10,418.00	
31	2/5/2016	3,712.00	Active	2/5/16-current	\$ 5,630.00	16
32	2/11/2016	1,238.00	Active	2/11/16-current	\$ 11,938.00	
33	2/22/2016	323.00	Active	2/22/16-current	\$ 1,498.00	17
34	3/10/2016	1,632.00	Active	3/10/16-current	\$ 2,917.00	
35	4/8/2016	225.00	Active	4/8/16-8/18/16	\$ 5,370.00	
36	5/11/2016	320.00	Active	5/11/16-8/12/16	\$ 5,742.00	
					\$ 614,457.00	

Source: OCA Analysis & Department of Community Services

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Appendix H

Resolution 15-281, CD1



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 15-281, CD1

RESOLUTION

REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE CITY'S SECTION 8 TENANT-BASED ASSISTANCE PROGRAM.

WHEREAS, the Section 8 Tenant-Based Assistance Program ("Section 8 Program") is federally funded and provides rental subsidies that are paid directly to landlords on behalf of low-income individuals and families, the elderly, and persons with disabilities; and

WHEREAS, under a contract with the U.S. Department of Housing and Urban Development ("HUD"), the Department of Community Services ("DCS") is responsible for administering the Section 8 Program in the City and County of Honolulu ("City"); and

WHEREAS, to be eligible for the Section 8 Program applicants must meet income limits and furnish evidence of citizenship or eligible immigrant status; and

WHEREAS, according to Section 8 Program guidelines, tenant responsibilities include finding a suitable unit, paying the security deposit and the tenant's share of the rent, abiding by all lease terms, and notifying the City of any changes in income and/or family composition within 10 days; and

WHEREAS, according to Section 8 Program guidelines, the City's responsibilities include determination of eligibility, inspection of rental units prior to initial approval of rental assistance and at least once annually thereafter, and reexamination of the family's income and family composition at least once annually; and

WHEREAS, the demand for Section 8 Program assistance far exceeds the supply and the City stopped accepting applications for the Section 8 Program in 2005 due to excessive demand and an already lengthy waiting list; and

WHEREAS, in 2015 the City accepted new applications for the Section 8 Program for the first time in a decade, which resulted in more than 14,000 applications being submitted within in a one-week period, of which 3,100 were randomly selected for addition to the waiting list; and

WHEREAS, the thousands of individuals and families who were not selected must wait for another opportunity to apply and those who were selected may still have to wait several years to receive assistance through the Section 8 Program; and

WHEREAS, many individuals and families report having difficulty securing housing even after being offered Section 8 Program assistance, as property owners are



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 15-281, CD1

RESOLUTION

sometimes reluctant to accept Section 8 vouchers, especially in a tight rental market;
and

WHEREAS, it has been reported that the City's delayed inspection of rental units may be discouraging prospective landlords from renting to Section 8 Program participants; and

WHEREAS, the 2015 Homeless Point-in-Time Count reports that there are 4,903 homeless individuals in the City, a 4% increase over 2014; and

WHEREAS, rental assistance, such as the funding provided through the Section 8 Program, is considered to be a critical tool for the reduction and prevention of homelessness; and

WHEREAS, the Council believes it is critical that the Section 8 Program be administered effectively in order to ensure that housing assistance is provided to as many needy individuals and families as possible; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to conduct a performance audit of the City's Section 8 Program, to determine whether the City is effectively and appropriately administering the federal program; and

BE IT FURTHER RESOLVED that the performance audit specifically include the following:

- 1) A determination whether current City staffing levels are sufficient;
- 2) A discussion of barriers to participation for property owners and recommendations for expanding the list of participating landlords;
- 3) Fraud prevention, detection, and reporting practices; and
- 4) Section 8 best practices from other jurisdictions;

and



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

No. 15-281, CD1

RESOLUTION

BE IT FINALLY RESOLVED that copies of this Resolution be sent to the Mayor, the Managing Director, the Director of Community Services, and the City Auditor of the City and County of Honolulu.

