



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

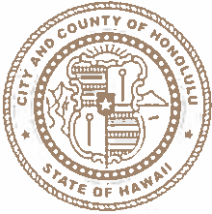
**Report No. 17-03
July 2017**

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
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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
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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]

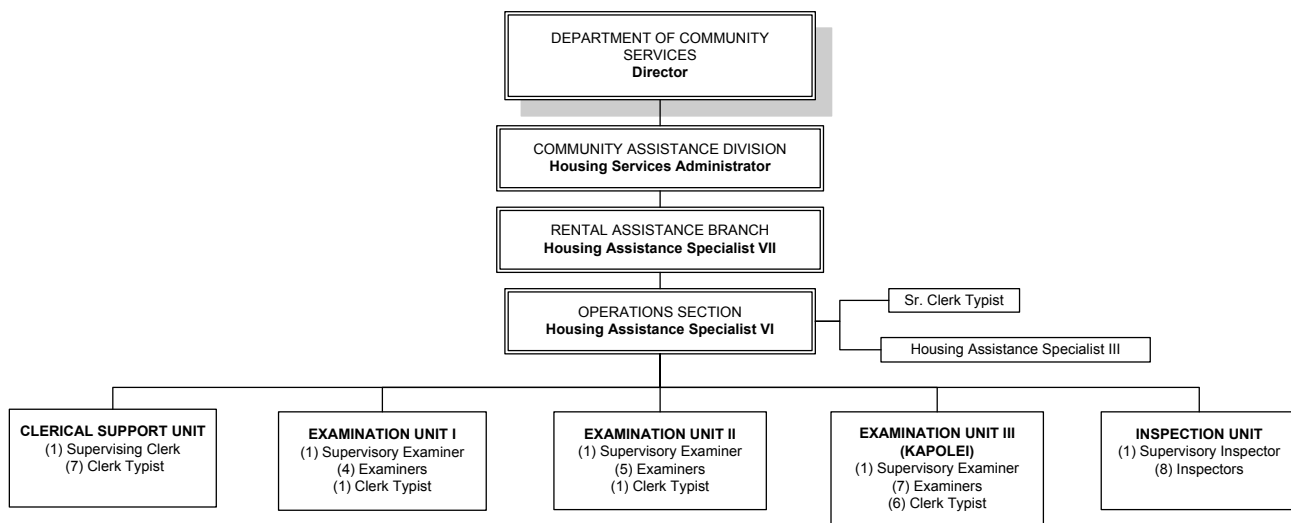
Very low-income family: A very low-income family is a family whose annual income does not exceed 50 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families. [24 CFR 5.603]

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

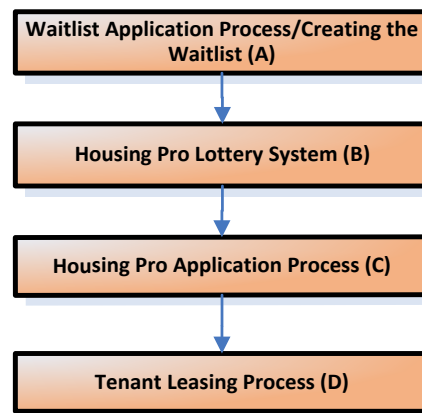
Exhibit 1.3 charts the program phases. Appendix A provides additional details. The program can be broken up into four phases:

- 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.

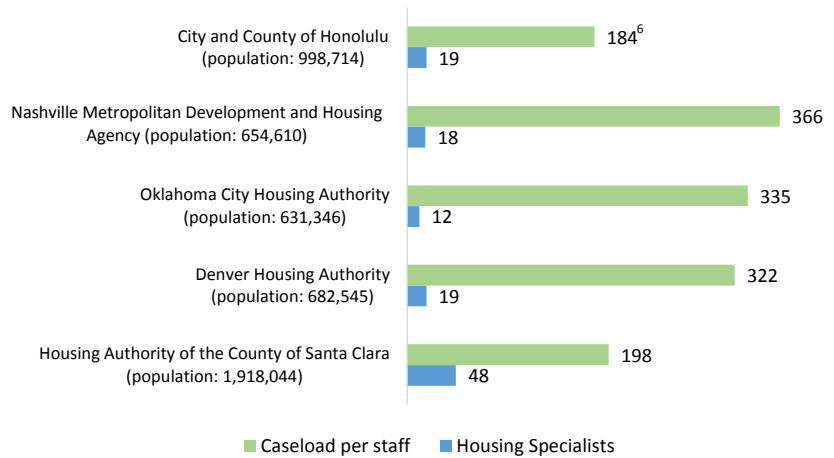
Honolulu ranks lower in caseload per staff compared to other jurisdictions

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.