INTRODUCED BY:

Joey Manahan

DATE OF INTRODUCTION:

October 9, 2015
Honolulu, Hawaii

Councilmembers

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

RESOLUTION 15-281, CD1

Introduced: 10/09/15 By: JOEY MANAHAN

Committee: PUBLIC HEALTH, SAFETY
AND WELFARE

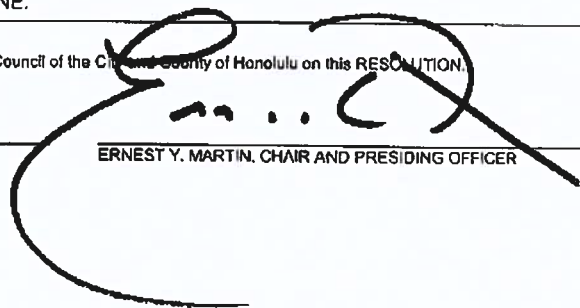
Title: RESOLUTION REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE
CITY'S SECTION 8 TENANT-BASED ASSISTANCE PROGRAM.

Voting Legend: * = Aye w/Reservations

10/20/15	PUBLIC HEALTH, SAFETY AND WELFARE	CR-385 -- RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION AS AMENDED IN CD1 FORM.
11/04/15	COUNCIL	CR-385 AND RESOLUTION 15-281, CD1 WERE ADOPTED. 8 AYES: ANDERSON, ELEFANTE, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA. 1 ABSENT: PINE.

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.


GLEN TAKAHASHI, CITY CLERK


ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER



Public Hearing Comments and Responses
March 30, 2020

Thank you for your comments and submitting them before the March 27, 2020 deadline. We appreciate your comments. Our goal is to serve the underprivileged population while being compliant with HUD, City, and State rules and regulations. The following are responses to your comments.

The Administrative plan does not provide Section 8 voucher participants or applicants the hearing/due process protections required by 24 CFR §982.554 (Applicants) and 24 CFR §982.555 (participants), particularly if they represent themselves.

1a. The Administrative Plan §8-10-25 Informal Settlement of Disputes-does not comply with HUD Hearing regulations.

The HUD hearing regulations states that the PHA must notify the family of their right to request a hearing. Upon making an adverse decision, the PHA promptly notifies the families in writing that they may request a hearing. According to 24 CFR §982.555, the PHA must state a deadline for the family to request an informal hearing. The PHA's Operational Manual or Standard Operating Procedure (SOP) provides the procedural steps and states this deadline as 15 days from the time of the incident or from the date of a notice the family received.

An informal meeting can be requested at any time and is not recorded. If a formal hearing is requested, the hearing is recorded.

1b. The Administrative Plan §8-10-25 – Informal Settlement of Disputes and §8-10-26 – Hearing on a Dispute–Do not comply with the HUD hearing regulations and would be extremely difficult for an unrepresented applicant or participant to navigate.

The following tables lists the 24 CFR §982.554 and §982.555 excerpts and the PHA Administrative rules that satisfy the HUD hearing regulations.

Table 1:

CFR § 982.554 Excerpts	PHA Administrative Rules
1. The PHA must give an applicant prompt notice of a decision denying assistance to the applicant.	A written summary of the discussion shall be prepared by the Agency within fifteen calendar days of the date of the discussion and one copy of the summary shall be given to the complainant.
2. The PHA must give an applicant an opportunity for an informal review. The administrative plan must state the PHA procedures for conducting an informal review.	Changes to §8-10-25 and §8-10-26 of the Administrative Plan are forthcoming.
3. The review may be conducted by any person designated by the PHA, other than a person who made the decision.	<u>Person Conducting Hearing.</u> The Administrator of the Agency or his or her duly authorized representative shall conduct the hearing.
4. The applicant must be given an opportunity to present objections.	If a complainant is not satisfied with the disposition of a dispute in the informal discussion, and would like to pursue the dispute further, or if the complainant has received an adverse decision, the complainant must submit a written request for a hearing to the Agency within fifteen calendar days after receipt of the written summary of the informal discussion or receipt of an adverse decision.
5. The PHA must notify the applicant of the PHA final decision after the informal review.	A written summary of the discussion shall be prepared by the Agency within fifteen calendar days of the date of the discussion and one copy of the summary shall be given to the complainant. The summary shall specify the names of the participants, the date of the meeting, the nature of the proposed resolution of the dispute and the specific reasons therefor, and the procedures by which a hearing under §8-10-26 may be obtained if the complainant is not satisfied with the proposed resolution.
6. The CFR then lists situations when an informal review is not required.	The Administrative Plan lists these same situations verbatim in §8-10-26.