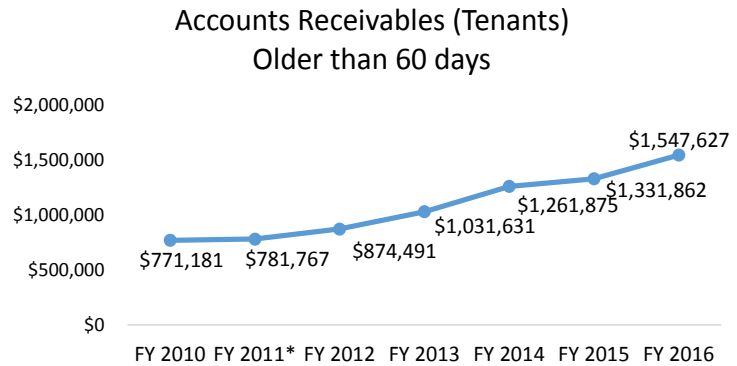
City collection policy

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

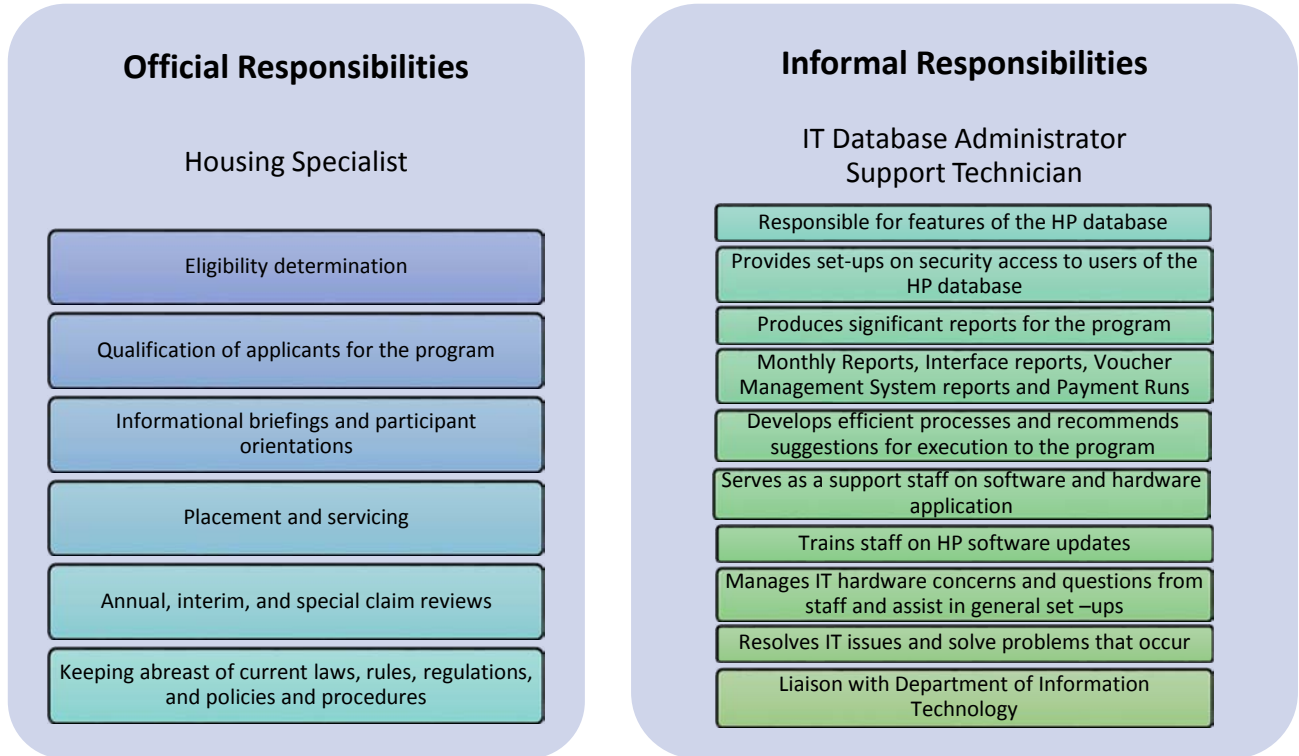
Best practices for proper segregation of duties in the Information Technology (IT) function includes having a high level of segregation of duties. A database administrator, for example, has complete system access and the ability to change or delete data. The database administrator should be separated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

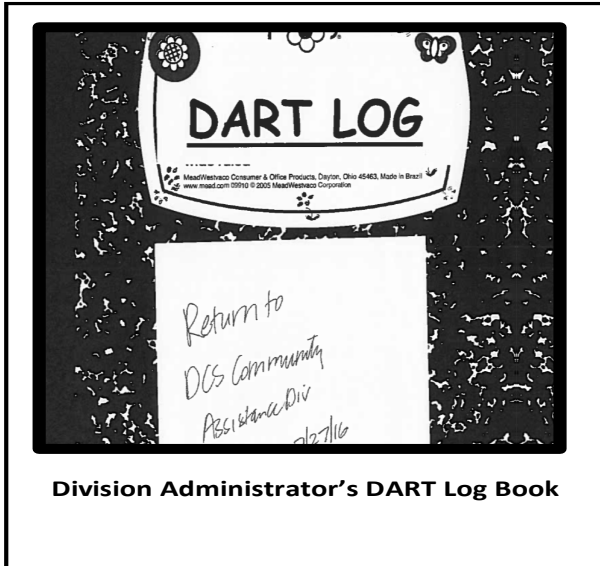
City Document and Record Tracking (DART)

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.

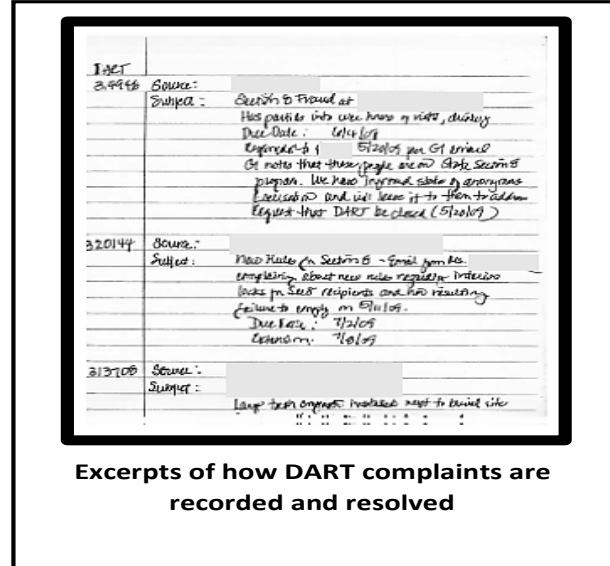
The city Document and Record Tracking (DART) system handles citywide complaints. When complaints are received, they are manually logged in a composition book by a program manager. However, complaints written in the composition book are not limited to the Section 8 program. According to program managers, 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 that of 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

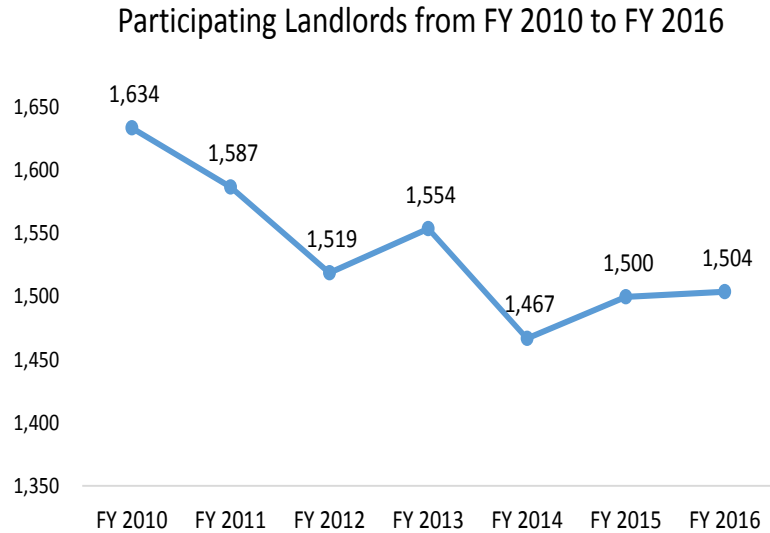
The program has an average participation of 1,537 landlords per year and served an average of 3,574 families annually. Landlord participation declined from FY 2010 to FY 2016 by percent. Exhibit 3.1 shows the number of participating landlords from FY 2010 to FY 2016¹².

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.

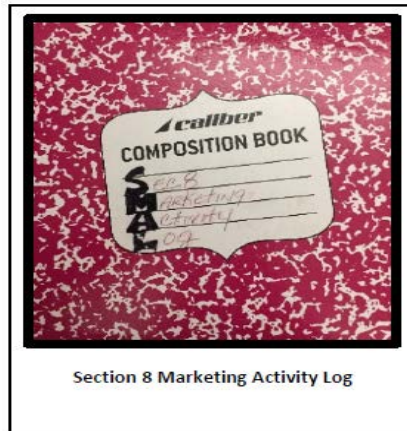
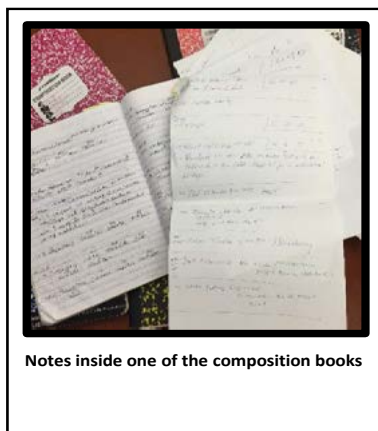
For the landlord briefing we attended, public notice of the briefing was only posted on bulletin boards outside the Section 8 offices. Although the DCS program contained a database that contained landlord information such as notes and dates of last contact, the database was not used to invite and attract 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.

¹⁴DCS 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:

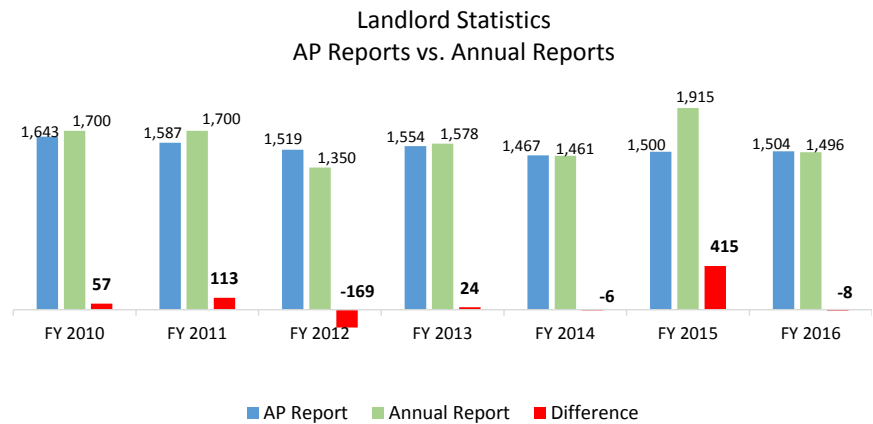
- We requested landlord statistics from FY 2010 to FY 2016. In one instance, we were directed to the department’s annual report. According to a program manager, the statistical reports are not readily available and the program might not be able to provide data as they have not been areas they needed 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

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

Housing specialist caseloads are uneven

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**

Homeless at Admission

The exhibit displays three screenshots of the Housing Pro admission form. Each form includes fields for Admission Date, Date Entered Waiting List, ZIP Code Before Admission, Homeless at Admission, Previous Census Tract, Admission Type, and WL Transfer Date. The 'Homeless at Admission' field is a radio button selection with 'Y' and 'N' options.