Table 2:

CFR § 982.555 Excerpts	PHA Administrative Rules
<p>1. The PHA must give a participant family an opportunity for an informal review.</p>	<p>Changes to §8-10-25 and §8-10-26 of the Administrative Plan are forthcoming.</p>
<p>2. The PHA must make the following determinations of the participant family:</p> <ul style="list-style-type: none"> a. Annual or adjusted income b. Appropriate utility allowance c. Family unit size d. Terminate assistance for a family because of the family's action or inaction, and/or absent from unit. 	<p>This is done at the annual recertification.</p>
<p>3. The CFR lists reasons a PHA is not required to provide a participant family an opportunity for an informal hearing.</p>	<p>In accordance with 24 CFR §982.554 and §982.555, hearings are not required for:</p> <ul style="list-style-type: none"> 1) Discretionary administrative determinations by the Agency; 2) General policy issues or class grievances; 3) A determination of unit size under the Agency subsidy standards; 4) The Agency determination not to extend a Voucher term; 5) The Agency determination not to grant approval of a Lease or tenancy; 6) The Agency determination that a unit is not in compliance with HQS; 7) For an Applicant, a determination of the Voucher size under the Agency subsidy standards; 8) For a Participant, the Agency establishment of a Utility Allowance for Families in the Program; and 9) For a Participant, the Agency's determination to exercise or not to exercise any right or remedy against an Owner under a HAP Contract.
<p>4. The PHA must notify the family that they may ask for an explanation of the PHA's decision. If they don't agree, they can ask for another informal hearing. The hearing must be conducted expeditiously.</p>	<p>The hearings are conducted as expeditiously as possible. Negative actions are not taken until process is completed.</p>
<p>5. The Administrative plan must state the PHA procedures for conducting informal hearings for participants.</p>	<p>§8-10-25 and §8-10-26 cover the procedure for Informal meeting and Hearing on a Dispute. These include how and when to request a hearing, how and when a written summary of the discussion will be given to the complainant. It also discusses the procedures by which a hearing under §8-10-26 may be obtained if the complainant is not satisfied with the proposed resolution. The Administrative rule quotes 24 CFR §982.554 and §982.555 verbatim listing reasons why a hearing is not</p>

	required. The Administrative rule then lists what the written request for a public hearing should include. However, changes to these sections are being updated.
6. The family must be able to view any directly relevant documents before the hearing.	Notice and Conduct of Hearing/Judicial Review. The notice and conduct of the hearing and the request for judicial review shall be made pursuant to Chapter 91, Hawaii Revised Statutes (HRS) and 24 CFR §982.554 and §982.555
7. The family may be represented by a lawyer or other representative.	Notice and Conduct of Hearing/Judicial Review. The notice and conduct of the hearing and the request for judicial review shall be made pursuant to Chapter 91, Hawaii Revised Statutes (HRS) and 24 CFR §982.554 and §982.555
8. The hearing may be conducted by any person that hasn't made the decision.	Person Conducting Hearing. The Administrator of the Agency or his or her duly authorized representative shall conduct the hearing.
9. The PHA and the family must be able to present evidence and may question witnesses.	Notice and Conduct of Hearing/Judicial Review. The notice and conduct of the hearing and the request for judicial review shall be made pursuant to Chapter 91, Hawaii Revised Statutes (HRS) and 24 CFR §982.554 and §982.555
10. There must be an issuance of a written decision.	A written summary of the informal meeting shall be prepared by the Agency within fifteen calendar days of the date of the discussion and one copy of the summary shall be given to the complainant.