- Screenshot 1:** Shows 'Y' selected for 'Homeless at Admission (4c)'. An arrow points to this field with the text: "Five out of 31 (16%) applicants had the 'yes' selected".
- Screenshot 2:** Shows 'N' selected for 'Homeless at Admission (4c)'. An arrow points to this field with the text: "26 of 31 (58%) applicants either had the 'no' selected or did not have anything selected".
- Screenshot 3:** Shows 'N' selected for 'Homeless at Admission (4c)'. An arrow points to this field with the text: "26 of 31 (58%) applicants either had the 'no' selected or did not have anything selected".

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

The screenshot shows a web application interface for generating reports. The navigation bar includes 'Dashboard', 'Applications', 'Applicants', 'Reports', and 'Set'. The main content area is divided into several sections:

- Application List:** Report of the selected Applicants with basic Applicant data, grouped by Waiting List.
- Historical Waiting List:** Report of the selected Applications as of a specified date, grouped by Waiting List.
- Offers Report:** Report of the selected Applicants sorted by TIF Mailed Date, grouped by Waiting List.
- Statistics Report:** Report summarizing the Family Composition, Income and Bedroom Size, grouped by Waiting List.
- Income Characteristics Report:** Report summarizing Applicant Income, grouped by Waiting List.
- Preference Report:** Report showing the total number of applicants within each Preference grouped by Waiting List.
- Status Report:** Report of selected Applicants grouped by Waiting List, Status and Bedroom Size.

The 'Statistics Report' form is open, showing search criteria for 'Homeless' applicants. A message box above the form states: 'No records match the selected criteria. Please modify the criteria before attempting to access the reports.' The form includes fields for Agency, Waiting List, Market Area, State, Status (Active, Hold, Inactive), Status Date, Application Date, Bedroom Size, and Income Below 30%. A 'Generate Report' button is at the bottom of the form.

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.

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KIRK CALDWELL
MAYOR



17 JUL 20 10:56

CITY AND COUNTY OF HONOLULU

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR
GEORGETTE T. DESMON
DEPUTY MANAGING DIRECTOR

July 18, 2017

Mr. Edwin S.W. Young
City Auditor
Office of the City Auditor
1001 Kamokila 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.

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19. Improving the validity of the homeless applicant preference waitlist.

DCS Response:

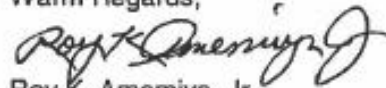
DCS agrees with this recommendation and is validating the homeless status for applicants being taken off the waitlist.

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

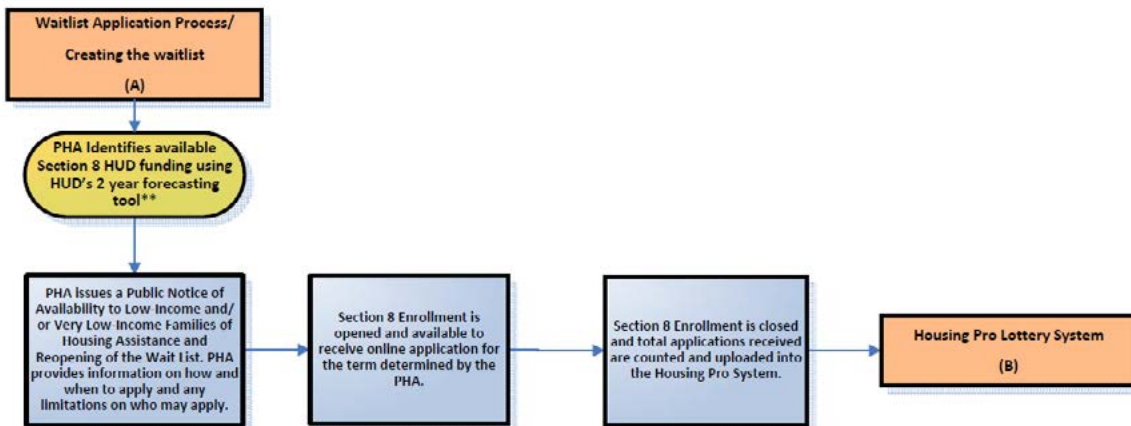
cc: Nelson H. Koyanagi, Jr., Director
Department of Budget & Fiscal Services
Gary K. Nakata, Director
Department of Community Services

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Appendix A

Section 8 Program Flowcharts (A to D)

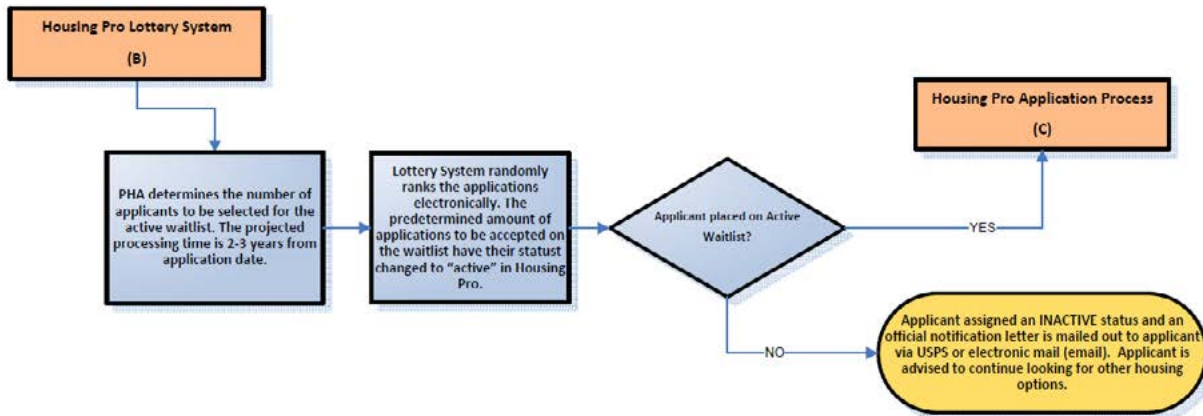
Section 8 Program Flowcharts: Waitlist Application Process (A)



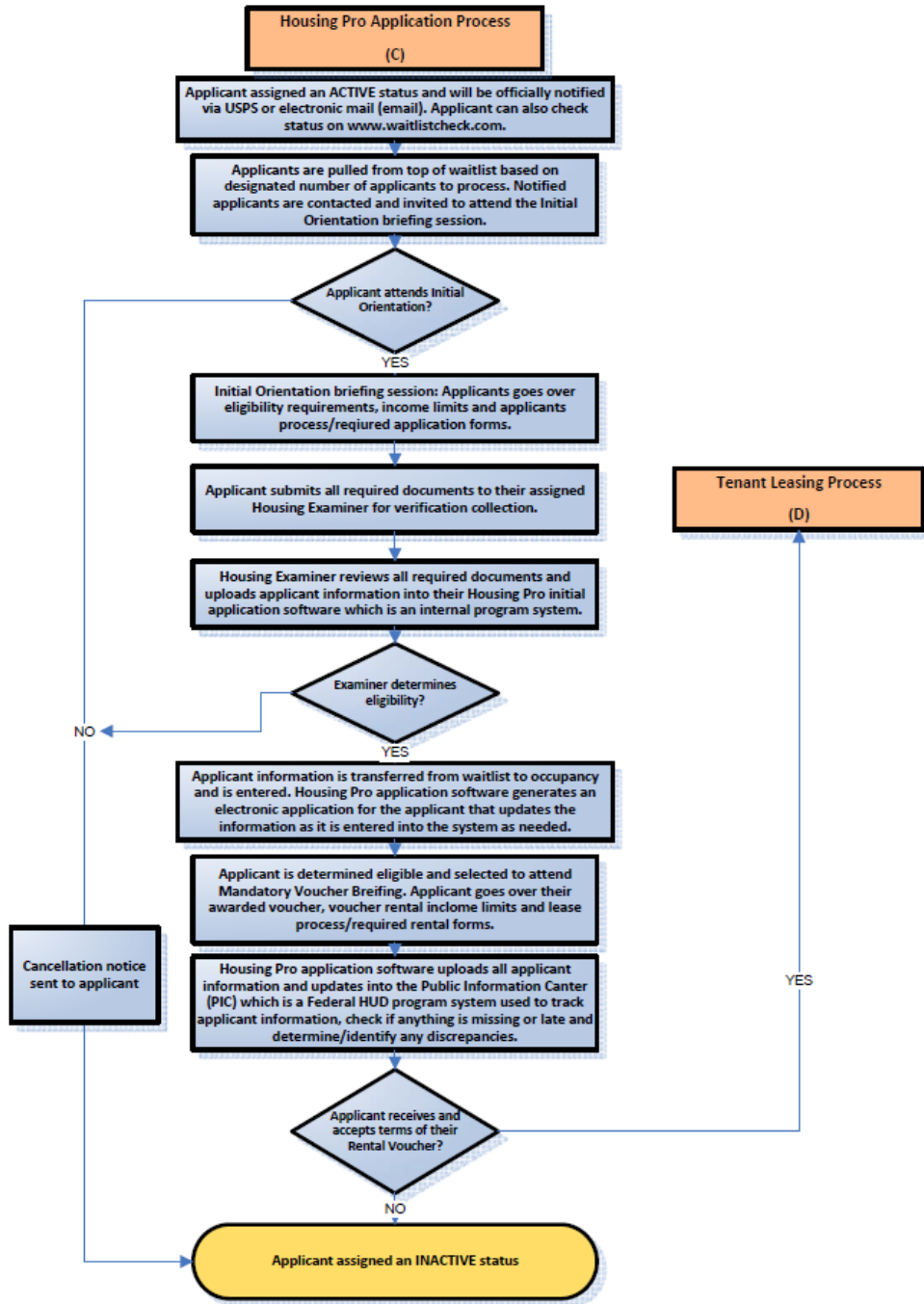
*Reopening of waitlist and exhaust all applicants on previous waitlist
**Based on projection (funding, attrition, per unit cost, success rate, etc.)