1c. In the audits of Section 8, reference is made to an Operational Manual, which is not the approved Administrative Plan, is not a public document, has not been through the approval process required by HUD, and cannot be used to modify the process required under §8-10-25 and §8-10-26 of the Administrative Plan because it is an internal document of Section 8 that bypasses HUD regulations.

The PHA's Operation Manual is the PHA's Standard Operating Procedures (SOP) for the Administrative Plan. As the SOP, the Operational Manual goes into more detail than the Administrative Plan but it always follows the Administrative Plan and HUD regulations. The Operational Manual describes specific rules and regulations that the administrative plan outlines. It keeps staff on the same page and is used as a guidebook for everyday operations. Any changes to the Operational Manual is approved by the Operations Manager, Branch Chief, and the Division Chief after discussions with staff.

Changes to the Administrative Plan follow the City and County of Honolulu policies and procedures. Amendments to the Administrative Plan must be approved by Corporation Counsel before a public notice and public hearing takes place. Upon approval by the Mayor, the plan shall have the force and effect of law. This process can take from six months to one year.

The auditor refers to the SOP to review the operations and records of the Agency.

1d. The inadequacies of the Section 8 hearing process are highlighted in the Draft Annual Plan and related and incorporated documents.

There are two parts to a PHA Plan- the Five-year Plan and the Annual Plan. The Five-year Plan is a guide to the PHA policies, programs, operations, and strategies for meeting local housing needs and goals. The Annual Plan is to notify HUD of its progress in meeting these goals and objectives approved in the Five-year Plan.

The Draft Annual Plan does not highlight the inadequacies of the Section 8 hearing process. The Agency follows HUD regulations by notifying families of their right to an informal meeting if they disagree with any decisions the Agency makes. The Agency provides translations services for all families. The fifteen day deadline to submit a request for a hearing is standard and reasonable.

The Agency does request information to streamline the hearing process.

We serve the LEP population and hearing impaired individuals by offering services to all families and persons with disabilities. If anyone requires special assistance, auxiliary aid and/or service to participate in this event (i.e. sign language interpreter; interpreter for language other than English, or wheelchair accessibility), they are asked to contact the office. The Section 8 application can be requested in the five most common languages. All documents can be requested in large print for vision-impaired.

The 2017 City and County of Honolulu Audit recommendations were not included in the FY 2018 Annual plan because it was not made available to the public until March 23, 2018. However, the PHA does review and rectify all Audit findings.

Table 3:

City and County of Honolulu Single Audit Year	Finding	PHA Action
2017	19 of the program’s eligibility determinations contained errors or missing documentation.	This is not an error due to lack of proper policies and procedures. This was an employee error that was rectified. The Examiners corrected these errors.
2017	The required financial statements were not submitted in a timely manner.	The PHA has rectified this matter by submitting financial statements in a timely manner.
2018	Recommendation: We recommend the City be more diligent in following its existing policies and procedures to ensure compliance with the Federal requirements.	Procedural changes were quickly made to ensure compliance with the Federal requirements.
2018	Income targeting requirements were not met.	There were not enough extremely low-income families

		on the waiting list to fill the 75% income targeting requirement. The PHA admitted 73% of extremely low-income families. The PHA is tracking this data more often.
2018	Participants were not selected and notified to attend an orientation meeting in the order that they appeared on the waiting list.	A new employee made this error. It was corrected immediately by notifying the following: Two employees will work together to pull selection from the waiting list.

The PHA takes corrective actions on all of the Audit findings.

2. The “High Performer” rating for SEMAP certification in the Draft Annual Plan is not consistent with the information provided in the Draft Annual Plan, the audits, and the Administrative Plan.

For a Public Housing Agency (PHA) to be a “High Performer,” the Agency must have a score of ≥ 90 out of 100 on the Section Eight Management Assessment Program (SEMAP). The PHAs are rated on 14 key areas which include the following:

1. Proper selection of applicants from the housing choice voucher waiting list.
2. Sound determination of reasonable rent for each unit leased.
3. Establishment of payment standards within the required range of the HUD fair market rent.
4. Accurate verification of family income.
5. Timely annual reexaminations of family income.
6. Correct calculation of the tenant share of the rent and the housing assistance payment.
7. Maintenance of a current schedule of allowances for tenant utility costs.
8. Ensure units comply with the housing quality standards before families enter into leases and PHAs enter into housing assistance contracts.
9. Timely annual housing quality inspections.
10. Performing of quality control inspections to ensure housing quality.
11. Ensure that landlords and tenants promptly correct housing quality deficiencies.
12. Ensure that all available housing choice vouchers are used.
13. Expand housing choice outside areas of poverty or minority concentration.
14. Enroll families in the family self-sufficiency (FSS) program as required and help FSS families achieve increases in employment income.

The PHA works year-round on these key points. The PHA meets these specific SEMAP objectives and HUD scored it as a high performer. The PHA Annual Requirements are to carry out the following: a) Annual Public Hearing, b) Civil Rights Certification, c) Five Year Plan Requirements, d) Resident Participation, e) Consistency with the Consolidated Plan, and f) Public Availability of the Plan. The purpose of the Annual Plan is to inform HUD of its progress in meeting the goals outlined in the PHA Five-Year Plan.

Appendix J

Progress Report, Goals and Objectives

Goals and Objectives

A. Expand the supply of assisted housing

Objectives:

1. Apply for the maximum number of new Housing Choice Vouchers (HCV), when made available by HUD

In CY 2019, the PHA was in a shortfall from April to December 2019. There were no new vouchers issued during this time except for VASH (Veterans Administration Supportive Housing) vouchers. The PHA was still able to issue 240 vouchers and leased-up over 187 extremely low-income and very low-income families for the calendar year.

From May 2015 to October 2019, the PHA applied for and received 227 VASH vouchers. Of the 227 vouchers, 138 vouchers were leased. In November 2019, the PHA expressed interest in additional VASH vouchers in response to a PIH Notice (PIH 2019-15). In December 2019, the PHA was approved for 28 additional VASH vouchers. The vouchers will be awarded in CY 2020.

The PHA also applied for and received HUD FY 2019 Family Self-Sufficiency (FSS) Program Coordinator renewal funding for two (2) positions totaling \$144,000.

2. Adopt strategies and options that maintain the maximum program size of the HCV Program

In the CY 2019, 389 applicants attended orientation sessions; of these 68 were VASH applicants. The PHA issued 240 HCV vouchers, and of those 187 families were leased-up. The PHA was able to absorb 46 families whose vouchers originated in other PHAs' jurisdictions.

The PHA monitors the payment standards in relation to rent burden on the families and funding availability. In June 2018, SAFMRs (Small Area Fair Market Rents) were implemented. The PHA updated the Payment Standards and they were uploaded in January 2019.

With limited affordable housing availability, the PHA is looking towards project-based vouchers as a means to add to the affordable housing inventory. The PHA must set aside vouchers for this. The County of Oahu is building a rail system which may allow families to seek better employment and higher education opportunities. Transit Oriented Development plans include housing in areas near or at the station locations. The goal is to maintain the maximum program size of the HCV Program as well as to maximize utilization of available vouchers.

3. Explore ways to expand service delivery to all housing markets on Oahu

The Landlord Specialist has been successful in expanding service delivery to all housing markets by educating potential Landlords of the Section 8 program, helping current tenants find rentals in different parts of Oahu and briefing applicants on their role and responsibilities in the Section 8 Program. The

Landlord Specialist develops relationships with Section 8 tenants and landlords throughout the Island.

The Landlord Specialist coordinates and hosts a monthly Landlord Briefing, if requested. In this Briefing, the Landlord Specialist explains the Section 8 program and answers any questions the Landlords may have. The briefings are also held when requested.

4. Work with the State Department of Health (DOH) to abate homes found with high levels of lead-based paint.

A representative from the PHA attends the "Lead Coalition" meetings at DOH. These meetings are held by the "Hawaii Childhood Lead Poisoning Prevention Program." There are discussions regarding lead prevention, progress, and plans made for the year. The PHA receives a list of addresses where people tested positive for lead every quarter. It is matched with addresses in the PHA's database. If there are matches, the PHA will work with landlords on testing and abatement.