PHA-Public Housing Agency

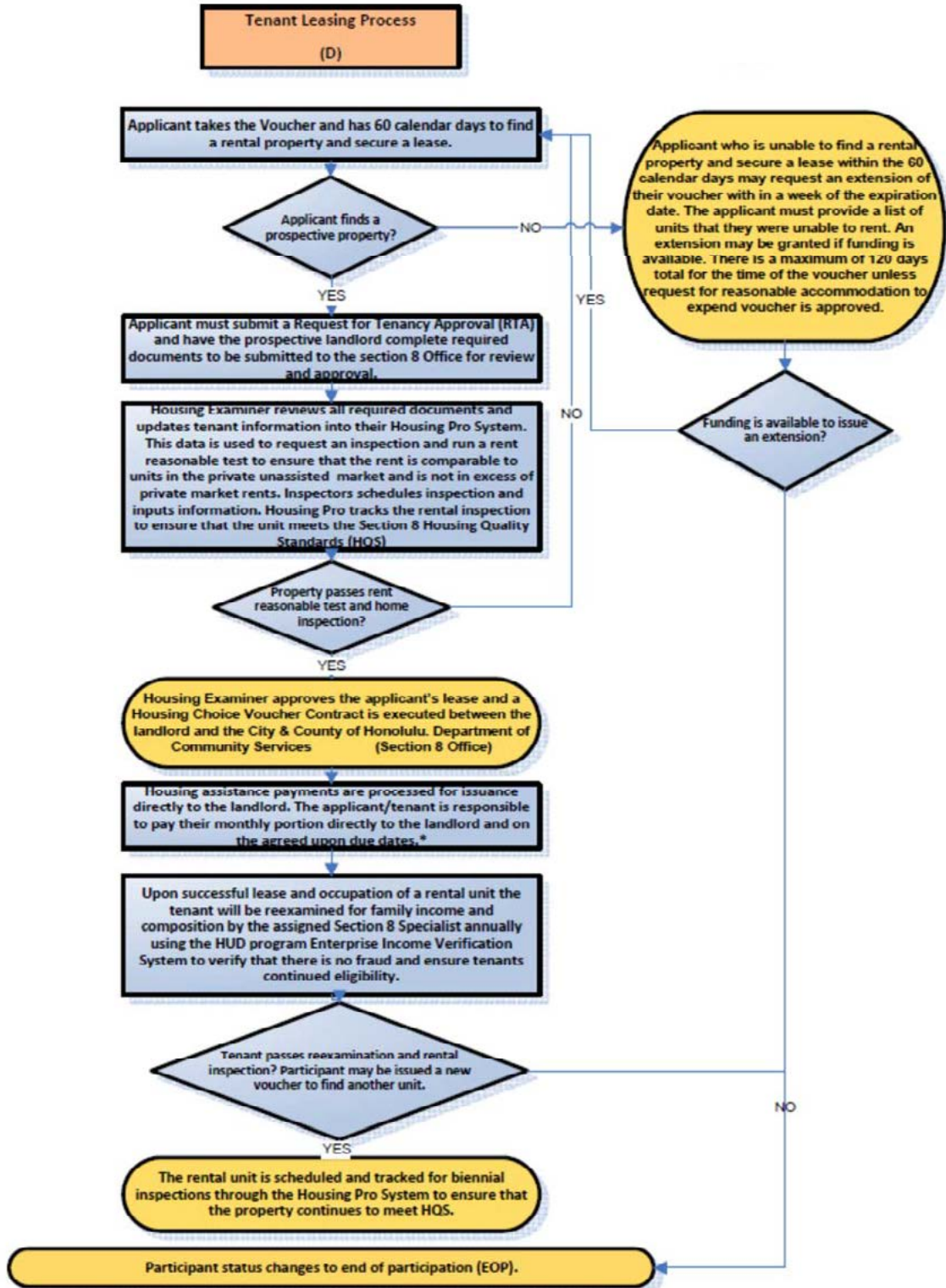
Section 8 Program Flowcharts: Housing Pro Lottery System (B)



Section 8 Program Flowcharts: Housing Pro Application Process (C)