**B. Improve the quality of assisted housing
Objectives:**

1. Improve and maintain voucher management "high performer" rating

The PHA obtained the "High Performer" rating for the SEMAP certified for the fiscal year ending June 30, 2019 and the PHA continues to strive for the high performance rating.

2. Increase customer satisfaction

The Landlord Specialist helps to improve customer satisfaction by performing landlord briefings, meeting with voucher holders to help them find housing, and meeting with service providers to find ways to help program participants.

The Landlord Specialist was successful in his outreach to Owners and Agents. The following is from the Landlord Specialist report for CY 2019:

1. Owners/Agents Outreach: 157
 2. Briefings: 47
 3. Community Resources Outreach Affiliation: 11
 4. Voucher Holder Consultations: 94
- 3. Due to SAFMR based payment standards, the PHA will change the policy on changes to payment standard decreases. The "Hold Harmless" policy will be implemented that will allow the family to keep their current payment standard amount should the area's payment standard decrease.**

4. Concentrate on efforts to improve specific management functions

After a year with a significant number of vacant positions, almost all of the positions are filled. Some positions duties were updated and some were created. This increases operational efficiencies.

The City is signing a three-year contract with Happy Software, An MRI Company. This will lower the Software annual renewal cost.

The Utility Allowance schedule was updated effective January 2020. It is revised yearly. The PHA is required to use Small Area Fair Market Rents (SAFMRs) to calculate its payment standards. SAFMRs are intended to result in payment standards that align more closely with local rental costs, particularly in higher-cost areas. Its purpose is to provide HCV-assisted families with access to “areas of high opportunity and lower poverty.” The PHA continues to monitor movement between the zip codes. As of CY 2019, the families are still moving to the usual areas which include Waianae, Kapalama, and Moiliili.

There were trainings and workshops offered to staff in CY 2019. These trainings and workshops help staff to explore new ways to coordinate and link supportive services to housing. The PHA staff attended the following events in CY 2019:

Calendar year 2019 Trainings/Workshops	
January 1, 2019	Fair Housing Training
February 28, 2019	Limited English Proficiency (LEP) Workshop
May 3, 2019	U.S. Census Workshop (Your Neighborhoods by the Numbers: Advanced American Fact Finder: Tracts, Block Groups, and Blocks)
May 8, 2019	Lead-Based Paint Safety Requirements for HUD-assisted Housing Programs
May 13, 2019	Program Coordinating Committee (PCC) Meeting
May 15, 2019	Annual Section 8 Coordinator’s Meeting (Hawaii PHAs)
June 26, 2019	HUD Office of Inspector General (OIG) Workshop
July 31, 2019	DCS (Department of Community Services) retreat
August 7, 2019	Office of Language Access (OLA) “Strategies for Serving Hawaii’s Multilingual Population”
August 22, 2019	OIG Fraud Training
September 25, 2019	Hawaii Childhood Lead Poisoning Prevention
November 17, 2019	Statewide Homeless Awareness Conference
November 22, 2019	HCV two-year tool Training
December 17, 2019	U.S. Census Workshop

On March 4, 2019, the Community Assistance Division’s Facebook page went live. The address is at <https://www.facebook.com/HonoluluDCS>. The PHA is now able to keep families, landlords, the public, and partner agencies updated on any program changes and HUD rules and regulations. The Facebook page also allows the PHA to keep abreast of partner agencies.

5. Establish the Project Based Voucher Program.

Subject to availability of funds, the PHA envisions setting aside up to 200 project-based vouchers over a five-year period. The Honolulu's rail project is expected to provide new opportunities to develop affordable rental units along the rail line. Thus, it is expected that the highest number of PBV projects will be in the urban core.

C. Promote self-sufficiency and asset development of assisted households

Objectives:

1. Increase the number and percentage of employed persons in assisted families

For FY 2019, HUD required that the PHA have a minimum of 82 families participating in the FSS program. FSS had 105 families participating in the FSS program.