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	Caseload per staff	Fraud/Complaints	Social media	Landlord Information
CA059	Housing Authority of the County of Santa Clara	CA	1,918,044	11,359	11,321	9,510	84%	2.3	\$517	\$1,536	\$17,662	96%	83%	119	164	9	67	48	198.12	Program Integrity/Reporting Fraud section Fraud hotline: 401-993-3000 Fraud allegation form (mail-in or drop-off) 4 staff persons for Fraud Investigation, Collections Fraud Alerts (website) Complaint Form	None reported	Landlord Resources (website) Owners Information Session, RSVP online Landlord Video
CO001	Denver Housing Authority	CO	682,545	6,854	6,802	6,122	90%	2.5	\$344	\$959	\$13,433	96%	81%	14	104	80	137	19	322.20	None reported	Facebook Twitter	Handbook for Landlords
HI003	City and County of Honolulu	HI	998,714	4,928	4,928	3,499	71%	2.9	\$487	\$1,331	\$19,797	96%	77%	18	135	77	166	19	184.15	Fraud Handouts in Rental Packet	None reported	Link to two private company Youtube Videos
IN017	Indianapolis Housing Agency	IN	853,173	8,617	8,617	7,324	85%	2.4	\$332	\$606	\$12,347	95%	74%	31	89	97	160	unavailable	unavailable	Fraud hotline: 1-866-411-8514 Fraud email Office of Special Investigations Avoid Housing Scams Video	Facebook YouTube	Landlord Resources (website) Monthly Lease-Up Fair for Owners
MA002	Boston Housing Authority	MA	667,137	14,438	14,371	13,221	92%	2.3	\$459	\$1,322	\$18,162	92%	76%	23	129	85	146	unavailable	unavailable	Fraud/Compliance Report Form Fraud Investigator Department of Grievances and Appeals	Facebook Flickr Constant Contact Blog	How to Become a Landlord (website)
OK002	Oklahoma City Housing Authority	OK	631,346	4,322	4,322	4,019	93%	2.3	\$237	\$554	\$10,056	93%	78%	6	81	85	102	12	334.96	None reported	Facebook	Information for Landlords (website)
TN005	Metropolitan Development and Housing Agency	TN	654,610	7,091	7,091	6,595	93%	2.5	\$326	\$671	\$13,603	94%	70%	14	88	96	151	12	549.55	Program Integrity-Fraud Detection & Investigation, Collections, Terminations, Hearings Fraud Reporting Form Service Complaint Reporting Form	Twitter Facebook	Landlord Forms/Downloads (Website)
TX431	Tarrant County Housing Assistance Office	TX	1,982,498	2,880	2,880	2,966	103%	2.6	\$345	\$706	\$13,767	95%	70%	68	83	90	102	unavailable	unavailable	Filing a complaint: - HUD contact number: 1-800-669-9777 - HUD Form 903 Online Complaint - Call, write or file in person at office	None reported	Mandatory Landlord Briefings (Dates listed) Landlord Forms/Downloads (Website) Landlord FAQs
TX559	Dallas County Housing Assistance Program	TX	2,553,385	4,460	4,409	4,144	94%	2.7	\$355	\$711	\$14,553	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 Tenancy Approval (60 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 Undated	No. of Forms missing
1	1/29/1992	11/3/1992	0years, 9months, 5days	23years, 7months, 27days	None	1/6/1997	P	Not available	10/29/2015	P	2/6/2002		N/A	11months, 20days	No	No	0	2
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	Yes	0	0
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	Yes	1	1
4	12/10/2001	3/4/2004	2years, 2months, 23days	12years, 3months, 26days	2/18/2004	2/21/2004	P	3/4/2004	8/5/2016	P	3/3/2005		3/30/2005	11months, 27days	No	Yes	0	0
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	#NUM!	No	Yes	0	0
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	Yes	0	0
7	7/18/1991	10/7/1991	0years, 2months, 19days	24years, 8months, 23days	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	No	No	0	2
					Not available	6/15/2001	P	Not available	6/14/2006	P	11/21/2001		N/A	Not available				
					Not available	Not available	Not available	12/19/2006	9/11/2012	P	8/2/2007		N/A	7months, 14days				
8	11/20/2003	2/3/2009	5years, 2months, 14days	7years, 4months, 27days	1/8/2009	2/3/2009	P	2/3/2009	12/30/2014	P	2/1/2010	2/1/2011	9/2/2011	11months, 29days	Yes	Yes	0	0
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	Yes	Yes	1	0
					1/4/2007	1/30/2007	P	1/30/2007	7/29/2009	P	1/23/2008		N/A	11months, 24days				
10	2/26/2003	8/14/2008	5years, 5months, 19days	7years, 10months, 16days	7/25/2008	8/11/2008	P	8/14/2008	8/11/2008	P	8/3/2009		12/16/2009	11months, 20days	Yes	Yes	0	0
					3/5/2010	4/15/2010	P	4/24/2010	1/26/2011	P	8/2/2010		N/A	3months, 9days				
11	11/12/2003	4/6/2009	5years, 4months, 25days	7years, 2months, 24days	6/9/2010	6/23/2010	P	6/24/2010	7/15/2015	P	N/A		8/2/2010	#VALUE!	No	Yes	0	0
					4/14/2009	4/3/2009	P	4/6/2009	1/8/2010	P	4/5/2010		N/A	11months, 30days				

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 Review²⁰ (Continued)