2. Provide or attract supportive services to improve assistance recipients' employability

An annual meeting of the FSS Program Coordinating Committee (PCC) will be held to cover all aspects of the Family Self-Sufficiency Program.

At least one main FSS PCC meeting will be held annually with more meetings scheduled as needed. Subcommittees consisting of, but not limited to, education, employment, and social services are being planned to allow more focus on specific areas, with experts in these areas. Additionally, FSS attends partner meetings in the community and at American Job Center. This allows the PHA to network with other community service providers with similar focuses. These focus-oriented meetings will provide opportunities for staff and providers to collaborate on new strategies and form new partnerships.

The PCC meeting was held on May 13, 2019. It focused on resource sharing with presentations from the Child Support Enforcement Agency, Social Security Administration, and Department of Human Services. Status updates from FSS and the Section 8 Rental Assistance Program were also presented.

3. Create and maintain asset-building initiative through community collaborations with Home Start, Home Start Plus, Office of Hawaiian Affairs (OHA) Programs, Aloha United Way (AUW), Other Housing Agencies

The PHA creates and maintains asset-building through the following initiatives:

1. The PHA works closely with Hale Kipa and the U.S. Veterans Administration. Hale Kipa refers aged out foster youth to the PHA. The PHA is able to offer the former foster youth Housing Choice Vouchers (HCV) through the Family Unification Program (FUP). The U.S. Department of Veterans Affairs (VA) refers Veterans to the PHA for the VA Supportive Housing Vouchers.
2. The PCC meetings are a forum to build new relationships and continue to strengthen connections with partnering agencies.

3. The PHA meets annually with HUD and other local PHAs. This allows the PHAs build camaraderie, find out best practices and continue assist one another in serving Section 8 families and landlords.
4. In order to recruit and retain landlords, the PHA offers to hold monthly Landlord briefings as well as upon request. The Landlord Specialist continues to find new landlords, previous landlords and helps to retain the current landlords. The Section 8 Staff which includes the housing specialists, inspectors, and the clerical teams continue to promote and maintain relationships with the landlords. The Landlord Specialist keeps abreast of the available funding for rapid rehousing services, security deposit, damage assistance, and any housing related concerns.

4. Provide homeownership program preference to families based on financial readiness

The HOP Administrative rules are being updated.

5. Apply for renewal of Family Self-Sufficiency Funding

The PHA applied for renewal of two Family Self-Sufficiency positions including a Supervisory Program Coordinator position and a Case Worker.

Homeownership Option Program (HOP) continues to be the top reason for enrollment as it provides assistance to families interested in homeownership by preparing families with financial readiness. The PHA is in the process of updating the HOP Administrative Plan. The HOP qualification process will be streamlined with the goal of only using staff time for those applicants that have the most promise of buying a home. After the HOP Administrative plan is approved, the PHA can reopen the waiting list.

D. Ensure equal opportunity and affirmatively further fair housing

Objectives:

1. Undertake affirmative measures to ensure program access to assisted housing regardless of race, color, religion, national origin, sex, familial status and disability

The PHA upholds and implements the Fair Housing rules and regulations. It ensures that the seven protective classes are able to get affordable housing and not be discriminated against.

2. Continue to provide language interpreter, signing, translation services to assisted households

The PHA continues to provide language interpreters when requested. The Section 8 Application was translated into five languages including Korean, Chuukese, Simplified Chinese, Mandarin/Cantonese, and Vietnamese. The PHA is planning to translate more key documents for the purpose of helping the Limited English Proficiency (LEP) population.

3. Appoint a representative to attend the quarterly Fair Housing Meetings

A representative from the PHA attends the quarterly Fair Housing Meeting. At these meetings, there are question and answer sessions, discussions on any updates to Fair Housing, and future plans and projects.

**E. Technological Advances for faster, more comprehensive communication
Objectives:**

The PHA's Facebook page was launched on March 4, 2019. The Page provides information on PHA activities, HUD requirements, trainings, and job openings.

The PHA is also working with a videographer to film an Inspection video. The video will provide information to Section 8 families and landlords regarding Housing Quality Standards (HQS) requirements.