Participant	Waitlist Date	Active Status Date (Admission Date)	Length of waiting period till admission date	Total years in program YTD	Date of Request for Tenancy Approval (60 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 Undated	No. of Forms missing	
12	6/26/2001	10/1/2002	1years, 3months, 5days	13years, 8months, 29days	1/15/2016	2/4/2016	P	2/10/2016	4/18/2016	P	N/A		N/A	#VALUE!	No	Yes	0	0
					9/5/2012	10/19/2012	P	10/23/2012	8/6/2013	P	10/2/2013		1/2/2014	11months, 9days				
					9/1/2002	9/25/2002	P	10/1/2002	9/10/2012	P	9/27/2003		N/A	11months, 26days				
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	Yes	0	0
14	3/12/2002	11/24/2004	2years, 8months, 12days	11years, 7months, 6days	8/14/2014	8/29/2014	P	9/3/2014	7/1/2015	P	11/5/2014	11/4/2015	N/A	2months, 2days	No	Yes	1	1
					Not available	7/24/2012	P	7/25/2012	5/20/2013	P	10/26/2012	11/1/2013	N/A	3months, 1days				
					11/12/2004	11/22/2004	F	11/24/2004	6/26/2012	P	11/2/2012		N/A	11months, 9days				
15	Not available	4/2/1991	Cannot determine	25years, 2months, 28days	1/8/2014	10/14/2014	P	11/1/2014	8/6/2015	P	5/14/2015		N/A	6months, 13days	No	No	0	3
					10/27/2008	11/10/2008	P	12/1/2008	10/1/2014	P	5/1/2009		N/A	5months, 0days				
					Not available	Not available	Not available	Not available	Not available	Not available	Not available		Not available	Not available				
16	12/4/2001	1/27/2004	2years, 1months, 23days	12years, 5months, 3days	1/5/2004	1/27/2004	P	1/27/2004	12/9/2014	P	12/13/2004		2/1/2005	10months, 16days	No	Yes	0	0
17	6/9/1992	1/27/2009	16years, 7months, 18days	7years, 5months, 3days	Not available	8/20/2004	P	9/16/2004	6/20/2015	P	1/7/2015		11/4/2015	#NUM!	No	Yes	0	0
					5/2/2011	5/3/2011	P	5/11/2011	1/9/2014	P	1/4/2012		11/28/2011	7months, 24days				
					2/4/2009	1/24/2009	P	1/27/2009	10/21/2010	P	1/4/2010		4/1/2009	11months, 8days				
					Not available	7/9/2001	P	Not available	3/5/2003	P	Not available		Not available	Not available				
					Not available	Not available	Not available	Not available	Not available	Not available	Not available		Not available	Not available				
18	Not available	9/27/2001	Cannot determine	14years, 9months, 3days	3/22/2012	1/25/2012	P	3/1/2012	11/21/2012	P	10/26/2012		4/24/2013	7months, 25days	No	Yes	0	0
					1/13/2011	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	#NUM!				
19	8/4/1997	9/23/1997	0years, 1months, 19days	18years, 9months, 7days	10/20/2015	10/14/2015	P	Not available	Biennial Skip	N/A	11/4/2015		N/A	0months, 3days	No	No	1	3
					Not available	9/30/2014	P	10/1/2014	8/25/2015	P	11/5/2014		N/A	1months, 4days				
					Not available	7/8/2013	P	7/8/2013	5/6/2014	P	1/2/2014	1/22/2014	4/2/2014	5months, 25days				
					6/24/2012	5/24/2012	P	6/21/2012	3/8/2013	P	1/2/2013		N/A	6months, 12days				
					Not available	11/24/2004	P	11/24/2004	5/7/2012	P	1/4/2005		N/A	1months, 11days				

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 Review²⁰ (Continued)

Participant	Waitlist Date	Active Status Date (Admission Date)	Length of waiting period till admission date	Total years in program YTD	Date of Request for Tenancy Approval (60 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 Undated	No. of Forms missing
20	9/12/2003	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	Yes	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	Yes	0	0
22	9/5/2002	7/28/2014	11years, 10months, 23days	1years, 11months, 2days	7/2/2014	7/28/2014	P	7/28/2014	5/8/2015	P	7/1/2015		2/4/2016	11months, 3days	No	Yes	0	0
23	12/13/2004	9/4/2014	9years, 8months, 22days	1years, 9months, 26days	9/22/2014	9/4/2014	P	9/4/2014	7/2/2015	P	9/3/2015		3/3/2016 4/7/16	11months, 30days	No	Yes	0	0
24	Not available	2/27/2015	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	2/4/2016	4months, 4days	No	Yes	0	0
25	5/15/2004	10/14/2005	1years, 4months, 29days	10years, 8months, 16days	9/20/2015	10/7/2015	P	10/14/2015	N/A	Biennial Skip	N/A		1/4/16 8/4/16	Not available	Yes	Yes	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	Yes	0	0

Source: OCA Analysis & Department of Community Services

*P= Pass
F= Fail²⁰ 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.

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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
1000 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	Final Determination Letter	Housing Pro Verification Notes
	Admission Date	Termination Date	Reason	Corrective Action Take		
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)(i) <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)(i) <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 4/05 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	Final Determination Letter	Housing Pro Verification Notes
	Admission Date	Termination Date	Reason	Corrective Action Take		
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	12/26/2003	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

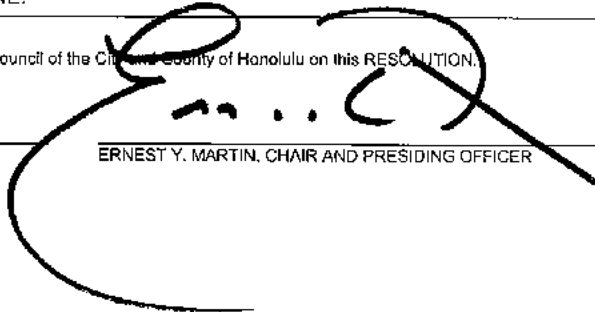
Title: RESOLUTION REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE CITY'S SECTION 8 TENANT-BASED ASSISTANCE PROGRAM.

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 I. TAKAHASHI, CITY CLERK


ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER